

Tungsten West Limited
Annual Report and Consolidated Financial Statements
Year Ended 31 March 2021
Registration number: 11310159

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Tungsten West Limited

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Tungsten West Limited

Company Information

Directors	Mr S L Fabian
	Mr F P H Johnstone
	Mr R W M Maxey
	Mr M C Denning
	Mr M E Thompson
Registered office	Shakespeare Martineau LLP 6th Floor 60 Gracechurch Street London EC3V 0HR
Auditors	PKF Francis Clark LLP North Quay House Sutton Harbour Plymouth Devon PL4 0RA

Tungsten West Limited

Directors' Report

Year Ended 31 March 2021

The directors present their report and the consolidated financial statements for the year ended 31 March 2021.

Directors' of the group

The directors, who held office during the year, were as follows:

Mr S L Fabian

Mr F P H Johnstone

Mr R W M Maxey (appointed 9 December 2020)

Mr M C Denning

Mr M E Thompson

Principal activity

The principal activity of the company is the mining of tungsten and tin.

Going concern

Company background

TWL acquired the Hemerdon Tungsten Mine and associated assets in December 2019. Since then, the site has been kept on care and maintenance during which technical studies have been undertaken into the re-opening of the mine. This culminated in the publishing of a Bankable Feasibility Study (BFS) in March 2021. The results of the BFS were positive, and TWL now plans to proceed with raising the required finance to undertake the changes required to the processing plant and to restart mining operation. The finance being raised consists of Project Finance debt, a Royalty Sale and the raising of common equity. Term sheets are in place for the Project Finance and Royalty Sale and a listing on the AIM Market is planned for September 2021 to raise the equity. In total the group are planning to raise in excess of £33m to complete the necessary capital works.

Recommencement of operations is expected 12 months after closing on the financing package.

Post year-end, £4.1m of equity has been raised in a pre-IPO round, leaving cash in the bank at circa £5m as of June 2021.

TWL can manage the levels of operational activity to match the available funds. As a consequence, the Directors believe that TWL is well placed to manage its business risks successfully.

Tungsten West Limited

Directors' Report

Year Ended 31 March 2021

Financial results

TWL made a loss before tax of £8.0m (2020: £4.5m) for the year and has a retained loss carried forward of £11.4m (2020: £3.4m) and net assets of £1.7m (2020: £2.6m). During the year, as planned, TWL focused on completion of the BFS while discharging environmental and social obligations under care and maintenance activities. Aside from some initial sales from the aggregates business the group generated no turnover during the year and was financed through multiple rounds of share capital investment.

The Company's cash-flow forecast includes the restart of mining operations 12 months after closing the financing package. In the event of a delay to the fundraising the Company could put the assets on a care & maintenance level of activity and this would allow the Company 12 months of working capital from current cash balances. It is noted that there remains significant shareholder support for the project if further capital were to be required.

It should be noted that the Company continues to monitor cash flow closely and has sought further share capital as required to maintain sufficient cash levels.

In order to manage cashflow, the Directors can delay procurement of significant capital outlays until the Project finance is in place.

Post year end trading

The company continues to be loss-making, in line with Directors' expectations. During this period the Group has focused on raising the necessary finance to recommence operations whilst continuing preliminary upgrades to its existing plant and machinery.

COVID-19

The outbreak of the COVID-19 pandemic and its continuing impact should not significantly impact TWL and its ability to trade as a going concern.

TWL has put in place working-from-home and COVID-19 safe protocols where appropriate and has ensured its sub-contractors adopt equally safe protocols. TWL has not needed to use the furlough scheme or other relief and has been able to retain key staff for the operation of the business.

In the event that the pandemic causes further disruption to the supply chain or availability of labour and machinery on site then any delay to the commencement of mining operations will be matched by a reduction in overhead and capital expenditure.

Market

The commodity prices for tungsten and tin appear resilient to the impact of COVID-19 such that the price of tungsten has remained above \$275/ mtu and therefore no impairment or provision over the assets or goodwill is considered necessary.

At the current time the Directors do not expect any long-term significant downturn in the commodity price.

Tungsten West Limited

Directors' Report

Year Ended 31 March 2021

Working Capital

The Directors confirm that they are satisfied that TWL will have sufficient resources to continue in business for the foreseeable future. This has been determined by a review of forecast cash flows and consideration of the expected trading performance for a period of at least 18 months from the date these accounts.

Key shareholders remain supportive of the business.

Operational Risk

The future success of the group is predicated on the successful implementation of the Bankable Feasibility Study and generating commercially viable tungsten and tin recoveries. Until the plant and machinery upgrade is complete and this process proven, there remains an element of risk that the efficiencies as laid out in the Bankable Feasibility Study may not be achieved. At the current time the Directors remain confident that following the raising of sufficient project finance that the recommencement of mining activities will be successful.

Going Concern

After making enquiries, the Directors have formed a judgement at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future including should it be necessary reducing activity to care and maintenance operations only. The Group had circa £5m in the bank as of 30 June 2021. TWL can manage the levels of operational activity to match the available funds. However, should the AIM listing be delayed, the Company will seek to raise further private equity finance. The fund raise which occurred in June 2021 was oversubscribed and the Directors remain confident that further funds could be raised via this route if required, albeit at a likely discount to the listing share price. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Important non adjusting events after the financial period

Post year end the group raised capital totalling £4,123,149 through the issue of share capital. The group also made a capital reduction for £10,000,000 from share premium to retained earnings.

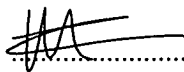
Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Small companies provision statement

The report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within part 15 of the Companies Act 2006.

Approved by the Board on 02/09/2021 and signed on its behalf by:



Mr M C Denning
Director

Tungsten West Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tungsten West Limited

Independent Auditor's Report to the Members of Tungsten West Limited

Opinion

We have audited the financial statements of Tungsten West Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Tungsten West Limited

Independent Auditor's Report to the Members of Tungsten West Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Tungsten West Limited

Independent Auditor's Report to the Members of Tungsten West Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and industry, we identified the principal risks of non-compliance with laws and regulations related to acts by the company which were contrary to applicable laws and regulations, including fraud.

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (IFRS and Companies Act 2006) and the relevant tax compliance regulations in the UK. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty, including compliance with the Health and Safety at Work etc Act 1974 and the ongoing monitoring requirements imposed by the UK Environment Agency under the Environment Act 1995. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting.

Audit procedures performed by the engagement team include, but were not limited to, discussions and inquiries with management of compliance with laws and regulations and review of significant legal costs incurred in the year as well as correspondence with the UK Environment Agency. We also addressed the risk of management override of internal controls, including testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud with a particular reference to the key accounting estimates as set out in Note 2.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters

Tungsten West Limited was eligible for audit exemption and did not opt to have an audit for the year ended 31 March 2020 and consequently the comparative information, which is derived from those financial statements, is unaudited.

Tungsten West Limited

Independent Auditor's Report to the Members of Tungsten West Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

D Leslie

Duncan Leslie FCA (Senior Statutory Auditor)
PKF Francis Clark LLP, Statutory Auditor

North Quay House
Sutton Harbour
Plymouth
Devon
PL4 0RA

Date: 07/09/21

Tungsten West Limited

Consolidated Income Statement

Year Ended 31 March 2021

	Note	2021 £	Unaudited 2020 £
Revenue	3	40,170	-
Cost of sales		<u>(4,426,818)</u>	<u>(3,351,482)</u>
Gross loss		(4,386,648)	(3,351,482)
Administrative expenses		(2,511,811)	(777,123)
Other operating income	4	3,612	11,115
Other gains/(losses)	5	<u>(24,301)</u>	<u>(125,698)</u>
Operating loss	6	<u>(6,919,148)</u>	<u>(4,243,188)</u>
Finance income		112,005	13,161
Finance costs		<u>(1,174,640)</u>	<u>(276,826)</u>
Net finance cost	7	<u>(1,062,635)</u>	<u>(263,665)</u>
Loss before tax		(7,981,783)	(4,506,853)
Income tax credit	11	<u>-</u>	<u>1,075,520</u>
Loss for the year		<u><u>(7,981,783)</u></u>	<u><u>(3,431,333)</u></u>
Profit/(loss) attributable to:			
Owners of the company		<u><u>(7,981,783)</u></u>	<u><u>(3,431,333)</u></u>

The above results were derived from continuing operations.

Tungsten West Limited

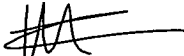
Consolidated Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £	Unaudited 31 March 2020 £
Assets			
Non-current assets			
Property, plant and equipment	12	4,367,271	4,394,041
Right of use assets	13	1,611,788	1,645,449
Intangible assets	14	4,919,853	4,919,853
Deferred tax assets	11	1,067,978	1,073,634
Escrow funds receivable	16	10,058,470	9,946,324
		<u>22,025,360</u>	<u>21,979,301</u>
Current assets			
Trade and other receivables	17	544,297	399,359
Cash and cash equivalents	18	3,499,580	2,721,879
		<u>4,043,877</u>	<u>3,121,238</u>
Total assets		<u>26,069,237</u>	<u>25,100,539</u>
Equity and liabilities			
Equity			
Share capital	19	(6,856)	(5,139)
Share premium		(12,327,484)	(5,991,124)
Share option reserve		(67,840)	(4,896)
Warrant reserve		(754,586)	(61,000)
Retained earnings		<u>11,413,116</u>	<u>3,431,333</u>
Equity attributable to owners of the company		<u>(1,743,650)</u>	<u>(2,630,826)</u>
Non-current liabilities			
Loans and borrowings	20	(11,728,780)	(11,000,369)
Provisions	22	(9,964,824)	(9,620,615)
Deferred tax liabilities	11	<u>(1,067,978)</u>	<u>(1,073,634)</u>
		<u>(22,761,582)</u>	<u>(21,694,618)</u>
Current liabilities			
Trade and other payables	23	(1,487,721)	(728,588)
Loans and borrowings	20	<u>(76,284)</u>	<u>(46,507)</u>
		<u>(1,564,005)</u>	<u>(775,095)</u>
Total liabilities		<u>(24,325,587)</u>	<u>(22,469,713)</u>
Total equity and liabilities		<u>(26,069,237)</u>	<u>(25,100,539)</u>

Tungsten West Limited

Consolidated Statement of Financial Position as at 31 March 2021

Approved by the Board on ...02/09/2021... and signed on its behalf by:


.....
Mr M C Denning
Director

Company Registration Number: 11310159

Tungsten West Limited

Company Statement of Financial Position

31 March 2021

		31 March 2021 £	Unaudited As restated 31 March 2020 £
	Note		
Assets			
Non-current assets			
Property, plant and equipment	12	32,773	-
Right of use assets	13	45,146	-
Investments in subsidiaries, joint ventures and associates	15	4,256,990	4,194,046
		<u>4,334,909</u>	<u>4,194,046</u>
Current assets			
Trade and other receivables	17	9,625,120	5,104,127
Cash and cash equivalents	18	3,270,809	2,721,879
		<u>12,895,929</u>	<u>7,826,006</u>
Total assets		<u>17,230,838</u>	<u>12,020,052</u>
Equity and liabilities			
Equity			
Share capital	19	(6,856)	(5,139)
Share premium		(12,327,484)	(5,991,124)
Share option reserve		(67,840)	(4,896)
Warrant reserve		(754,586)	(61,000)
Retained earnings		7,069,210	4,315,796
Total equity		<u>(6,087,556)</u>	<u>(1,746,363)</u>
Non-current liabilities			
Loans and borrowings	20	(10,330,563)	(9,548,100)
Current liabilities			
Trade and other payables	23	(784,937)	(725,589)
Loans and borrowings	20	(27,782)	-
		<u>(812,719)</u>	<u>(725,589)</u>
Total liabilities		<u>(11,143,282)</u>	<u>(10,273,689)</u>
Total equity and liabilities		<u>(17,230,838)</u>	<u>(12,020,052)</u>

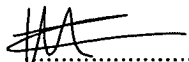
The company made a loss for the financial year of £2,753,414 (2020: £4,315,796).

Tungsten West Limited

Company Statement of Financial Position

31 March 2021

Approved by the Board on 02/09/2021 and signed on its behalf by:


.....

Mr M C Denning
Director

Company Registration Number: 11310159

Tungsten West Limited

Consolidated Statement of Changes in Equity

Year Ended 31 March 2021

	Share capital £	Share premium £	Share option reserve £	Warrant reserve £	Retained earnings £	Total £
At 1 April 2020	5,139	5,991,124	4,896	61,000	(3,431,333)	2,630,826
Loss for the year	-	-	-	-	(7,981,783)	(7,981,783)
Total comprehensive income	-	-	-	-	(7,981,783)	(7,981,783)
New share capital subscribed	1,717	7,029,946	-	-	-	7,031,663
Warrant issue	-	(693,586)	-	693,586	-	-
Issue of share options	-	-	62,944	-	-	62,944
At 31 March 2021	6,856	12,327,484	67,840	754,586	(11,413,116)	1,743,650

	Share capital £	Share premium £	Share option reserve £	Warrant reserve £	Retained earnings £	Total £
Unaudited						
At 1 April 2019	1	-	-	-	-	1
Loss for the year	-	-	-	-	(3,431,333)	(3,431,333)
Total comprehensive income	-	-	-	-	(3,431,333)	(3,431,333)
New share capital subscribed	5,138	6,052,124	-	-	-	6,057,262
Warrant issue	-	(61,000)	-	61,000	-	-
Issue of share options	-	-	4,896	-	-	4,896
At 31 March 2020	5,139	5,991,124	4,896	61,000	(3,431,333)	2,630,826

The notes on pages 18 to 49 form an integral part of these financial statements.
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Tungsten West Limited

Company Statement of Changes in Equity

Year Ended 31 March 2021

	Share capital £	Share premium £	Share option reserve £	Warrant reserve £	Retained earnings £	Total £
At 1 April 2020	5,139	5,991,124	4,896	61,000	(4,315,796)	1,746,363
Loss for the year	-	-	-	-	(2,753,414)	(2,753,414)
Total comprehensive income	-	-	-	-	(2,753,414)	(2,753,414)
New share capital subscribed	1,717	7,029,946	-	-	-	7,031,663
Warrant issue	-	(693,586)	-	693,586	-	-
Issue of share options	-	-	62,944	-	-	62,944
At 31 March 2021	<u>6,856</u>	<u>12,327,484</u>	<u>67,840</u>	<u>754,586</u>	<u>(7,069,210)</u>	<u>6,087,556</u>

Unaudited As restated	Share capital £	Share premium £	Revaluation reserve £	Warrant reserve £	Retained earnings £	Total £
At 1 April 2019	1	-	-	-	-	1
Loss for the year	-	-	-	-	(4,315,796)	(4,315,796)
Total comprehensive income	-	-	-	-	(4,315,796)	(4,315,796)
New share capital subscribed	5,138	6,052,124	-	-	-	6,057,262
Warrant issue	-	(61,000)	-	61,000	-	-
Issue of share options	-	-	4,896	-	-	4,896
At 31 March 2020	<u>5,139</u>	<u>5,991,124</u>	<u>4,896</u>	<u>61,000</u>	<u>(4,315,796)</u>	<u>1,746,363</u>

The notes on pages 18 to 49 form an integral part of these financial statements.
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Tungsten West Limited

Consolidated Statement of Cash Flows

Year Ended 31 March 2021

	Note	2021 £	Unaudited 2020 £
Cash flows from operating activities			
Loss for the year		(7,981,783)	(3,431,333)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	170,506	44,760
Impairment of property plant and equipment		79,478	-
Finance income	7	(112,005)	(13,161)
Finance costs	7	1,174,640	276,826
Share based payment transactions		62,944	4,896
Income tax expense	11	-	(1,075,520)
		(6,606,220)	(4,193,532)
Working capital adjustments			
Increase in trade and other receivables	17	(147,786)	(396,650)
Increase/(decrease) in trade and other payables	23	759,352	(1,871,412)
Net cash flow from operating activities		(5,994,654)	(6,461,594)
Cash flows from investing activities			
Interest received	7	2,707	13,161
Acquisitions of property plant and equipment		(135,437)	-
Payments to acquire investments in subsidiary undertakings	16	-	(4,189,050)
Payments towards escrow funds		-	(1,800,000)
Net cash flows from investing activities		(132,730)	(5,975,889)
Cash flows from financing activities			
Interest paid	7	(66,591)	(28,826)
Proceeds from issue of ordinary shares, net of issue costs		7,031,663	6,057,262
Proceeds from issue of convertible debt, net of issue costs		-	9,300,000
Payments to lease liabilities		(59,987)	(169,074)
Net cash flows from financing activities		6,905,085	15,159,362
Net increase in cash and cash equivalents		777,701	2,721,879
Cash and cash equivalents at 1 April		2,721,879	-
Cash and cash equivalents at 31 March		3,499,580	2,721,879

The notes on pages 18 to 49 form an integral part of these financial statements.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:

Shakespeare Martineau LLP
6th Floor
60 Gracechurch Street
London
EC3V 0HR
United Kingdom

The principal place of business is:

Hemerdon Mine
Drakelands
Plympton
Devon
PL7 5BS

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules. The company previously presented accounts under UK GAAP. No adjustments were required as a result of transitioning to adopted IFRS. No group financial statements have previously been prepared meaning this is the first set under adopted IFRS.

The financial statements are presented in Sterling, which is the functional currency of the group.

Going concern

The Directors have carefully considered the Group's financial position, liquidity and future cash-flow requirements. As set out in the Directors Report, the Group is proceeding with plans to raise the required finance to undertake the changes required to the processing plant and to restart mining operation. Post year end the Company completed a further capital raise of £3.8m which added to existing cash reserves (£1.1m) will give it sufficient working capital to maintain existing care and maintenance activities until the required finance package is expected to be in place. Should the expected fund raising be delayed the Directors believe that the Company has sufficient funding available to allow the mine to continue to operate in its current form for a period of at least 12 months from the date of approval of these financial statements.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Accordingly based on the forecasts the directors have prepared, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and they believe it is appropriate to apply the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2021. No profit and loss account is presented for Tungsten West Limited, as permitted by section 408 of the Companies Act 2006. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries of the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed as at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, including deferred tax if required. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 April 2020 have had a material effect on the financial statements.

Prior period adjustments

Tungsten West Limited previously published unaudited 2020 accounts. The comparatives to these accounts have been restated to reflect the accounting policies of the group now required.

	Originally stated 31/03/20	Adjustment	As restated 31/03/20
Statement of Financial Position:			
Investments	2,933,600	1,260,446	4,194,046
Inventories	3,483,219	(3,483,219)	-
Trade and other receivables	6,299,254	(1,195,127)	5,104,127
Equity	(6,415,722)	353,563	(6,062,159)
Retained earnings	836,529	3,489,059	4,325,588
Trade and other payables	(310,659)	(414,930)	(725,589)
Income Statement:			
Cost of sales	613,999	2,666,242	3,280,241
Administrative expenses	35,131	697,119	732,250
Other gains/(losses)	-	125,698	125,698

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

The main adjustments to investments and Trade and other receivables was to account for the investment in Drakelands Restoration Limited. The adjustment to Inventories and the profit and loss was to write off costs capitalised not recoverable at the 2020 year end. The correction to Trade and other payables was to correctly account for year end accruals not previously recognised relating to the 2020 year end.

Revenue recognition

In the year revenue has mainly related to the sale of aggregates produced from the mining waste from excavations. This is recognised on delivery to customers at the fair value of consideration receivable at that date. The group has not yet commenced commercial sales of tungsten and tin.

Tax

Income tax expense consists of the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported for accounting purposes because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for tax matters that are uncertain if it is considered probable that there will be a future outflow of funds to a tax authority. The provision is measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the company

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The group intends to submit research and development tax credit claims. The group accounts for a claim at the point it has been approved by HMRC.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Property, plant and equipment

Land and buildings are stated at the cost less any depreciation or impairment losses subsequently accumulated (cost model). Land and buildings have been uplifted to fair value on consolidation.

Plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land	None
Building	2% Straight Line
Fixtures and fittings	5% - 20% Straight Line
Plant and machinery	20% Straight Line
Motor vehicles	33% Straight Line

Goodwill

Goodwill is recognised at cost and reviewed for impairment annually.

Intangible assets

Contractual mining rights as set out in the mining lease are recognised as a separate intangible asset on consolidation under IFRS3.

The mining rights are subject to amortisation over the useful life of the mine which is 23 years. Amortisation will be charged from the date the mine is brought into use.

Right-of-use asset

Right-of-use assets consist of a lease for the Hemerdon Mine and two property leases under IFRS16. These assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Research and development activities

All research costs are expensed. Costs related to the development of products are capitalised when they meet the following conditions:

- (i) It is technically feasible to complete the development so that the product will be available for use or sale.
- (ii) It is intended to use or sell the product being developed.
- (iii) The Group is able to use or sell the product being developed.
- (iv) It can be demonstrated that the product will generate probable future economic benefits.
- (v) Adequate technical, financial and other resources exist so that product development can be completed and the product subsequently used or sold.
- (vi) Expenditure attributable to the development can be reliably measured.

All other development expenditure is recognised as an expense in the period in which it is incurred.

Capitalised development costs are stated at cost less accumulated amortisation and accumulated impairment losses (cost model). Amortisation is recognised using the straight-line basis and results in the carrying amount being expensed in profit or loss over the estimated useful lives which range from 5 to 15 years.

Exploration for and evaluation of mineral resources

Costs relating to the exploration for and evaluation on mineral resources are expensed.

Investments

Fixed asset investments are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade and other receivables where payment is due within one year do not constitute a financing transaction and are recorded at the undiscounted amount expected to be received, less attributable transaction costs. Any subsequent impairment is recognised as an expense in profit or loss.

All trade and other receivables are subsequently measured at amortised cost, net of impairment.

Escrow funds

These funds are held with a third party to be released to the group as it settles its obligation to restore the mining site once operations cease. The debtor has been discounted to present value assuming the funds will be receivable in 24 years time which assumes 1 year of set up and 23 year useful life of mining operations.

Trade payables

Trade and other payables are initially recognised at fair value less attributable transaction costs. They are subsequently measured at amortised cost.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Convertible debt

The redemption of convertible debt does not give rise to a fixed number of shares on conversion and so is recognised as a liability with no equity element initially recorded at the amount of proceeds received. Interest compounds annually at a rate of 8% but shall not be payable until the maturity date.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

This includes a provision for the obligation to restore the mining site once mining ceases.

Leases

At inception of the contract, the company assesses whether a contract is, or contains, a lease. It recognises a right-of-use asset and a corresponding lease liability with respect to all material lease arrangements in which it is the lessee. The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Share options granted to shareholders classified as equity instruments are accounted for at the fair value of cash received or receivable. Share options granted to shareholders which represent a future obligation for the company outside of its control are recognised as a financial liability at fair value through profit and loss.

Share options granted to employees are fair valued at the date of grant with the cost recognised over the vesting period. If the employee is employed in a subsidiary company the cost is added to the investment value, in the financial statements of the parent, and the expense recognised in staff costs in the statements of the subsidiary.

Warrants issued in return for a service are classified as equity instruments and measured at the fair value of the service received. Where the service received relates to the issue of shares the cost is debited against the proceeds received in share premium.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and the mining restoration provision.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

In particular the group has recognised a financial liability arising from the founder share incentives at fair value. Subsequent movements in fair value are recognised through profit or loss.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Derecognition

Financial assets

The group derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the valuation of financial instruments as explained in more detail below:

Restoration provision

The restoration provision is for the contractual obligation to restore the mining site back to its original state once mining ceases. The provision is equal to the expected outflows that will be incurred at the end of the mine's useful life discounted to present value. As the restoration work will predominantly be completed at the end of the mine's useful life, which is estimated to be 24 years in the future, these calculations are subject to a high degree of estimation uncertainty.

The provision has been discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The ultimate costs to restore the mine are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. Management have considered these risks and used a discount rate of 1.1% (2020: 1.1%), an inflation rate of 2.5% (2020: 2.5%) and an estimated mining period of 25 years (as above). At the reporting date these assumptions represent managements best estimate of the present value of the future restoration costs.

Capitalisation of costs

Directors have reviewed any costs relating to evaluating the technical feasibility of processing the extracted tungsten ore and have expensed these costs in line with the current policy. Directors have also reviewed Research and development costs and concluded that these costs fail to meet to criteria set out in IAS38 for the capitalisation of development costs as they still consider that they are in the research phase. The group will commence capitalisation of development costs at the point when available finance has been secured to complete the project in accordance with IAS38.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Acquisition of Drakelands Restoration Limited

Under IFRS3 the Directors have recognised a Mining Right intangible asset and an adjustment to the value of freehold property acquired in the consolidated financial statements. The recognition of these assets under acquisition accounting represents a significant judgement in the financial statements. The value of the freehold property was based on an independent valuation completed around the time of acquisition. The mining right value is based on discounted future expected cash flows over the life of the mine. This includes significant judgements regarding the life of the mine, the discount rate used, the technical feasibility of the project and the resultant estimate of future cash flows.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

The company has had to assess reasonable discount rates based on market factors to use under IFRS. These discount rates have been used on the Right-of-use assets, Escrow funds and the Restoration provision. The discount rate on the Right-of-use asset is the rate for an equivalent debt instrument. The Escrow funds are discounted at the yield on an equivalent long-term UK government bond. The Restoration provision is discounted at the risk free rate plus a premium based on the specific risk associated with this liability.

3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2021	2020
	£	£
Sale of goods	40,170	-

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2021	2020
	£	£
Sub lease rental income	3,612	11,115

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2021	2020
	£	£
Gains/(losses) on founder share incentives	(24,301)	(125,698)

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

6 Operating profit

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	170,506	44,760
Impairment loss	79,478	-
Operating lease expense - property	<u>34,941</u>	<u>62,751</u>

7 Finance income and costs

	2021 £	2020 £
Finance income		
Interest income on the escrow funds receivable	112,005	13,161
Finance costs		
Interest expense on other financing liabilities	(830,431)	(276,826)
Interest cost on the restoration provision	<u>(344,209)</u>	<u>-</u>
Total finance costs	<u>(1,174,640)</u>	<u>(276,826)</u>
Net finance costs	<u>(1,062,635)</u>	<u>(263,665)</u>

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	1,649,726	289,161
Social security costs	118,725	738
Pension costs, defined contribution scheme	<u>62,599</u>	<u>2,562</u>
	<u>1,831,050</u>	<u>292,461</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Administration and support	29	1
Management	<u>5</u>	<u>4</u>
	<u>34</u>	<u>5</u>

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	<u>332,000</u>	<u>224,000</u>

Included in the remuneration above was Nil (2020: £72,000) paid in shares rather than cash.

In respect of the highest paid director:

	2021 £	2020 £
Remuneration	150,000	100,000

10 Auditors' remuneration

	2021 £	2020 £
Audit of these financial statements	<u>19,700</u>	<u>-</u>
Other fees to auditors		
Audit-related assurance services	14,300	-
Auditor's remuneration - Accounts preparation	<u>6,000</u>	<u>-</u>
	<u>20,300</u>	<u>-</u>

11 Income tax

Tax charged/(credited) in the income statement

	2021 £	2020 £
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>-</u>	<u>(1,075,520)</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

	2021 £	2020 £
Loss before tax	<u>(7,981,783)</u>	<u>(4,506,853)</u>
Corporation tax at standard rate	(1,516,539)	(856,302)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	48,964	56,371
Decrease (increase) from tax losses for which no deferred tax asset was recognised	<u>1,467,575</u>	<u>(275,589)</u>
Total tax credit	<u>-</u>	<u>(1,075,520)</u>

Deferred tax

Group 2021

	Intangibles £	Tangibles £	Losses £	Other £	Total £
At 1 April 2020	730,423	343,211	(1,026,514)	(47,120)	-
Charged to profit and loss	-	(5,657)	5,657	-	-
At 31 March 2021	<u>730,423</u>	<u>337,554</u>	<u>(1,020,857)</u>	<u>(47,120)</u>	<u>-</u>

The net deferred tax of nil is made up of a liability of £1,067,977 and asset of £1,067,977.

The unrecognised deferred tax asset for carried forward losses at 2021 was £1,466,154.

2020

	Intangibles £	Tangibles £	Losses £	Other £	Total £
At 1 April 2019	-	-	-	-	-
Acquisition balances	730,423	345,097	-	-	1,075,520
Charged to profit and loss	-	(1,886)	(1,026,514)	(47,120)	(1,075,520)
At 31 March 2020	<u>730,423</u>	<u>343,211</u>	<u>(1,026,514)</u>	<u>(47,120)</u>	<u>-</u>

The net deferred tax of nil is made up of a liability of £1,073,635 and asset of £1,073,635.

The unrecognised deferred tax asset for carried forward losses at at 2020 was £4,012.

Company

The unrecognised deferred tax asset for carried forward losses as at 2021 was £524,190 .

The unrecognised deferred tax asset for carried forward losses as at 2020 was £4,012.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

12 Property, plant and equipment

Group

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost or valuation					
At 1 April 2019	-	-	-	-	-
Acquired through business combinations	4,416,300	-	-	-	4,416,300
At 31 March 2020	4,416,300	-	-	-	4,416,300
At 1 April 2020	4,416,300	-	-	-	4,416,300
Additions	-	34,289	8,740	92,408	135,437
At 31 March 2021	4,416,300	34,289	8,740	92,408	4,551,737
Depreciation					
At 1 April 2019	-	-	-	-	-
Charge for year	22,259	-	-	-	22,259
At 31 March 2020	22,259	-	-	-	22,259
At 1 April 2020	22,259	-	-	-	22,259
Charge for the year	66,776	1,516	2,163	12,274	82,729
Impairment	79,478	-	-	-	79,478
At 31 March 2021	168,513	1,516	2,163	12,274	184,466
Carrying amount					
At 31 March 2021	4,247,787	32,773	6,577	80,134	4,367,271
At 31 March 2020	4,394,041	-	-	-	4,394,041
At 1 April 2019	-	-	-	-	-

Included within the net book value of land and buildings above is £4,247,787 (2020 - £4,394,041) in respect of freehold land and buildings.

The Drakelands Restoration Limited assets acquired were brought in at fair value under IFRS 3. Fair value is based on an independent valuation carried out by a 3rd party.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Impairment

Land and buildings

This impairment is due to a building being damaged in the year. The amount of impairment loss included in profit and loss is £79,478 (2020 - £Nil).

Company

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 April 2019	-	-
At 31 March 2020	-	-
Additions	34,289	34,289
At 31 March 2021	34,289	34,289
Depreciation		
At 1 April 2019	-	-
At 31 March 2020	-	-
Charge for the year	1,516	1,516
At 31 March 2021	1,516	1,516
Carrying amount		
At 31 March 2021	32,773	32,773
At 31 March 2020	-	-
At 1 April 2019	-	-

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

13 Right of use assets

Group

	Property £	Total £
Cost or valuation		
At 1 April 2019	-	-
Acquired through business combination	1,667,951	1,667,951
At 31 March 2020	1,667,951	1,667,951
At 1 April 2020	1,667,951	1,667,951
Additions	54,116	54,116
At 31 March 2021	1,722,067	1,722,067
Depreciation		
At 1 April 2019	-	-
Charge for year	22,502	22,502
At 31 March 2020	22,502	22,502
At 1 April 2020	22,502	22,502
Charge for the year	87,777	87,777
At 31 March 2021	110,279	110,279
Carrying amount		
At 31 March 2021	1,611,788	1,611,788
At 31 March 2020	1,645,449	1,645,449

Depreciation on right-of-use assets charged through the profit and loss totals £87,777 (2020: £22,502). Interest expense on lease liabilities charged through the profit and loss totals £86,520 (2020: £28,826).

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Company

	Property £	Total £
Cost or valuation		
At 1 April 2019	-	-
At 31 March 2020	-	-
Additions	54,116	54,116
At 31 March 2021	54,116	54,116
Depreciation		
At 1 April 2019	-	-
At 31 March 2020	-	-
Charge for the year	8,970	8,970
At 31 March 2021	8,970	8,970
Carrying amount		
At 31 March 2021	45,146	45,146
At 31 March 2020	-	-

Depreciation on right-of-use assets charged through the profit and loss totals £8,970 (2020: £Nil).
Interest expense on lease liabilities charged through the profit and loss totals £650 (2020: £Nil)

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

14 Intangible assets

Group

	Goodwill £	Mining rights £	Total £
Cost or valuation			
At 1 April 2019	-	-	-
Acquired through business combinations	1,075,520	3,844,333	4,919,853
At 31 March 2020	1,075,520	3,844,333	4,919,853
At 1 April 2020	1,075,520	3,844,333	4,919,853
At 31 March 2021	1,075,520	3,844,333	4,919,853
Carrying amount			
At 31 March 2021	1,075,520	3,844,333	4,919,853
Impairment			

The valuation of the cash-generating unit, combining the PPE and Goodwill of the company, is supported by the NPV of the company (£272m), as determined by the Bankable Feasibility Study (BFS). The NPV per the BFS represent the discounted expected cashflows for the next 30 years with a discount rate of 5%. The key assumptions in this valuation are around Tungsten grade, recoverability and metal prices with exchange rates also a key sensitivity on the project.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

15 Investments

Group subsidiaries

Details of the group subsidiaries as at 31 March 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Drakelands Restoration Limited*	Mining of tungsten and tin	Shakespeare Martineau LLP 6th Floor 60 Gracechurch Street London United Kingdom EC3V0HR England and Wales	100%	100%
Tungsten West Services Limited*	Provision of services to group	Shakespeare Martineau LLP 6th Floor 60 Gracechurch Street London United Kingdom EC3V0HR England and Wales	100%	100%
Aggregates West Limited*	Sales of aggregates	Shakespeare Martineau LLP 6th Floor 60 Gracechurch Street London United Kingdom EC3V0HR England and Wales	100%	0%

* indicates direct investment of Tungsten West Limited in the subsidiary

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Summary of the company investments

	31 March 2021 £	31 March 2020 £
Investments in subsidiaries	<u>4,256,990</u>	<u>4,194,046</u>
Subsidiaries		£
Cost or valuation		
At 1 April 2019		-
Additions		<u>4,194,046</u>
At 31 March 2020		<u>4,194,046</u>
At 1 April 2020		4,194,046
Additions		<u>62,944</u>
At 31 March 2021		<u>4,256,990</u>
Carrying amount		
At 31 March 2021		<u>4,256,990</u>
At 31 March 2020		<u>4,194,046</u>
At 1 April 2019		-

Aggregates West Limited was acquired during the 31 March 2021 financial year at nil cost. Additions in the current year relate to further investment in subsidiaries as a result of share options in the company granted to employees of those subsidiaries.

16 Escrow funds

	31 March 2021 £	Group 31 March 2020 £	31 March 2021 £	Company 31 March 2020 £
Non-current financial assets				
Escrow funds	<u>10,058,470</u>	<u>9,946,324</u>	<u>-</u>	<u>-</u>

These are funds being held under escrow with a third party and will be released back to the company on the cessation of mining once restoration works have been completed. The funds have been discounted to present value over the expected useful life of the mine plus two years start up. The actual funds held in the escrow account at year end were £13,201,256 (2020: £13,204,549).

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

17 Trade and other receivables

	31 March 2021 £	Group 31 March 2020 £	31 March 2021 £	Company 31 March 2020 £
Trade receivables	34,675	-	9,601	-
Receivables from related parties	-	-	9,539,430	4,716,245
Prepayments	15,841	217,960	8,791	217,960
Other receivables	493,781	181,399	67,298	169,922
	<u>544,297</u>	<u>399,359</u>	<u>9,625,120</u>	<u>5,104,127</u>

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables. The carrying amount of trade and other receivables approximates the fair value.

As the group is in the early phases of operations and making a few minor sales, bad debt is being considered on customer by customer basis. No irrecoverable debts were identified as at year end.

18 Cash and cash equivalents

	31 March 2021 £	Group 31 March 2020 £	31 March 2021 £	Company 31 March 2020 £
Cash at bank	<u>3,499,580</u>	<u>2,721,879</u>	<u>3,270,809</u>	<u>2,721,879</u>

19 Share capital

Allotted, called up and fully paid shares

	No.	31 March 2021 £	No.	31 March 2020 £
Ordinary shares of £0.0001 each	<u>68,560,000</u>	<u>6,856.00</u>	<u>51,390,000</u>	<u>5,139.00</u>

The company issued multiple rounds of £0.0001 ordinary shares in the year at subscription prices between £0.25 - £0.45 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

20 Loans and borrowings

	31 March 2021 £	Group 31 March 2020 £	31 March 2021 £	Company 31 March 2020 £
Non-current loans and borrowings				
Lease liabilities	1,416,940	1,452,369	18,623	-
Convertible debt	10,311,840	9,548,000	10,311,840	9,548,000
Other borrowings	-	-	100	100
	<u>11,728,780</u>	<u>11,000,369</u>	<u>10,330,563</u>	<u>9,548,100</u>
	31 March 2021 £	Group 31 March 2020 £	31 March 2021 £	Company 31 March 2020 £
Current loans and borrowings				
Lease liabilities	<u>76,284</u>	<u>46,507</u>	<u>27,782</u>	<u>-</u>

Group and company

Convertible bonds

The redemption of convertible debt does not give rise to a fixed number of shares on conversion and so convertible debt is recognised as a liability with no equity element initially recorded at the amount of proceeds received. Interest compounds annually at a rate of 8% but shall not be paid until the maturity date. Convertible debt is redeemable at a premium at the option of the company if paid prior to maturity. Maturity date is 30 November 2022.

Movement in liability

	31 March 2021 £	31 March 2020 £
Brought forward	9,548,000	-
Proceeds from issue of convertible bonds	-	9,300,000
Interest expense	<u>763,840</u>	<u>248,000</u>
	<u>10,311,840</u>	<u>9,548,000</u>

Company

Convertible bonds

Movement in liability

	31 March 2021 £	31 March 2020 £
Transaction costs	9,548,000	9,300,000
Interest expense	<u>763,840</u>	<u>248,000</u>
	<u>10,311,840</u>	<u>9,548,000</u>

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

21 Obligations under leases and hire purchase contracts

Group

Lease liabilities

	Minimum lease payments £	Interest £	Present value £
2021			
Within one year	148,231	(71,947)	76,284
In two to five years	442,680	(321,759)	120,921
In over five years	2,665,907	(1,369,888)	1,296,019
	<u>3,256,818</u>	<u>(1,763,594)</u>	<u>1,493,224</u>
	Minimum lease payments £	Interest £	Present value £
2020			
Within one year	119,904	(73,397)	46,507
In two to five years	446,378	(327,335)	119,043
In over five years	2,763,441	(1,430,115)	1,333,326
	<u>3,329,723</u>	<u>(1,830,847)</u>	<u>1,498,876</u>

The present values of future finance lease payments are analysed as follows:

	31 March 2021 £	31 March 2020 £
Current liabilities	76,284	46,507
Non-current liabilities	1,416,940	1,452,369
	<u>1,493,224</u>	<u>1,498,876</u>

Company

Finance leases

	Minimum lease payments £	Interest £	Present value £
2021			
Within one year	28,200	(418)	27,782
In two to five years	18,800	(177)	18,623
	<u>47,000</u>	<u>(595)</u>	<u>46,405</u>

The present values of future finance lease payments are analysed as follows:

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

	31 March 2021 £	31 March 2020 £
Current liabilities	27,782	-
Non-current liabilities	18,623	-
	<u>46,405</u>	<u>-</u>

22 Provisions

Group

	Restoration provision £	Total £
At 1 April 2020	9,620,615	9,620,615
Provisions used	(3,293)	(3,293)
Increase (decrease) due to passage of time or unwinding of discount	<u>347,502</u>	<u>347,502</u>
At 31 March 2021	<u>9,964,824</u>	<u>9,964,824</u>
Non-current liabilities	<u>9,964,824</u>	<u>9,964,824</u>

This provision is for the obligation to restore the mine to its original state once mining operations cease discounted back to present value based on the estimated life of the mine. Prior to discounting the Directors estimate the provision at current costs to be £13,201,256 (2020: £13,201,256).

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

23 Trade and other payables

	31 March 2021 £	Group 31 March 2020 £	31 March 2021 £	Company 31 March 2020 £
Trade payables	491,871	93,859	87,500	93,859
Accrued expenses	295,020	306,032	65,577	306,032
Social security and other taxes	58,220	3,000	1,858	-
Outstanding defined contribution pension costs	12,611	-	-	-
Other payables	629,999	325,697	630,002	325,698
	<u>1,487,721</u>	<u>728,588</u>	<u>784,937</u>	<u>725,589</u>

Trade payables and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 45 days. No interest is charged on overdue amounts.

The carrying amount of trade and other payables approximates the fair value.

24 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £62,599 (2020 - £2,562).

Contributions totalling £(12,611) (2020 - £Nil) were payable to the scheme at the end of the year and are included in creditors.

25 Share-based payments

Warrants

Details and movements

Warrants have been issued to certain shareholders and intermediaries as commission for introducing capital to the company. Warrants can be exercised at any point before the expiry date for a fixed number of shares.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

The movements in the number of warrants during the year were as follows:

	31 March 2021 Number	31 March 2020 Number
Outstanding, start of period	220,000	-
Granted during the period	2,090,681	220,000
Outstanding, end of period	<u>2,310,681</u>	<u>220,000</u>

The exercise price of warrants outstanding at 31 March 2021 ranged between £0.25 and £0.56 (2020: between £0.25 and £0.30) and their contractual life was 2 years (2020: 2 years).

Founder share incentives

Details and movements

The founder shareholders have a right to receive shares at a nominal value once certain milestones are hit.

The movements in the number of share options during the year were as follows:

	31 March 2021 Number	31 March 2020 Number
Outstanding, start of period	5,139,000	-
Granted during the period	1,824,000	16,141,276
Exercised during the period	-	(11,002,276)
Outstanding, end of period	<u>6,963,000</u>	<u>5,139,000</u>

One of the milestones in the agreement obligates the company to issue shares upon an event which is outside its control. This represents a financial liability which is measured at fair value to the company with changes in value going through the profit and loss account. The company only accounts for the liability for shares it is obligated to issue and not shares issuable due to events under the company's control. Were the company obligated to issue all the shares under the shareholders agreement the liability would be significantly higher. See note 27.

EMI share options

Details and movements

Share options have been issued to key employees as an incentive to stay with the company. These options can be exercised within 4 years following the grant date, once the option has vested.

The movements in the number of share options during the year were as follows:

	31 March 2021 Number	31 March 2020 Number
Outstanding, start of period	833,333	-
Granted during the period	400,000	833,333
Outstanding, end of period	<u>1,233,333</u>	<u>833,333</u>

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Year Ended 31 March 2021

The exercise price of share options outstanding at 31 March 2021 ranged between £0.0001 and £0.30 (2020: £0.30) and their contractual life was 4 years (2020: 4 years).

Share options have been valued using the Black Scholes model. The key assumption being the volatility of the future share price which has been set at 33%. The directors have based this on observable market volatilities of similar entities.

26 Commitments

Group & Company

Capital commitments

As at 31 March 2021 the group had contracted to purchase plant and machinery amounting to £815,195 (2020 - £798,320). An amount of £123,320 (2020: £Nil) is contingent on the commencement of mining operations. The company did not have any capital commitments.

Other financial commitments

The total amount of other financial commitments not provided in the financial statements was £4,200,000 (2020 - £4,200,000). This is payable on the commencement of mining operations and represents contractual amounts due to the mining contractor and further committed payments to the funds held in the escrow account under the escrow agreement.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

27 Reconciliation of liabilities arising from financing activities

Group

	At 1 April 2020 £	Financing cash flows £	Non-cash changes New finance leases £	Other changes £	At 31 March 2021 £
Long term borrowings	9,548,000	-	-	763,840	10,311,840
Lease liabilities	<u>1,498,876</u>	<u>(59,987)</u>	<u>54,335</u>	<u>-</u>	<u>1,493,224</u>
	<u>11,046,876</u>	<u>(59,987)</u>	<u>54,335</u>	<u>763,840</u>	<u>11,805,064</u>

	Financing cash flows £	Non-cash changes New finance leases £	Other changes £	At 31 March 2020 £
Long term borrowings	9,300,000	-	248,000	9,548,000
Lease liabilities	<u>(169,074)</u>	<u>1,667,950</u>	<u>-</u>	<u>1,498,876</u>
	<u>9,130,926</u>	<u>1,667,950</u>	<u>248,000</u>	<u>11,046,876</u>

Company

	At 1 April 2020 £	Financing cash flows £	Non-cash changes New finance leases £	Other changes £	At 31 March 2021 £
Long term borrowings	9,548,000	-	-	763,840	10,311,840
Short term borrowings	<u>-</u>	<u>(7,930)</u>	<u>54,335</u>	<u>-</u>	<u>46,405</u>
	<u>9,548,000</u>	<u>(7,930)</u>	<u>54,335</u>	<u>763,840</u>	<u>10,358,245</u>

	At 1 April 2019 £	Financing cash flows £	Other changes £	At 31 March 2020 £
Long term borrowings	<u>-</u>	<u>9,300,000</u>	<u>248,000</u>	<u>9,548,000</u>

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

28 Classification of financial and non-financial assets and financial and non-financial liabilities

Group

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 March 2021 was as follows:

	Financial assets at amortised cost £	Financial liabilities at amortised cost £	Financial assets & liabilities at FVTPL £
Assets			
Non-current assets			
Escrow funds receivable	10,058,470		
Current assets			
Trade and other receivables	528,456	-	-
Cash and cash equivalents	3,499,580	-	-
	<u>14,086,506</u>	<u>-</u>	<u>-</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(11,729,780)	-
Current liabilities			
Trade and other payables	-	(1,337,722)	(149,999)
Loans and borrowings	-	(76,284)	-
	<u>-</u>	<u>(1,414,006)</u>	<u>(149,999)</u>
Total liabilities	<u>-</u>	<u>(13,143,786)</u>	<u>(149,999)</u>

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 March 2020 was as follows:

	Financial assets at amortised cost £	Financial liabilities at amortised cost £	Financial assets & liabilities at FVTPL £
Assets			
Non-current assets			
Escrow funds receivable	9,946,324		
Current assets			
Trade and other receivables	181,399	-	-
Cash and cash equivalents	2,721,879	-	-
	<u>12,849,602</u>	<u>-</u>	<u>-</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(11,000,369)	-
Current liabilities			
Trade and other payables	-	(602,889)	(125,699)
Loans and borrowings	-	(46,507)	-
	<u>-</u>	<u>(649,396)</u>	<u>(125,699)</u>
Total liabilities	<u>-</u>	<u>(11,649,765)</u>	<u>(125,699)</u>

29 Financial risk review

Group

This note presents information about the group's exposure to financial risks and the group's management of capital.

Credit risk

In order to minimise credit risk, the group has adopted a policy of only dealing with creditworthy counterparties (banks and debtors) and it obtains sufficient collateral, where appropriate, to mitigate the risk of financial loss from defaults. The most significant credit risk relates to customers that may default in making payments for goods they have purchased.

To date the group has only made a small number of sales and therefore the credit risk exposure has been low.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

Liquidity risk

The directors regularly monitor forecast and actual cash flows and match the maturity profiles of financial assets and liabilities to ensure proper liquidity risk management and to maintain adequate reserves, and borrowing facilities. In the view of the directors, the key risk to liquidity is in meeting short term cash flow needs. All amounts repayable on demand or within three months are covered by the company's cash and accounts receivable balances, which gives the directors confidence that funds will be available to settle liabilities as they fall due.

Market risk

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The interest rates and terms of repayment are disclosed in note 18 to the financial statements. The company's policy is to obtain the most favourable interest rates available for all liabilities. Except as outlined above, the company has no significant interest-bearing assets and liabilities. The company in the future will also be exposed to exchange rate risk on the basis that tungsten prices are principally denominated in USD. The company will seek to manage this risk through the supply contracts it agrees with future customers.

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates or foreign currency exchange rates at the current time.

30 Related party transactions

In addition to amounts disclosed in the Directors remuneration note the company also reimburse expenses of £Nil (2020: £29,050) to companies owned by Directors. At the year end the amount due was £Nil (2020: £Nil). During the year one Director received a commission payment of £79,000 (2020: £52,500) from a third party in connection with raising additional share capital for Tungsten West Limited. In addition, one Director received a beneficial interest in 22,222 Warrants at 45p (2020: 210,000 Warrants at 25p) granted during the year to a third party in relation to raising additional share capital for Tungsten West Limited.

Convertible bonds

During 2020 £3,300,000 of convertible bonds were issued to family members of two of the directors. Interest due on these bonds at year end was £359,040 (2020: £88,000).

Key management personnel

Key management personnel are deemed to be the directors. Their remuneration can be seen in note 9.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

31 Application of new and revised International Financial Reporting Standards (IFRSs)

Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended Standards and Interpretations applied

The following new and amended Standards and Interpretations have been issued and are effective for the current financial period of the company.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In the current year, the company applied Covid-19-Related Rent Concessions (Amendment to IFRS 16). The amendment is effective for annual periods that begin on or after 1 June 2020 and as the company has no qualifying rent concessions during the year ended 31 March 2021 the company has not applied this amendment.

This amendment permits reductions in rent payments granted as a direct consequence of the Covid-19 pandemic and originally due on or before 30 June 2021 to be credited to the profit and loss account, rather than requiring remeasurement of the lease.

Other amendments

In the current year, the company has applied a number of amendments to Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. These have not had any material impact on the amounts reported for the current and prior years.

Standard or Interpretation	Effective for annual periods commencing on or after
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Amendments to IAS 1 and IAS 8 – definition of material	1 January 2020
Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the company has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective:

Standard or Interpretation	Effective for annual periods commencing on or after
Narrow scope amendments to IFRS 3, IAS 16 and IAS 37	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022

From 1 April 2021 the company will apply UK adopted IAS. At the date of application, both UK adopted IAS and EU adopted IFRS will be the same.

Tungsten West Limited

Notes to the Financial Statements

Year Ended 31 March 2021

The directors do not expect any material impact as a result of adopting the standards and amendments listed above in the financial year they become effective.

32 Non adjusting events after the financial period

Post year end the group raised capital totalling £4,123,149 through the issue of share capital. The group also made a capital reduction for £10,000,000 from share premium to retained earnings.