# Tungsten West plc

**Annual Report & Accounts**
**Year ended 31 March 2023**

Company number: 11310159

# About us

Tungsten West plc ('The Group') is a London AIM-listed owner and operator of the historic Hemerdon tungsten and tin mine located near Plymouth in South Devon, England. The Hemerdon Mine is estimated to be the second largest tungsten resource in the Western World, and an increasingly important project with demand for critical and strategic metals, including tungsten and tin, forecast to grow in all its end-use sectors.

The Group's business plan also includes the selling of high-quality aggregates that are produced as a secondary product from the mineral processing facility at the Hemerdon Mine. The Group has formed a specialist business unit, Aggregates West, to manage the screening and sale of aggregates, which is expected to generate additional stable cash flows over the life of the tungsten mine and beyond.

Tungsten West is an environmentally and socially focused mining company which aims to limit any negative impact of its operation to its stakeholders. In order to achieve this we have, throughout the financial year, engaged with key stakeholders to understand their views and consider how we can address their needs.

The Group had £3.4 million in cash at 31 March 2023, and on 8 June 2023 successfully raised £6.95 million via the placing of convertible loan notes and £0.2 million via an open offer. In addition the Company may offer up a further convertible loan note facility of up to £2.0 million. The investment will provide working capital as the project team focuses on its work with the Environment Agency to secure the Mineral Processing Facility permit and complete full project funding.

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## Our Purpose, Values and Culture

**Our mission** is to restore mining and mineral processing operations at the Hemerdon Mine, restarting production and providing a globally significant reserve of essential metals that bear significant strategic importance for both the UK and the Western World.

Our unwavering commitment to sustainability drives every decision we make, carefully considering the well-being of our local communities and the environment. The health and safety of our employees remains paramount. We strive to make a positive impact while unlocking the immense potential of this extraordinary mine.

**Our culture** drives us forward as we navigate the transition from a construction project to a mining and mineral processing operation. Creating a collaborative workplace is core to our business, and we pride ourselves on building an environment where employee values and visions are aligned with the Company. We believe in the power of working together, exchanging information and knowledge across all departments. Embracing a critical problem-solving approach is encouraged among our employees, especially in the face of the demanding inflationary environment, which requires our project to adapt and evolve.

**↓ Underpinning our mission and culture are our values ↓**

**Care**
When we say care, we mean to:

- Keep each other safe and well
- Look after the community and environment
- Take pride in your work and the company
- Value each other

**Integrity**
When we say integrity, we mean to:

- Treat people fairly
- Speak up even when it's hard
- Take ownership and bear the weight
- Uphold our standards

**Teamwork**
When we say teamwork, we mean to:

- Be a vital part of the team
- Work well with others
- Recognise each other's strengths, knowledge and expertise
- Be a good neighbour

**Excellence**
When we say excellence, we mean to:

- Strive for brilliance
- Be clear about our purpose
- Be an expert in your field
- Achieve valuable results

## Our Strategy

Neil Gawthorpe, our CEO, plays a pivotal role in driving our strategic progress and value creation throughout the organisation.

As we reflect on our critical path, obtaining the Mineral Processing Permit, being granted the remaining planning permission and securing long-term funding emerge as our primary short-term goals. Consequently, Neil and the Board have channelled all efforts towards achieving these milestones.

However, it is essential to emphasise that our long-term strategy remains unchanged. We are committed to creating a safe working environment, ensuring the successful execution of the project, and advocating for sustainable and environmentally friendly practices. These elements continue to shape our vision for the future.

Monitoring and measuring strategic goals is important to the Company. It provides a clear understanding of the progress made towards achieving those goals and enables effective decision-making and course correction when necessary.

By regularly tracking and assessing strategic goals, the Group can identify any deviations from the intended path and take proactive steps to realign efforts and economic resources. This monitoring process helps to keep everyone focused and accountable, ensuring that actions are aligned with the broader, long-term strategy. Additionally, it provides valuable insights into the effectiveness of different initiatives and enables the identification of areas of improvement or potential risks.

### Safe working environment

We measure how safe our working environment is through number of LTI (Lost Time Injury) and MTI (Medical Treatment Injury) free days.

### Project execution

We measure by providing departmental budgets vs actual costs spent. The CFO and the Board scrutinise the analysis on a weekly to monthly basis.

### Promote sustainable and environmentally friendly practices

The Group has aligned its ESG framework with nine UN Sustainable Development Goals, all with individual objectives which we can measure against.

# Chairman's Statement

### Overview of FY2023

I am pleased to report on the Group's audited results for the year ended 31 March 2023. The financial year began with the Board implementing a pause to the project so that the management team could evaluate alternative approaches to restarting mining operations, as the Group faced material inflationary pressures and uncertainty over costs. Despite this being a difficult decision, the Group prevented an unsustainable level of capital commitments and exposure to potentially unviable high operating costs.

In July 2022, development was restarted with the Group committing to detailed engineering design and re-commencing construction based on a new development plan (the "Plan"). The Group invited its preferred funding partner to independently scrutinise and review the new plan which culminated in a non-binding term sheet that would fully fund the restart.

Due to the changes required under the new Plan, the Group's funding partner requested an update to the Feasibility Study of March 2021. Within six months, the Group released the summary of results from its updated Feasibility Study ("2022 FS update"). The quality of work produced in the 2022 update is a reflection of the dedication and efforts by all employees involved for what was effectively a full re-run of the 2021 Feasibility Study, including a review of the re-engineering process and upgrade of the flowsheet which has significantly reduced the Capex and Opex of the project. This was a significant task and has demonstrated a robust and economically viable case for the mine.

Some of the key highlights from the 2022 FS update were:

- A post-tax Net Present Value ("NPV")$_{5\%}$ of £297 million (base case) with an Internal Rate of Return ("IRR") of 25%
- An Upside case post-tax NPV$_{(5\%)}$ of £415 million with an IRR of 32%
- Life of Mine ("LOM") of 27 years and an annual average steady-state mining rate of 3.5 million tonnes ("Mt") per annum

As outlined in the Company's announcement of 19 December 2022, we were also able to report an update to the 2021 Hemerdon deposit Mineral Resource Estimate ("MRE") due to changes in costs and processing assumptions, affecting the breakeven cut-off grade. The Group reported a 60% increase in ore tonnage and 10% increase in contained metal from previous 2021 Ore, taking the Hemerdon Ore Reserve to 101.2Mt. As a result the Hemerdon deposit is estimated to be the second largest reported CRIRSCO standard tungsten reserve globally. The lift in both the Ore Reserve and Mineral Resource could only be achieved from the work that has been undertaken this year as part of our work on updating the Feasibility Study, cost saving initiatives and operating efficiencies across the business.

Throughout the year, the Group continued to engage with their long-lead capital equipment suppliers, which included placing an order for the new semi-mobile primary and secondary crushing circuit which is being supplied by MO Group (Metso-Outotec of Finland). The seven ore sorters required for the plant upgrade have been delivered to the Hemerdon Mine. The construction of new screens and vibrating feeders provided by Vibramech was completed and these have been delivered to the Hemerdon Mine.

Inside our Mineral Processing Facility ("MPF"), a number of enhancements and upgrades have been taking place, designed to increase efficiency, reduce future downtime and reduce future maintenance, all of which were key factors that caused the previous operator to incur significant downtime. This enabled the refinery and magnetic separation end of the plant to be commissioned in April 2023 and produce approximately 50 tonnes of tin and tungsten concentrate from materials left by the previous operator.

Sales of aggregates continued until October 2022 when the Group ceased its production of aggregates from barren material left by the previous operator. The primary goal was to always demonstrate the ability to establish a market for the product, and aggregates production will recommence as the mineral processing ramp up completes.

Safety and health continued to be our number one priority on site and to help champion our safety and ESG principles, SHEQ (Safety, Health, Environmental and Quality) captains were appointed internally. Team members across all departments were invited to apply for these roles who felt that could utilise their intimate knowledge of their job roles in their respective departments. This was an important change for Tungsten West, as we moved towards embedding a culture of best practice across all departments, rather than having one central site 'S&H administration'.

Despite all the efforts during the year to ensure permitting and construction could run in parallel, it has now become apparent following investor and lender feedback that this is not the case due to potential design changes required to achieve permitting. The Group needs to secure the mineral processing facility permit in order to obtain the finance required to complete the plant rebuild and commence production. As a consequence, the Company undertook a strategic review, and, with the continued risk surrounding volatile energy prices and a more conservative lending approach, it announced a number of cost saving initiatives to ensure the project could continue.

To allow enough time to finalise the full project funding process, all non-core project construction activities ceased, with recommencement to begin when the exact design requirements necessary for obtaining the Mineral Processing Facility were clarified. A review of staffing requirements inevitably followed which led to redundancies post year-end. It is never easy to go through a redundancy process, especially given the high aspirations and goals of this Company, so I would like to thank all Tungsten West staff for their level of maturity and understanding during the process.

In June 2023, the Group raised £7.2 million of new funds from issuing convertible loan notes and open offer. An additional £2.0 million notes can be issued if required. These funds were drawn in order to finance the group through the process of obtaining the necessary permits. The cost reduction and cash conservation measures implemented by management triggered a number of defaults under the terms of the notes. A waiver is in place for these defaults until 31 January 2024. By 31 January 2024 the board plans to have obtained the necessary permits and as a result additional finance.

At the end of the financial year, the Company appointed a new CEO, Neil Gawthorpe, following the resignation of Max Denning in July 2022, and acting CEO Mark Thomson in March 2023. Max and Mark were co-founders of Tungsten West and the Board thanks them for their significant contribution during the Company's formative years. Nigel Widdowson, CFO, resigned from the Board in August 2023. Adrian Bougourd, Kevin Ross and Guy Edwards were appointed to the Board as Non-Executive Directors in September 2023.

The appointment of Neil brings operational and industry experience to the Senior Management and Director teams and will be an invaluable asset to the Company during this pivotal time.

Against the backdrop of the challenges the Hemerdon Mine has faced this year, a positive development has been the release of the first ever UK Critical Minerals Strategy. There is a real risk of the UK falling behind in the race to secure responsibly sourced critical minerals. It is promising to see that the UK Government is starting to recognise the risks of critical mineral supply chain shocks.

As a Board and Group, we feel that Hemerdon Mine has never been more important to the UK to secure and protect its critical mineral supply, and I am confident that Hemerdon Mine will soon be producing tungsten and tin, providing a world class supply of critical minerals, essential in both traditional applications and aiding the supply of future alternative clean energy sources.

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**David Cather**
**Chairman**

# CEO Report

I joined Tungsten West as CEO near the end of the financial year, but I have been involved with the Group throughout the reporting period as a consultant and advisor. I have enjoyed many years in the mining industry, both in operations and consulting, and I share the vision of our investors, employees and Government, that Hemerdon Mine can be a strategic asset for the UK whilst creating long-term value and delivering strong returns for shareholders.

Our project is exceptional to the UK in that we have the benefit of a pre-built world class processing plant, a pre-stripped mine and fully permitted Mine Waste Facility ("MWF"). We are on the cusp of bringing mining back to the South-West, however, there remain some critical milestones to be met, which all bring their own unique challenges.

## Permitting

Permitting is always a significant risk for any mining project, and alongside funding risk, these are the biggest hurdles the Group must overcome.

During the year, the Company received its MWF permit, which outlines the permitting requirements for the commencement and ongoing monitoring of the waste activities at Hemerdon Mine.

At the time of writing, the Group is yet to obtain a draft MPF permit. In the Company's efforts to receive this, it is currently undertaking a series of research and development projects which will be carried out around the historical issues of the processing plant which caused low frequency noise. The Group is confident that the revised Plan has eliminated the issues as well as significantly mitigating the general noise impact of the project. The Group continues to liaise with the Environment Agency ("EA") on timescales required to complete this work.

Alongside the MWF permit, the Group also received its water abstraction Licences for the open pit, Loughter Mill and Tory Pond, meaning it now has four of the five EA permits required for restart.

As a precedent, Wolf Minerals held all necessary permits and licences to operate the site, therefore the Group are confident that they will resolve the historical issues with the EA and obtain the MPF permit.

## Financing

Since we paused the project in July 2022, it was expected that we could operate on the basis that funding and permitting could run in parallel. However, lender feedback has proven this to not be the case. Even though the work conducted under the 2022 FS Update led to an overall improved project, the design changes required have impacted our ability to achieve permitting in the timeframe initially envisaged. As such, it is now necessary to prioritise the process of obtaining all necessary permits required for funding. The updated timeline is to obtain the necessary permits and close additional funding by December 2023.

The Board acknowledges and appreciates the support received from shareholders following the decision to prioritise permitting. The Group will remain actively engaged with financial and strategic partners to explore all available funding options. Once the permitting process is complete, the Board is confident in their ability to secure the optimal funding package for successfully executing the project.

## Operational Updates

### *Construction*

It was pleasing to see the early stages of the bulk earthworks and civil engineering that begun in January this year. Additional to this enabling work, the Group has also received deliveries of steel rebar and components for the conveyor systems.

Under the revised crushing strategy, the Group has ordered its new semi-mobile crushing equipment and taken delivery of the screens and ore sorters which are now secured and stored on site.

Running in parallel to the front-end rebuild has been the mineral processing facility enhancements and upgrades. A considerable amount of work has gone into ensuring the plant is in the best possible condition for when operations restart. A dedicated team of fabricators, electricians and engineers have done some exceptional work with key enhancements being the following:

| Area | Enhancements |
|---|---|
| **Chutes** | Replacement of wear plates in conveyor chutes and installation of new rock box designs to cut down on wear. |
| **Conveyors** | Replacement belts and renewal of drums, bearings, and scrapers throughout the processing plant. |
| **Pumps** | Removal of previously installed pumps, inspection and test of the drive motors. |
| **Area 130 - Tertiary Crushing Circuit** | Extensive repair and redesign of the surge bin to increase longevity in high-wear areas and minimise future downtime. |
| **Area 140 - Primary DMS** | Inspection and re-refurbishment of the agitators. |

| | |
|---|---|
| **Area 150 - Primary Mill** | Refurbishment of the Primary Mill including electrical inspection and testing. Inspection of drive shaft alignment and lubrication systems to ensure they are fit for production. |
| **Area 160 - Shaking Tables** | Overhaul of all tables and redesign of the spray bar structures to eliminate points of failure due to excessive vibration. |
| **Area 180 - Feeders** | Redesign of both the 180 feeders to include side skirts and return rollers, new guarding manufactured and installed. |
| **Area 200 - Refinery** | Mechanical overhaul of both the pre dryer and tin dryer. The refinery was also commissioned as part of the work done to process the legacy tungsten pre-concentrate and tin concentrate, as announced in June 2023. |
| **Area 390 - Raw water tank** | Design manufacture and installation of an access door on the tank to allow for removal of silt build up. This will reduce future downtime for maintenance. |
| **Area 390 - Process water tank** | Sand blasting and application of a wear resistant paint will reduce future downtime and maintenance. |

***2022 Feasibility Update***

In January 2023, the Group released a summary update on its 2021 Feasibility Study which strengthened Hemerdon's case as a robust and economically viable mine. The Feasibility Study highlighted the project's strong economics and positioned Tungsten West to become the largest tungsten producer in the Western World.

***Processing optimisation***

The revised plant design introduces two stages of Ore Sorting. This provides operational flexibility through significantly lowering the mass pull which reduces the capital and operating costs downstream. Furthermore, by lowering the mass pull it reduces the ratio of iron to tungsten leading to the elimination of the reduction kiln, significantly reducing diesel consumption and associated Opex.

A further advantage of the re-engineered flowsheet is to introduce a secondary crushed stockpile ahead of the ore sorters. This effectively de-couples the higher wear rate (and resultant maintenance) of the primary and secondary crushing circuits from the downstream MPF. This reduces the risk of metal losses created by circuit instability encountered during the Wolf operation.

***Mining operations***

The mine plan has been redesigned to reflect the reduced throughput planned for the MPF in the first two years of operations, and changes in primary crushing circuit. This means less waste is mined in the ramp-up period, preserving working capital.

Direct tipping at a newly sited ROM (Run of the mine) pad incorporating the introduction of new semi-mobile primary jaw and secondary cone crushers also reduces Capex and Opex.

***Mineral Resources***

Through the Company re-engineering the mining and processing operations, there were improvements in costs and processing assumptions which lead to a reduction to the breakeven cut-off grade. This meant that Tungsten West was able to report an update to the MRE. The new LOM production schedule has increased the LOM to approximately 27 years.

## Aggregates

Sales of aggregates continued throughout the year until October 2022, with £118,000 revenue being recognised, providing the Group with an early and differing revenue stream. The Group ceased its production of aggregates from barren material after selling 102,000 tonnes of material, demonstrating the ability to establish a market for the product. Sale of aggregates reduces the amount of barren rock left on-site and supports Tungsten West in reducing our environmental footprint. Aggregates production will recommence as the mineral processing ramp up completes.

## ESG

ESG principles are at the core of our operations, and we take pride in the creative and dedicated efforts of our project team and partners to address and resolve issues faced by previous operators.

In line with the Climate Change Act (2008) and the UK government's target of achieving net-zero carbon emissions by 2050, the Company recognises its moral obligation to align itself with this goal, and we are committed to taking proactive measures to reduce our carbon footprint. Additionally, as part of our commitment to international best practices, we have aligned ourselves with the UN Sustainable Development Goals ("SDGs"), specifically UN SDG 13, which emphasises the urgent need to combat climate change and its impacts. To address these goals, we have identified several action points, including the exploration of renewable energy sources. The Group has undertaken scoping studies to assess the feasibility of implementing both solar farms and wind turbines as potential sources of renewable energy. The collaboration with the fusion energy company, Oxford Sigma, announced post year-end emphasises tungsten's role as a critical material for the development of fusion energy, a clean alternative energy source that can help deliver global net-zero targets.

Throughout the financial year, our community engagement team maintained active communication with our broader stakeholders and the local community through regular face-to-face consultations at County Council, Parish Council and community levels. We believe it is crucial to provide avenues for the community to understand the project and to reach out to us and voice their concerns. As part of our community engagement plan, we have established a regular forum to facilitate open and transparent communication with local communities. We also maintain a presence in the Shaugh Prior, Cornwood, and Sparkwell Parish Councils, ensuring that we remain connected to the concerns and needs of the local area.

## Our team

During the year and post year-end, the Group experienced challenging periods marked by necessary redundancies, which has undoubtedly impacted our employees. However, the Board acknowledges the resilience and commitment demonstrated by our staff during these tough times.

As we move forward, we encourage open communication, collaboration, and the sharing of knowledge between all staff members. Together we form a cohesive team that can achieve a fully permitted MPF and close the required funding to execute the project.

***Diversity***

At Tungsten West, we value diversity and inclusion as essential elements of our culture and our performance. We are proud to have a higher percentage of women in our workforce than the global mining and metals industry average for 2022 of 12.1% (Source: Ernst & Young). Despite the employee turnover we experienced during the year, women still represent 20% (2022: 22%) of our team.

We believe that having a diverse team enhances our productivity, safety, and creativity. These are key qualities that will help us overcome the challenges we face in the next 12 months and beyond.

## Market overview

Tungsten is a critical mineral and is essential for sectors such as energy and defence, and strengthening other metals, including steel, for components used in the construction, mining, and medical industries. The global demand for tungsten is forecast to grow by 3%% p.a. over the next 10 years.

The tungsten market is a significant sector within the global metals industry and supply-wise tungsten remains predominantly sourced from a small number of countries, with China being the largest producer and exporter. The concentration of global supply of tungsten concentrate between China, Russia and Vietnam creates a degree of supply risk and price volatility, as geopolitical factors and mining regulations can impact the availability and pricing of tungsten.

In recent years, there have been efforts to diversify tungsten supply sources and reduce reliance on Chinese and Russian production. Exploration and development of tungsten deposits in countries like Canada, Australia, and the United States continue to gain attention as countries look to find a western supply of tungsten.

This makes the Group a strategic asset, with a project of significant importance to the UK and the West, as outlined in the UK's first ever Critical Minerals Strategy, which included tungsten and tin as minerals with high criticality. The report went on to recognise the South-West as an area of high importance in meeting commodity security.

## Outlook

The 2022 FS Update presented an invaluable opportunity for the Group to re-evaluate the most effective approach to resuming operations at Hemerdon. The result was an outstanding accomplishment, made possible through seamless collaboration across the entire Company.

In the upcoming 12 months, the Company will enter a pivotal phase as we look to obtain the required permits and secure funding to enable construction phase. Successfully achieving these milestones will pave the way for recommencing construction, ultimately leading to the revival of mining activities at the project and in the South-West region.

Unless otherwise defined herein, all capitalised terms in this announcement shall have the meanings ascribed to them in the relevant regulatory announcements by the Company.

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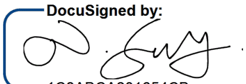

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**Neil Gawthorpe**
CEO

# ESG Report

## Our mission

Our primary goal is the re-development of the Hemerdon Mine and to restart the production of tungsten and tin with a strong commitment to environmental and social responsibility. We aim to establish ourselves as a mining operation in the UK that demonstrates the highest level of ESG practices.

We actively focus on three key aspects: environmental, social, and governance, commonly referred to as ESG. By incorporating ESG principles into our operations, we strive to minimise our ecological footprint, engage positively with local communities, and adhere to high standards of corporate governance.

Our aim is to ensure that our mining activities have a positive and sustainable impact, not just on the environment but also on the social fabric of the communities in which we operate.

Our mission is to become a world-leading producer of tungsten, tin and aggregates, committed to adhering to international standards in mining operations, environmental conservation and safe working practices to enable the delivery of excellence and growth for our partner communities, investors, employees and other stakeholders.

## United Nations Sustainable Development Goals

Tungsten West has aligned our policies and procedures with the UN SDGs, which are widely regarded as the leading global standards for being a good corporate citizen.

Whilst we appreciate the value of all 17 UN SDGs we have assessed where we can have the most significant positive impact and have therefore chosen to focus on the nine goals outlined below, which align with our known environmental and social impacts.

## Using the UN SDGs as an ESG framework

By considering the results of stakeholder analysis and the environmental impacts identified within the project's Environmental and Social Impact Assessment ("ESIA") and Environmental Management System (EMS"), Tungsten West has developed the following ESG pillars that include themes aligning with the UN SDGs and 11 issues deemed most material to our business.

| Our ESG Pillars | Applicable UN SDGs | Key issues identified |
|---|---|---|
| Environmental | • Clean Water and Sanitation<br>• Industry, Innovation and Infra-structure<br>• Climate Action<br>• Life Below Water<br>• Life on Land | • Sustainable Water Stewardship<br>• Waste Management<br>• Biodiversity<br>• Climate Change |
| Social | • Gender Equality<br>• Decent Work and Economic Growth<br>• Responsible Consumption and Production<br>• Peace, Justice and Strong In-stitutions | • Gender Equality<br>• Health, Safety and Wellbeing<br>• Communities and Partnerships<br>• Pioneering Sustainable Critical Metals<br>• Social and Economic |
| Governance | • Decent Work and Economic Growth<br>• Industry, Innovation and Infra-structure<br>• Peace, Justice and Strong In-stitutions | • Ethics and Compliance<br>• Enterprise Risk Management and Risk Appetite |

## Environmental

At Tungsten West, we have a strong commitment to environmental responsibility. By implementing our environmental pillars, we proactively identify and implement programs to mitigate any associated risks.

UN SDGs: 6, 14

### Sustainable Water Stewardship

Objective: 100% compliance with all water quality standards and permits

Current ongoing compliance initiatives include our water consumption limits and restoration plan. These are managed under the Hydrology and Optimisation Project and Environmental Development Management Plan.

- Total samples taken across the year: 345 (2022: 287)
  - Total surface water samples: 239
  - Total groundwater samples: 106

- 98.26% fall within permitted pollutant discharge limits, six exceedances out of 345 samples The six exceedances relate to two groundwater boreholes whereby the compliance limit set by the Environment Agency has not taken into account background levels. Tungsten West are currently in conversations with the Environment Agency about reassessing these limits.

UN SDGs: 9

### Waste Management

Objective: Achieve 60:40 waste to recycling ratio at our head office facilities

During the year, the company achieved a ratio of 42% recycling and 58% general waste from office waste.

Our waste management projects aim to limit our product waste sent to the mine waste facility ("MWF") and any operational waste that may end up in landfill. So far, our Aggregates West team have processed and sold 100,000 tonnes of aggregates to local and national infrastructure projects. As a by-product of the mining process, our aggregates are a low carbon, highly sustainable product. By selling this by-product we are reducing the amount of waste material that remains on-site.

Operational waste is minimised by engaging with local waste contractors to promote circular economy where practicable. Tungsten West are proud to work with Devon Contract Waste who operate a zero waste to landfill scheme that Tungsten West participate in. An on-site recycling programme also encourages staff to think about their own personal waste management on a day-to-day work cycle.

UN SDGs: 15

### Biodiversity

Objective: Maintain, care and preventing loss of existing trees planted by previous operator and Tungsten West.

As part of a Section 106 (Unilateral Undertaking) agreement between Devon County Council and the previous operator, there was a requirement to plant and maintain approximately 42,500 trees across the Hemerdon Mine site. By extension, this agreement is now the responsibility of Tungsten West, who in 2021, commissioned a report into the state of these tree planting sites. The findings of this report outlined that in each of the planting sites there was between an 85% and 90% establishment rate. Tungsten West originally planned to plant the lost trees during the 2022 planting season, however due to a mix of unseasonable weather and the erection of deer fencing in high value plots, this was not completed. Tungsten West successfully completed the planting of these trees (400) as well as an additional 400 trees within Q1 of 2023 and is fully committed to maintaining these areas.

A closure plan is being prepared which will represent a formal commitment to decommission and restore the Hemerdon Mine, in accordance with all regulatory requirements and to achieve outcomes agreed through consultation with all appropriate stakeholders.

The closure plan will provide the foundation from which Tungsten West will continue to develop the detail and update routinely, throughout the operational phase. This process will facilitate incorporation of any relevant development of environmental monitoring as agreed with the regulatory and community stakeholders.

UNSDGs: 13

### Climate Change

Objective: Install sub-metering so we can baseline our office energy consumption

Objective: Baseline our scope three emissions for future assessment and target setting

During the year, the company successfully installed site sub-metering and are continuing to baseline office energy consumption. However, scope 3 objective was not achieved and alternative methods of calculating Scope 3 are being explored.

We recognise our responsibility, as a contributor of greenhouse gas emissions, to identify and implement programmes to minimise energy usage where possible. Our Greenhouse Gas Emissions Project looks to address in the short term our on-site energy consumption whilst also looking ahead and forecasting our emissions intensity across all our products, meaning the Group can implement carbon emission reducing strategies when we reach production. Tungsten West has successfully carried out the installation of site wide electricity submetering so that the business can be better informed about where to target efficiency improvements or challenge cultural issues surrounding energy consumption. It is the intention of Tungsten West to widen the scope of these meters into the processing plant during operations so that the business can target efficiency improvements projects on significant energy users.

Primarily in response to the global energy crisis in 2022 as well as exploring ways to decarbonise as a business, Tungsten West have established an Energy Taskforce that comprises representatives from departments across the business responsible for significant energy users. This group reviews ongoing energy usage whilst also exploring energy efficiency / reduction strategies, renewable energy generation, and alternative fuels.

The revised design for the MPF is focussed heavily on energy efficiency. The drying and roasting process in the MPF is being redesigned to reduce diesel consumption by a forecast 1 million litres per annum on a same throughput basis.

In addition, the volume of waste hauled to the MWF is a key area of focus. This will be reduced by sale of a proportion of waste as aggregates.

Finally, plans to significantly reduce the ROM pad rehandling process will significantly reduce diesel consumption by earth-moving equipment.

## Social

UN SDGs: 5, 8, 12, 16

### Gender Equality

Objective: Increase our gender diversity from 23% to 30%

The objective was not achieved with gender diversity falling to 20%. The Company remains committed to increasing the diversity to 30%.

Gender, diversity and inclusion are important to Tungsten West as diverse societies, communities and teams produce significantly better outcomes for all members. Mining has historically been a male-dominated industry therefore the Company has targeted setting up an open forum for transparent communication at all levels within the business. We hope this can facilitate gender diversity throughout the Company as we work to build a diverse workforce.

UN SDGs: 8

### Health, Safety and Wellbeing

Objective: 10% reduction in all time incident rate

Objective: 10% increase in near miss reporting frequency rate

Objective: 10% increase in hours of health and safety and emergency response training

The health, safety and wellbeing of our employees is always our number one priority. As the Group continues to grow and mining activity on site increases, we encourage our employees to embrace a strong health and safety culture through first aid training and respecting health and safety procedures on-site.

As a tool to aid the objective, Tungsten West has successfully rolled out an incident reporting platform. This platform, which allows instantaneous reporting of incidents, near misses, and unsafe conditions, allows Tungsten West to monitor trends and target safety training or improvements in specific areas before more serious incidents are realised. Since it's rollout in August 2022, there has been an approximate 3-fold increase in near miss reporting from 2021/2022.

Tungsten West prioritises the physical and mental wellbeing of its employees, and as such has a number of initiatives and schemes to support staff needs led by its dedicated HR resource including an Employee Assistance Programme providing 24/7 access to counselling services and personal growth support, awareness days that seek to tackle issues of importance to staff welfare and staff events designed to bring the team together in a relaxed environment, such as all-staff lunches. Transparent communication with executive management is encouraged. This approach is underpinned by inclusive and supportive HR policies and processes, administered through the latest cloud-based HR systems aimed at promoting continuous professional development in a nurturing environment.

UN SDGs: 16

## Communities and Partnerships

Objective: 100% of Stage 1 complaints responded to within timescales and 100% of interactions logged and acknowledged

During the year, all stage 1 complaints were responded to within appropriate timescales.

Our ability to operate successfully is dependent on the continued support of our local communities. During this period of mine and plant upgrades, we concentrate our time on developing positive, constructive and professional relationships with our local communities, especially those who live and reside close to the mine site. Many local residents remember the legacy noise issues under the previous operator; therefore it is critical that we address any concerns ahead of the recommencing of mining operations so the local residents can have the peace of mind that as neighbours, we will operate in a conscientious and respectful manner.

One way we proactively manage these issues is to hold public engagement events in local parish venues. By studying the issues and designing world-class mitigations, we can demonstrate to our local communities how we aim to mitigate noise or light nuisances. Tungsten West also facilitate a Local Liaison Group comprising representatives from local parish / ward councils, the Environment Agency, Devon County Council and other interested parties with the aim of providing a forum for Tungsten West to discuss their future plans and address any stakeholder concerns.

In 2022, Tungsten West submitted a Section 73 application to vary Condition 19 of their planning permission to increase the number of permitted Heavy Goods Vehicles ("HGV") movements. After hosting a series of public consultation events and taking on-board feedback from members of the public, Tungsten West withdrew this application and are currently seeking a resolution that enables the company to meet its business objectives and satisfy anticipated conditions precedent to funding.

UN SDGs: 12

## Pioneering Sustainable Critical Metals

Objective: Increase digital followers (social media accounts) by 25% to raise awareness of the importance of sustainable critical metals

During the year, the company increased its social media followers by 37%.

As countries continue to come forward with ambitious emission reduction targets, ensuring that critical minerals and materials are available for renewable technologies and electric vehicles is vital. Societies also want to see the positive benefits that arise from mineral extraction and processing; therefore we have a responsibility to ensure our processes always take into account the local environment and communities.

Tungsten West is a proud member of the UK Critical Minerals Association where we look to influence an industry that is in an urgent need of new sources of sustainable critical minerals.

UN SDGs: 5, 8

## Social and Economic Development

Objective: Invest an agreed amount via a Community Investment Fund

Tungsten West is actively engaged with local education providers and regularly hosts educational site tours for students and other interested stakeholders.

To date, Tungsten West has hosted site visits by Time for Geography, an online educational organisation producing video content to inspire the next generation of geologists and earth scientists, as well as Plymouth University students training to be geography teachers who will write future course content based on the Hemerdon Mine. In March this year, Tungsten West also hosted a group of students from Sparkwell Primary School for a tour around the site and processing facility. Tungsten West understand the importance of educating and inspiring the next generation of mining professionals and highlighting the significance of Hemerdon on the global stage of critical metals.

A University of Plymouth student completed an eight-week work placement during their final year studying for their MSc in Environmental Consultancy, where they actively supported the work of the ESG team. In the coming year we look forward to hosting a further three students from the University of Plymouth for work experience placements across the teams.

Tungsten West has also signed Plymouth's Armed Forces Covenant designed to support veterans and their families into work. As recruitment ramps up, more initiatives will be put into place to support local educational links and employment.

Additionally, Tungsten West has recently agreed to develop a Community Investment Fund, once production has recommenced, with the aim of supporting and working with individuals and groups in surrounding communities as part of its 'give back' objective.

# Governance

UN SDGs: 9, 16

## Ethics and Compliance

Objective: Obtain MWF and Mineral Processing Plant Permits

Objective: Retain all required ISO accreditations

To achieve our mission, Tungsten West looks to maintain the highest levels of ethical standards in our conduct and encourages the same for all our wider stakeholders, whilst working in full compliance with the laws and regulations that impact our operations.

During the year, Tungsten West obtained its MWF and water abstraction permits and post year-end we are in the process of satisfying enquiries from the regulator in relation to the MPF Permit.

During 2022/2023, Tungsten West also successfully completed their Integrated Management System audit including ISO 14001 (Environmental), 45001 (Health and Safety) and 9001 (Quality) as well as their Energy Management System audit (ISO 50001).

UN SDGs: 9

## Enterprise Risk Management and Risk Appetite

Objective: Implement and host routine internal risk seminars to educate our employee base on key Company risks

Robust risk management and good corporate governance is the foundation from which we can promote optimal economic, social and environmental outcomes.

All departments are required to maintain risk registers and report to the Risk and Audit Committee any significant changes in risks. Cross-collaboration between departments allows critical analysis of each department’s risks to ensure all remain objective to the business as a whole.

As a result of the changes to the Board, the objective remains ongoing. Departmental registers are maintained and presented to the senior leadership team on periodic basis.

# Stakeholder Engagement

## Understanding our stakeholders

### Section 172 statement

All members of the Board  understand the duties of directors under Section 172 of the Companies Act 2006.

All Directors act in a manner they consider, in good faith, to promote the success of the Company for the benefit of all stakeholders and in doing so consider:

- The likely consequence of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly between members of the Company.

Tungsten West's purpose is to restart the world-class Hemerdon Tungsten-Tin Mine to provide essential strategic metals, doing so in a profitable, safe and sustainable manner. By promoting this approach, we look to create value throughout our stakeholder base.

Throughout the financial year we have engaged with all our key stakeholders which has allowed us to understand their views and consider how we can address their needs in order to align these with our strategy and core goals.

## The key stakeholder zones

- Hemerdon and Sparkwell
- Cornwood and Lutton
- Shaugh Prior and Wotter
- Plympton – Chaddlewood and St Mary Wards
- Wider Plymouth

### Restarting Hemerdon

The decision to pause operations and redevelop the business plan had a significant impact on stakeholders. The Board considered the needs of shareholders, employees, suppliers, and other stakeholders throughout the process.

- Shareholders were kept informed through public announcements and an investor webinar.
- Suppliers were notified immediately and the group managed capital items and payment structures to maintain supplier relationships.
- Employees were informed through meetings and newsletters, with further briefings by department heads. The Group also organised social event for employees to address concerns.
- The surrounding communities and officials were briefed monthly via email and face-to-face meetings.

The following are our key stakeholders and how we engaged with them during the financial year.

### Employees

**WHO -** Our workforce is an adaptable and dedicated group of individuals, recruited mainly from the local area, together with experts in their field from many different countries across the globe.

**HOW –** The Company maintains an open-door policy, encouraging employees to voice their opinions and raise questions to management. Newsletters share comprehensive updates across different departments, while town hall meetings serve as a platform for the Executive Committee (ExCo) to provide strategic updates.

**WHAT –** Following the pause to the project, employees initially felt 'out of the loop' as to the future of Hemerdon. Employees wanted clear and honest updates from ExCo as to how the project was going to restart. The restructuring and associated redundancies conducted post year end was conducted with full employee engagement and consultation.

**OUTCOME –** During the re-optimistion of the project and feasibility update, ExCo gave regular progress updates in the main office, inviting Q&A to scrutinize and challenge the restart plan.

## Shareholders + Lenders

**WHO** - the Company has a wide range of shareholders from financial institutions to retail investors, whilst continuing to engage with potential long-term strategic lenders. Their support is vital so we can build a long-term viable mining company that seeks to deliver sustainable shareholder and lender value.

**HOW –** The Company leverages its social media presence to deliver informal and engaging updates, while the CEO and CFO have attended mining conferences to address strategic issues raised by investors. Regular RNS announcements deliver timely and market sensitive updates.

**WHAT –** Just like our employees, shareholders expressed concerns throughout the year regarding the reasons behind the project pause and how those challenges would be resolved. Management has also kept shareholders informed on the requirement for permits to access the additional project funding required.

**OUTCOME –** The Company engaged in video updates with their brokers to provide development updates and also participated in Q&A sessions with Proactive Investors UK.

## Local Communities

**WHO -** We really need the support and understanding of our local communities around the mine site so we can operate effectively and respectfully. Engaging with the community helps us make smarter decisions for the long-term success of the mine.

**HOW -** The Company maintains a Mine Local Liaison Group to offer regular updates to elected officials from neighboring community councils. Additionally, the Company has enthusiastically welcomed visits from local primary schools, aiming to inspire the next generation of miners.

**WHAT –** The main concern of our local communities remains focused on Low Frequency Noise ("LFN"). Additionally, we receive regular interest in our environmental responsibilities, including our commitment to maintaining the deer fencing and tree planting program.

**OUTCOME –** A local "working group" has been established to provide community members with updates outside of the Parish Council meetings. We have shared information about joining this group through Facebook pages and community noticeboards. Additionally, we have extended invitations to visit and witness the LFN trial in action.

## Regulators

**WHO -** It's crucial for us to establish trust with regulators to make sure we are compliant with our permitting and planning duties. Being a mining company, we understand the importance of respecting the Hemerdon landscape and carrying out our mining operations responsibly to protect the environment.

**HOW -** We actively collaborate with Devon County Council and the Environment Agency ("EA")to ensure we meet our compliance obligations for the mine site. This includes monitoring and reporting our water discharge performance in line with regulations.
Additionally, we work closely with the national government & the Critical Minerals Association, playing a crucial role in promoting the UK Critical Minerals Strategy.

**WHAT –** Our regulators are particularly interested in our ongoing compliance obligations relating to water and our future permitted activities. We have been fully engaged with the EA during the LFN trials after the year end. This included multiple visits to site by EA staff.
The Government and CMA are also keen to understand the Company's role in the UK Critical Mineral Strategy.

**OUTCOME -** We have continued to uphold the ISO14001 (Environmental Management System), ensuring our commitment to environmental standards. Through regular meetings and calls, we have fostered strong working relationships with our regulators, prioritising transparent and open communication, so as to establish a foundation of trust and collaboration.

## Suppliers

**WHO -** The Company depends on third-party service providers and suppliers to acquire equipment, services, infrastructure, and raw materials necessary for our business and operations. Our goal is to establish long-term partnerships in the mining industry, building a network that supports our needs effectively.

**HOW –** We actively engage with our suppliers by sharing our procurement process. Additionally, we remain involved in supplier tendering to ensure that our costs are kept reasonable and in line with market standards. As part of our commitment to the industry, we are proud members of various trade bodies, including the Chamber of Commerce and the Critical Minerals Association.

**WHAT –** After the project pause, suppliers expressed concerns about liquidity issues within the Company, as it is crucial for them to safeguard their own financial interests. In addition, the absence of on-site canteen facilities for suppliers contributed to an unfavorable working environment.

**OUTCOME –** The Company works alongside a contract management consultant who plays a crucial role in supplier management, particularly during the project pause phase. Moreover, to enhance the working environment and promote a positive atmosphere, the Company has successfully launched an on-site café. This café offers a range of hot meals from breakfast to lunch, proudly sourcing local produce and engaging local suppliers.

# Financial Review

The pause to the project meant the Group remained in the development phase and will continue to do so until mining operations are expected to restart in H2 of 2024. The Board continues to monitor KPIs in line with prior year which are suited to the project development.

| KPI | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | £3.4m | £28.8m |
| Investment raised (net of issue costs) | £0.3m | £41.2m |
| Asset under construction costs capitalised | £13.6m | £3.9m |
| LTI and MTI incidents | 3 / 1 | Nil |

| | 2023 | 2022 |
|---|---|---|
| Operating Loss | (£10.79m) | (£12.20m) |
| (Deduct)/Add other (gains)/losses (Note 7) | (£0.71m) | £0.85m |
| **Adjusted loss** | (£11.50m) | (£11.35m) |

Overall, the Group made a net loss after tax of £10.3 million (2022: £13.0 million) and an adjusted operating loss of £11.50 million, reconciled above (2022: £11.35 million).

The Group ceased its aggregate production in April 2022, meaning cost of sales in relation to aggregate sales significantly reduced. Corporate activities were lower because the prior year included fees relating to the AIM admission and other funding processes. Whilst headcount was temporarily reduced because of the project pause in July 2022, overall staff numbers were higher in the year averaging at 81 (2022: 58) resulting in higher staff costs and contributing to the increase in administrative costs to £10.2 million (£8.0 million).

The Group continued to sell surplus low-grade tungsten concentrate for a combined value of £0.5 million (2022: £0.2 million) whilst also selling £0.1 million of aggregate inventory (2022: £0.4 million). Due to inefficiencies of operating at small scale and rising operating costs associated with energy prices and yield, the Group ceased its aggregate production. The trial operation has played an important role in building our Aggregates West brand as we aim to maintain long-lasting relationships with our local and national customers. The remaining aggregate inventory has been written off to the profit and loss account as a cost benefit analysis has shown it to be more beneficial to the group that the mining department utilise the material as part of their enabling works for the MWF.

Following the re-commissioning of the refinery, the Group has £0.1 million of tungsten pre-concentrate and tin concentrate inventory which it has sold post year-end for a value of £0.4 million.

During the year, the Group re-engaged with tax consultants who undertook an R&D review on our 2022 research projects. The claims resulted in a £0.5 million credit being recognised during the reporting period (FY21 claim: £0.5 million) with FY22 claim (£0.1 million) being deferred until 2023. At the date of signing the balance sheet, all tax credits have been received and the Group are currently in the process of preparing the return for 2023.

The Group held cash and cash equivalents of £3.4 million (2022: £28.8 million). The decrease is due to continued capital expenditure on equipment stage payments, payments to the front-end rebuild contractors and pre-operating maintenance and administration costs.

The Group has capitalised all costs to Asset Under Construction that relate to the ongoing project to upgrade the processing plant and mine site. At the year-end, total capitalised costs have increased to £13.6 million (2022: £3.9 million). Included in this is £2.0 million (2022: £1.0 million) capitalised labour costs.

Included within deposits are £4.3 million (2022: £2.3 million) of stage payments on the Tomra Ore Sorters, Metso Semi Mobile Crushing unit and lab equipment. These payments are not capitalised to fixed assets until they are delivered to site and installed.

### Funding

In the prior year, Tungsten West completed a successful admission to the AIM market of the London Stock Exchange in October 2021, issuing 65,000,000 new Ordinary Shares of £0.01 each at 60 pence ("p") per share, raising new gross funds of £39.0 million. Fees incurred on the AIM admission process were, in aggregate, £3.1 million, resulting in net proceeds of £36.0 million. There were no major funding events in the current year as the Group continued to negotiate its strategic long-term funding with various lending parties.

Shareholders exercised 1,183,400 warrants (2022: 442,222) over Ordinary Shares of 1p at prices ranging from 25p to 30p per share, raising new funds of £283,600 (2022: £131,000).

### Post Balance Sheet events

In May 2023, for the Group to be able to meet its near-term contractual liabilities and achieve its short term strategic objectives, surrounding financing permitting activities, the Group announced it was raising £6.95 million by way of convertible loan notes ("CLN") and up to £2.0 million via an open offer. The CLN will accrue interest with an effective rate of 20%, compounding every six months. The CLN are convertible at the lesser of 3p per share or a 50% discount to the offer price of an equity raise. An additional £2.0 million tranche may be offered by the Company if required. For further information please see recent company announcements on the London Stock Exchange.

The take up of the open offer was approximately 10%. Whilst this was disappointing, management believes it has sufficient access to capital to achieve the Company's short term strategic objectives of permitting, planning and securing the funding required to complete the project and recommence production.

Alongside the interim funding, the Group undertook a cost-cutting programme whereby a review of operating costs and capital expenditure took place. The Group took measures to conserve cash by stopping capex payments, restructuring the cost base and deferring certain contracted payments to creditors. As a result of this, the Group has notified the Note Purchasers of multiple defaults on the terms of the Note Purchase Agreement which relate to payments to creditors. These are detailed later in this report (Note 35). Under the terms of the Note Purchase Agreement, The Noteholders can cancel any outstanding Notes under the Note Purchase agreement and demand immediate redemption unless a waiver is in place. The redemption sum is two times the loan note principal outstanding along with any accrued PIK. A waiver for the breaches is in place at the time of signing these accounts. The waiver will expire on 31 January 2024. For the Group to remain a going concern, the Group is reliant on continued support of the Noteholders by not exercising their rights under the defaults, should the defaults not be remedied, or the note converted or redeemed, by 31 January 2024.

This staff reduction exercise concluded in June 2023. On its conclusion, headcount will have been reduced by 42% via redundancy and resignations, and monthly payroll costs by 42%. A further cost reduction exercise was initiated in August 2023, with further redundancies anticipated.

Project Capex for the Front-End re-build has been temporarily scaled back to existing capital commitments for equipment purchase and low-frequency noise trial work. Refurbishment work within the plant has ceased until permitting and funding process are complete.

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Neil Gawthorpe
Chief Executive Officer

# Principal Risks and Uncertainties

During the year, the Group made significant progress in enhancing risk management practices. We achieved a stronger focus and engagement from all levels of management, recognising the ongoing and evolving nature of risk management. With robust frameworks and improved communication, we fostered a culture that values risk awareness and proactive mitigation. This commitment safeguards our interests, protects stakeholders, and supports sustainable growth.

## Emerging Risks

In addition to addressing principal risks, the Board proactively addresses emerging risks to bolster the Group's resilience during uncertain times. Heightened UK inflation and economic instability pose direct risks, particularly as significant mine and plant upgrades are anticipated. To navigate this period, the Board is actively managing costs and engaging with suppliers to secure the most competitive quotes, ensuring prudent financial management and operational efficiency.

## Risk Appetite

The Group's appetite to risk has changed to reflect the uncertainty on our permitting. The Group's activities in the short term are solely focused on risks associated with obtaining our mineral processing facility permit.

# Principal risks

Outlined below are the principal risk factors that the Board feels may affect performance and economic return. The risks detailed below are not exhaustive, and further risks and uncertainties may exist which are currently unidentified or considered to be immaterial.

| Risk | | Impact | Mitigation | Change | |
|---|---|---|---|---|---|
| **Permitting Risk** | The Group requires various permits and planning permission to operate. | Delays in any permits being granted to the Group will delay the restart of mining operations which will impact profitability and decrease the cash headroom the Group has available.<br><br>Without a MPF permit the Group would be unable to commence mining operations. | Plan and implement formal stakeholder engagement to address complaints and issues that were raised and experienced, particularly by directly affected neighbours.<br><br>Ongoing discussions with the permitting authorities (MPA and EA) and stakeholders, to agree modifications to the design of the MWF and MPF. | The Group is still awaiting the receipt of a draft MPF permit. Feedback from the Environmental Agency suggests that additional efforts must be made to address the historical issues related to low frequency noise (LFN) before the permit can be granted. This situation has increased the permitting risk throughout the year. Executive Directors are actively engaged with the Environment Agency. The board closely monitors the progress on a weekly basis and actively participates in the management of the various projects being undertaken to address the historical LFN issues. | ↑ |
| **Access to Capital** | There is a risk of withdrawal or no access to finance required to complete the project. | If project risks and returns prove unattractive to investors, there could be insufficient capital available to complete the project and restart production. | Adapt our business model to keep operations insulated from inflationary pressures and provide attractive returns to investors.<br><br>Routinely report to lenders and key investors and remain engaged on key issues or concerns they may have; increased focus on achieving key permitting and planning milestones required for securing access to capital<br><br>Engage with professional advisers on any issues that could cause withdrawal of facilities. | Since we paused the project in July 2022, it was expected that we could operate on the basis that funding and permitting could run in parallel. However, lender feedback has proven this not to be the case. Even though the work conducted under the 2022 FS Update led to an overall improved project, the design changes required have impacted our ability to achieve permitting and as a consequence, elevated access to capital risk. The Board are in active discussions with financing partners, who remain supportive of the project, to ensure all parties have visibility on permitting progress so when a draft permit is issued, funding can proceed with minimal delay. | ↑ |

| Risk | | Impact | Mitigation | Change | |
|---|---|---|---|---|---|
| **Key Personnel Risk** | The Group's ability to compete in the competitive mineral resource sector depends upon its ability to attract and retain highly qualified management, operational and technical personnel. | The loss of key management and/or technical personnel could delay the development of the Group's assets and negatively impact the ability of the Group to compete in the tin/tungsten resource sector and therefore have an adverse effect on the project's profitability. | To date, the Group has been successful in recruiting and retaining high quality staff. The Board and Human Resources monitor employee attrition closely and have put together an attractive employment package to secure and retain the best personnel. | Staff turnover, resulting from both redundancies and resignations, has been high throughout and post-year end. This increase has elevated the Key Personnel Risk, as there is a potential for insufficient or delayed replacement of key personnel or further departures from the project. The Board is actively monitoring employee turnover and market conditions to ensure they can offer competitive remuneration packages and career opportunities as well as maintaining an excellent working environment. | ↑ |
| **Unstable Economy Risk** | There is a risk that the UK and the wider global economy enters recession, putting economic pressure on demand and pricing, key contractors, off-takers and the business. | Economic instability puts pressure on businesses as they have to absorb losses through reduced revenues and increased costs. There is a risk that our key contractors and off-takers do not survive through the current economic environment and therefore cause the Group to have to secure new contractors and off-takers which would result in higher costs and lower revenues as businesses try and secure more aggressive costing terms. | Management and the Board regularly review the implications of macroeconomic conditions. The Group also ensures there is access to a sufficient buffer of capital to absorb overruns until the project is profitable. In a scenario where the Group anticipates unacceptable cost increase, the Group will seek alternative measures to reduce costs or delay operational readiness and hiring. | Inflation in the UK has increased both during the year and after the year-end. The current inflationary environment remains above the BoE target, posing a heightened risk to the stability of the economy. Management is actively monitoring key input costs and the outlook for inflation in the principle areas that impact our operations. In recent months energy costs have decreased significantly. Current and forecast demand for the commodities the mine will produce continues to be strong. | ↑ |
| **Geopolitical Risk** | There is a risk that geopolitical events outside the Company's control could materially impact the business plan. | Geopolitical events could result in repeats of energy price spikes experienced over 2022 and exchange rate volatility. Failure to react to geopolitical events may result in unnecessary cost absorptions, lack of access to key materials and skilled labour. | Monitor price changes in key materials such as energy, fuel and reagents. Consider price fixing if there is anticipation of volatile prices due to geopolitical risk.<br><br>Engage with advisers on foreign currency strategy. Consider hedging products to manage risk. | The conflict between Ukraine and Russia is affecting the UK economy and the prices of raw materials used in blasting have been volatile, leading to an increased geopolitical risk. Management is actively involved in communicating with suppliers to closely monitor the fluctuations in blasting costs. | ↑ |
| **Development Risk** | The site and plant enhancements at the Hemerdon Mine may be subject to unexpected cost overruns and delays. | Whilst best estimates are used to prepare capital project budgets, any unexpected problems will increase costs, delay revenues, and erode cash reserves and project returns. | Management and the Board regularly review and update forecasts whilst comparing budgets against project expenditure to date.<br><br>The Group also ensures there is access to a sufficient buffer of capital (contingency) to absorb overruns and Opex until project profitability. In a scenario where the Group anticipates unacceptable cost increase, the Group will seek alternative measures to reduce costs or delay operational readiness and hiring. | Development risk has increased due to two unplanned pauses in the construction process, resulting in an escalation of overhead burn-rate and supplier compensation. These unexpected interruptions have caused disruptions to the project timeline, leading to additional costs and challenges in allocating resources. The Board is actively monitoring cash flow forecasts on a monthly and weekly basis to ensure optimal resource allocation during the ongoing construction pause. | ↑ |

| Risk | | Impact | Mitigation | Change |
|---|---|---|---|---|
| **Safety and Well-being** | There is an inherent risk in the mining industry that accidents will occur as a result of a failure in adhering to health and safety procedures. | Accidents can result in serious or fatal injuries which will impact the trust our employees and contractors have to operate safely on-site.<br><br>A severe failure in health and safety will have an overall impact throughout the business including financial penalties, project delays, recruitment and negative employee morale. | Build awareness of health and safety throughout the business with regular health and safety training and updates.<br><br>Undertake rigorous risk assessments for all construction and mining activities.<br><br>Ensure all our health and safety standards and procedures adhere to ISO 45001. | Health and safety on a mine site is paramount due to the inherent risks involved in mining operations. The nature of mining and construction activities poses significant dangers to workers' well-being. As a result, maintaining a high level of health and safety awareness is crucial to safeguarding the well-being of employees and contractors. The board acknowledge that the importance of this issue will not change and must always be at the forefront of the Groups operations. |
| **Foreign Exchange (FX) Risk** | The Group has exposure to foreign currency risk as its tungsten and tin revenues are predominantly in US Dollar. | As the Group's operating costs are predominantly in Pound Sterling and the reporting currency is also in Pound Sterling, a weakened US Dollar would impact project returns. Fluctuations in exchange rates also introduce volatility in the Group's financial results that are not necessarily related to the Group's underlying operations. | The Group has a hedging policy approved by the Board and lenders if they were to use hedging products to protect the FX exposure. | FX risk has remained relatively unchanged. However, it is essential to recognise that FX risk continues to be a significant concern. Adverse movements in exchange rates can have a detrimental impact on project economics, particularly as revenues are denominated in US Dollar. |
| **Volatility of Commodity Prices** | Fluctuations in tungsten, tin and aggregates prices which are beyond the Group's control. | Off-take agreements are linked to market prices which are subject to fluctuations out of the Group's control. A fall in commodity prices will adversely impact revenues and margins. | The Board and management regularly monitor commodity prices so they can adapt and scale back projects if they anticipate lower returns. | Due to the minimal volatility observed in tin and tungsten prices, commodity price risk remains unchanged. |
| **Key Contractors and Suppliers** | The Group has a reliance on key contractors and suppliers due to the specific nature of the plant upgrades. | If the Group experiences any difficulties in retaining suitably qualified contractors, this will have a material impact on plant upgrades and an increase in costs to secure replacement contractors. This will cause delays in project timelines and erode project profitability. | The Group's contractors are permanently based on site therefore the Group can have real time communication and updates on project readiness.<br>All key materials and machinery are purchased ahead of time to ensure they are immediately available for installation. | Key contractor risk has remained unchanged as the Company has maintained good relationships with its contractors, and there have been no significant issues throughout the year. |
| **Environmental and Social Responsibilities** | The Group's operations are subject to various laws and regulations relating to the protection of the environment and the local community. Before mining can recommence, the Group must reapply for a number of operating permits of which there can be no guarantee that these applications will be successful. | A delay or failure to obtain or retain the necessary environmental and social licences will have an adverse effect on the Group's revenues and profitability. | The Group continues to improve its communication and transparency on its environmental and social responsibilities. Included within this Annual Report is the Group's first Sustainability Report which addresses in detail its approach to good ESG governance. The Group also continues to engage with local authorities and communities. The Group enforces strong ESG principles across its operations which are regularly reviewed by the Board and ESG Manager. | Failing to prioritise environmental and social responsibilities could result in negative consequences, including environmental degradation, community conflicts, reputational damage, and legal liabilities. Therefore, the risk remains the same throughout this construction phase. Maintaining a strong commitment to environmental conservation, sustainable practices and community engagement is not only ethically important, but also key for the long-term success and social acceptance of the Hemerdon mining operations. |

| Risk | | Impact | Mitigation | Change | |
|---|---|---|---|---|---|
| **Data Security/ Market Abuse** | Employees throughout the business have access to sensitive, non-public information, and there is a risk that a) employees abuse their position and share this information outside of the business and b) the breach of non-public information leads to market abuse. | There is a reputational risk to the business if the Company cannot protect market-sensitive information.<br><br>Fines and sanctions if employees are found to be abusing their position and sharing non-public information. | Keep sensitive information within senior management groups and restrict access to data where required.<br><br>Secure physical data within the office to reduce accidental sharing of information.<br><br>Provide training and support to staff to ensure there is Company-wide awareness of market abuse.<br><br>Automate processes where possible to reduce the manual handling of sensitive data. | Data security risk remains unchanged as the Company remains in the construction phase. While the construction phase involves various activities such as infrastructure development and establishment of systems, the Company does not handle operational data or store sensitive customer information during this period. As a result, the inherent risks associated with data security are relatively low during this phase. However, it is important for the Company to proactively establish robust data security procedures in anticipation of the operational phase. | ↔ |
| **Plant Viability** | There is a risk that the plant cannot produce a competitively priced product and the quality of product expected from our off-takers. | Adapt our business model to keep operations insulated from inflationary pressures and provide attractive returns to investors.<br><br>Routinely report to lenders and key investors and remain engaged on key issues or concerns they may have.<br><br>Engage with professional advisers on any issues that could cause withdrawal of facilities. | Operator training and experience will improve and maintain required performance of the processing facility.<br><br>Ore storage between unit operations will allow longer running times and improved stability performance.<br><br>Ensure availability of trained personnel. | The update to the feasibility study has brought about improvements in project economics and output, which directly improves the plant's viability and competitiveness in the market. By incorporating updated technological advancement and refined operational strategies, the revised study provides an improved assessment of the project's capabilities. | ↔ |
| **Operating Cost Risk** | The Group is exposed to inflationary pressures that impact the core materials required for the operations, mainly being reagents, energy and diesel costs. | Whilst best estimates are used to prepare operating cost budgets, recent events have shown the adverse impact of an inflationary environment on operating costs. | Management regularly update forecasts and apply sensitivity analysis whilst comparing budgets against expenditure to date.<br><br>The project team have reviewed the processing facility restart plan to ensure the most profitable and cost efficient processes are being utilised to minimise consumption on costly materials. | The operating cost risk has experienced a mixed trend due to contrasting factors. On one hand, there has been a decrease in operating cost risk as energy prices have been declining, although market forecasts suggest these may increase again in the medium term. The operating cost risk has also increased due to the heightened inflationary environment in the UK. The board continue to monitor energy prices closely and update forecasts regularly as inflation continues to push supplier costs upwards. | ↔ |
| **Reserve Estimates** | The Group's reported reserves of tungsten, tin and aggregates are only estimates and there is no certainty that the estimated resources will be mined. | Any material reductions in the estimates could have a material adverse effect on the Group's future profitability and project returns. | The mine's reserves have been prepared by a team of independent qualified specialists. Ongoing estimates will be complemented by an experienced onsite team of geoscientists and engineers. | The risk associated with the reserve estimate has decreased due to the revised calculations following the update to the 2021 Feasibility Study. This reduction in risk is key for a mining company as it enhances our decision-making process regarding resource allocation, project planning, and financial forecasting. The use of up-to-date calculations ensures that the mineral reserve estimate is based on the most current and reliable information available, minimising potential errors or inaccuracies. | ↓ |

| Risk | | Impact | Mitigation | Change | |
|---|---|---|---|---|---|
| **Covid-19 Risk** | There is a risk that the current COVID-19 pandemic is prolonged, either through subsequent waves or if additional variants emerge. | An outbreak of a new variant could cause shortage of personnel and/or shut down operations, adversely affecting operating performance and production efficiency. | The Board continues to monitor and adapt in response to the pandemic and introduce proportionate health and safety measures when required. | The risk of COVID-19 has significantly decreased due to the widespread availability and effectiveness of vaccines. As more individuals receive vaccination, the overall population immunity increases, leading to a decline in the prevalence of the virus. While the virus may still persist, the situation has shifted from a pandemic to a more manageable state. However, it remains crucial to maintain awareness, as localised outbreaks and variants of the virus can still pose risks. | ↓ |

## Board of Directors

| David Connal Cather | Neil Gawthorpe | Anthony Nigel Widdowson | Martin John Wood | Richard (Rick) William Macfarlane Maxey |
|---|---|---|---|---|
| **Independent Non-Executive Chairman (Appointed to Chairman November 2022)** | **Chief Executive Office (Appointed March 2023)** | **Chief Financial Officer (in office until August 2023)** | **Senior Independent Non-Executive Director (appointed November 2022)** | **Non-Executive Director** |
| David joined the Company in September 2021 as a Non-Executive Director and went on to become Chairman in November 2022. David has participated in numerous acquisitions and IPOs of mining companies on various stock exchanges and has significant expertise in mine development. He is currently Non-Executive Chairman of Metals Exploration plc, an Independent Director of JSC AK Altynalmas, a Kazakhstan-listed emerging mid-tier gold producer and of Galantas Gold Corporation, a dual-listed (AIM:TSX.V) Northern Irish underground gold developer. | Neil was appointed to the Board in March 2023. He has held various roles in the mining industry including Senior Vice President Business Development at Allied Gold, where he was responsible for the due diligence on potential M&A, as well as providing a transitional management function at newly acquired assets.<br><br>Neil was heavily involved in the integration of the Sadiola operation, in Mali, and the Bonikro and Agbaou operations in Cote D'Ivoire.<br><br>Prior to this Neil was part of the executive team at Sierra Rutile that turned the company's operation from near-collapse to the world's largest rutile producer, going on to be sold to Iluka Resources for over $400m. | Nigel was appointed to the Board of the Company in July 2021 as Chief Financial Officer. He has over 20 years' experience as a CFO within SMEs, PE backed and leveraged businesses across a variety of sectors including natural resources, construction, leisure and technology. He has worked in multiple growth and restructuring situations. Nigel was interim CFO of Wolf Minerals plc in 2017-2018. | Martin is the founder and Managing Director of Vicarage Capital, an FCA registered, full service brokerage house which provides assistance to junior and mid-cap resources companies. Martin established Vicarage Capital in 2003 and has advised many companies on their AIM listings and long-term mining strategies. | Richard joined the Company as a Non-Executive Director in December 2020. He has over 20 years' experience in finance, both in public and private markets, and including running a specialised private resources fund investing in public and private mining businesses worldwide. He informally represents the Company's shareholders Henry Maxey and Eden Rock. |
| David is Chair of the Board and also Chair of the Technical Committee. | His focus as CEO will be to conduct a review of the available funding options of the business to ensure the delivery of the Project as outlined in the previously announced feasibility study. | His focus as CFO is to oversee all financial aspects of the Company as well as securing funding, and internal auditing to ensure continued good management and profitability of the Company. | Martin is the Senior Independent NED, Chair of the Remuneration Committee and Interim Chair of the Audit and Risk Committee | Richard acts as a Non-Independent Non-Executive Director |

## Adrian Bougourd

**Non-Executive Director (Appointed 4 September 2023)**

Adrian is part of the Developed Markets team at Lansdowne Partners (UK) LLP. Adrian joined Lansdowne Partners in November 2010, having previously worked as a European equity, credit & event driven analyst at Perry Capital.

Adrian is a seasoned and highly experienced senior financial analyst who has spent most of the last 20years analysing and advising companies in the industrial and cyclical space across the globe. At Perry, Adrian was responsible for sourcing and analysing Public & Private European Investment opportunities across industries and the capital structure. Prior to joining Perry Capital in May 2006, Adrian worked at Merrill Lynch, as an Assistant Vice President on the European Transport & Leisure and Capital Goods Teams.

## Guy Edwards

**Non-Executive Director (Appointed 4 September 2023)**

Guy was CEO of Aggregate Industries UK and prior to that CEO of Aggregate Industries USA, with turnovers in excess of £1billion respectively.

Guy's previous roles include Managing Director of Midland Quarry Products and twenty five years of senior management experience with Hanson PLC. He has participated in numerous acquisitions both in the UK and USA and has significant expertise in aggregates and business development.

He is currently Integration Director of SigmaRoc PLC(AIM listed) and co-founder of sustainability startup company XEROC.

Guy is a fellow of the Institute of Quarrying and has a first class honours degree in Quarry Engineering.

## Kevin Ross

**Non-Executive Director (Appointed 4 September 2023)**

Kevin is a European Engineer (Eur Ing) and from the Royal School of Mines with a B.SC (Hons) in Mining Engineering. He completed an M.B.A. at Cranfield School of Management. He has held numerous COO roles since 1999 for operating and development companies in Greece, Australia and Canda.

Kevin has been part of the senior management team of two companies which were acquired; Red Back Mining by Kinross and Orca Gold by Perseus. He is currently COO for Montage Gold Corp developing a large scale gold project in Cote d'Ivoire.

| Mark Edward Thompson | The Honourable Francis Patrick Harcourt Vanden-Bempde Johnstone | Grace Elanor Stevens | Robert Norman Ashley | Maximillian (Max) Campbell Denning |
|---|---|---|---|---|
| **Executive Vice Chairman (In office until May 2023)** | **Non-Executive Director (In office until March 2023)** | **Independent Non-Executive Director (In office until March 2023)** | **Independent Non-Executive Chairman (In office until November 2022)** | **Chief Executive Officer (In office until August 2022)** |
| Mark co-founded the Company in 2019 and is an experienced investor, trader, and executive in the natural resources sector with a background managing large portfolios of risk within the alternative assets space, investing in mining companies, providing strategic advice, and holding senior executive positions. | Francis joined the Company as a Non-Executive Director in May 2019 as part of his role as an Investment Adviser to Baker Steel Resources Trust Ltd, one of the Founder Shareholders. | Grace joined the Company in September 2021 as a Non-Executive Director and the Chair of the Audit and Risk Management Committee. Grace has worked for ten years at Legal & General Group (L&G) where she has been the Chief Taxation Officer since 2015. | Robert joined the Company in September 2021 as the Independent Non-Executive Chairman until his retirement from the Board in November 2022. Robert's steered the Company through a successful IPO, contributing considerably to the Company's journey to restarting Hemerdon. | Max co-founded the Company in 2019 and has strong experience of Financial, Operational and Project start-ups as well as international experience in Africa, Southern America, and Europe, mainly in Mining and Finance. As part of his role as Chief Executive Officer of the Company, Max led the purchase of the Hemerdon Mine out of receivership. |

# Corporate Governance Statement

## Our Approach

Tungsten West recognises the importance of robust corporate governance and accountability to all its stakeholders. By promoting sound governance, the risks set out on pages 18 to 22 can be mitigated and improved performance can be promoted, therefore, the Group view this as an important factor in reaching its medium to long-term goals.

On 21 October 2021, Tungsten West plc listed on the London AIM. AIM Rule 26 requires quoted companies to adopt a recognised corporate governance code and Tungsten West has therefore chosen to adopt the Quoted Companies Alliance's ('QCA') Corporate Governance Code for Small and Mid-sized Quoted Companies.

Our QCA Code disclosures within this Annual Report are summarised in the table below.

| Principle | Disclosure within this report | |
|---|---|---|
| Establish a strategy and business model which promote long-term value for shareholders. | See Our Purpose, Values and Culture | **– page 3.** |
| Seek to understand and meet shareholder needs and expectations. | See Our Governance Structure | **– page 27.** |
| Take into account wider stakeholder and social responsibilities and their implications for long-term success. | See ESG Report, Stakeholder Engagement and Our Governance Structure. | **– page 8 to 15.** |
| Embed effective risk management, considering both opportunities and threats, throughout the organisation. | See Principal Risk and Uncertainties | **– page 18 to 22.** |
| Maintain the Board as a well-functioning, balanced team led by the Chair. | See Board Composition | **– page 26 to 28.** |
| Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities. | See Board Composition | **– page 27 to 29.** |
| Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. | See Our Governance Structure | **– page 27.** |
| Promote a corporate culture that is based on ethical values and behaviours. | See Our Governance Structure | **– page 27.** |
| Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board. | See Our Governance Structure | **– page 28.** |
| Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. | See Our Governance Structure | **– page 27.** |

# Board Composition

The Board comprises individuals with extensive and diverse experience, each contributing a wealth of knowledge and expertise to the Group. The majority of the Board members possess backgrounds in the mining industry, along with expertise in complementary fields such as capital markets, project execution, and financial risk and control.

Each Director maintains their skillset through a combination of continual professional development and attendance of relevant industry conferences. All our Directors will retire on rotation at regular intervals in line with the Company's Articles of Association.

The Board is actively exploring the expansion of its composition by appointing additional non-executive directors who possess valuable expertise, particularly in the aggregates industry. By incorporating individuals with specific skills and backgrounds, the Board aims to cultivate a well-rounded and balanced representation capable of effectively addressing emerging challenges and opportunities. This strategic move reflects the Board's commitment to enhancing its collective knowledge and ensuring comprehensive decision-making processes.

The following table highlights each Director's core competencies relevant to the successful development of the Group.

**Key Strengths**

| | Mining & Mineral Extraction | Project Execution | Financial, Risk & Control | Corporate Governance | ESG | Capital Markets |
|---|---|---|---|---|---|---|
| David Cather | x | x | | x | x | x |
| Neil Gawthorpe | x | x | x | x | x | x |
| Nigel Widdowson (in office until August 2023) | x | x | x | x | | x |
| Martin Wood | x | x | x | x | x | x |
| Richard M Maxey | x | x | x | x | | x |
| Adrian Bourgourd | | | x | x | x | x |
| Guy Edwards | x | x | x | x | x | X |
| Kevin Ross | x | x | | | x | x |
| Mark Thompson (In office until May 2023) | x | x | x | x | | x |
| Francis Johnstone (In office until March 2023) | x | x | x | x | | x |
| Grace Stevens (In office until March 2023) | | | x | x | x | |
| Robert Ashley (In office until November 2022) | x | x | | x | | x |
| Max Denning (In office until August 2022) | x | x | x | | x | x |

### The Board and Culture

For the Group to deliver on its strategy and to maximise shareholder value, the Board believes it must instil a corporate culture based on ethical values and behaviours that align with its strategic objectives. The Board is therefore responsible for delivering this message down and throughout the business, ensuring the whole Company respects and applies such behaviours in their day-to-day work.

Besides setting and delivering on the strategy of the Group, the Board is responsible for making key decisions on financial planning and on an annual basis, will approve the Group budget. The Board routinely reviews short and medium term liquidity. The Board members have a wide range of experience in financial planning and forecasting, therefore can draw upon their experiences to suitably challenge and critique the forecasts.

The Board typically convenes at least eight times a year. The CEO and CFO carry out their day-to-day duties at the Hemerdon Mine, meaning they can remain close to the project and immediately react to any risks that threaten the success of the project.

A total of 16 Board meetings were held during the 2023 financial year. Due to the bespoke nature of the mine and plant upgrade, senior technical and operations management are invited to attend Board meetings to provide updates on the project.

The Board considers that there is an appropriate balance between the Executives and Non-Executives (both independent and non-independent) and that no individual or small group dominates the Board's decision making. The Group is committed to aligning with globally recognised standards, such as the UN Sustainable Development Goals, for diversity both at Board level and across the organisation.

Following completion of the Fundraising, the Company has diversified its Board with the recruitment of additional non-executive Directors with complementary skills and experience.

## Attendance at Board Meetings

The attendance of Board and Committee members who served during the year at the scheduled meetings and calls is shown below:

| | Board | Audit & Risk | Remuneration |
|---|---|---|---|
| David Cather | 16/16 | 4/4 | 2/2 |
| Neil Gawthorpe | 2/2 | | |
| Nigel Widdowson (in office until August 2023) | 16/16 | | |
| Martin Wood | 10/10 | | |
| Richard M Maxey | 14/16 | | 2/2 |
| Mark Thompson (In office until May 2023) | 15/16 | | |
| Francis Johnstone (In office until March 2023) | 13/13 | 4/4 | |
| Grace Stevens (In office until March 2023) | 13/13 | 4/4 | |
| Robert Ashley (In office until November 2022) | 7/7 | | 2/2 |
| Max Denning (In office until August 2022) | 3/3 | | |

## Our Governance Structure

The Board is supported by three Committees, specifically the Audit & Risk, Remuneration and Technical Committees. In view of the size of the Company, the Board will not at this time establish a nominations committee. However, the Board will consider the principles of the QCA Code on nomination and succession matters.

Our governance arrangements are summarised below:

**Tungsten West plc Board**

The Board of Tungsten West is responsible for setting the vision and strategy for the Group to deliver value to all stakeholders by effectively putting in place its business model.

**Audit & Risk Committee**

The Audit and Risk Management Committee will comprise of three independent Non-Executive Directors led by Martin Wood, who will act as interim Chair. Following the resignation of Grace Stevens and Francis Johnstone, the Board will look to appoint two additional Non-Executive Directors to the Audit & Risk Committee.

**Remuneration Committee**

The Remuneration Committee is led by Martin Wood, who acts as Chair, David Cather and Richard Maxey.

The Remuneration Committee's main function includes formulating and agreeing with the Board the framework for the remuneration of the Executive Directors and overseeing the remuneration of senior management. The Committee also approves awards under the Company's short and long-term incentive plans.

**Technical Committee**

The Technical Committee comprises David Cather, who acts as Chair.

The Technical Committee's main functions include reviewing and monitoring the standards and procedures adopted for its operations to ensure they meet legal requirements, under both local jurisdiction and international standards.

**Board Changes**

In March 2023, Neil Gawthorpe joined the executive team as CEO. The Board also strengthened their non-executive management with the appointment of Martin Wood in November 2022. During the year, Max Denning stepped down as CEO in August 2022 whilst Robert Ashley retired from the Board in November.

Francis Johnstone and Grace Stevens also resigned as non-executive directors in March 2023.

Mark Thompson resigned as Executive Vice-Chairman in May 2023.

Nigel Widdowson resigned as CFO in August 2023.

Adrian Bougourd, Kevin Ross and Guy Edwards were appointed to the Board as Non-Executive Directors in September 2023.

The Board would like to thank all departing directors for all their hard work in the foundation of the Company through to IPO.

**Evaluation Of Board Performance**
The Chairman is responsible for reviewing Board performance whilst the Remuneration Committee is responsible for ensuring executive remuneration is benchmarked against competitors and motivates the executive team to tackle challenges ahead.

**Support to Directors**
The Board has the full support of the Company Secretary who acts as secretary to the Board and its Committees. The Board also retains the services of external advisers who are on hand to all Board members to provide advice and support where required.

The Board receives regular and timely information on the Group's operational and financial performance in order to perform their functions. Relevant and detailed information is circulated to all Directors ahead of Board and Committee meetings.

**Shareholder Engagement**
The Board maintains a clear and transparent dialogue with the shareholders of the Company. With institutional investors, engagement is led through the Non-Executive Directors and the CFO whilst the Company aims to take on feedback from the wider shareholder and stakeholder base through the Company's Annual General Meeting and local feedback sessions with community stakeholders.

Approved and authorised by the Board on 13 September 2023

DocuSigned by:
David Cather
BC608D5E78CA453...

Signed on their behalf by David Cather, Chairman

# Directors' Report

## The Directors of Tungsten West plc present their report and the consolidated financial statements for the year ended 31 March 2023.

**Principal Activities**
The principal activity of the Group (Tungsten West and its subsidiaries) is the mining of tungsten and tin and the processing of secondary aggregates at the Hemerdon Mine, Devon, UK.

**Review of Business**
A review of the current and future development of the Group's business is given in the Strategic Report from pages 4 to 7.

**Financial Risk Management**
The Group is exposed through its operations to the following financial risks:

- Commodity price risk
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk
- Inflation risk

The Group undertakes certain policies and procedures to mitigate these risks as much as is practicable, including purchasing in advance foreign currency when exchange rates are favourable, using creditworthy financial institutions and using short-term deposits to manage interest rate and liquidity risks.

As the Group transitions to production, it will continually review these risk mitigation policies to any potential exposure to commodity prices and increase exposure to foreign exchange risks.

The Group is also exposed to financial risks that arise from its operations; these along with management's policies surrounding financial risk management are explained in Note 3 to the financial statements.

**Financial Review**
Please see the CFO's report for a comprehensive financial review.

**Dividends**
The Directors do not recommend payment of a dividend (2022: £Nil).

**Going Concern**
The Group is still in the pre-production phase of operations and meets its day to day working capital requirements by utilising cash reserves from investment made in the Group. In October 2021, the Group raised £36.0 million net of fees by way of an initial public offering and at the year-end, had £3.4 million in cash reserves.

Further to ongoing discussions with investors and debt providers, it is clear that access to the capital required to complete the project will be significantly limited until the Group has secured the final permit required to operate the MPF and a Planning Permission relevant to truck movements.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Group has focussed its short term operating strategy simply on activities required to secure these permits, maintain the requirements for the existing permits and secure funding to complete the project and recommence mining operations.

The Group completed the issue of a convertible loan note facility and an open offer in June 2023. These collectively raised £7.2 million gross of fees. There is an additional facility in place to issue a further £2.0 million convertible loan note under the same terms dependant on investor demand at the time. The Board consider this to be sufficient liquidity to meet its liabilities as they fall due and to complete the short term strategic objectives before December 2023. Opex has been significantly reduced and all material capital commitments deferred until these objectives have been achieved. As at the end of August 2023 the Group had drawn Tranche A (£3.9 million) and Tranche B (£2.9 million) of the convertible loan notes and as a result had £2.5 million in cash reserves. The Group anticipates issuing £2 million Tranche C notes in November 2023. There is not currently any commitment from existing or new noteholders to purchase any Tranche C notes. If the Group fails to find purchasers for the Tranche C notes, then, in the absence of other new sources of finance, it would no longer be able to meet its liabilities as they fall due in November 2023.

After the year end, the Group took measures to conserve cash by stopping Capex payments, restructuring the cost base and deferring certain contracted payments to creditors. As a result of this, the Group has notified the Note Purchasers of multiple defaults on the terms of the Note Purchase Agreement which relate to payments to creditors. There are detailed in Note 35 of this report. Under the terms of the Note Purchase Agreement, The Noteholders can cancel any outstanding Notes under the Note Purchase agreement and demand immediate redemption unless a waiver is in place. The redemption sum is two times the loan note principal outstanding along with any accrued PIK. A waiver for the breaches in place at the time of signing these accounts has been issued by the noteholders. The waiver will expire on 31 January 2024 and going concern is reliant on the Group complying with the terms of the waiver. The waiver gives the Board sufficient comfort that the group can both meet the terms of the original loan without further breaches and the terms of the waiver hence is a going concern. For the Group to remain a going concern, the Group is reliant on continued support of the Noteholders by not exercising their rights under the Defaults should the defaults not be remedied, or the note converted or redeemed, by 31 January 2024.

As identified earlier in this report, permitting, funding and macro-economic risks (Geopolitical, Economic instability) are the most significant risks facing the Company. Lack of or delayed permits, alongside volatile input costs, forex and commodity prices, will significantly increase the risk of lack of access to capital.

The Board is pursuing a strategy of completing the project on a capital build and operate basis. In light of the noise mitigation measures now anticipated to be required for securing the MPF permit, the Board forecasts in excess of £60 million remaining expenditure prior to recommencing operations. Various options for progress post January 2024 will be considered as further information becomes available through the intervening period and are expected to result in the Group continuing as a going concern once the various permissions are secured.

Going concern is reliant on further funding being secured by the end of December 2023, without which the group would be unable to pay its liabilities as they fall due beyond this point. Management have prepared one forecast as follows:

**Model 1 – Additional funding closed December 2023**
This scenario models management's intended plan of the expected future outflows required to complete the capital build once finance is secured. Sensitivity analysis has been applied in terms of when the project would restart, availability of additional capital and the cashflow demands for each scenario. As the terms of any finance package have not yet been agreed the model does not include costs of finance.

Management are satisfied there is sufficient headroom to service the projected cost of debt when this is agreed. As negotiations with finance providers proceed the model will be updated with the anticipated finance costs to ensure that a sufficient level of liquidity is maintained. Management is confident that the project finance can be secured to complete the capital build under the updated business plan once the relevant permits are secured.

As a result, there is a material uncertainty over the granting of the permits and permissions required, within the necessary timeframes, to allow the group to obtain the finance it requires. The Board's aim is that it will obtain the necessary permit and permissions and required funding, allowing the group to operate as a going concern for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing these financial statements despite the material uncertainty referred to above.

### Share Capital
Details of the authorised and issued share capital are shown in Note 27.

### Directors and Directors' Interests
The Directors who served during the year, together with their beneficial interest in shares of the Company as of 31 March 2023 are as follows:

| | **31 March 2023** | | 31 March 2022 | |
|---|---|---|---|---|
| | **Shares** | **Options** | Shares | Options |
| Francis Johnstone (In office until March 2023) | **–** | **–** | – | – |
| Richard M Maxey* | **16,434,593** | **–** | 16,434,593 | – |
| Maximillian (Max) Denning** (In office until August 2022) | **12,368,569** | **5,371,586** | 12,649,819 | 5,371,586 |
| Mark Thompson*** (In office until May 2023) | **4,317,238** | **5,121,586** | 4,317,238 | 4,971,586 |
| Anthony (Nigel) Widdowson (in office until August 2023) | **–** | **400,000** | – | 300,000 |
| Neil Gawthorpe (Appointed March 2023) | **–** | **–** | – | – |
| Martin Wood (Appointed November 2022) | **–** | **–** | – | – |
| Robert Ashley (In office until November 2022) | **–** | **–** | – | – |
| David Cather | **–** | **–** | – | – |
| Grace Stevens (In office until March 2023) | **–** | **–** | – | – |

* Held by Richard Maxey's brother, Henry Maxey.
** Held by Max Denning and his mother and father, Sarah Veronica Denning and Mark Edward Denning.
*** Held by Mark Thompson and his wife, Nicola Zoe Haylings.

### Directors' Statement as to Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

**Directors' Indemnity Insurance**
The Group provided Directors' and Officers' liability insurance for both the current and prior period.

**Political Donations**
During the year the Group made payments totalling £31,750 (2022: £nil) that are considered to be political donations.£25,000 (2022: Nil) was paid by Drakelands Restoration Limited to Conservative and Unionist Party. £6,570 was paid by Tungsten West in relation to travel costs for a Conservative and Unionist Party Member of Parliament to visit the Hemerdon Mine. The payment is considered a political donation.

**Future Developments**
Details on future developments can be found from pages 4 to 7.

**Research and Development**
The Group is currently engaged in research and development activities to increase operational efficiencies and address LFN issues presented under the previous operator. Details on such activities can be found on pages 5 to 7 in the CEO Report.

**Events after the Reporting Date**
The events after the reporting date are set out in Note 35 to the Financial Statements.

**Auditors**
The auditor, PKF Francis Clark, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. PKF Francis Clark has signified its willingness to continue in office as auditor.

Approved and authorised by the Board on 13 September 2023



**Neil Gawthorpe**

**Director**

# Tungsten West plc 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 UK-adopted International Accounting Standards. 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 UK-adopted International Accounting Standards 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.

# Independent Auditor's Report to the members of Tungsten West plc

### Opinion

We have audited the financial statements of Tungsten West Plc (the "Group") for the year ended 31 March 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related 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 UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### An Overview of the Scope of our Audit

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprises the following components (all 100% subsidiaries based in the UK):

- Tungsten West plc ("Parent company")
- Tungsten West Services Limited
- Drakelands Restoration Limited
- Aggregates West Limited

All components were subject to full scope audits carried out by the group audit team. Our audit work at the component level is executed at levels of materiality appropriate for such components, which range from 5% to 100% of Group materiality.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| KEY AUDIT MATTER | RESPONSE AND CONCLUSION |
|---|---|
| **Management override of controls**<br><br>**The Group continues to require significant further investment to fund the rebuild of the processing plant. There is a significant risk of management bias to manipulate results in order to secure investment during the year and/or potentially further finance in the future.** | Our audit work included:<br><br>• Consideration of the appropriateness of journal entries made during the year, and those posted to adjust the management accounts to produce the final accounts.<br>• Challenge of the assumptions underlying material provisions at the balance sheet date to ensure that they are included on a consistent basis with IFRS.<br>• Review of accounting estimates for potential biases.<br>• Review of the disclosure of the results to check that they are fair and balanced.<br>As a result of the procedures performed, we are satisfied that we did not identify any material bias in the determination of estimates or management override of controls. |
| **Impairment of property, plant and equipment and intangible assets**<br><br>**The market capitalisation of the Group has been below the net asset position which is an indicator of impairment. This event indicates a risk that the property, plant and equipment or intangible assets held on the group balance sheet could be impaired.** | Our audit work included:<br><br>• Discussions and enquiries with management.<br>• Physical inspection of the property, plant and equipment within the processing plant.<br>• Comparison of management's inputs to supporting evidence and challenge of the reasonableness of assumptions underlying management's new plan and the calculation of value in use.<br>• Reperformance of elements of management's value in use calculation and stress testing for key assumptions.<br>• Assessment and challenge of management's sensitivity analysis<br>• Review of the disclosures regarding impairment considerations made by management together with the status of the revised plans.<br>As a result of the procedures performed, we are satisfied that no further material impairment to the carrying value of either property, plant and equipment or intangible assets is required. |

| KEY AUDIT MATTER | RESPONSE AND CONCLUSION |
|---|---|
| **Restoration provision**<br><br>**The group holds a restoration provision as a result of 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. This is a significant accounting estimate with a number of uncertain underlying assumptions such as discount rate, life of mine and the estimate of restoration costs.** | Our audit work included:<br><br>• Assessment and challenge of the key assumptions applied by management. Cross-checking consistency of assumptions with business forecasts.<br>• Inspection of third party estimates of the expected restoration costs.<br>• Reperformance of management's calculation.<br>• Assessment of the accuracy and completeness of accounts disclosure in the light of the above.<br>As a result of the procedures performed, we are satisfied that the restoration provision is accounted for and disclosed correctly. |
| **Capitalisation of costs**<br><br>**The Group's primary focus at the current time is the renovation and commissioning of the extraction plant and has capitalised significant associated costs within property plant and equipment under IAS16.**<br><br>**The risk is that costs are capitalised that are not directly attributable to the project and will not result in future economic benefits flowing to the Group. This is a key area of judgement.** | Our audit work included:<br><br>• Inspecting documentation relating to a sample of fixed asset additions.<br>• Recalculation of a sample of capitalised staff costs with reference to payroll records.<br>• Discussions with project staff directly to determine if costs capitalised were directly attributable.<br>• Assessment and challenge of the key assumptions applied by management, in particular surrounding staff utilisation rates and how the criteria of IAS16 have been met.<br>• Review of the disclosures made of the nature of the costs capitalised.<br>As a result of the procedures performed, we are satisfied that property, plant and equipment has been recognised in line with IAS16. |

### Our Application of Materiality

Misstatements, including omissions, are considered to be material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We use quantitative thresholds of materiality, together with qualitative assessments in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| MATERIALITY MEASURE | GROUP |
|---|---|
| **Overall materiality** | £428,000 |
| **Performance materiality** | £257,000 |
| **Basis for determination** | Overall materiality was set as 1% of the Group's gross assets. As the Group is not currently making significant commercial Tungsten sales, stakeholder sensitivity will centre on the assets under the control of the Group (freehold property, leasehold property, the processing plant and machinery and the mining licence enabling rights and access to the Tungsten in the Drakelands mine). Consequently we have deemed it appropriate to set Group materiality on a gross assets basis. Performance materiality is set as 60% of overall materiality based on our assessment of inherent risk. |
| **Threshold used for communicating unadjusted differences** | £22,000 |

Range of materiality for the 4 components subject to full scope audits: £20,000 - £428,000 and used a mix of Gross assets and Profit/loss before tax to determine materiality depending on the nature of the component operations.

### Material uncertainty relating to going concern

We draw attention to Note 2 in the financial statements, which indicates that the group has yet to secure a key permit necessary to obtain the finance it needs to complete the plant rebuild and continue in operational existence for the foreseeable future. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of management's assessment of going concern (including assessment at the planning stage of the audit process). Due to the project requiring a permit to gain further financing we focussed on the forecasts provided by management on the capital build basis. These forecasts assume the permit and further financing will be received by the end of 2023. Our work included assessing the amount of cash outflows in the supporting forecast models, with reference to historical actual results and sensitivities applied. We also checked the integrity and mathematical accuracy of the models used.
- Assessment of the consistency of management's forecasts with known committed future expenditure.
- Consideration of the going concern related disclosures in the financial statements to ensure they are appropriate.
- Review of the Convertible Loan Note facility and specific terms included in the agreement as well as a review of the signed waiver put in place to cover the breaches in these terms.
- Consideration of the post balance sheet events disclosure for consistency with our review and the potential impact on going concern.

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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to 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.

**Opinions on Other Matters 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

**Responsibilities of Directors**
As explained more fully in the Directors' responsibilities statement set out on page 33, 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 the 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 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 to cease operations, or have no realistic alternative but to do so.

**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.

We obtained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates. 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.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the entity's ability to continue operating and the risk of material misstatement to the accounts. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:
- Review of legal and professional costs to identify legal costs in respect of non compliance;

• Discussions and enquiries with management whether there have been any known instances, allegations or suspicions of fraud or non compliance with laws and regulations;
• Review of board minutes and correspondence with regulators where available including the UK Environment Agency.

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. Our procedures involved the following:
• Review of nominal journal entries for reasonableness;
• Review of significant accounting estimates for bias, in particular the key accounting estimates set out in Note 2.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. 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, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for. This description forms part of our auditor's report.

**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 audit 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.

PKF Francis Clark

**Duncan Leslie**
(Senior Statutory Auditor)

PKF Francis Clark
Melville Building East
Unit 18, 23 Royal William Yard
Plymouth
Devon
PL1 3GW

Date: 13/09/2023

# Consolidated Statement of Comprehensive Income
## Year ended 31 March 2023

| | Note | **2023 £** | 2022 £ |
|---|---|---|---|
| Revenue | 5 | 626,460 | 673,509 |
| Cost of sales | | (1,984,983) | (4,028,123) |
| **Gross loss** | | (1,358,523) | (3,354,614) |
| Administrative expenses | | (10,160,088) | (7,998,774) |
| Other operating income | 6 | 18,947 | 4,237 |
| Other gains/(losses) | 7 | 710,710 | (846,373) |
| **Operating loss** | 8 | (10,788,954) | (12,195,524) |
| Finance income | | 454,196 | 120,002 |
| Finance costs | | (495,279) | (913,466) |
| **Net finance cost** | 9 | (41,083) | (793,464) |
| **Loss before tax** | | (10,830,037) | (12,988,988) |
| Income tax credit | 13 | 544,602 | – |
| Loss for the year | | (10,285,435) | (12,988,988) |
| **Total comprehensive loss** | | (10,285,435) | (12,988,988) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | (10,285,435) | (12,988,988) |

| | | £ | £ |
|---|---|---|---|
| Basic and diluted loss per share | 14 | (0.06) | (0.11) |

The above results were derived from continuing operations.

# Consolidated Statement of Financial Position
## Year ended 31 March 2023

TUNGSTEN WEST

| | Note | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 19,054,864 | 8,469,610 |
| Right-of-use assets | 16 | 2,022,672 | 1,743,736 |
| Intangible assets | 17 | 5,090,016 | 4,993,254 |
| Deferred tax assets | 13 | 1,390,346 | 1,397,789 |
| Escrow funds receivable | 19 | 5,146,986 | 8,370,024 |
| | | 32,704,884 | 24,974,413 |
| **Current assets** | | | |
| Inventories | 22 | 114,173 | 156,944 |
| Trade and other receivables | 20 | 6,163,593 | 3,827,509 |
| Cash and cash equivalents | 21 | 3,438,018 | 28,755,388 |
| | | 9,715,784 | 32,739,841 |
| Total assets | | 42,420,668 | 57,714,254 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 27 | 1,805,516 | 1,793,682 |
| Share premium | | 51,882,761 | 51,610,414 |
| Share option reserve | | 357,366 | 241,861 |
| Warrant reserve | | 740,867 | 1,408,730 |
| Retained earnings | | (23,805,018) | (14,187,446) |
| Equity attributable to owners of the Company | | 30,981,492 | 40,867,241 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 24 | 1,901,583 | 1,440,630 |
| Provisions | 25 | 5,701,771 | 9,526,485 |
| Deferred tax liabilities | 13 | 1,390,346 | 1,397,789 |
| | | 8,993,700 | 12,364,904 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 2,330,603 | 4,289,623 |
| Loans and borrowings | 24 | 114,873 | 192,486 |
| | | 2,445,476 | 4,482,109 |
| Total liabilities | | 11,439,176 | 16,847,013 |
| Total equity and liabilities | | 42,420,668 | 57,714,254 |

The financial statements were approved by the Board on 13 September 2023 and signed on its behalf by:

**Neil Gawthorpe**
Director

DocuSigned by:
1C8ABCA201654CB...

Company Registration Number: 11310159

# Consolidated Statement of Changes in Equity
## Year ended 31 March 2023

TUNGSTEN WEST

| | Share capital £ | Share premium £ | Share option reserve £ | Warrant reserve £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|---|
| At 1 April 2021 | 6,856 | 12,327,484 | 67,840 | 754,586 | (11,413,116) | 1,743,650 |
| **Loss for the year** | **–** | **–** | **–** | **–** | **(12,988,988)** | **(12,988,988)** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **(12,988,988)** | **(12,988,988)** |
| Capital reduction of share premium account | – | (10,000,000) | – | – | 10,000,000 | – |
| Issue of bonus shares | 752,513 | (752,513) | – | – | – | – |
| Conversion of convertible debt | 359,352 | 10,421,208 | – | – | – | 10,780,560 |
| New share capital subscribed | 674,961 | 40,310,822 | – | – | – | 40,985,783 |
| Issue of warrants | – | (696,587) | – | 785,144 | – | 88,557 |
| Exercise of warrants | – | – | – | (131,000) | 131,000 | – |
| Share options charge | – | – | 298,878 | – | – | 298,878 |
| Forfeiture of share options | – | – | (41,199) | – | – | (41,199) |
| Exercise of share options | – | – | (83,658) | – | 83,658 | – |
| **At 31 March 2022** | **1,793,682** | **51,610,414** | **241,861** | **1,408,730** | **(14,187,446)** | **40,867,241** |
| Loss for the year | – | – | – | – | **(10,285,435)** | **(10,285,435)** |
| Total comprehensive income | – | – | – | – | **(10,285,435)** | **(10,285,435)** |
| New share capital subscribed | 11,834 | 272,347 | – | – | - | 284,181 |
| Exercise of warrants | – | – | – | (334,378) | 334,378 | – |
| Expired warrants | – | – | – | (333,485) | 333,485 | – |
| Share options charge | – | – | 134,610 | – | – | 134,610 |
| Forfeiture of share options | – | – | (19,105) | – | – | (19,105) |
| **At 31 March 2023** | **1,805,516** | **51,882,761** | **357,366** | **740,867** | **(23,805,018)** | **30,981,492** |

# Consolidated Statement of Cash Flows
## Year ended 31 March 2023

| | Note | **2023 £** | 2022 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | (10,285,435) | (12,988,988) |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 8 | 514,394 | 209,233 |
| Loss on disposal of right to use asset | 8 | 124,528 | – |
| Loss on disposal of intangible asset | 8 | 73,401 | – |
| Impairment of asset under construction | 8 | 108,947 | – |
| Fair value losses on escrow account | 7 | 3,495,064 | 1,783,221 |
| Fair value gains on restoration provision | 7 | (4,205,774) | (786,849) |
| Finance income | 9 | (454,196) | (120,002) |
| Finance costs | 9 | 495,279 | 913,466 |
| Share-based payment transactions | | 115,505 | 174,021 |
| Founder incentives | | – | (149,999) |
| Impact of foreign exchange | | 74,724 | – |
| Income tax credit | 13 | (544,602) | – |
| | | (10,488,165) | (10,965,897) |
| **Working capital adjustments** | | | |
| Income tax received | | 544,602 | – |
| (Increase) in trade and other receivables | 20 | (2,336,084) | (3,283,213) |
| (Decrease)/increase in trade and other payables | 23 | (1,959,020) | 2,952,165 |
| Decrease/(increase) in inventories | | 42,771 | (156,944) |
| Net cash outflow from operating activities | | (14,195,896) | (11,453,889) |
| **Cash flows from investing activities** | | | |
| Interest received | 9 | 99,082 | 1,134 |
| Acquisitions of property, plant and equipment | 15 | (10,892,254) | (4,203,803) |
| Proceeds from sale of vehicle | | 4,167 | – |
| Acquisitions of intangibles | 17 | (191,523) | (80,000) |
| Net cash outflows from investing activities | | (10,980,528) | (4,282,669) |
| **Cash flows from financing activities** | | | |
| Interest paid | 9 | (4,084) | (4,955) |
| Proceeds from issue of Ordinary Shares, net of issue costs | | – | 41,021,204 |
| Proceeds from the exercise of warrants | | 284,181 | 126,577 |
| Proceeds from the exercise of share options | | – | 3,472 |
| Payments to hire purchase | | (63,294) | – |
| Payments to lease liabilities | | (357,749) | (153,932) |
| Net cash (outflows)/inflows from financing activities | | (140,946) | 40,992,366 |
| Net (decrease)/ increase in cash and cash equivalents | | (25,317,370) | 25,255,808 |
| Cash and cash equivalents at 1 April | | 28,755,388 | 3,499,580 |
| Cash and cash equivalents at 31 March | | 3,438,018 | 28,755,388 |

**1 General information**
Tungsten West plc ('the Company') is a public limited company, incorporated in England and Wales and domiciled in the United Kingdom.

| The address of its registered office is: | The principal place of business is: |
|---|---|
| Shakespeare Martineau LLP | Hemerdon Mine |
| 6th Floor | Drakelands |
| 60 Gracechurch Street | Plympton |
| London | Devon |
| EC3V 0HR | PL7 5BS |
| United Kingdom | United Kingdom |

**2 Accounting policies**
**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 Group financial statements have been prepared in accordance with International Accounting Standards as adopted in the United Kingdom ('UK adopted IAS') and those parts of the Companies Act 2006 that are applicable to companies which apply UK adopted IAS.

The financial statements are presented in Sterling, which is the functional currency of the Group and Company.

**Going concern**

The Group is still in the pre-production phase of operations and meets its day to day working capital requirements by utilising cash reserves from investment made in the Group. In October 2021, the Group raised £36.0 million net of fees by way of an initial public offering and at the year-end, had £3.4 million in cash reserves.

Further to ongoing discussions with investors and debt providers, it is clear that access to the capital required to complete the project will be significantly limited until the Group has secured the final permit required to operate the MPF and a Planning Permission relevant to truck movements.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Group has focussed its short term operating strategy simply on activities required to secure these permits, maintain the requirements for the existing permits and secure funding to complete the project and recommence mining operations.

The Group completed the issue of a convertible loan note facility and an open offer in June 2023. These collectively raised £7.2 million gross of fees. There is an additional facility in place to issue a further £2.0 million convertible loan note under the same terms dependant on investor demand at the time. The Board consider this to be sufficient liquidity to meet its liabilities as they fall due and to complete the short term strategic objectives before December 2023. Opex has been significantly reduced and all material capital commitments deferred until these objectives have been achieved. As at the end of August 2023 the Group had issued Tranche A (£3.9million) and Tranche B (£2.9 million) of the CLN and had £2.5 million in cash reserves. The Group anticipates issuing £2 million Tranche C notes in November 2023. There is not currently any commitment from existing or new noteholders to purchase any Tranche C notes. If the Group fails to find purchasers for the Tranche C notes, then, in the absence of other new sources of finance, it would no longer be able to meet its liabilities as they fall due in November 2023.

After the year end, the Group took measures to conserve cash by stopping capex payments, restructuring the cost base and deferring certain contracted payments to creditors. As a result of this, the Group has notified the Note Purchasers of multiple defaults on the terms of the Note Purchase Agreement which relate to payments to creditors. There are detailed in note 35 this report. Under the terms of the Note Purchase Agreement, the Noteholders can cancel any outstanding Notes under the Note Purchase Agreement and demand immediate redemption unless a waiver is in place. The redemption sum is two times the loan note principal outstanding along with any accrued PIK. A waiver for the breaches in place at the time of signing these accounts has been issued by the noteholders. The waiver will expire on 31 January 2024 and going concern is reliant on the Group complying with the terms of the waiver. The waiver gives the Board sufficient comfort that the group can both meet the terms of the original loan without further breaches and the terms of the waiver hence is a going concern. For the Group to remain a going concern, the Group is reliant on continued support of the Noteholders by not exercising their rights under the Defaults should the defaults not be remedied, or the note converted or redeemed, by 31 January 2024.

As identified earlier in this report, permitting, funding and macro-economic risks (Geopolitical, Economic instability) are the most significant risks facing the Company. Lack of or delayed permits, alongside volatile input costs, forex and commodity prices, will significantly increase the risk of lack of access to capital.

The Board is pursuing a strategy of completing the project on a capital build and operate basis. In light of the noise mitigation measures now anticipated to be required for securing the MPF permit, the Board forecasts in excess of £60 million remaining expenditure prior to recommencing operations. Various options for progress post January 2024 will be considered as further information becomes available through the intervening period and are expected to result in the Group continuing as a going concern once the various permissions are secured.

Going concern is reliant on further funding being secured by the end of December 2023, without which the group would be unable to pay its liabilities as they fall due beyond this point. Management have prepared one forecast as follows:

**Model 1 – Additional funding closed December 2023**
This scenario models management's intended plan of the expected future outflows required to complete the capital build once finance is secured. Sensitivity analysis has been applied in terms of when the project would restart, availability of additional capital and the cashflow demands for each scenario. As the terms of any finance package have not yet been agreed the model does not include costs of finance.

Management are satisfied there is sufficient headroom to service the projected cost of debt when this is agreed. As negotiations with finance providers proceed the model will be updated with the anticipated finance costs to ensure that a sufficient level of liquidity is maintained. Management is confident that the project finance can be secured to complete the capital build under the updated business plan once the relevant permits are secured.

As a result, there is a material uncertainty over the granting of the permits and permissions required, within the necessary timeframes, to allow the group to obtain the finance it requires. The Board's aim is that it will obtain the necessary permit and permissions and required funding, allowing the group to operate as a going concern for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing these financial statements despite the material uncertainty referred to above.

**Basis of consolidation**
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March 2023.

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 2022 have had a material effect on the financial statements.

**Revenue recognition**
In the year revenue has mainly related to the sale of low grade concentrate which was left behind by the previous mining operator. This is recognised upon pick up by 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 has submitted research and development tax credit claims. The Group accounts for a claim at the point it considers the claim to be unchallenged by HMRC.

**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.

The asset under construction relates to costs incurred to upgrade the mineral processing facility and in accordance with IAS 16, have capitalised costs if it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

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

| Asset class | Depreciation method and rate |
|---|---|
| Land | None |
| Building | 2% Straight Line |
| Furniture, fittings and equipment | 5% – 20% Straight Line |
| Other property, plant and equipment | 5%– 33% Straight Line |
| Motor vehicles | 33% Straight Line |
| Computer equipment | 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 IFRS 3.

The mining rights are subject to amortisation over the useful life of the mine which is 27 years (2022: 23 years). Amortisation will be charged from the date the mine is brought into use.

Software is amortised on a straight-line basis using a rate of 33%.

**Right-of-use assets**
Right-of-use assets consist of a lease for the Hemerdon Mine and three property leases under IFRS 16. 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.

**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.

**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 27 years' time which assumes a 27-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.

**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 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 Group 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 Group 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.

Short-term or low-value leases, in accordance with the available exemption in IFRS 16, are not capitalised on the statement of financial position and instead recognised as an expense, on a straight-line or other systematic basis.

**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**
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.

**Defined contribution pension obligation**
A defined contribution plan is a pension plan under which pension contributions are paid into a separate entity and the group 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 into 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, right of use assets, inventories, 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 marketplace.
Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

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

**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.

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

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

**Significant accounting judgements**

***Impairment of non-current assets***
To consider the impairment of the Group's non-current assets, management has calculated a value in use of the Group's cash-generating unit which comprises the Hemerdon Mine. This was determined using a discounted cashflow approach, supported by project cashflow forecasts prepared by management. The value of assets impacted is £24.1 million.

The previous model under the Bankable Feasibility Study ('BFS') has been adapted to reflect the changes in inputs and assumptions as a result of the project re-evaluation. The inputs and key assumptions that were used in the determination of value in use were discount rate, metal prices, metal recoveries, probability of financing, probability of permit award and foreign exchange.

Discounted cashflows are based on future forecasts which reflect uncertainty. Therefore, management has prepared a sensitised discounted cashflow calculation. The underlying assumptions that were stress tested include the discount rate, FX and metal prices and recoveries.

Management were satisfied in the recoverability of the Group's assets and no impairment was required.

***Capitalisation of research and development costs***
The 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. The Directors have also reviewed research and development costs and concluded that these costs fail to meet the criteria set out in IAS 38 for the capitalisation of development costs as the Directors 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 IAS 38. Development costs that are capitalised in accordance with the requirements of IFRS are not treated, for dividend purposes, as a realised loss. The Group has currently capitalised no research and development costs in accordance with IAS 38. The Group has only capitalised costs associated with the tangible improvement and installation of property, plant and equipment under IAS 16.

***Capitalisation of asset under construction costs***
The Directors have reviewed any costs relating to the upgrade of the mineral processing facility in accordance with IAS 16 and have capitalised costs if it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. At the year end, £13.6 million (2022: £3.9 million) of costs have been capitalised.

***Founder options***
The Directors consider the non-EMI portion of the founder options meet the definition of equity in the financial statements of the Group on the basis that the 'fixed for fixed' condition is met and that they were awarded to shareholders relating to investing in the share capital of the Group. The accounting treatment has been applied in accordance with IAS 32, which requires initial recognition at fair value of consideration paid less costs. As there was no consideration received at inception, the value of the options is £Nil. When exercised the shares are recognised at option price.

**Key sources of estimation uncertainty**
*Restoration provision*
The restoration provision is 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, these calculations are subject to a high degree of estimation uncertainty. The key assumptions that would lead to significant changes in the provision are the discount rate, useful life of the mine and the estimate of the restoration costs.

A 1% change in the discount rate on the Group's restoration estimates would result in an impact of £1.2 million to 1.6 million (2022: £1.9 million) on the restoration provision. A 5% change in cost on the Group's restoration estimates would result in an impact of £0.3 million (2022: £0.5 million) on the provision for restoration.

More information on the restoration provision is disclosed in Note 25.

**Escrow account**
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 key assumptions that would lead to significant changes in the escrow account fair value are the discount rate and the useful life of the mine.

A 1% change in the discount rate on the Group's escrow account estimate would result in an impact of £1.1 million to £1.5 million (2022: £1.7 million) on the escrow account valuation. A one-year change in useful mining life would result in an impact of £0.2 million (2022: £0.1 million) on the escrow account valuation.

More information on the escrow account is disclosed in Note 19.

**Discount rates**
The Group 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, the restoration provision and share based payments. The discount rate on the right-of-use asset is the rate for an equivalent debt instrument. The escrow funds are discounted at the risk free rate which is 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.

The UK risk-free rate increased over the financial year to 3.7% (2022: 2.0%).

## 3 Financial risk management

**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.

**Liquidity risk**
The Directors regularly monitor forecast and actual cash flows and to match the maturity profiles of financial assets and liabilities to ensure proper liquidity risk management for the day-to-day working capital requirements.

In the view of the Directors, the key risk to liquidity is raising the additional capital required to meet its estimated Capex spend. The Group's continued future operations depend on the ability to raise sufficient capital through the issue of debt. At present the Group does not have sufficient capital to fund its estimated Capex spend therefore there is a liquidity risk which would result in the Group having to pause its future operations were it to not raise the necessary capital. At present, the Group is in discussions with financing partners to provide this additional capital as noted in the previous going concern policy.

**Market risk**
**Interest rate risk**
The Group 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 24 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 Group has no significant interest-bearing assets and liabilities.

**Foreign exchange risk**
The Group in the future will also be exposed to exchange rate risk on the basis that tungsten prices are principally denominated in US Dollar. The Group will seek to manage this risk through the supply contracts it agrees with future customers.

The Group 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.

**Price risk**
The Group is exposed to the price fluctuation of its primary products being tungsten and tin. Given the Group is currently in the development phase and is not yet producing any revenue, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors monitor this risk on an ongoing basis and will review this as the Group moves towards production.

**Inflation Risk**
The Group is exposed to inflationary pressures that impact the core materials required for the operations, mainly being reagents, power and

diesel costs. The Directors monitor this risk on an ongoing basis and will review this as the group moves towards production.

### 4 Operating segments

The Chief Economic Decision Maker of the Group is the Board of Directors which considers that the Group is comprised of one operating segment representing the Group's mining activities at the Hemerdon Mine. All operations and assets are located in the United Kingdom and all revenues are originated in the United Kingdom.

Revenue from customers accounting for 10% or more of Group revenue was as follows:

| | 2023 £ | 2022 £ |
|---|---|---|
| Customer A | **118,276** | 384,000 |
| Customer B | – | 83,000 |
| Customer C | – | 144,000 |
| Customer D | **508,184** | – |

### 5 Revenue from contracts with customers

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

| | 2023 £ | 2022 £ |
|---|---|---|
| Tungsten | **508,184** | 232,940 |
| Aggregates | **118,276** | 440,569 |
| Sale of goods | **626,460** | 673,509 |

### 6 Other income

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

| | 2023 £ | 2022 £ |
|---|---|---|
| Sale of scrap metal | **13,962** | 4,237 |
| Sublease rental income | **4,985** | – |
| | **18,947** | 4,237 |

### 7 Other gains and losses

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

| | 2023 £ | 2022 £ |
|---|---|---|
| Gain on restoration provision due to change in discount rate | **4,205,774** | 786,849 |
| Loss on escrow account due to change in discount rate | **(3,495,064)** | (1,783,221) |
| Gains/(losses) on founder share incentives | – | 149,999 |
| Other gains and losses | **710,710** | (846,373) |

See note 19 and note 25 for further details on other gains and losses on the restoration provision and the escrow account.

### 8 Operating loss

Arrived at after charging/(crediting):

| | 2023 £ | 2022 £ |
|---|---|---|
| Depreciation of property, plant and equipment | **276,995** | 101,464 |
| Depreciation of right-of-use assets | **216,039** | 101,169 |
| Loss on disposal of right to use asset | **124,528** | – |
| Impairment of asset under construction | **108,947** | – |
| Amortisation of intangibles | **21,360** | 6,599 |
| Staff costs | **4,593,833** | 2,465,924 |

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### 9 Finance income and costs

| | 2023 £ | 2022 £ |
|---|---|---|
| **Finance income** | | |
| Notional interest income on the escrow funds receivable | **272,026** | 94,775 |
| Other interest income | **99,082** | 1,134 |
| Foreign exchange gains | **83,088** | 24,093 |
| | **454,196** | 120,002 |
| **Finance costs** | | |
| Interest expense on other financing liabilities | **(101,772)** | (556,558) |
| Notional cost on the restoration provision | **(381,060)** | (348,507) |
| Other interest | **–** | (1,133) |
| Bank charges | **(4,083)** | (3,823) |
| Foreign exchange losses | **(8,364)** | (3,445) |
| Total finance costs | **(495,279)** | (913,466) |
| Net finance costs | **(41,083)** | (793,464) |

### 10 Staff costs

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

| | 2023 £ | 2022 £ |
|---|---|---|
| Wages and salaries | **3,888,672** | 2,114,626 |
| Social security costs | **427,748** | 234,915 |
| Pension costs, defined contribution scheme | **161,908** | 116,383 |
| Share based payment | **115,505** | 298,878 |
| Amounts capitalised to asset under construction | **968,262** | 988,917 |
| | **5,562,095** | 3,753,719 |

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

| | 2023 No. | 2022 No. |
|---|---|---|
| Project, maintenance, administration and support | **74** | 52 |
| Directors | **7** | 6 |
| | **81** | 58 |

### 11 Directors' remuneration

The Directors' remuneration for the year was as follows:

| | 2023 £ | 2022 £ |
|---|---|---|
| Remuneration | **873,029** | 524,125 |
| Pension contribution | **21,019** | 13,974 |
| Benefits in kind | **2,340** | 7,483 |
| Total cash remuneration | 896,388 | 545,582 |
| Share-based payment | 66,993 | 182,997 |
| Total remuneration | **963,381** | 728,579 |

Included in the remuneration above was £Nil (2022: £Nil) paid in shares rather than cash.

Remuneration by each Director is as follows:

| | 2023<br>Salary<br>£ | 2023<br>Pension<br>£ | 2023<br>Loss of office<br>£ | 2023<br>Benefits<br>£ | 2023<br>Share-based payment<br>£ | 2023<br>Total<br>£ |
|---|---|---|---|---|---|---|
| Francis Johnstone | 20,000 | – | – | – | – | 20,000 |
| Stephen Fabian | - | – | – | – | – | - |
| Richard M Maxey | 20,000 | – | – | – | – | 20,000 |
| Max Denning** | 124,246 | 9,613 | 158,411 | – | 38,781 | 331,051 |
| Mark Thompson | 200,000 | – | 100,000 | – | 3,134 | 303,134 |
| Nigel Widdowson | 156,275 | 10,754 | – | 2,340 | 25,078 | 194,447 |
| Robert Ashley | 26,667 | – | – | – | – | 26,667 |
| David Cather | 33,462 | – | – | – | – | 33,462 |
| Martin Wood | 4,833 | – | – | – | – | 4,833 |
| Neil Gawthorpe | 4,968 | – | – | – | – | 4,968 |
| Grace Stevens | 24,167 | 652 | – | – | – | 24,819 |
| | 614,618 | 21,019 | 258,411 | 2,340 | 66,993 | 963,381 |

** Denotes the highest paid Director.

Directors' interests in share options and warrants are disclosed in the Directors' Report.

The share-based payment is an IFRS 2 cost charged for options issued. No cash benefit is received by the Directors. No Director exercised any options during the year. Please see Note 28 for more information.

| | 2022<br>Salary<br>£ | 2022<br>Pension<br>£ | 2022<br>Loss of office<br>£ | 2022<br>Benefits<br>£ | 2022<br>Share-based payment<br>£ | **2022**<br>**Total**<br>**£** |
|---|---|---|---|---|---|---|
| Francis Johnstone | 24,000 | – | – | – | – | 24,000 |
| Stephen Fabian | 18,000 | – | – | – | – | 18,000 |
| Richard M Maxey | 24,000 | – | – | – | – | 24,000 |
| Max Denning** | 170,000 | 8,500 | – | 6,256 | 163,046 | 347,802 |
| Mark Thompson | 132,500 | – | – | – | – | 132,500 |
| Nigel Widdowson | 97,115 | 4,856 | – | 1,227 | 19,951 | 123,149 |
| Robert Ashley | 23,333 | – | – | – | – | 23,333 |
| David Cather | 17,013 | 73 | – | – | – | 17,086 |
| Grace Stevens | 18,164 | 545 | – | – | – | 18,709 |
| | 524,125 | 13,974 | – | 7,483 | 182,997 | 728,579 |

** Denotes the highest paid Director.

Directors' interests in share options and warrants are disclosed in the Directors' Report.

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### 12 Auditors' remuneration

| | 2023 £ | 2022 £ |
|---|---|---|
| **Audit of these financial statements** | **50,000** | **54,000** |
| **Other fees to auditors** | | |
| Audit-related assurance services | **89,000** | 85,000 |
| Auditors' remuneration – accounts preparation | **–** | 10,500 |
| | **139,000** | 149,500 |

All accounts preparation services were provided prior to the Group listing on AIM in October 2021.

### 13 Income tax

Tax charged/(credited) in the income statement:

| | 2023 £ | 2022 £ |
|---|---|---|
| **Current taxation** | | |
| Adjustments in respect of prior periods | (544,602) | – |

The tax on profit for the year is higher (2022: higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are reconciled below:

| | 2023 £ | 2022 £ |
|---|---|---|
| Loss before tax | **(10,830,037)** | (12,988,988) |
| Corporation tax at standard rate | **(2,057,707)** | (2,467,908) |
| Fixed asset differences | **12,498** | – |
| Increase from effect of expenses not deductible in determining taxable profit (tax loss) | **300,510** | 90,608 |
| Other differences | **512** | - |
| Surrender of tax losses for R&D tax credit refund | **(544,602)** | - |
| Remeasurement of deferred tax for changes in tax rates | **(550,799)** | - |
| Income not taxable | **-** | (24,709) |
| Decrease/(increase) from tax losses for which no deferred tax asset was recognised | **2,294,986** | 2,402,009 |
| Total tax credit | **(544,602)** | – |

**Deferred tax**
**Group**

| | 2023 Intangibles £ | 2023 Tangibles £ | 2023 Losses £ | 2023 Other £ | 2023 Total £ |
|---|---|---|---|---|---|
| At 1 April 2022 | **961,083** | **436,706** | **(1,397,789)** | – | **–** |
| Charged to profit and loss | **1** | **(7,444)** | **7,443** | - | - |
| **At 31 March 2023** | **961,084** | **429,262** | **(1,390,346)** | - | - |

The net deferred tax of £Nil is made up of a liability of £1,390,346 and asset of £1,390,346. The unrecognised deferred tax asset for carried forward losses at 31 March 2023 was £7,730,527.

The rate used for the deferred tax is 25% (2021: 19%) as the rate was substantively enacted in May 2021.

| | 2022 Intangibles £ | 2022 Tangibles £ | 2022 Losses £ | 2022 Other £ | 2022 Total £ |
|---|---|---|---|---|---|
| At 1 April 2021 | 730,423 | 337,554 | (1,020,857) | (47,120) | – |
| Charged to profit and loss | 230,660 | 99,152 | (376,932) | 47,120 | – |
| At 31 March 2022 | 961,083 | 436,706 | (1,397,789) | – | – |

The net deferred tax of £Nil is made up of a liability of £1,397,789 and asset of £1,397,789. The unrecognised deferred tax asset for carried forward losses at 31 March 2022 was £3,653,030.

**14 Basic and diluted loss per share**
Basic and diluted loss per share is calculated as follows:

| | **2023 £** | 2022 £ |
|---|---|---|
| Loss for the year | **(10,285,435)** | (12,988,988) |
| Weighted average number of shares in issue | **180,511,110** | 119,017,666 |
| Basic and diluted loss per share | **(0.06)** | (0.11) |

The calculation of the loss per share has been retrospectively restated for each period presented to reflect the bonus issue of shares and share consolidation which took place on 22 July 2021 (see Note 27).

The diluted loss per share calculations exclude the effects of share options, warrants and convertible debt on the basis that such future potential share transactions are anti-dilutive. Information on share options and warrants is disclosed in Note 28.

Shares issued subsequent to the end of the year are disclosed in Note 35.

**15 Property, plant and equipment**

| Group | Land and buildings £ | Furniture, fittings and equipment £ | Computer equipment £ | Motor vehicles £ | Other property, plant and equipment £ | Asset under construction £ | Total £ |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At 31 March 2021 | 4,416,300 | 34,289 | – | 8,740 | 92,408 | – | 4,551,737 |
| Additions | 30,450 | 25,279 | 171,420 | – | 72,106 | 3,904,548 | 4,203,803 |
| Reclassifications | – | (32,241) | – | – | 32,241 | – | – |
| **At 31 March 2022** | **4,446,750** | **27,327** | **171,420** | **8,740** | **196,755** | **3,904,548** | **8,755,540** |
| Additions | 228,570 | 87,382 | 141,980 | 141,500 | 46,700 | 10,326,594 | 10,972,726 |
| Reclassifications | 514,041 | – | – | – | – | (514,041) | – |
| Disposals | – | – | – | (8,740) | – | – | (8,740) |
| **At 31 March 2023** | 5,189,361 | 114,709 | 313,400 | 141,500 | 243,455 | 13,717,101 | 19,719,526 |
| **Depreciation** | | | | | | | |
| At 31 March 2021 | 168,513 | 1,516 | – | 2,163 | 12,274 | – | 184,466 |
| Charge for the year | 67,284 | 1,271 | 9,932 | 2,884 | 20,093 | – | 101,464 |
| Reclassifications | – | (1,209) | – | – | 1,209 | – | – |
| **At 31 March 2022** | **235,797** | **1,578** | **9,932** | **5,047** | **33,576** | **–** | **285,930** |
| Charge for the year | 103,891 | 12,916 | 72,397 | 37,598 | 50,193 | – | 276,995 |
| Disposals | – | – | – | (7,210) | – | – | (7,210) |
| Impairment | – | – | – | – | – | 108,947 | 108,947 |
| **At 31 March 2023** | **339,688** | **14,494** | **82,329** | **35,435** | **83,769** | 108,947 | **664,662** |
| **Carrying amount** | | | | | | | |
| **At 31 March 2023** | **4,849,673** | **100,215** | **231,071** | **106,065** | **159,686** | **13,608,154** | **19,054,864** |
| At 31 March 2022 | 4,210,953 | 25,749 | 161,488 | 3,693 | 163,179 | 3,904,548 | 8,469,610 |
| At 31 March 2021 | 4,247,787 | 32,773 | – | 6,577 | 80,134 | – | 4,367,271 |

Included within the net book value of land and buildings above is £4,142,662 (2022: £4,210,953) in respect of freehold land and buildings.

**Impairment – Asset under construction**

The amount of impairment loss included in profit and loss is £108,947 (2022: £nil). The impairment relates to labour capitalised to an area of the MPF which has since been eliminated from the process, following the updated feasibility study released during the year.

**16 Leases**

| | Property £ | Total £ |
|---|---|---|
| **Cost or valuation** | | |
| At 1 April 2021 | 1,722,067 | 1,722,067 |
| Additions | 233,117 | 233,117 |
| **At 31 March 2022** | **1,955,184** | **1,955,184** |
| Additions | 619,503 | 619,503 |
| Disposals | (233,117) | (233,117) |
| **At 31 March 2023** | **2,341,570** | **2,341,570** |
| **Depreciation** | | |
| At 1 April 2021 | 110,279 | 110,279 |
| Charge for the year | 101,169 | 101,169 |
| **At 31 March 2022** | **211,448** | **211,448** |
| Charge for the year | 216,039 | 216,039 |
| Disposals | (108,589) | (108,589) |
| **At 31 March 2023** | **318,898** | **318,898** |
| **Carrying amount** | | |
| **At 31 March 2023** | **2,022,672** | **2,022,672** |
| At 31 March 2022 | 1,743,736 | 1,743,736 |

Depreciation on right-of-use assets charged through the profit and loss totals £216,039 (2022: £101,169). Interest expense on lease liabilities charged through the profit and loss totals £101,772 (2022: £87,838).

**Lease liabilities**

| | **2023 Future lease payments £** | **2023 Discount £** | **2023 Lease liability £** |
|---|---|---|---|
| Within one year | 227,332 | (112,459) | 114,873 |
| In two to five years | 760,712 | (417,285) | 343,427 |
| In over five years | 3,091,696 | (1,533,540) | 1,558,156 |
| | **4,079,740** | **(2,063,284)** | **2,016,456** |

| | 2022 Future lease payments £ | 2022 Discount £ | 2022 Lease liability £ |
|---|---|---|---|
| Within one year | 282,507 | (90,021) | 192,486 |
| In two to five years | 457,214 | (313,511) | 143,703 |
| In over five years | 2,568,335 | (1,271,408) | 1,296,927 |
| | 3,308,056 | (1,674,940) | 1,633,116 |

The lease liabilities are presented as follows:

| | **31 March 2023 £** | 31 March 2022 £ |
|---|---|---|
| Current liabilities | **114,873** | 192,486 |
| Non-current liabilities | **1,901,583** | 1,440,630 |
| | **2,016,456** | 1,633,116 |

**17 Intangible assets**
**Group**

| | **Goodwill £** | **Mining rights £** | **Software £** | **Total £** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2021 | 1,075,520 | 3,844,333 | – | 4,919,853 |
| Additions | – | – | 80,000 | 80,000 |
| At 31 March 2022 | 1,075,520 | 3,844,333 | 80,000 | 4,999,853 |
| Additions | – | – | 191,523 | 191,523 |
| Disposals | – | – | (80,000) | (80,000) |
| **At 31 March 2023** | **1,075,520** | **3,844,333** | **191,523** | **5,111,376** |
| **Amortisation** | | | | |
| **At 1 April 2021** | – | – | - | - |
| Amortisation charged to the profit and loss | – | – | 6,599 | 6,599 |
| At 31 March 2022 | – | – | 6,599 | 6,599 |
| Amortisation charged to the profit and loss | – | – | 21,360 | 21,360 |
| Disposals | – | – | (6,599) | (6,599) |
| **At 31 March 2023** | **–** | **–** | **21,360** | **21,360** |
| **Carrying amount** | | | | |
| **At 31 March 2023** | 1,075,520 | 3,844,333 | 170,163 | 5,090,016 |
| At 31 March 2022 | 1,075,520 | 3,844,333 | 73,401 | 4,993,254 |
| At 31 March 2021 | 1,075,520 | 3,844,333 | – | 4,919,853 |

The carrying amount of intangible assets which is considered as having an indefinite useful life is £1,075,520. The whole balance is attributable to goodwill.

The carrying amount of the mining rights is £3.844 million (2022: £3.844 million). The mining rights will begin to be amortised when mining operations restart.

Software amortisation of £21,360 (2022: £6,599) has been charged to the profit and loss presented in administrative expenses.

**Impairment**
The value in use of the Group's cash-generating unit which comprises the Hemerdon Mine was determined using a discounted cash flow approach, supported by project cashflow forecasts prepared by management. The previous model under the Bankable Feasibility Study has been adapted to reflect the changes in inputs and assumptions as a result of the project re-evaluation. The following inputs and key assumptions were used in the determination of value in use:

| | **2023** | 2022 |
|---|---|---|
| Discount rate | **5%** | 5% |
| Expected duration of mining activities | **27 years** | 23 years |
| Tungsten grade | **0.19 – 0.20** | 0.19 – 0.20 |
| Tungsten metal price | **$340** | $340 |
| Foreign exchange rate | **1.20** | 1.22 |

Management has prepared a sensitised NPV calculation which under the updated project plans, calculated a value in excess of the carrying amount of the Group's assets. The underlying assumptions that were stress tested include the discount rate, FX and metal price. Management were satisfied in the recoverability of the Group's assets and no impairment was required.

## 18 Investments

**Group subsidiaries**
Details of the Group subsidiaries as at 31 March 2023 are as follows:

| | | | Proportion of ownership interest and voting rights held | |
|---|---|---|---|---|
| Name of subsidiary | Principal activity | Registered office | **2023** | 2022 |
| Drakelands Restoration Limited* | Mining of tungsten and tin | Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London, United Kingdom EC3V 0HR England and Wales | **100%** | 100% |
| Tungsten West Services Limited* | Provision of services to the Group | Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London, United Kingdom EC3V 0HR England and Wales | **100%** | 100% |
| Aggregates West Limited* | Sales of aggregates | Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London, United Kingdom EC3V 0HR England and Wales | **100%** | 100% |

* Indicates direct investment of Tungsten West plc in the subsidiary.

## 19 Escrow funds

| | **31 March 2023 £** | 31 March 2022 £ |
|---|---|---|
| **Non-current financial assets** | | |
| Escrow funds | **5,146,986** | 8,370,024 |

These are funds being held under escrow with a third party which will be released back to the Group 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. During the year, the discount rate was revised to 3.7% (2022: 2.0%) resulting in a loss of £3,495,064 (2022: £1,783,221). The actual funds held in the escrow account at year end were £13,230,653 (2022: £13,203,139).

### 20 Trade and other receivables

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Trade receivables | **297,800** | 153,390 |
| Deposits | **4,458,031** | 2,340,738 |
| Prepayments | **816,723** | 1,018,274 |
| Other receivables | **591,039** | 315,107 |
| | **6,163,593** | 3,827,509 |

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, expected credit losses are being considered on a customer-by-customer basis. At the year-end, trade receivables include a provision of £69,873 (2022: £46,936).

### 21 Cash and cash equivalents

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Cash at bank | 3,438,018 | 28,755,388 |

### 22 Inventories

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Inventories | 114,173 | 156,944 |

### 23 Trade and other payables

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Trade payables | 544,064 | 694,320 |
| Accrued expenses | 1,578,986 | 3,383,300 |
| Social security and other taxes | 156,978 | 147,927 |
| Outstanding defined contribution pension costs | 33,233 | 30,960 |
| Other payables | 17,342 | 33,116 |
| | 2,330,603 | 4,289,623 |

Trade payables and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 45 days (2022: 45 days). No interest is charged on overdue amounts.

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

### 24 Loans and borrowings

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| **Non-current loans and borrowings** | | |
| Lease liabilities | **1,901,583** | 1,440,630 |
| | **1,901,583** | 1,440,630 |

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| **Current loans and borrowings** | | |
| Lease liabilities | **114,873** | 192,486 |

**Convertible bonds**
In the prior year, the convertible loan notes were converted in full, at the Company's election, on admission to AIM. The convertible loan notes were converted into Ordinary Shares as determined by dividing the prevailing principal amount of the convertible loan notes, which was £10,044,000, together with any accrued (but unpaid) interest thereon, which at the date of conversion was £736,560, by the effective conversion price, which is 30p.

**Movement in liability**

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Brought forward | – | 10,311,840 |
| Interest expense | – | 468,720 |
| Converted to equity shares | – | (10,780,560) |
| Carried forward | – | – |

### 25 Provisions
**Group**

| | Restoration provision £ | Total £ |
|---|---|---|
| At 1 April 2022 | 9,526,485 | 9,526,485 |
| Change in inflation and discount rate | (4,205,774) | (4,205,774) |
| Increase due to passage of time or unwinding of discount | 381,060 | 381,060 |
| **At 31 March 2023** | 5,701,771 | 5,701,771 |
| Non-current liabilities | 5,701,771 | 5,701,771 |

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 (2022: £13,201,256).

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 has considered these risks and used a discount rate of 5.7% (2022: 4%), an inflation rate of 2.5–9% (2022: 2.5% - 7%) and an estimated mining period of 27 years (2022: 23 years). At the reporting date these assumptions represent management's best estimate of the present value of the future restoration costs.

**26 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 £161,908 (2022: £116,383).

Contributions totalling £33,233 (2022: £30,960) were payable to the scheme at the end of the year and are included in creditors.

**27 Share capital**

**Allotted, called up and fully paid shares**

| | **31 March 2023** | | 31 March 2022 | |
|---|---|---|---|---|
| | **No.** | **£** | No. | £ |
| Ordinary Shares of £0.01 each | 180,551,615 | 1,805,516 | 179,368,215 | 1,793,682 |

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.

A reconciliation of the number of shares outstanding at the end of each year is presented as follows:

| | **31 March 2023 £** | 31 March 2022 £ |
|---|---|---|
| Number of shares brought forward | **179,368,215** | 68,560,000 |
| Issue of shares to 22 July 2021 | – | 7,349,832 |
| Capitalisation of share premium account (bonus issue) | – | 7,525,125,729 |
| Effect of share consolidation (see above) | – | (7,525,024,190) |
| | **179,368,215** | 76,011,371 |
| Issue of shares on admission to AIM | – | 65,125,000 |
| Conversion of convertible debt | – | 35,935,200 |
| Options exercised | – | 197,200 |
| Warrants exercised | **1,183,400** | 442,244 |
| Founder options exercised | – | 1,657,200 |
| | **180,551,615** | 179,368,215 |

During the year ended 31 March 2022, the share capital of the Company was restructured. The following share transactions took place:

- The Company issued 7,349,832 Ordinary Shares of £0.0001 each for considerations ranging from £0.45 to £0.60 per share.
- On 22 July 2021 a bonus issue of shares from the share premium account created 7,525,125,729 Ordinary Shares of £0.0001 each.
- On 22 July 2021 a share capital consolidation took place whereby each one hundred Ordinary Shares of £0.0001 each were consolidated into one Ordinary Share of £0.01 each.

**28 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.

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

| | **31 March 2023 No.** | 31 March 2022 No. |
|---|---|---|
| Outstanding, start of year | **4,095,219** | 2,310,681 |
| Granted during the year | **–** | 2,226,760 |
| Exercised during the year | **(1,183,400)** | (442,222) |
| Expired during the year | **(741,079)** | - |
| Outstanding, end of year | **2,170,740** | 4,095,219 |

The warrants have been valued using the Black Scholes model as management have judged it not possible to reliably estimate the fair value of service received. Inputs to the pricing model were as follows:

| | |
|---|---|
| Date of grant | 2022 |
| Share price at date of grant | £0.45 – £0.60 |
| Exercise price | £0.01 – £0.60 |
| Risk-free interest rate | 1.5% |
| Expected life of warrants | 2 years |
| Volatility | 33% |

The exercise price of warrants outstanding at 31 March 2023 ranged between £0.01 and £0.60 and their remaining contractual life was 3 months to 9 months.

The exercise price of warrants outstanding at 31 March 2022 ranged between £0.01 and £0.60 and their remaining contractual life was 1 month to 21 months.

**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 2023 No.** | 31 March 2022 No. |
|---|---|---|
| Outstanding, start of year | **18,229,148** | 6,963,000 |
| Granted during the year | **–** | 671,137 |
| Terminated on admission to AIM | **–** | (7,634,137) |
| Replacement share awards following admission to AIM | **–** | 19,886,344 |
| Exercised during the year | **–** | (1,657,196) |
| Outstanding, end of year | **18,229,148** | 18,229,148 |

Upon admission to AIM, the original founder agreement was terminated and the Company granted replacement founder options to the founder shareholders with effect from admission.

The founder options meet the definition of equity in the financial statements of the Company on the basis that the 'fixed for fixed' condition is met. No consideration was received for the founder options at grant date, therefore no accounting for the issue of the equity instruments is required under IFRS. On exercise, the shares are recognised at the fair value of consideration received, being the option price of £0.01.

Part of one of the founders' option agreement were share options issued in their capacity as a Director and were dependent on their continuing employment, and therefore 243,333 options have been accounted for under IFRS 2. This resulted in a charge to the income statement of £nil (2022: £143,603) and these options were fully vested in the prior year.

**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 four 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 2023 No.** | 31 March 2022 No. |
|---|---|---|
| Outstanding, start of year | **1,683,335** | 1,233,333 |
| Granted during the year | **–** | 1,097,228 |
| Exercised/(lapsed) during the year | **(150,000)** | (647,226) |
| Outstanding, end of year | **1,533,335** | 1,683,335 |

Share options have been valued using the Black Scholes model. Inputs to the pricing model were as follows:

| | |
|---|---|
| Date of grant | 2022 |
| Share price at date of grant | £0.45 – £0.60 |
| Exercise price | £0.01 – £0.45 |
| Risk-free interest rate | 1.5% |
| Expected life of options | 4 years |
| Volatility | 33% |

Volatility has been estimated based upon observable market volatilities of similar entities.

The exercise price of share options outstanding at 31 March 2023 ranged between £0.30 and £0.45 (2022: £0.01 and £0.45) and their remaining contractual life was 10 months to 30 months (2022: 22 months to 39 months).

| | **31 March 2023** | | 31 March 2022 | |
|---|---|---|---|---|
| | **Average Exercise Price £** | **Options** | Average Exercise Price £ | Options |
| Outstanding, start of year | 0.36 | 1,683,335 | 0.23 | 1,233,333 |
| Granted during the year | – | – | 0.43 | 1,097,228 |
| Exercised/(lapsed) during the year | (0.35) | (150,000) | (0.21) | (647,226) |
| Outstanding, end of year | 0.37 | 1,533,335 | 0.36 | 1,683,335 |

**CSOP 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 three years following the grant date once the option has vested.

| | **31 March 2023 No.** | 31 March 2022 No. |
|---|---|---|
| Outstanding, start of year | **–** | – |
| Granted during the year | **2,799,982** | – |
| Exercised/(lapsed) during the year | **(216,666)** | – |
| Outstanding, end of year | **2,583,316** | – |

Share options have been valued using the Black Scholes model. Inputs to the pricing model were as follows:

| | |
|---|---|
| Date of grant | 2023 |
| Share price at date of grant | £0.275 |
| Exercise price | £0.275 |
| Risk-free interest rate | 3.5% |
| Expected life of options | 3 years |
| Volatility | 62% |

Volatility has been estimated based upon observable market volatility of Tungsten West PLC.

The exercise price of share options outstanding at 31 March 2023 was £0.275 (2022: £nil) and their remaining contractual life was 2 years and 6 months.

| | **31 March 2023** | | 31 March 2022 | |
|---|---|---|---|---|
| | **Average Exercise Price £** | **Options** | Average Exercise Price £ | Options |
| Outstanding, start of year | – | – | – | – |
| Granted during the year | 0.275 | 2,799,982 | – | – |
| Exercised/(lapsed) during the year | 0.275 | (216,666) | – | – |
| Outstanding, end of year | 0.275 | 2,583,316 | – | – |

**29 Commitments**
**Capital commitments**
As at 31 March 2023 the Group had contracted to purchase plant and machinery amounting to £3,754,738 (2022: £7,208,997). An amount of £123,320 (2022: £123,320) is dependent on the commencement of mining operations.

**Other financial commitments**
The total amount of other financial commitments not provided in the financial statements was £10,329,000 (2022: £11,329,000) committed at present or on the commencement of mining operations and represented contractual amounts due to the mining contractor and further committed payments to the funds held in the escrow account under the escrow agreement. Included within other financial commitments is £4,000,000 which is considered to be payable between one to five years after mining operations commence.

**30 Reconciliation of liabilities arising from financing activities**

| | | | **Non-cash changes** | | | |
|---|---|---|---|---|---|---|
| | **At 1 April 2022 £** | **Financing cash flows £** | **New finance leases £** | **Other changes £** | **Converted to equity £** | **At 31 March 2023 £** |
| Lease liabilities | 1,633,116 | (266,094) | 719,846 | (70,412) | – | 2,016,456 |
| | **1,633,116** | **(266,094)** | **719,846** | **(70,412)** | **–** | **2,016,456** |

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | At 1 April 2021 £ | Financing cash flows £ | New finance leases £ | Other changes £ | Converted to equity £ | At 31 March 2022 £ |
| Long-term borrowings | 10,311,840 | – | – | 468,720 | (10,780,560) | – |
| Lease liabilities | 1,493,224 | (153,932) | 205,987 | 87,837 | – | 1,633,116 |
| | 11,805,064 | (153,932) | 205,987 | 556,557 | (10,780,560) | 1,633,116 |

### 31 Classification of financial and non-financial assets and liabilities

The classification of financial assets and liabilities by accounting categorisation for the year ending 31 March 2023 was as follows:

| | **2023 Financial assets at amortised cost £** | 2022 Financial assets at amortised cost £ | **2023 Financial assets at FVTPL £** | 2022 Financial assets at FVTPL £ |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Escrow funds receivable | **–** | – | **5,146,986** | 8,370,024 |
| **Current assets** | | | | |
| Trade and other receivables | **5,346,870** | 2,809,335 | | – |
| Cash and cash equivalents | **3,438,018** | 28,755,388 | | – |
| | **8,784,888** | 31,564,723 | 5,146,986 | 8,370,024 |

| | **2023 Financial liabilities at amortised cost £** | 2022 Financial liabilities at amortised cost £ | **2023 Financial liabilities at FVTPL £** | 2022 Financial liabilities at FVTPL £ |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Loans and borrowings | **(1,901,583)** | (1,440,630) | **–** | – |
| **Current liabilities** | | | | |
| Trade and other payables | **(2,330,603)** | (4,289,573) | **–** | – |
| Loans and borrowings | **(114,873)** | (192,486) | **–** | – |
| | **(4,347,059)** | (5,922,689) | **–** | **–** |

### 32 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.

#### 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. See further discussion of short term liquidity risk in the going concern section of Note 2.

#### Market risk

The Group has no significant interest-bearing assets and liabilities. The Group 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 Group 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.

The Group may require future borrowings to support its mineral processing facility upgrades and therefore has an exposure to future interest rate rises.

### 33 Related party transactions

During the year no Director received a commission payment (2022: 1 Director - £52,500) from a third party in connection with raising additional share capital for Tungsten West plc. In addition, no Director received a beneficial interest in warrants (2022: 1 Director - 58,333 warrants at 60p) granted during the year to a third party in relation to raising additional share capital for Tungsten West plc.

**Convertible bonds**

During the prior year, the convertible bonds and accrued interest that were issued to family members of two of the Directors were converted into 12,751,200 Ordinary Shares. £166,320 of interest accrued on these bonds during the year and interest due on these bonds at the prior year end was £Nil.

**Key management personnel**

Key management personnel are deemed to be the Directors. Their remuneration can be seen in note 11.

### 34 Application of new and revised UK adopted International Financial Reporting Standards (UK-adopted IFRS)

**New and amended Standards and Interpretations applied**

None of the new or amended IFRS Standards had an effect on the financial statements.

**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 |
|---|---|
| Definition of Accounting Estimates - Amendments to IAS 8 | 1 January 2023 |
| Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |
| Amendments to Insurance contracts in IFRS17 | 1 January 2023 |
| Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| Classification of Liabilities as Current or Non-current - Amendments to IAS 1 | 1 January 2024 |

None of the above amendments are anticipated to have a material impact on future financial statements.

### 35 Post balance sheet events

On 3 April 2023, the Group and Company announced that it was undertaking a restructuring exercise and interim fundraising to enable it to focus on satisfying the conditions for completing the remaining funding required to complete the Project and take Hemerdon into production.

On 19 May 2023, the Group announced it was raising £6.95 million by way of convertible loan notes (CLN) and £2.0 million via an open offer. The funds raised are expected to fund working capital for at least six months at the date of signing the Note Purchase Agreement.

On 9th June 2023, the Group announced the completion of the interim fund raise with the Group raising a total of £6.95 million by way of convertible loan notes and £195,675 via an open offer, representing 9.8% available under the open offer.

Following satisfaction of the conditions precedent of the Tranche A Notes, the Company served notice on the Note Purchasers for the sum of £3.975 million, with the Tranche A Notes issued on 13 June 2023.

During July 2023 company notified Lansdowne Partners, the majority holder of the 2023 Convertible Loan Note, of multiple breaches of the terms of the loan. These breaches have resulted from management implementing measures to conserve the cash flow of the company to match the sources of finance available from the Convertible Loan Note facility.
The specific terms of the note purchase agreement which have been violated are:

(a) Clause 20.7 (Cross default): Certain liabilities under deferred payment arrangements in excess of £250,000 have not been paid when due.
(b) Clauses 20.8 (Insolvency) and 20.9 (Insolvency Proceedings): The company is unable to pay liabilities when they have fallen due: by reason of actual and anticipated financial difficulties the Group has suspended payments to certain creditors and has entered into negotiations with more than one creditor with a view to rescheduling its indebtedness. The Group has made formal arrangements with some creditors to defer or suspend payments.
(c) Clause 20.15 (Expropriation). The ability of the Group to conduct its business is wholly curtailed by the regulatory bodies who have yet to issue the Permit required for operations to recommence.

The Group has limited ability to cure these defaults as they are ongoing and the liabilities cannot be settled until full project finance has been secured.

The amount currently in default is £6.95 million principal plus £0.27m PIK accrued.

Under the terms of the Note Purchase Agreement dated 19 May 2023, the Note Purchasers, if directed by the holders of at least 75% of the Notes outstanding, may by notice to the Group:

- Terminate the agreement and cancel the Notes, and any unutilised notes will not be available for purchase;
- Demand the Notes can be redeemed / repurchased immediately at the Redemption Price, plus any PIK is repaid. The redemption price is a sum equal to two times the principal amount of the Notes.
- Exercise its rights to enforce security under the terms of the note purchase agreement and security deed.

At the date of this report the Group does not have the funds available to redeem the notes.

On 16 August 2023 the Note Holders agreed a waiver of the breaches which will expire on 31 January 2024. The Waiver gives the Board sufficient comfort that the Group can both meet the terms of the original loan without further breaches and the terms of the waiver hence is a going concern. For the Group to remain a Going Concern, the Group is reliant on continued support of the Noteholders by not exercising their rights under the Defaults should the defaults not be remedied, or the note converted or redeemed, by 31 January 2024.

Following satisfaction of the conditions precedent of the Tranche B notes, the Company served notice on the Note Purchasers for the sum of £2.975 million, with the Tranche B Notes issued on 22 August 2023.

On the 18 May 2023, The Group and Company announced that Mark Thompson has stepped down from the board of directors.

On 16 August 2023 the Group and Company announced that Nigel Widdowson has stepped down from the board of directors.

On 4 September 2023 the Group announced that Adrian Bougourd, Kevin Ross and Guy Edwards have been appointed to the Board as Non-Executive Directors.

For information on updated project plans, please see the CEO Review on page 5 .

# Independent Auditor's Report to the members of Tungsten West plc

## Report on the parent company financial statements

### Opinion

We have audited the financial statements of Tungsten West plc (the "parent company") for the year ended 31 March 2023, which comprise the Company Statement of Financial Position, Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 company 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Notes 2 and 37 in the financial statements, which indicate that the group has yet to secure a key permit required to obtain the finance it needs to complete the plant rebuild and continue in operational existence for the foreseeable future. As stated in Note 2 and 37, these events or conditions, along with other matters as set forth in Note 2 and 37 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified for the company related to the management override of controls, going concern and assessment of credit losses on group loan receivables. Further detailed work in respect of the first two matters are set out in our group audit report.

| KEY AUDIT MATTER | RESPONSE AND CONCLUSION |
|---|---|
| **Credit loss provision against group loan receivables**<br><br>**The company has provided interest free loans repayable on demand to its trading subsidiaries. As the subsidiaries lack the cash reserves to repay these balances on demand the expected credit loss must be assessed under IFRS 9. The restructure of operations in the year and uncertainty regarding the key mineral processing facility permit has impacted the assessment of credit losses on these loans.** | Our audit work included:<br>• Assessment and challenge of the key assumptions applied by management.<br>• Reperformance of management's calculation.<br>• Discussions and enquiries with management.<br>• Assessment of the accuracy and completeness of accounts disclosure in light of the above.<br><br>As a result of the procedures performed, we are satisfied that credit loss provision is accounted for and disclosed correctly. |

### Our application of materiality

Misstatements, including omissions, are considered to be material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We use quantitative thresholds of materiality, together with qualitative assessments in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the company financial statements should be based on gross assets as it is a holding company. Overall company materiality was set at £427,000, performance materiality of £257,000 and individual errors above £22,000 were reported to the audit committee.

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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. 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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, 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.

**Responsibilities of directors**
As explained more fully in the Statement of Directors' Responsibilities set out on page 33, 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 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 company or to cease operations, or have no realistic alternative but to do so.

**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.

We obtained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates. 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 company'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.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the entity's ability to continue operating and the risk of material misstatement to the accounts. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Reviewed legal and professional costs to identify legal costs in respect of non-compliance;
- Discussions and enquiries with management whether there have been any known instances, allegations or suspicions of fraud or non-compliance with laws and regulations;
- Review of board minutes or correspondence with regulators where available including the UK Environment Agency.

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. Our procedures involved the following:

- Review of nominal journal entries for reasonableness;
- Review of significant accounting estimates for bias, in particular the key accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. 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, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for. This description forms part of our auditor's report.

**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 audit 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.

PKF Francis Clark

Duncan Leslie
(Senior Statutory Auditor)

For and on behalf of PKF Francis Clark, Statutory Auditor

Melville Building East
Unit 18, 23 Royal William Yard
Plymouth
Devon
PL1 3GW

Date: 13/09/2023

# Company Statement of Financial Position
## As at 31 March 2023

TUNGSTEN WEST

| | Note | 2023 £ | 2022 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 40 | 33,048 | 30,751 |
| Right-of-use assets | 41 | – | 18,112 |
| Investments in subsidiary undertakings | 42 | 4,533,257 | 4,494,718 |
| | | 4,566,305 | 4,543,581 |
| **Current assets** | | | |
| Debtors | 43 | 26,012,323 | 24,983,228 |
| Cash at bank and in hand | 44 | 2,847,982 | 26,441,636 |
| | | 28,860,305 | 51,424,864 |
| Total Assets | | 33,426,610 | 55,968,445 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 47 | 1,805,516 | 1,793,682 |
| Share premium | | 51,882,761 | 51,610,414 |
| Share option reserve | | 357,366 | 241,861 |
| Warrant reserve | | 740,867 | 1,408,730 |
| Retained earnings | | (21,755,126) | 268,184 |
| Equity attributable to owners of the Company | | 33,031,384 | 55,322,871 |
| **Current liabilities** | | | |
| Trade and other payables | 45 | 395,226 | 645,574 |
| Total liabilities | | 395,226 | 645,574 |
| Total equity and liabilities | | 33,426,610 | 55,968,445 |

The Company made a loss for the financial year of £22,691,173 (2022: £2,877,264).

The Company accounts were approved by the Board on 13 September 2023 and signed on its behalf by:

**Neil Gawthorpe**
Director

DocuSigned by:
1C8ABCA201654CB...

Company Registration Number: 11310159

# Company Statement of Changes in Equity
## Year ended 31 March 2023

TUNGSTEN WEST

| | Share capital £ | Share premium £ | Share option reserve £ | Warrant reserve £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|---|
| At 1 April 2021 | 6,856 | 12,327,484 | 67,840 | 754,586 | (7,069,210) | 6,087,556 |
| Loss for the year | – | – | – | – | (2,877,264) | (2,877,264) |
| Total comprehensive income | – | – | – | – | (2,877,264) | (2,877,264) |
| Capital reduction of share premium account | – | (10,000,000) | – | – | 10,000,000 | – |
| Issue of bonus shares | 752,513 | (752,513) | – | – | – | – |
| Conversion of convertible debt | 359,352 | 10,421,208 | – | – | – | 10,780,560 |
| New share capital subscribed | 674,961 | 40,310,822 | – | – | – | 40,985,783 |
| Issue of warrants | – | (696,587) | – | 785,144 | – | 88,557 |
| Exercise of warrants | – | – | – | (131,000) | 131,000 | – |
| Share options charge | – | – | 298,878 | – | – | 298,878 |
| Forfeiture of share options | – | – | (41,199) | – | – | (41,199) |
| Exercise of share options | – | – | (83,658) | – | 83,658 | – |
| **At 31 March 2022** | **1,793,682** | **51,610,414** | **241,861** | **1,408,730** | **268,184** | **55,322,871** |
| Loss for the year | | | | | **(22,691,173)** | **(22,691,173)** |
| **Total comprehensive income** | – | – | – | – | (22,691,173) | (22,691,173) |
| **New share capital subscribed** | 11,834 | 272,347 | | | | 284,181 |
| **Issue of warrants** | – | – | – | – | – | – |
| **Exercise of warrants** | – | – | – | (334,378) | 334,378 | - |
| **Expired warrants** | – | – | – | (333,485) | 333,485 | - |
| **Share options charge** | – | – | 134,610 | – | – | 134,610 |
| **Forfeiture of share options** | – | – | (19,105) | – | – | (19,105) |
| **Exercise of share options** | – | – | – | – | – | – |
| **At 31 March 2023** | **1,805,516** | **51,882,761** | **357,366** | **740,867** | **(21,755,126)** | **33,031,384** |

### 36 General information

Tungsten West plc ('the Company') is a public limited company, incorporated in England and Wales and domiciled in the United Kingdom.

| The address of its registered office is: | The principal place of business is: |
|---|---|
| Shakespeare Martineau LLP | Hemerdon Mine |
| 6th Floor | Drakelands |
| 60 Gracechurch Street | Plympton |
| London | Devon |
| EC3V 0HR | PL7 5BS |
| United Kingdom | United Kingdom |

### 37 Accounting policies

**Basis of preparation**

The Company financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework ('FRS 101').

No profit and loss account is presented for Tungsten West plc, as permitted by section 408 of the Companies Act 2006.

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

**Reduced disclosures applied**

In preparing the Company financial statements the Company has applied the following disclosure exemptions allowed under FRS 101, therefore the following are omitted:

- A Company statement of cash flows as required by IAS 1 and IAS 7.
- Financial instruments disclosures under IFRS 7.
- Fair value disclosure under IFRS 13.
- Related party disclosures with wholly owned subsidiaries of the Group.
- Reconciliations of share capital movements required by IAS 1.
- Comparative information for property, plant and equipment.
- Disclosing information on leases required by IFRS 16 in a single note.

The Group's financial statements are included within this document.

**Going concern**

The Group is still in the pre-production phase of operations and meets its day to day working capital requirements by utilising cash reserves from investment made in the Group. In October 2021, the Group raised £36.0 million net of fees by way of an initial public offering and at the year-end, had £3.4 million in cash reserves.

Further to ongoing discussions with investors and debt providers, it is clear that access to the capital required to complete the project will be significantly limited until the Group has secured the final permit required to operate the Mineral Processing Facility and a Planning Permission relevant to truck movements.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Group has focussed its short term operating strategy simply on activities required to secure these permits, maintain the requirements for the existing permits and secure funding to complete the project and recommence mining operations.

The Group completed the issue of a convertible loan note facility and an open offer in June 2023. These collectively raised £7.2 million gross of fees. There is an additional facility in place to issue a further £2.0 million convertible loan note under the same terms, The Board consider this to be sufficient liquidity to meet its liabilities as they fall due and to complete the short term strategic objectives before December 2023. Opex has been significantly reduced and all material capital commitments deferred until these objectives have been achieved.

After the year end, the Group took measures to conserve cash by stopping capex payments, restructuring the cost base and deferring certain contracted payments to creditors. As a result of this, the Group has notified the Note Purchasers of multiple defaults on the terms of the Note Purchase Agreement which relate to payments to creditors. There are detailed later in this report. Under the terms of the Note Purchase Agreement, The Noteholders can cancel any outstanding Notes under the Note Purchase agreement and demand immediate redemption unless a waiver is in place. The redemption sum is two times the loan note principal outstanding along with any accrued PIK. A waiver for the breaches in place at the time of signing these accounts has been issued by the noteholders. The waiver will expire on 31 January 2024. For the Group to remain a Going Concern, the Group is reliant on continued support of the Noteholders by not exercising their rights under the Defaults should the defaults not be remedied, or the note converted or redeemed, by 31 January 2024.

As identified earlier in this report, permitting, funding and macro-economic risks (Geopolitical, Economic instability) are the most significant risks facing the Company. Lack of or delayed permits, alongside volatile input costs, forex and commodity prices, will significantly increase the risk of lack of access to capital.

The Board is pursuing a strategy of completing the project on a capital build and operate basis.

Going concern is reliant on further funding being secured by the end of December 2023, without which the group would be unable to pay its liabilities as they fall due beyond this point. Management have prepared one forecast as follows:

**Model 1 – Additional funding closed December 2023**
This scenario models management's intended plan of the expected future outflows required to complete the capital build once finance is secured. Sensitivity analysis has been applied in terms of when the project would restart, availability of additional capital and the cashflow demands for each scenario. As the terms of any finance package have not yet been agreed the model does not include costs of finance.

Management are satisfied there is sufficient headroom to service the projected cost of debt when this is agreed. As negotiations with finance providers proceed the model will be updated with the anticipated finance costs to ensure that a sufficient level of liquidity is maintained. Management is confident that the project finance can be secured to complete the capital build under the updated business plan once the relevant permits are secured.

As a result, there is a material uncertainty over the granting of the permits and permissions required, within the necessary timeframes, to allow the group to obtain the finance it requires. The Board intends that the company be able to operate as a going concern for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing these financial statements despite the material uncertainty referred to above

### 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.

### Property, plant and equipment
Land and buildings are stated at the cost less any depreciation or impairment losses subsequently accumulated (cost model).

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 |
|---|---|
| Furniture, fittings and equipment | 5% – 20% Straight Line |
| Other property, plant and equipment | 5% Straight Line |

### Right-of-use assets
Right-of-use assets consist of property leases recognised under IFRS 16. 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.

### 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. Cash and cash equivalents are either due on demand or have maturities of three months or less from inception.

### 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.

### 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.

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

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

### Probability Estimate in Calculating Expected Credit Losses

The Company calculates expected credit losses on financial assets, including inter-company loans, in accordance with IFRS 9 - Financial Instruments. In determining these expected credit losses, the Company incorporates probability estimates based on a range of possible outcomes.

**Incorporation of Probability Estimates**

The calculation of expected credit losses involves the incorporation of probability estimates to reflect the likelihood of different credit events occurring. The Company considers various factors, including historical data, economic conditions, industry-specific information, and forward-looking information to develop these probability estimates.

**Industry-Specific Information**

Industry-specific information is considered to reflect the unique characteristics and risks associated with different sectors. The most significant industry risk to the Company is permitting. There is a risk that the operating subsidiary does not obtain its mineral processing facility permit and therefore cannot generate future revenue to repay the inter-company loan. Management are confident that the permit will be awarded based on the precedent set through the previous operator and the positive discussions held with the regulatory body. Management have therefore assessed the probability estimate at 80%.

**Economic Conditions**

The Company considers current and expected future economic conditions when developing probability estimates. The most significant economic risk to the Company is lenders appetite to invest long term in the Company. Management believe that lenders are hesitant to invest in Tungsten West without a processing permit due to the inherent risk associated with the Company's ability to generate a return when un-permitted. Management are confident that once permitted, the Company will have satisfied all significant conditions precedent to drawing on potential borrowing facilities. Management have therefore assessed the probability estimate at 90%. Overall, the probability estimate is calculated to be 72%.

Post-year end, positive progress on the mineral processing permit application has increased managements probability estimate from 80% to 90%. This is due to the successful results yielded from the low frequency noise trial and the subsequent submission of the MPF permit application. Therefore management are more confident at signing date than at the year-end. This would result in an increase in the probability estimate from 72% to 81%.

Overall, the expected credit loss provision at year-end is £20,298,441 (2022: Nil) which represents a 41% effective provision. The effective provision rate is higher than the probability estimate due to the 100% provision on Tungsten West Services Limited as the company is not expected to generate future profits to repay the inter-company loan.

**Sensitivity Analysis**

The Company has performed a sensitivity analysis to assess the impact of different scenarios on the expected credit losses for inter-company loans. The analysis considered changes in economic conditions, default rates, and other relevant factors. A 10% increase in probability estimate would reduce the expected credit loss by £2.8 million. A 10% decrease in probability estimate would increase the expected credit loss by £2.8 million.

Based on this analysis, management believes that the loss allowance recognised is appropriate given the current economic environment and specific characteristics of the inter-company loans.

**Financial instruments**
**Initial recognition**
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding fixtures, furniture and fittings, prepayments, and deferred tax liabilities.

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 Company 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 marketplace.

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

In particular the Company 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.

**Expected Credit Losses on Inter-Company Loans**
The Company has extended loans to its subsidiaries (inter-company loans). Management has assessed the expected credit losses associated with these inter-company loans in accordance with IFRS 9 - Financial Instruments.

**Measurement of Expected Credit Losses**

The expected credit losses for inter-company loans have been measured based on a forward-looking assessment of credit risk, taking into consideration both historical data and reasonable and supportable information about future events. The Company uses the following stages to classify the inter-company loans and measure the corresponding expected credit losses:

Stage 1: Loans with no significant increase in credit risk since initial recognition

Inter-company loans that have not experienced a significant increase in credit risk since initial recognition are considered to be in Stage 1. For these loans, the Company recognises a loss allowance equal to 12-month expected credit losses.

Stage 2: Loans with a significant increase in credit risk since initial recognition

Inter-company loans that have experienced a significant increase in credit risk since initial recognition are considered to be in Stage 2. For these loans, the Company recognises a loss allowance equal to lifetime expected credit losses.

Stage 3: Loans that are credit-impaired

Inter-company loans that are credit-impaired are classified as Stage 3. Credit-impaired loans are those for which there is evidence of a measurable decrease in estimated future cash flows since initial recognition. For these loans, the Company recognises a loss allowance equal to lifetime expected credit losses.

**Determination of Expected Credit Losses**

The determination of expected credit losses involves assessing a range of possible outcomes and their respective probabilities. The Company considers relevant factors, including economic conditions, industry-specific factors, and forward-looking information.

**Derecognition**

**Financial assets**

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

**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 and warrants**

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.

**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 considers the claim to be unchallenged by HMRC.

**38 Company staff costs**

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

| | **2023**<br>**£** | 2022<br>£ |
|---|---|---|
| Wages and salaries | **301,737** | 204,948 |
| Social security costs | **37,268** | 19,507 |
| Pension costs, defined contribution scheme | **11,407** | 4,242 |
| Share based payments | **76,966** | 19,951 |
| | **427,378** | 248,648 |

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

| | **2023**<br>**No.** | 2022<br>No. |
|---|---|---|
| Administration and support | **0** | 0 |
| Management | **6** | 4 |
| | **6** | 4 |

Remuneration of the Directors is disclosed in note 11 to the Consolidated Financial Statements.

**39 Deferred tax**

The unrecognised deferred tax asset for carried forward losses as at 31 March 2023 was £1,844,628 (2022: £1,522,297).

TUNGSTEN WEST

### 40 Tangible fixed assets

| | Furniture, fittings and equipment £ | Other property, plant and equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2022 | 2,048 | 32,241 | 34,289 |
| Additions | – | 4,337 | 4,337 |
| **At 31 March 2023** | **2,048** | **36,578** | **38,626** |
| **Depreciation** | | | |
| At 1 April 2022 | 717 | 2,821 | 3,538 |
| Charge for the year | 410 | 1,630 | 2,040 |
| **At 31 March 2023** | **1,127** | **4,451** | **5,578** |
| **Carrying amount** | | | |
| **At 31 March 2023** | **921** | **32,127** | **33,048** |
| At 31 March 2022 | 1,331 | 29,420 | 30,751 |

### 41 Right-of-use assets
**Company**

| | Property £ | Total £ |
|---|---|---|
| **Cost or valuation** | | |
| At 1 April 2022 | 54,116 | 54,116 |
| Additions | – | – |
| **At 31 March 2023** | 54,116 | 54,116 |
| **Depreciation** | | |
| At 1 April 2022 | 36,004 | 36,004 |
| Charge for the year | 18,112 | 18,112 |
| **At 31 March 2023** | 54,116 | 54,116 |
| **Carrying amount** | | |
| **At 31 March 2023** | – | – |
| At 31 March 2022 | 18,112 | 18,112 |

Depreciation on right-of-use assets charged through the profit and loss totals £18,112 (2022: £27,034). Interest expense on lease liabilities charged through the profit and loss totals £177 (2022: £1,916).

### 42 Investment in subsidiary undertakings
**Summary of the Company investments**

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Investments in subsidiaries | **4,533,257** | 4,494,718 |
| **Subsidiaries** | | |
| **Cost** | | |
| Opening cost | **4,494,718** | 4,256,990 |
| Additions | **38,539** | 237,728 |
| **Closing cost** | **4,533,257** | 4,494,718 |

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.

Information on the Company's subsidiary undertakings is disclosed in note 18 to the Consolidated Financial Statements.

### 43 Trade and other receivables

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Net receivables from subsidiaries | **25,721,502** | 24,562,146 |
| Prepayments | **22,439** | 282,337 |
| Other receivables | **268,382** | 138,745 |
| | **26,012,323** | 24,983,228 |

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 a customer-by-customer basis. No irrecoverable debts were identified as at year end.

**Loss Allowance for Inter-Company Loans**

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

As of the reporting date, the Company has assessed the expected credit losses on its inter-company loans and recognised a loss allowance as follows:

Stage 1: £Nil representing the 12-month expected credit losses
Stage 2: £7.7 million representing the lifetime expected credit losses
Stage 3: £12.6 million representing the lifetime expected credit losses
The total loss allowance for inter-company loans as of the reporting date is £20.3 million.

The overall credit loss of 41% allows for factors including restructuring of the group and non-recoverable balances from subsidiaries for which income is now no longer planned due to corporate restructuring activities and other internal factors'.

| | 31 March 2023 £ |
|---|---|
| At 1 April 2022 | – |
| Increase during the year | 20,298,441 |
| Unused amounts reversed | – |
| At 31 March 2023 | **20,298,441** |
| Gross receivables from subsidiaries | **46,019,943** |
| Overall credit loss | (20,298,441) |
| Net receivables from subsidiaries | **25,721,502** |

**44 Cash at bank and in hand**

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Cash at bank | **2,847,982** | 26,441,636 |

**45 Creditors – amounts falling due under one year**

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Trade creditors | **64,095** | 143,107 |
| Accrued expenses | **324,318** | 466,782 |
| Social security and other taxes | **6,781** | 14,966 |
| Other payables | **32** | 2,096 |
| Lease liabilities | – | 18,623 |
| | **395,226** | 645,574 |

Trade payables and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 45 days (2022: 45 days). No interest is charged on overdue amounts.

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

**46 Creditors – amounts falling due after more than one year**

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| **Non-current loans and borrowings** | | |
| Lease liabilities | – | – |
| Convertible debt | – | – |
| Other borrowings | – | – |
| | – | – |

**Lease liabilities**

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Future lease payments £** | **Discount £** | **Lease liability £** | Future lease payments £ | Discount £ | Lease liability £ |
| Within one year | – | – | – | 18,800 | (177) | 18,623 |
| In two to five years | – | – | – | – | – | – |
| | – | – | – | 18,800 | (177) | 18,623 |

Lease liabilities are presented as follows:

| | 31 March 2023 £ | 31 March 2022 £ |
|---|---|---|
| Current liabilities | – | 18,623 |
| Non-current liabilities | – | – |
| | – | 18,623 |

**Convertible bonds**

The Convertible Loan Notes were converted in full, at the Company's election, on admission to AIM. The Convertible Loan Notes were converted into Ordinary Shares as determined by dividing the prevailing principal amount of the Convertible Loan Notes, which was

£10,044,000, together with any accrued (but unpaid) interest thereon, which at the date of conversion was £736,560, by the effective conversion price, which was 30p.

**Movement in liability**

| | **31 March 2023 £** | 31 March 2022 £ |
|---|---|---|
| Brought forward | – | 10,311,840 |
| Interest accrued | – | 468,720 |
| Converted to equity shares | – | (10,780,560) |
| Carried forward | – | – |

**47 Share capital**
**Allotted, called up and fully paid shares**

| | **31 March 2023** | | 31 March 2022 | |
|---|---|---|---|---|
| | **No.** | **£** | No. | £ |
| Ordinary Shares of £0.01 each | 180,551,615 | 1,805,516 | 179,368,215 | 1,793,682 |

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.

Further information on share capital is disclosed in note 27 to the Consolidated Financial Statements.

**48 Share-based payments**
Information on share-based payments is disclosed in note 28 to the Consolidated Financial Statements.

**49 Commitments**
During a previous financial year the Company signed a contract to pay £200,000 (2022: £200,000) compensation to a third party once mining operations commenced.

**50 Related party transactions**
Information on related party transactions is disclosed in note 33 to the Consolidated Financial Statements.

**51 Post balance sheet events**
Information on post balance sheet events is disclosed in note 35 to the Consolidated Financial Statements.