

WESTERN CLUSTER LIMITED

**AUDIT REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

MARCH 31, 2022

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**Western Cluster Limited
Board of Directors
As at March 31, 2022**

The Board of Directors of Western Cluster Limited comprise one (1) member as mentioned below.

Directors	Title
1. Sauvick Mazumdar	Director
 Registered Office:	 Amir Building 18 th Street, Sinkor Tubman Boulevard Sinkor, Monrovia Liberia, West Africa
 Bankers:	 Standard Chartered UK Banking Standard Chartered Bank 1 Basinghall Avenue London EC2V 5DD Tel. No.: 02078858700 International Bank (Liberia) Ltd. 64 Broad Street P. O. Box 10-0292 1000 Monrovia 10, Liberia Ecobank Liberia Ashmun and Randall Street P.O. Box 4825 1000 Monrovia, 10 Liberia
 Legal Counsel:	 Sherman & Sherman Law Firm R. Foley Sherman Law Building 17 th Street & Cheeseman Avenue Sinkor, Monrovia
 Auditors:	 PKF Liberia Lara Building, 4 th Floor Randall Street P. O. Box 10-3635 1000 Monrovia 10, Liberia

Western Cluster Limited
Statements of responsibilities of the Board of Directors

1. The Board has general powers to manage the business of the Company.
2. The Board of Directors is responsible to ensure that the books of accounts of the Company are kept in a manner considered suitable for reporting and other relevant purposes.

In particular, the Board is responsible to:

- a. ensure that the accounting records of the Company are satisfactorily maintained and its financial statements presented in accordance with authoritative standards and other governing policies applicable in such regard.
 - b. select suitable accounting policies and apply them consistently;
 - c. state whether applicable accounting standards have been followed, subject to any material departures to be disclosed or explained in the financial statements;
 - d. ensure that the financial statements are prepared on the going-concern basis unless it is inappropriate to presume that the Company will continue in business;
3. In summary, the Board is responsible to ensure that proper accounting records are kept, which disclose with reasonable accuracy, at any time, the financial position of the Company. The Board is responsible to put in place the relevant mechanism for safeguarding the assets of the Company and to take reasonable steps for the prevention of fraud and other forms of irregularities, and the prompt detection of those that might nonetheless occur.
 4. The Board is also responsible to annually appoint competent auditors to examine the books of the Company, subject to ratification be ratified by an affirmative vote of the shareholders at their annual meeting. The Board shall cause to be printed a copy of the auditor's report, together with the relevant statements accompanying such report.
 5. The Board may appoint members of management committees as it may deem necessary; and may delegate to the committees such powers as the Board considers relevant and necessary.

The above statement of responsibilities of the Board with respect to the financial statements of the Company shall be read in conjunction with the statement of the Auditor's responsibilities set out on the next page of this document. This is necessary and is being done with the view to distinguishing for the benefit of shareholders and other users of the financial statements the respective responsibilities of the Board of Directors and the Auditors in relation to the audited financial statements of Western Cluster Limited (WCL).



Sauvik Mazumdar
Director

26 / 04 / 2022

Independent Auditor's report
To the Shareholders
Western Cluster Limited (WCL)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Company, which comprise the statement of financial position as at March 31, 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Western Cluster Limited (WCL) as at March 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Liberia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are selected from matters, which are communicated with those charged with governance. Matters which are discussed with those charged with governance are then evaluated by the auditor who then determines those matters which required significant auditor attention during the course of the audit.

Based on our audit of these financial statements of the Company, we did not identify any key audit matter that is required to be reported as key audit matter.

Other information

The directors of the Company are responsible for other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report 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.

Based on the work we have performed; we conclude that there is no material inconsistency in other information. We therefore have nothing to report in this regard.

Going Concern

The financial statements of the Company have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Based on the preceding, the Company incurred losses of US\$ 4,327,929 as at March 31, 2022 (2021: US\$ 3,011,168). Its total current liabilities exceed total current assets by US\$ 21,140,520.65 (2021: 17,812,591.65). However, Management believes that settlement of the Company's obligations to its creditors will occur as and when they become due.

Management further acknowledge that there is no uncertainty over its ability to meet these obligations and will continue in operational existence in the foreseeable future. The Parent Company of Western Cluster Limited is committed to ensure that all liabilities of the Company are met fully and satisfactorily as and when due.

Responsibilities of management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit.

We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive

to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


PKF Liberia
Accountants &
Business advisers

27/04/22
Monrovia

Western Cluster Limited
Statement of Financial Position
As at March 31, 2022

	Note	March 2022 US\$	March 2021 US\$
ASSETS			
Current assets			
Cash and bank balances	4	232,608	134,954
Receivables		-	-
Prepayments	5	12,107	1,949
Total current assets		244,715	136,903
Total assets		244,715	136,903
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholder's equity			
Accumulated losses brought forward		(121,504,592)	(118,493,424)
Loss for the year		(4,327,929)	(3,011,168)
Total Shareholder's equity		(125,832,521)	(121,504,592)
Current liabilities:			
Accounts payable		19,725,792	17,152,803
Inter-company payable		866,411	573,182
Interest payable		18,060	-
Salaries payable		8,463	661
Taxes payable	6	13,995	3,569
Other liabilities		752,516	219,279
Total current liabilities		21,385,236	17,949,494
Long-term liabilities:			
Inter-company payable	7	104,692,000	103,692,000
Total Liabilities		126,077,236	121,641,494
Total liabilities and shareholders' equity		244,715	136,903

The accompanying notes are an integral part of the financial statements



Sauvick Mazumdar
Director

Western Cluster Limited
Income Statement
For year ended March 2022

	Note	March 2022 US\$	March 2021 US\$
Expenses			
Employee Benefit Expenses		221,554	10,290
Financial Charges		25,912	2,171
Other Expenses	8	4,080,463	2,998,707
Total Expenses		<u>(4,327,929)</u>	<u>(3,011,168)</u>
Loss for the year		<u>(4,327,929)</u>	<u>(3,011,168)</u>

Western Cluster Limited
Statement of cash flows
For the year ended March 2022

	March 2022 US\$	March 2021 US\$
Operating activities:		
Net operating loss for the year	(4,327,929)	(3,011,168)
Adjustments required to present use in from operating activities		-
Changes in operating assets and liabilities (Appendix A)	<u>3,425,583</u>	<u>2,922,110</u>
Net cash flows from operating activities	<u>(902,346)</u>	<u>(89,058)</u>
Financing activities:		
Loan from THL Zinc Holding BV	1,000,000	-
Loan from Bloom Fountain Limited	<u>-</u>	122,000
Net cash flows from financing activities	<u>1,000,000</u>	<u>122,000</u>
Net change in cash and cash equivalent	<u>97,654</u>	<u>32,942</u>
Cash and cash equivalent beginning of period	<u>134,954</u>	<u>102,012</u>
Cash and cash equivalents at the end of the year	<u>232,608</u>	<u>134,954</u>

The accompanying notes are an integral part of the financial statements

Western Cluster Limited
Appendix A

Changes in operating assets and liabilities:

Receivables	-	-
Prepayments	(10,159)	10,116
Accounts payable	2,572,989	2,822,614
Inter company payable	293,228	-
Interest payable	18,060	-
Salaries payable	7,802	(6,114)
Taxes payable	10,426	(3,265)
Other liabilities	<u>533,237</u>	<u>98,760</u>
Net cash used in operating activities	<u>3,425,583</u>	<u>2,922,110</u>

Western Cluster Limited
Notes to the financial statements
For the year ended March 31, 2022

1. Establishment

Western Cluster Limited is a 100% owned subsidiary of Bloom Fountain Limited, a company formed under the laws of Mauritius. The Company was incorporated in Liberia on October 18, 2010 to explore investment opportunities in the iron ore sector in the Western Region of Liberia. Its Mineral Development Agreement with the Government of Liberia was ratified by the National Legislature of Liberia on August 3, 2011.

The principal activities of Western Cluster Limited are to prospect, explore, mine and market iron ore and to manage investments in other companies. The Company is also engaged in importing and exporting goods and services related to the exploitation and processing of iron ore in Liberia.

The Company's concession agreement with the Government of Liberia gives Western Cluster Limited exclusive rights to iron ore deposits in the Western Region of Liberia, specifically Bomi Hills, Bea Mountain and Mano River.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), under the historical cost convention.

2.2 Currency of reporting

These financial statements are expressed in United States dollars. Cash and near cash assets as well as all liabilities denominated in other currencies are translated to United States dollars at the applicable year-end rates of exchange. Transactions occurring in other currencies during the period are brought into the books at the prevailing rates of exchange on the dates of the respective transactions.

The United States dollar is legal tender in Liberia and circulates freely in the Liberian economy alongside the Liberian dollar. Rates of exchange between these two currencies are market determined.

2.3 Related party disclosure

Entities are considered to be related when one entity exercises control over the other or the entities are under common control. Transactions from related parties are recognized at amortized cost using the effective interest rate method.

Western Cluster Limited
Notes to the financial statements
For the year ended March 31, 2022

2.4 Use of estimates and Judgments

The preparation of financial statements in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and the valuation of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected. However, estimates and associated assumptions are not applicable for these financial statements.

Western Cluster Limited
Notes to the financial statements
For the year ended March 2022

	March 2022 US\$	March 2021 US\$
4 Cash and bank balances		
Cash on hand	-	-
Cash in banks	<u>232,608</u>	<u>134,954</u>
	<u>232,608</u>	<u>134,954</u>
5 Prepayments		
Insurance	<u>12,107</u>	<u>1,949</u>
	<u>12,107</u>	<u>1,949</u>
6 Taxes payables		
Employees withholding taxes payable	5,441	1,910
Other withholding taxes payable	7,042	987
Social security payable	1,512	673
	<u>13,995</u>	<u>3,569</u>
7 Inter-company payable	104,692,000	103,692,000
<p>The Board of Directors of the company ratified an agreement with Bloom Fountain Limited, The Holding Company, Through a resolution in which Bloom Fountain Limited is to avail Loan up to US \$ 110 Million. The Total amount of Loan Aailed so far is US \$ 103.69 million. The Loan is non interest bearing and is repayable in five years when the company commence commercial exploration with an option to review repayment schedule.</p> <p>During the year, the company entered into a Loan Agreement with THL Zinc Holding BV for an amount of US \$ 50 Million, out of which US \$ 1 Million has been drawn so far. This Loan bears Interest at a rate of 7.74% p.a</p>		
8 Other Expenses		
Security Charges	48,284	48,284
Travelling	37,043	-
GoL Fess	134,143	39,092
Insurance	18,512	16,385
Rent	48,814	58,296
Consultancy Charges	464,461	34,150
Exploration Expenses	521,785	-
MDA Fees & Dues	2,800,000	2,800,000
Misc Exp	7,422	2,500
	<u>4,080,463</u>	<u>2,998,707</u>