

REGISTERED NUMBER: 10205021 (England and Wales)

**Report of the Directors and
Unaudited Financial Statements
for the Year Ended 31 December 2020
for
Cornish Lithium Ltd**

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for the year ended 31 December 2020**

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Cornish Lithium Ltd
Company Information
for the year ended 31 December 2020

DIRECTORS:

L E Wrathall
J B E Wrathall
D Linfield
K S Liddell

SECRETARY:

Q Hussain

REGISTERED OFFICE:

Tremough Innovation Centre
Penryn
Cornwall
TR10 9TA

REGISTERED NUMBER:

10205021 (England and Wales)

ACCOUNTANTS:

anstaybond
1-2 Charterhouse Mews
London
EC1M 6BB

**Report of the Directors
for the year ended 31 December 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of research activities relating to the identification and extraction of technology metals.

REVIEW OF BUSINESS

GOING CONCERN

The financial statements have been prepared on the going concern basis. The financial projections for the company for the next twelve months and beyond show a growth in interest from investors which will allow the Company to remain a going concern for the foreseeable future.

COVID-19

Starting in January 2020, there was an outbreak of a global pandemic (Novel Coronavirus disease), resulting in significant financial and economic impact on major economies across the globe and affecting a wide range of industries. At the date of the approval of the financial statements, the directors are in the process of assessing the impact of the above-mentioned event on its subsequent period's financial results. The directors concluded that the going concern basis was appropriate. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

RESEARCH AND DEVELOPMENT

The company continues to invest in research and development as we seek to expand our mining activities and push forwards a new industry in the United Kingdom with regards to the extraction of lithium.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

L E Wrathall
J B E Wrathall
D Linfield
K S Liddell

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 company's transactions and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cornish Lithium Ltd (Registered number: 10205021)

**Report of the Directors
for the year ended 31 December 2020**

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

J B E Wrathall - Director

12 March 2021

Cornish Lithium Ltd (Registered number: 10205021)

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020**

	Notes	2020 £	2019 £
CONTINUING OPERATIONS			
Revenue		-	-
Cost of sales		-	(123,249)
GROSS LOSS		-	(123,249)
Other operating income		178,420	8,850
Administrative expenses		(4,372,628)	(1,954,199)
OPERATING LOSS		(4,194,208)	(2,068,598)
Finance costs	5	-	(14,880)
Finance income	5	-	18
LOSS BEFORE INCOME TAX	6	(4,194,208)	(2,083,460)
Income tax	7	924,430	362,131
LOSS FOR THE YEAR		(3,269,778)	(1,721,329)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Capital Redemption Reserve		1,752,619	14,880
Income tax relating to item that may be reclassified subsequently to profit or loss		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		1,752,619	14,880
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,517,159)	(1,706,449)

The notes form part of these financial statements

Cornish Lithium Ltd (Registered number: 10205021)

**Statement of Financial Position
31 December 2020**

	Notes	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	2,364,793	135,917
Property, plant and equipment	9	113,973	41,585
Trade and other receivables	10	162,544	-
		<u>2,641,310</u>	<u>177,502</u>
CURRENT ASSETS			
Trade and other receivables	10	520,404	214,111
Tax receivable	15	924,430	362,131
Cash and cash equivalents	11	1,871,413	935,815
		<u>3,316,247</u>	<u>1,512,057</u>
TOTAL ASSETS		<u><u>5,957,557</u></u>	<u><u>1,689,559</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	408	330
Share premium	13	9,862,576	3,947,702
Share options reserve	13	1,767,499	14,880
Retained earnings	13	(5,846,615)	(2,576,837)
TOTAL EQUITY		<u>5,783,868</u>	<u>1,386,075</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	173,689	303,484
TOTAL LIABILITIES		<u>173,689</u>	<u>303,484</u>
TOTAL EQUITY AND LIABILITIES		<u><u>5,957,557</u></u>	<u><u>1,689,559</u></u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2020.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements

Cornish Lithium Ltd (Registered number: 10205021)

**Statement of Financial Position - continued
31 December 2020**

The financial statements were approved by the Board of Directors and authorised for issue on 12 March 2021 and were signed on its behalf by:

J B E Wrathall - Director

The notes form part of these financial statements

Cornish Lithium Ltd (Registered number: 10205021)

**Statement of Changes in Equity
for the year ended 31 December 2020**

	Called up share capital £	Retained earnings £	Share premium £	Share options reserve £	Total equity £
Balance at 1 January 2019	297	(855,508)	2,232,321	-	1,377,110
Changes in equity					
Issue of share capital	33	-	1,715,381	-	1,715,414
Total comprehensive income	-	(1,721,329)	-	14,880	(1,706,449)
Balance at 31 December 2019	<u>330</u>	<u>(2,576,837)</u>	<u>3,947,702</u>	<u>14,880</u>	<u>1,386,075</u>
Changes in equity					
Issue of share capital	78	-	5,914,874	-	5,914,952
Total comprehensive income	-	(3,269,778)	-	1,752,619	(1,517,159)
Balance at 31 December 2020	<u><u>408</u></u>	<u><u>(5,846,615)</u></u>	<u><u>9,862,576</u></u>	<u><u>1,767,499</u></u>	<u><u>5,783,868</u></u>

The notes form part of these financial statements

**Statement of Cash Flows
for the year ended 31 December 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	(4,687,123)	(1,888,748)
Interest paid		-	(14,880)
Tax paid		362,131	167,387
		<u> </u>	<u> </u>
Net cash from operating activities		(4,324,992)	(1,736,241)
		<u> </u>	<u> </u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(2,289,939)	(78,634)
Purchase of tangible fixed assets		(117,044)	(3,219)
Interest received		-	18
		<u> </u>	<u> </u>
Net cash from investing activities		(2,406,983)	(81,835)
		<u> </u>	<u> </u>
Cash flows from financing activities			
Share issue		5,914,954	1,730,294
Vested share options		1,752,619	-
		<u> </u>	<u> </u>
Net cash from financing activities		7,667,573	1,730,294
		<u> </u>	<u> </u>
Increase/(decrease) in cash and cash equivalents		935,598	(87,782)
Cash and cash equivalents at beginning of year	2	935,815	1,023,597
		<u> </u>	<u> </u>
Cash and cash equivalents at end of year	2	<u>1,871,413</u>	<u>935,815</u>

Notes to the Statement of Cash Flows
for the year ended 31 December 2020

1.	RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS	2020	2019
		£	£
	Loss before income tax	(4,194,208)	(2,083,460)
	Depreciation charges	105,717	146,124
	Finance costs	-	14,880
	Finance income	-	(18)
		<u>(4,088,491)</u>	<u>(1,922,474)</u>
	Increase in trade and other receivables	(468,837)	(207,756)
	(Decrease)/increase in trade and other payables	(129,795)	241,482
	Cash generated from operations	<u><u>(4,687,123)</u></u>	<u><u>(1,888,748)</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	<u>1,871,413</u>	<u>935,815</u>

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>935,815</u>	<u>1,023,597</u>

**Notes to the Financial Statements
for the year ended 31 December 2020**

1. STATUTORY INFORMATION

Cornish Lithium Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Intangible assets

Development costs represent exploration and evaluation assets recognised in accordance with IFRS 6 and IAS 38, after making full provision for impairment where identified.

Intangible assets are initially measured at cost. Cost includes all expenditure which is directly attributable to the acquisition or construction of the asset, including capitalisation of borrowing costs on qualifying assets, and adjustments in respect of hedge accounting, where appropriate.

Amortisation is charged over the useful lives of any intangible fixed assets and has been assessed as follows:

Website Construction - Straight-line basis over 3 years

Development Costs - Straight-line basis over 10 years

Computer Software - Straight-line basis over 3 years

Patents and Licenses - Straight-line basis over 10 years

The residual value, useful life and amortisation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The amortisation charge for each year is recognised in the profit or loss account.

Following on from the above, development costs relating to licensing fees for the land are now deemed to have a lifetime of 10 years, rather than 3. As such, amortisation of development costs has been changed to a straight line basis at 10% rather than 33% as of 1 January 2020

Impairment tests are performed on intangible assets when there is an indicator that they may be impaired. When the carrying amount of an item of intangibles are assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss. Any intangible is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising from the derecognition is included in profit or loss.

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation.

Property, plant and equipment is initially measured at cost. Cost includes all expenditure which is directly attributable to the acquisition or construction of the asset, including capitalisation of borrowing costs on qualifying assets, and adjustments in respect of hedge accounting, where appropriate.

Depreciation is charged over the useful lives of items of property, plant and equipment have been assessed as follows:

Computer equipment - Straight-line basis over 3 years.

Office equipment - Straight-line basis over 3 years.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The depreciation charge for each year is recognised in the profit or loss account.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising from the derecognition is included in profit or loss.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the statement of financial position date.

Recognition of deferred tax assets is restricted to those circumstances where it is probable that taxable profit will be available against which the difference can be utilised. The value of said asset is determined using the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

2. ACCOUNTING POLICIES - continued

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The collections are expected either immediately or within 30 days, hence they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Share based payment

Share-based compensation benefits are provided to employees via the Cornish Lithium Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights.

Employee options;

The fair value of options granted under the Cornish Lithium Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (such as the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Grants

The amounts represented in other operating income relate to grants provided by external parties in order to assist with the funding of Cornish Lithium. The grant income is recognised when the costs associated to the terms of the grants have been incurred.

Notes to the Financial Statements - continued
for the year ended 31 December 2020

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported the financial statements and accompanying notes in respect of revenues, expenses, assets and liabilities.

Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates. However, estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key estimates, assumptions and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Recognition of deferred tax assets - availability of taxable profits against which tax losses can be utilised against (Note 15)
- Impairment of financial assets - impairment provision for financial assets disclosed in note 9 is based on assumptions about risk of default. The company uses judgement in making these assumptions and coming impairment numbers, based on the company's past history and existing market information at the end of each reporting period
- The measurement of provision for corporation tax - the company recognises liabilities for estimated tax charge at the period end. Where the final tax liability is different from that estimate, such differences are reflected in the period in which such determination is made.

4. **EMPLOYEES AND DIRECTORS**

	2020	2019
	£	£
Wages and salaries	662,066	532,735
Social security costs	65,014	54,368
Other pension costs	19,993	7,489
	<u>747,073</u>	<u>594,592</u>

The average number of employees during the year was as follows:

	2020	2019
Employees	<u>14</u>	<u>12</u>

	Year Ended 31.12.20	Year Ended 31.12.19
	£	£
Directors' remuneration	212,583	194,722
Directors' fees	-	20,833
	<u>212,583</u>	<u>215,555</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

5.	NET FINANCE COSTS	2020	2019
		£	£
	Finance income:		
	Deposit account interest	-	18
		<u> </u>	<u> </u>
	Finance costs:		
	Vesting Share Options	-	14,880
		<u> </u>	<u> </u>
	Net finance costs	-	14,862
		<u> </u>	<u> </u>
6.	LOSS BEFORE INCOME TAX		
	The loss before income tax is stated after charging:		
		2020	2019
		£	£
	Direct costs	-	123,249
	Included within Administrative Expenses:		
	Depreciation - owned assets	44,645	37,689
	Development costs amortisation	40,054	105,434
	Computer software amortisation	2,092	3,001
	Patents and licenses amortisation	18,916	-
		<u> </u>	<u> </u>
7.	INCOME TAX		
	Analysis of tax income		
		2020	2019
		£	£
	Current tax:		
	Tax	(924,430)	(362,131)
		<u> </u>	<u> </u>
	Total tax income in statement of profit or loss and other comprehensive income	(924,430)	(362,131)
		<u> </u>	<u> </u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

8. INTANGIBLE ASSETS

	Patents and licences £	Development costs £	Computer software £	Totals £
COST				
At 1 January 2020	-	375,053	9,054	384,107
Additions	2,269,939	20,000	-	2,289,939
At 31 December 2020	2,269,939	395,053	9,054	2,674,046
AMORTISATION				
At 1 January 2020	-	241,345	6,845	248,190
Amortisation for year	18,916	40,054	2,093	61,063
At 31 December 2020	18,916	281,399	8,938	309,253
NET BOOK VALUE				
At 31 December 2020	2,251,023	113,654	116	2,364,793
At 31 December 2019	-	133,708	2,209	135,917

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £	Computer equipment £	Totals £
COST			
At 1 January 2020	16,432	97,535	113,967
Additions	25,431	91,613	117,044
At 31 December 2020	41,863	189,148	231,011
DEPRECIATION			
At 1 January 2020	8,484	63,898	72,382
Charge for year	7,788	36,868	44,656
At 31 December 2020	16,272	100,766	117,038
NET BOOK VALUE			
At 31 December 2020	25,591	88,382	113,973
At 31 December 2019	7,948	33,637	41,585

Notes to the Financial Statements - continued
for the year ended 31 December 2020

10. **TRADE AND OTHER RECEIVABLES**

	2020 £	2019 £
Current:		
Trade debtors	1,380	2,340
Other debtors	414,318	100,834
VAT	104,706	110,937
	<u>520,404</u>	<u>214,111</u>
Non-current:		
Other debtors	<u>162,544</u>	<u>-</u>
Aggregate amounts	<u>682,948</u>	<u>214,111</u>

11. **CASH AND CASH EQUIVALENTS**

	2020 £	2019 £
Bank accounts	<u>1,871,413</u>	<u>935,815</u>

12. **CALLED UP SHARE CAPITAL**

Number:	Class:	Nominal value:	2020 £	2019 £
406,524,316	Ordinary shares	£0.000001	407	329
1	Ordinary A shares	1	<u>1</u>	<u>1</u>
			<u>408</u>	<u>330</u>

13. **RESERVES**

	Retained earnings £	Share premium £	Share options reserve £	Totals £
At 1 January 2020	(2,576,837)	3,947,702	14,880	1,385,745
Deficit for the year	(3,269,778)			(3,269,778)
Bonus share issue	-	-	1,752,619	1,752,619
Share issue	-	5,914,874	-	5,914,874
At 31 December 2020	<u>(5,846,615)</u>	<u>9,862,576</u>	<u>1,767,499</u>	<u>5,783,460</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2020

14. **TRADE AND OTHER PAYABLES**

	2020	2019
	£	£
Current:		
Trade creditors	30,107	258,932
Social security and other taxes	13,291	18,924
Other creditors	112,541	7,878
Accrued expenses	17,750	17,750
	<u>173,689</u>	<u>303,484</u>

15. **DEFERRED TAX**

Deferred tax assets have been recognised in respect of all tax losses and other temporary timing differences giving rise to deferred tax assets, where the directors believe these assets will be recoverable.

As at the balance sheet date included within tax receivable, is a balance of £924,430, which is representative of the research and development tax credit which is due to the company.

The company has a potential deferred tax asset of £665,194. This has not been recognised in these financial statements due to uncertainty of timing of future profits.

16. **ULTIMATE CONTROLLING PARTY**

The Ultimate Controlling Parties are JBE Wrathall and LE Wrathall by virtue of their shareholding in the company.