
WEST CUMBRIA MINING (HOLDINGS) LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020**



WEST CUMBRIA MINING (HOLDINGS) LIMITED

CONTENTS

	Page
Company Information	1
Directors' Report	2 - 4
Independent Auditors' Report	5 - 7
Consolidated Profit and Loss Account	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes to the Financial Statements	14 - 30

WEST CUMBRIA MINING (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	D. A. Carroll J. M. Harrison M. A. Kirkbride R. C. Round
Registered number	07143398
Registered office	Belmont House Station Way Crawley West Sussex RH10 1JA
Independent auditors	F. W. Smith, Riches & Co. Chartered Accountants & Statutory Auditors 15 Whitehall London SW1A 2DD

WEST CUMBRIA MINING (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

Principal activity

The principal activity of the Company continued to be that of a holding company. The principal subsidiary, West Cumbria Mining Limited, is developing metallurgical coal projects in the UK, with the intention of producing coking coal for both domestic and overseas steel producing customers.

Directors

The directors who served during the year were:

D. A. Carroll
R. A. Crookes (resigned 31 October 2019)
J. M. Harrison
M. A. Kirkbride
R. C. Round

Going concern

The Company's subsidiary, West Cumbria Mining Limited, had previously submitted an application for detailed planning permission to Cumbria County Council on 31 May 2017, for the development of the land at the former Marchon Works, Kells, Whitehaven for a new underground metallurgical coal mine and associated development. The Development Control and Regulation Committee of Cumbria County Council resolved to grant planning permission on two previous occasions, subject to the completion of a s.106 agreement. Since the year end the following events have occurred:

1. On 28 September 2020, the Secretary of State issued an Article 31 Direction, this direction allows him the option to call in the planning decision for his determination, this did not prevent Cumbria County Council from considering the planning application.
2. On 2 October 2020, the Development Control and Regulation Committee of Cumbria County Council resolved to grant planning permission for a third time, subject to the completion of a s.106 agreement.
3. On 6 January 2021, the Secretary of State informed Cumbria County Council that he was withdrawing his Article 31 Direction.
4. On 9 February 2021, Cumbria County Council decided to return the Application to the Development Control and Regulation Committee for a fourth time in order to take into account the recommendations of a Climate Change Committee Report.
5. On 11 March 2021, the Secretary of State directed, under his powers, that the application shall be referred to him instead of being dealt with by Cumbria County Council. He will be informed by a public inquiry which is due to commence on 7 September 2021 and last for four to six weeks. On completion of the public inquiry, he will advise the company of his decision. The Directors expect to have received this decision by March 2022.

In response to the Secretary of State's announcement that the planning application submitted by the Company's subsidiary, West Cumbria Mining Limited, will be the subject of a public inquiry, the Group has implemented a cost saving programme. All members of staff have been served notice, office accommodation vacated and all expenditure, other than that which relates to the public inquiry, has been halted.

The Group has prepared a cash flow projection for the period to 30 June 2022 and despite the cost saving measures referred to above, the Group must still raise additional finance in order to meet its liabilities as they fall due. In particular, the Group's Loan Notes fall due for repayment on 15 January 2022 and thus the Directors will

WEST CUMBRIA MINING (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

Going concern (continued)

need to negotiate a further extension to the Maturity Date, or reach agreement with the Loan Note holders that they will seek settlement in the form of shares.

The principal shareholder (who is also the principal Loan Note holder) has written to the Group's Board of Directors expressing its intention to provide sufficient funding, in the form of cash and/or deferral of loans and payables, for the Group to meet the costs of the public inquiry and other liabilities as and when they fall due, up to and including the public inquiry process.

However, due to the uncertainty of both the length and outcome of the public inquiry, the principal shareholder may decide not to continue with its financial support. If this were to happen, there can be no assurance that the Group could continue to meet its liabilities as they fall due, and the uncertainty over the length and outcome of the public inquiry represents a material uncertainty which casts significant doubt about the Group's ability to continue as a going concern.

Although there can be no absolute assurance on this matter, the Directors have a reasonable expectation that the Secretary of State will grant planning permission, subject to the completion of a s.106 agreement, and thus the principal shareholder will continue to provide sufficient funding for the Group to meet the costs of the public inquiry and other liabilities as they fall due, up to and including the public inquiry process.

The Group has also entered into Heads of Terms with a third party to provide funding for the construction of the mine, subject to a favourable outcome to the public inquiry and the Group obtaining the necessary consents. On this basis the Directors have a reasonable expectation that the Group can continue to settle its liabilities, as they fall due, for a period of at least twelve months from the date of signing of these financial statements.

Accordingly, the financial statements have been prepared on a going concern basis and do not include any adjustment related to the recoverability or classification of the carrying amounts of assets or the amounts and classification of liabilities that may result should the Group be unable to continue as a going concern.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the financial statements 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, F. W. Smith, Riches & Co., will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 22 June 2021 and signed on its behalf by:



M. A. Kirkbride
Director

WEST CUMBRIA MINING (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST CUMBRIA MINING (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of West Cumbria Mining (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2020 and of the Group's loss for the year then 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.3 in the financial statements, which discloses a material uncertainty relating to the grant of planning permission in respect of the Group's metallurgical coal project and also the continuing support of the principal shareholder (who is also the principal Loan Note holder). As stated in note 1.3, these events or conditions, along with the other matters as set forth in note 1.3, indicate that material uncertainties exist that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST CUMBRIA MINING (HOLDINGS) LIMITED (CONTINUED)

Other information

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Group Strategic Report.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST CUMBRIA MINING (HOLDINGS) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 Auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.



Martin J. Rooney (Senior Statutory Auditor)
for and on behalf of **F. W. Smith, Riches & Co.**
Chartered Accountants & Statutory Auditors
London

22 June 2021

WEST CUMBRIA MINING (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £	2019 £
Administrative expenses		(1,880,914)	(1,644,674)
Other operating income	3	42,485	-
Operating loss		(1,838,429)	(1,644,674)
Interest receivable and similar income		9,560	8,260
Interest payable and similar expenses	5	(999,980)	(336,380)
Loss before tax		(2,828,849)	(1,972,794)
Loss for the financial year		(2,828,849)	(1,972,794)
Loss for the year attributable to:			
Owners of the parent		(2,828,849)	(1,972,794)
		(2,828,849)	(1,972,794)

WEST CUMBRIA MINING (HOLDINGS) LIMITED
REGISTERED NUMBER: 07143398

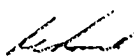
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	8	24,270,296	23,014,646
Tangible assets	9	78,420	106,339
		<u>24,348,716</u>	<u>23,120,985</u>
Current assets			
Debtors	11	175,544	331,639
Cash at bank and in hand		1,305,879	3,646,876
		<u>1,481,423</u>	<u>3,978,515</u>
Creditors: amounts falling due within one year	12	(9,260,690)	(8,198,564)
Net current liabilities		<u>(7,779,267)</u>	<u>(4,220,049)</u>
Total assets less current liabilities		<u><u>16,569,449</u></u>	<u><u>18,900,936</u></u>
Capital and reserves			
Called up share capital	13	6	6
Share premium account	14	26,831,481	26,500,592
Share-based payment reserve	14	817,682	651,209
Profit and loss account	14	(11,079,720)	(8,250,871)
		<u><u>16,569,449</u></u>	<u><u>18,900,936</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements on pages 8 to 30 were approved and authorised for issue by the board on 22 June 2021. and were signed on its behalf by:


M. A. Kirkbride
 Director


R. C. Round
 Director

WEST CUMBRIA MINING (HOLDINGS) LIMITED
REGISTERED NUMBER:07143398

COMPANY BALANCE SHEET
AS AT 30 JUNE 2020

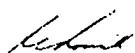
	Note	2020 £	2019 £
Fixed assets			
Investments	10	35,014,203	34,518,003
		<u>35,014,203</u>	<u>34,518,003</u>
Current assets			
Cash at bank and in hand		3,407	2,246
		<u>3,407</u>	<u>2,246</u>
Creditors: amounts falling due within one year	12	(8,736,359)	(7,736,380)
Net current liabilities		<u>(8,732,952)</u>	<u>(7,734,134)</u>
Total assets less current liabilities		<u>26,281,251</u>	<u>26,783,869</u>
Net assets excluding pension asset		<u>26,281,251</u>	<u>26,783,869</u>
Net assets		<u>26,281,251</u>	<u>26,783,869</u>
Capital and reserves			
Called up share capital	13	6	6
Share premium account	14	26,831,481	26,500,592
Share based payment reserve	14	817,682	651,209
Profit and loss account brought forward		(367,938)	(31,558)
Loss for the year		(999,980)	(336,380)
Profit and loss account carried forward	14	<u>(1,367,918)</u>	<u>(367,938)</u>
		<u>26,281,251</u>	<u>26,783,869</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 8 to 30 were approved and authorised for issue by the board on 22 June 2021. and were signed on its behalf by:



M. A. Kirkbride
Director



R. C. Round
Director

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital £	Share premium account £	Share-based payment reserve £	Profit and loss account £	Total equity £
At 1 July 2018	6	26,505,580	452,323	(6,278,077)	20,679,832
Loss for the year	-	-	-	(1,972,794)	(1,972,794)
Total comprehensive income for the year	-	-	-	(1,972,794)	(1,972,794)
Share issue costs - share based payments (note 15)	-	(4,988)	-	-	(4,988)
Share-based payments	-	-	198,886	-	198,886
Total transactions with owners	-	(4,988)	198,886	-	193,898
At 1 July 2019	6	26,500,592	651,209	(8,250,871)	18,900,936
Loss for the year	-	-	-	(2,828,849)	(2,828,849)
Total comprehensive income for the year	-	-	-	(2,828,849)	(2,828,849)
Shares issued during the year	-	330,889	-	-	330,889
Share-based payments	-	-	166,473	-	166,473
Total transactions with owners	-	330,889	166,473	-	497,362
At 30 June 2020	6	26,831,481	817,682	(11,079,720)	16,569,449

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Called up share capital £	Share premium account £	Share-based payment reserve £	Profit and loss account £	Total equity £
At 1 July 2018	6	26,505,580	452,323	(31,558)	26,926,351
Loss for the year	-	-	-	(336,380)	(336,380)
Total comprehensive income for the year	-	-	-	(336,380)	(336,380)
Share issue costs- share based payments (note 15)	-	(4,988)	-	-	(4,988)
Share-based payments	-	-	198,886	-	198,886
Total transactions with owners	-	(4,988)	198,886	-	193,898
At 1 July 2019	6	26,500,592	651,209	(367,938)	26,783,869
Loss for the year	-	-	-	(999,980)	(999,980)
Total comprehensive income for the year	-	-	-	(999,980)	(999,980)
Shares issued during the year	-	330,889	-	-	330,889
Share-based payments	-	-	166,473	-	166,473
Total transactions with owners	-	330,889	166,473	-	497,362
At 30 June 2020	6	26,831,481	817,682	(1,367,918)	26,281,251

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(2,828,849)	(1,972,794)
Adjustments for:		
Amortisation of intangible assets	1,038	3,106
Depreciation of tangible assets	33,026	33,599
Interest payable	947,545	388,815
Interest receivable	(9,560)	(8,260)
Decrease/(increase) in debtors	156,095	(149,448)
Increase/(decrease) in creditors	62,146	(255,437)
Net fair value losses/(gains) recognised in profit or loss	52,435	(52,435)
Equity-settled share options	129,016	141,480
Net cash generated from operating activities	(1,457,108)	(1,871,374)
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,219,231)	(2,426,162)
Purchase of tangible fixed assets	(5,107)	(85,288)
Interest received	9,560	8,260
Net cash from investing activities	(1,214,778)	(2,503,190)
Cash flows from financing activities		
Issue of ordinary shares	330,889	-
Issue of loan notes	-	7,400,000
Net cash used in financing activities	330,889	7,400,000
Net (decrease)/increase in cash and cash equivalents	(2,340,997)	3,025,436
Cash and cash equivalents at beginning of year	3,646,876	621,440
Cash and cash equivalents at the end of year	1,305,879	3,646,876
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,305,879	3,646,876
	1,305,879	3,646,876

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies

1.1 Statement of compliance

The principal activity of the Company continued to be that of a holding company. The principal subsidiary, West Cumbria Mining Limited, is developing metallurgical coal projects in the UK, with the intention of producing coking coal for both domestic and overseas steel producing customers. The other subsidiary company is dormant.

West Cumbria Mining (Holdings) Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The current address of its registered office is Belmont House, Station Way, Crawley, West Sussex, RH10 1JA.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the recognition of convertible loan notes measured at fair value in accordance with United Kingdom Accounting Standards, including Section 1A 'Small Entities' of Financial Reporting Standard 102, *'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'* ("FRS 102") and the Companies Act 2006.

Although the Company is classified as being small and heads a small group as defined in the Companies Act 2006, the directors have opted not to take the exemptions available to them with regards to the preparation of consolidated financial statements and the preparation of a consolidated cash flow statement. The directors believe that the preparation of consolidated financial statements, with the inclusion of a consolidated cash flow statement is required for a better understanding of the Group's activities. The financial statements consolidate the financial statements of West Cumbria Mining (Holdings) Limited ('parent') and its subsidiary undertakings, West Cumbria Mining Limited and EK Mining Limited ('subsidiaries'). These are adjusted, where appropriate, to conform to Group accounting policies. Subsidiaries are consolidated using the acquisition method of accounting. The results of companies acquired or disposed of are included in the Profit and Loss Account after or up to the date that control passes respectively. All intra-Group transactions, balances, income and expenditure are eliminated on consolidation.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

1.3 Going concern

The Company's subsidiary, West Cumbria Mining Limited, had previously submitted an application for detailed planning permission to Cumbria County Council on 31 May 2017, for the development of the land at the former Marchon Works, Kells, Whitehaven for a new underground metallurgical coal mine and associated development. The Development Control and Regulation Committee of Cumbria County Council resolved to grant planning permission on two previous occasions, subject to the completion of a s.106 agreement. Since the year end the following events have occurred:

1. On 28 September 2020, the Secretary of State issued an Article 31 Direction, this direction allows him the option to call in the planning decision for his determination, this did not prevent Cumbria County Council from considering the planning application.

2. On 2 October 2020, the Development Control and Regulation Committee of Cumbria County Council resolved to grant planning permission for a third time, subject to the completion of a s.106 agreement.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies (continued)

1.3. Going concern (continued)

3. On 6 January 2021, the Secretary of State informed Cumbria County Council that he was withdrawing his Article 31 Direction.

4. On 9 February 2021, Cumbria County Council decided to return the Application to the Development Control and Regulation Committee for a fourth time in order to take into account the recommendations of a Climate Change Committee Report.

5. On 11 March 2021, the Secretary of State directed, under his powers, that the application shall be referred to him instead of being dealt with by Cumbria County Council. He will be informed by a public inquiry which is due to commence on 7 September 2021 and last for four to six weeks. On completion of the public inquiry, he will advise the company of his decision. The Directors expect to have received this decision by March 2022.

In response to the Secretary of State's announcement that the planning application submitted by the Company's subsidiary, West Cumbria Mining Limited, will be the subject of a public inquiry, the Group has implemented a cost saving programme. All members of staff have been served notice, office accommodation vacated and all expenditure, other than that which relates to the public inquiry, has been halted.

The Group has prepared a cash flow projection for the period to 30 June 2022 and despite the cost saving measures referred to above, the Group must still raise additional finance in order to meet its liabilities as they fall due. In particular, the Group's Loan Notes fall due for repayment on 15 January 2022 and thus the Directors will need to negotiate a further extension to the Maturity Date, or reach agreement with the Loan Note holders that they will seek settlement in the form of shares.

The principal shareholder (who is also the principal Loan Note holder) has written to the Group's Board of Directors expressing its intention to provide sufficient funding, in the form of cash and/or deferral of loans and payables, for the Group to meet the costs of the public inquiry and other liabilities as and when they fall due, up to and including the public inquiry process.

However, due to the uncertainty of both the length and outcome of the public inquiry, the principal shareholder may decide not to continue with its financial support. If this were to happen, there can be no assurance that the Group could continue to meet its liabilities as they fall due, and the uncertainty over the length and outcome of the public inquiry represents a material uncertainty which casts significant doubt about the Group's ability to continue as a going concern.

Although there can be no absolute assurance on this matter, the Directors have a reasonable expectation that the Secretary of State will grant planning permission, subject to the completion of a s.106 agreement, and thus the principal shareholder will continue to provide sufficient funding for the Group to meet the costs of the public inquiry and other liabilities as they fall due, up to and including the public inquiry process.

The Group has also entered into Heads of Terms with a third party to provide funding for the construction of the mine, subject to a favourable outcome to the public inquiry and the Group obtaining the necessary consents. On this basis the Directors have a reasonable expectation that the Group can continue to settle its liabilities, as they fall due, for a period of at least twelve months from the date of signing of these financial statements.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies (continued)

1.3 Going concern (continued)

Accordingly, the financial statements have been prepared on a going concern basis and do not include any adjustment related to the recoverability or classification of the carrying amounts of assets or the amounts and classification of liabilities that may result should the Group be unable to continue as a going concern.

1.4 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and Loss Account. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and profit on ordinary activities before taxation as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1.5 Revenue

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Government grants

Government grants are accounted for under the accruals model and are recognised in the Profit and Loss Account as 'other operating income' in the same period as the related expenditure.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies (continued)

1.6 Intangible fixed assets and amortisation

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an allocated portion of overhead expenditure, to the extent that those costs are directly related to operational activities in the area of interest. Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current, are brought into account in the year in which they are incurred and carried forward provided that:

- Such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- Exploitation and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Where capitalised expenditure relates specifically to the granting of a licence, this is amortised over the period of the licence.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and dismantling and restoration costs.

Depreciation is calculated, using the straight line method, to allocate the cost of assets less their residual value over their estimated useful lives, as follows:

Freehold property	- 20 years straight line
Plant & machinery	- 3 years straight line
Motor vehicles	- 4 years straight line
Furniture & equipment	- 3 years straight line

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Repairs and maintenance costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Profit and Loss Account and included in 'administrative expenses'.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies (continued)

1.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.9 Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Profit and Loss Account in 'administrative expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Investments

Amounts advanced by the parent Company to the subsidiary company are treated as an increase in its investment.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Unsecured convertible loan notes

Convertible loan notes containing conversion features that may result in the issuing of a variable number of shares are classified as liabilities at fair value through profit or loss under section 12 of FRS 102. Convertible loan notes are recognised initially at fair value, which is usually the transaction price. Costs of issuance are recognised immediately in profit or loss. Subsequently, convertible loan notes are held at fair value, with changes in fair value recognised in profit or loss within 'interest payable and similar expenses'.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies (continued)

1.10 Foreign currency translation

Functional and presentation currency

The Group and Company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Profit and Loss Account under the heading to which they relate.

1.11 Share capital

Ordinary shares are classified as equity.

1.12 Leases

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating Leases: lessee

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Profit and Loss Account on a straight line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight line basis.

1.13 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors separate disclosure is necessary to understand the effect of the transactions on the Group's financial statements.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. Accounting policies (continued)

1.14 Defined contribution pension plan

The Group contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in other creditors in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1.15 Group issued equity-settled share-based payments

The financial effect of awards made by the parent Company of options and warrants over its equity shares to the employees and consultants of the subsidiary undertaking, are recognised by the parent Company in its financial statements. In particular the parent Company records an increase in its investment in the subsidiaries with a credit to equity equivalent to the increase in the cost in the subsidiary undertaking. In the consolidated financial statements, the Group records a charge to the Consolidated Profit and Loss Account or an increase in the intangible asset, with a corresponding increase to the share-based payment reserve.

The financial effect of awards made by the parent Company of instruments relating to the issuing of shares are charged to the share premium account of the parent Company as permitted by the Companies Act 2006.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The grant date fair value is recognised as an expense in the Profit and Loss Account or as an addition to the intangible fixed asset on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee or consultant, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from these estimates. The key estimate and judgement that management have made is:

Going concern

In preparing these financial statements the directors have made certain assumptions with regard to going concern as set out in note 1.3.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3. Other operating income

	2020 £	2019 £
Government grants receivable	42,485	-
	<u>42,485</u>	<u>-</u>

4. Employees

The average monthly number of employees, including directors, during the year was 15 (2019 - 18).

5. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	947,545	388,815
Change in fair value	52,435	(52,435)
	<u>999,980</u>	<u>336,380</u>

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

6. Taxation

	2020 £	2019 £
Current tax on loss for the year	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(2,828,849)	(1,972,794)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(537,481)	(374,831)
Effects of:		
Expenses not deductible for tax purposes	30,716	32,193
Depreciation for the year in excess of capital allowances	6,275	6,384
Other timing differences	189,996	63,912
Unrelieved tax losses carried forward	310,494	272,342
Total tax charge for the year	-	-

The Group has losses of £12,138,710 (2019: £9,504,548) available to carry forward against future trading profits.

7. Parent Company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

8. Intangible assets

Group

	Licence fees and exploration costs £
Cost	
At 1 July 2019	23,030,378
Additions	1,256,688
At 30 June 2020	<u>24,287,066</u>
Amortisation	
At 1 July 2019	15,732
Charge for the year on owned assets	1,038
At 30 June 2020	<u>16,770</u>
Net book value	
At 30 June 2020	<u>24,270,296</u>
At 30 June 2019	<u>23,014,646</u>

All of the Group's intangible fixed assets are held in a subsidiary company, West Cumbria Mining Limited.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

9. Tangible fixed assets

Group

	Freehold property £	Plant & machinery £	Motor vehicles £	Furniture & equipment £	Total £
Cost					
At 1 July 2019	40,000	5,101	57,831	124,953	227,885
Additions	-	-	-	5,107	5,107
At 30 June 2020	<u>40,000</u>	<u>5,101</u>	<u>57,831</u>	<u>130,060</u>	<u>232,992</u>
Depreciation					
At 1 July 2019	362	4,309	20,319	96,556	121,546
Charge for the year on owned assets	2,000	770	12,558	17,698	33,026
At 30 June 2020	<u>2,362</u>	<u>5,079</u>	<u>32,877</u>	<u>114,254</u>	<u>154,572</u>
Net book value					
At 30 June 2020	<u>37,638</u>	<u>22</u>	<u>24,954</u>	<u>15,806</u>	<u>78,420</u>
At 30 June 2019	<u>39,638</u>	<u>792</u>	<u>37,512</u>	<u>28,397</u>	<u>106,339</u>

All of the Group's tangible fixed assets are held in a subsidiary company, West Cumbria Mining Limited.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 July 2019	34,518,003
Additions	496,200
At 30 June 2020	<u>35,014,203</u>
Net book value	
At 30 June 2020	<u>35,014,203</u>
At 30 June 2019	<u>34,518,003</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Principal activity	Class of shares	Holding
West Cumbria Mining Limited	England and Wales	Mine project development	Ordinary	100%
EK Mining Limited	England and Wales	Dormant	Ordinary	100%

The registered office address of both of the Company's subsidiary undertakings is: Belmont House, Station Way, Crawley, West Sussex, RH10 1JA.

Both of the above subsidiaries are included in the consolidation.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

11. Debtors

	Group 2020 £	Group 2019 £
Due after more than one year		
Other debtors	17,487	-
Due within one year		
Other debtors	158,057	331,639
	<u>175,544</u>	<u>331,639</u>

12. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	120,023	166,081	-	-
Convertible debt held at fair value through profit and loss	8,669,542	7,716,939	8,669,542	7,716,939
Other taxation and social security	20,721	32,987	-	-
Other creditors	450,404	282,557	66,817	19,441
	<u>9,260,690</u>	<u>8,198,564</u>	<u>8,736,359</u>	<u>7,736,380</u>

During the year ended 30 June 2019 the Company issued 9% Fixed Rate Unsecured Convertible Loan Notes totalling £7,400,000 (the "Loan Notes") to its intermediate parent company. The Loan Notes bore interest quarterly at 9% and were due for repayment on 10 October 2019 (the "Maturity Date"). The Loan Notes are repayable in cash or convertible into a variable number of ordinary shares, at the option of the holder. The Conversion Price was the lower of: (i) 16.5 pence per Conversion Share; and (ii) the lowest subscription price per share paid by any shareholder on any issue of shares by the Company prior to conversion, excluding shares issued pursuant to the Company's share option and warrant agreements.

During the year the Maturity Date was extended to 31 December 2020 and subsequent to the year end it was further extended to 15 January 2022. The interest rate increased to 12% with effect from 11 October 2019 and to 15% with effect from 23 November 2020. In addition, the maximum conversion price per share reduced from 16.5 pence at the date the Loan Notes were issued to 1 pence per share at the date of signing of these financial statements.

Subsequent to the year end the Loan Note facility was increased by £2,627,000 and £1,412,000 has been drawn down against this facility.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

13. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
78,740,716 (2019: 74,739,716) Ordinary shares of £0.0000000147 each	1	1
343,245,083 A shares of £0.0000000147 each	5	5
	<u>6</u>	<u>6</u>

The Ordinary shares and A shares rank pari passu in all respects.

On 4 December 2019, 4,001,000 Ordinary shares were issued following the exercise of share options for a total consideration of £330,889.

14. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold less directly attributable issue costs (including equity-settled share-based payment arrangements).

Share-based payment reserve

This reserve relates to the amount in respect of equity-settled share-based options and warrants granted by the Company. This reserve is not distributable.

Profit and loss account

The profit and loss account is a wholly distributable reserve.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

15. Group equity-settled share-based payments

Share options and warrants have been granted over the Company's equity to current and former directors, employees of the Group and to individuals and entities which have provided services to the Group. These instruments either vest immediately upon grant or upon the occurrence of a significant liquidity event. Instruments which have the vesting conditions relating to the occurrence of a significant liquidity event will vest upon an asset sale, public listing or sale of the Company.

Share options

During the year, a share-based payment charge of £129,016 (2019: £119,685) for options granted since 1 July 2017 was charged to the Profit and Loss Account, with a corresponding increase in the share-based payment reserve.

During the prior year, 7,750,000 options were granted with a total fair value of £279,912, estimated using the Black Scholes option pricing model. No options were granted in the current year.

During the year, the Board varied the vesting conditions for options due to expire between November 2019 and July 2020 in order that all such options vested.

Movement in the aggregate number of options in issue, and their weighted average exercise price, during the year were as follows:

	Number 2020	Weighted average exercise price (pence) 2020	Number 2019	Weighted average exercise price (pence) 2019
At start of the year	44,650,000	12.32	36,900,000	10.58
Granted during the year	-	-	7,750,000	20.63
Exercised during the year	(4,001,000)	(8.27)	-	-
Lapsed during the year	(13,099,000)	(8.27)	-	-
At end of the year	27,550,000	14.83	44,650,000	12.32

Subsequent to the year end a further 5,800,000 options lapsed.

During the prior year, 21,100,000 options with an expiry date prior to July 2019 had their maturity date extended by one year. Due to the favourable changes in the arrangement for the employee or former employee, this resulted in an additional fair value charge of £21,795 to the Profit and Loss Account with a reciprocal increase in the share-based payment reserve in that year. No options were extended in the current year.

At 30 June 2020, the weighted average remaining contractual life of options exercisable was 1.76 years (2019: 1.87 years). All the share options are due to expire by 16 August 2023.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

15. Group equity-settled share-based payments (continued)

Warrants

During the year, a share-based payment charge of £37,457 (2019: £52,418) was reflected as an addition to intangible fixed assets, with a corresponding increase in the share-based payment reserve.

During the prior year, 4,500,000 warrants were granted with a total fair value of £187,282, estimated using the Black Scholes option pricing model. No warrants were granted in the current year.

Movement in the aggregate number of warrants in issue, and their weighted average exercise price, during the year were as follows:

	Number 2020	Weighted average exercise price (pence) 2020	Number 2019	Weighted average exercise price (pence) 2019
At start of the year	28,939,979	11.71	24,439,979	10.63
Granted during the year	-	-	4,500,000	17.55
Lapsed during the year	(10,393,634)	(4.56)	-	-
At end of the year	18,546,345	15.71	28,939,979	11.71

During the prior year 6,605,832 warrants with an expiry date of June 2019 had their maturity date extended by one year. Due to the favourable changes in the arrangement, this resulted in an additional fair value charge of £4,988 which was reflected immediately as an increase in the share-based payment reserve in that year, with a reciprocal amount reflected in share premium. No warrants were extended in the current year.

At 30 June 2020, the weighted average remaining contractual life of warrants exercisable was 0.78 years (2019: 1.47 years). All the share warrants are due to expire by 16 August 2023.

WEST CUMBRIA MINING (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

16. Commitments under operating leases

At 30 June 2020 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £	Group 2019 £
Operating leases which expire:		
Within one year	41,700	1,200
Between two and five years	111,375	-
After more than five years	-	-
	<u>153,075</u>	<u>1,200</u>

At 30 June 2020, the Company had no operating lease commitments.

17. Controlling party

EMR Capital Investment (No.3B) Pte. Ltd., an entity resident in Singapore, by virtue of its 81.3% shareholding (2019: 82.1%), on an undiluted basis, is the Company's intermediate holding company. The ultimate parent entity of EMR Capital Investment (No.3B) Pte. Ltd. is EMR Capital Resources Fund 1, LP. EMR Capital Resources Fund 1, LP is resident in The Cayman Islands.

18. Analysis of net debt

	At 1 July 2019 £	Cash flows £	Other non- cash changes £	At 30 June 2020 £
Cash at bank and in hand	3,646,876	(2,340,997)	-	1,305,879
Convertible debt held at fair value through profit and loss	(7,716,939)	-	(952,603)	(8,669,542)
	<u>(4,070,063)</u>	<u>(2,340,997)</u>	<u>(952,603)</u>	<u>(7,363,663)</u>