
WEST CUMBRIA MINING LIMITED

ANNUAL REPORT
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED
30 JUNE 2019



WEST CUMBRIA MINING LIMITED
REGISTERED NUMBER:07144109

BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	4	23,014,646	20,537,746
Tangible assets	5	106,339	56,076
		<u>23,120,985</u>	<u>20,593,822</u>
Current assets			
Debtors	6	331,639	182,191
Cash at bank and in hand	7	3,644,630	620,200
		<u>3,976,269</u>	<u>802,391</u>
Creditors: amounts falling due within one year	8	(462,185)	(717,622)
Net current assets		<u>3,514,084</u>	<u>84,769</u>
Total assets less current liabilities		<u>26,635,069</u>	<u>20,678,591</u>
Net assets		<u>26,635,069</u>	<u>20,678,591</u>
Capital and reserves			
Called up share capital	9	1	1
Capital contribution reserve		34,518,001	26,925,109
Profit and loss account		(7,882,933)	(6,246,519)
		<u>26,635,069</u>	<u>20,678,591</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 have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 1 to 13 were approved and authorised for issue by the board on 3 October 2019 and were signed on its behalf by:



R. C. Round
Director

WEST CUMBRIA MINING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2017	1	21,258,203	(4,415,118)	16,843,086
Comprehensive income for the year				
Loss for the year	-	-	(1,831,401)	(1,831,401)
Total comprehensive income for the year	-	-	(1,831,401)	(1,831,401)
Capital contribution - Share-based payment	-	60,862	-	60,862
Capital contribution - Parent Company	-	5,606,044	-	5,606,044
Total transactions with owners	-	5,666,906	-	5,666,906
At 1 July 2018	1	26,925,109	(6,246,519)	20,678,591
Comprehensive income for the year				
Loss for the year	-	-	(1,636,414)	(1,636,414)
Total comprehensive income for the year	-	-	(1,636,414)	(1,636,414)
Capital contribution - Share-based payment	-	193,898	-	193,898
Capital contribution - Parent Company	-	7,398,994	-	7,398,994
Total transactions with owners	-	7,592,892	-	7,592,892
At 30 June 2019	1	34,518,001	(7,882,933)	26,635,069

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Accounting policies

1.1 Statement of compliance

The principal activity of the Company continued to be that of developing metallurgical coal projects in the UK, with the intention of producing coking coal for both domestic and overseas steel producing customers.

West Cumbria Mining Limited is a private company limited by shares. It is a wholly owned subsidiary of West Cumbria Mining (Holdings) Limited and is incorporated and domiciled in England and Wales. The address of its registered office is Belgrave House, 39-43 Monument Hill, Weybridge, Surrey, KT13 8RN and its principal place of business is 4th Floor Oakfield House, 35 Perrymount Road, Haywards Heath, West Sussex, RH16 3BW.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified for the recognition of certain financial assets and liabilities 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.

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 Company'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 is dependent on its immediate parent for funding to undertake its activities.

During the year, the immediate parent company issued 9% Fixed Rate Unsecured Convertible Loan Notes totalling £7,400,000 (the "Loan Notes"). The Loan Notes are due for repayment on 10 October 2019 and can be settled in cash or converted into a variable number of ordinary shares, at the option of the holder. On 3 October 2019 the Loan Note Instrument was amended to extend the repayment date to 31 December 2020.

The Directors have prepared a cash flow forecast, taking into account the extended repayment terms of the Loan Notes, which indicates that the Company can discharge their liabilities as they fall due for a period of at least 12 months from the date of signing of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

1.4 Revenue

Interest income

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

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Accounting policies (continued)

1.5 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.

1.6 Intangible fixed assets and amortisation

Exploration and evaluation expenditure incurred by or on behalf of the company 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.

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Accounting policies (continued)

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 Company 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'.

1.8 Financial instruments

The Company 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.

Capital contributions from parent Company

Amounts contributed by the parent Company are treated as a capital contribution and are included within equity. This is a change of approach from prior periods when such amounts were treated as long term liabilities as the Company considers this to be more reflective of the substance of the ongoing arrangement.

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.

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Accounting policies (continued)

1.9 Foreign currency translation

Functional and presentation currency

The 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 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account under the heading to which they relate.

1.10 Share capital

Ordinary shares are classified as equity.

1.11 Leases

At inception the Company 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.

1.12 Related party transactions

The Company 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 Company's financial statements.

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Accounting policies (continued)

1.13 Defined contribution pension plan

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

1.14 Group issued equity-settled share-based payments

The Group provides share-based payment arrangements to certain employees and consultants of the Company, the cost of which the Company bears.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of grant. The fair value is expensed 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, 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. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Profit and Loss Account.

The Group has no cash-settled arrangements.

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 following judgement has had the most significant effect on amounts recognised in the financial statements:

Intangible fixed assets

The Company has used its judgement in determining whether capitalised costs in respect of exploration activities should be carried forward as detailed in note 1.6. In determining this the Company has used all information available to assess whether such costs are expected to be recouped through successful development and exploitation, or if they are unable to make a firm assessment as exploration and evaluation has not reached a stage which permits reasonable assessment, that they believe that continued exploration and evaluation will allow such an assessment to be made.

3. Employees

The average monthly number of employees, including directors, during the year was 18 (2018 - 23).

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. Intangible assets

	License fees and exploration costs £
Cost	
At 1 July 2018	20,550,372
Additions	2,480,006
At 30 June 2019	<u>23,030,378</u>
Amortisation	
At 1 July 2018	12,626
Charge for the year	3,106
At 30 June 2019	<u>15,732</u>
Net book value	
At 30 June 2019	<u>23,014,646</u>
At 30 June 2018	<u>20,537,746</u>

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

5. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Furniture & equipment £	Total £
Cost					
At 1 July 2018	-	5,101	31,506	111,823	148,430
Additions	40,000	-	32,158	13,130	85,288
Disposals	-	-	(5,833)	-	(5,833)
At 30 June 2019	<u>40,000</u>	<u>5,101</u>	<u>57,831</u>	<u>124,953</u>	<u>227,885</u>
Depreciation					
At 1 July 2018	-	3,323	14,863	74,168	92,354
Charge for the year on owned assets	362	986	9,863	22,388	33,599
Disposals	-	-	(4,407)	-	(4,407)
At 30 June 2019	<u>362</u>	<u>4,309</u>	<u>20,319</u>	<u>96,556</u>	<u>121,546</u>
Net book value					
At 30 June 2019	<u>39,638</u>	<u>792</u>	<u>37,512</u>	<u>28,397</u>	<u>106,339</u>
At 30 June 2018	<u>-</u>	<u>1,778</u>	<u>16,643</u>	<u>37,655</u>	<u>56,076</u>

6. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	-	17,487
	<u>-</u>	<u>17,487</u>
Due within one year		
Other debtors	331,639	164,704
	<u>331,639</u>	<u>182,191</u>

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>3,644,630</u>	<u>620,200</u>

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	166,081	275,099
Other taxation and social security	32,987	25,110
Other creditors	<u>263,117</u>	<u>417,413</u>
	<u>462,185</u>	<u>717,622</u>

9. Share capital

	2019 £	2018 £
Shares classified as equity		
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

10. Reserves

Capital contribution reserve

The capital contribution reserve relates to contributions made by the parent Company in respect of share options granted to employees of the Company which will vest in the parent Company and monies provided by the parent Company to the Company.

Profit and loss account

The profit and loss account is a wholly distributable reserve.

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

11. Equity-settled share-based payments

Share options

The Company bears the expense of share options granted by its parent Company, West Cumbria Mining (Holdings) Limited, to certain current and former employees of the Company.

All options are settled in the equity of the Company's parent when the options are exercised. Certain options vest on grant with other options vesting on the occurrence of a significant liquidity event. Instruments which have the vesting conditions relating to the occurrence of significant liquidity event will vest upon an asset sale, public listing or sale of the holding company.

During the year, 7,750,000 options were granted with a total fair value of £279,912, estimated using the Black Scholes option pricing model. A fair value option charge of £119,685 (2018: £60,862) for options granted since 1 July 2017 was charged to the Profit and Loss Account in the year, with a reciprocal increase in the capital contribution reserve.

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

	Number 2019	Weighted average exercise price (pence) 2019	Number 2018	Weighted average exercise price (pence) 2018
Outstanding at the beginning of the year	36,900,000	10.58	29,150,000	9.54
Granted during the year	7,750,000	20.63	7,750,000	14.48
Outstanding at the end of the year	44,650,000	12.32	36,900,000	10.58

During the 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 has resulted in an additional fair value charge of £21,795 to be spread over the remaining life of the options.

At 30 June 2019, the weighted average remaining contractual life of options exercisable was 1.87 years (2018: 1.64 years). The weighted average share price of the options at the date of exercise in West Cumbria Mining Limited was 12.32p (2018: 10.58p). All the share options are due to expire by 16 August 2023.

Of the 44,650,000 (2018: 36,900,000) options in existence at 30 June 2019; 31,400,000 (2018: 24,650,000) related to current employees with a weighted average exercise price of 13.35p (2018: 11.33p), and 13,250,000 (2018: 12,250,000) related to former employees with a weighted average exercise price of 9.87p (2018: 9.00p).

Of the 44,650,000 (2018: 36,900,000) options in existence at 30 June 2019; 41,050,000 (2018: 33,300,000) related to options with a vesting condition of a significant liquidity event (with a weighted average exercise price of 12.68p (2018: 10.83p)), and 3,600,000 (2018: 3,600,000) related to options that were exercisable at the balance sheet date as a result of having no vesting condition (with a weighted average exercise price of 8.27p (2018: 8.27p)).

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

11. Equity-settled share-based payments (continued)

Warrants

The Company bears the expense of warrants granted by its parent Company, West Cumbria Mining (Holdings) Limited, to certain consultants of the Company.

All warrants are settled in the equity of the Company's parent when the warrants are exercised. All warrants vest on the occurrence of a significant liquidity event; being an asset sale, public listing or sale of the holding company.

During the year, 4,500,000 warrants were granted with a total fair value of £187,282, estimated using the Black Scholes option pricing model. A fair value warrant charge of £52,418 was reflected in the intangible addition during the year, with a reciprocal increase in the capital contribution reserve.

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

	Number 2019	Weighted average exercise price (pence) 2019	Number 2018	Weighted average exercise price (pence) 2018
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	4,500,000	17.55	-	-
Outstanding at the end of the year	4,500,000	17.55	-	-

At 30 June 2019, the weighted average remaining contractual life of warrants exercisable was 3.65 years. The weighted average share price of the warrants at the date of exercise in West Cumbria Mining Limited was 17.55p. All the share warrants are due to expire by 16 August 2023.

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12. Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Within one year	1,200	25,127
Between two and five years	-	-
After more than five years	-	-
	<u>1,200</u>	<u>25,127</u>

Subsequent to the balance sheet date, the Company signed a new operating lease for their office, resulting in a commitment of: £40,500 due within one year and £151,875 due within 2-5 years.

13. Parent Company

The Company is 100% owned by West Cumbria Mining (Holdings) Limited, a company incorporated in England and Wales, which is also the parent of the smallest group of undertakings for which group accounts have been drawn up of which the Company is a member. The parent Company's registered office is Belgrave House, 39 - 43 Monument Hill, Weybridge, Surrey KT13 8RN and its principal place of business is 4th Floor Oakfield House, 35 Perry Mount Road, Haywards Heath, West Sussex, RH16 3BW.

14. Related party transactions

The Company has taken advantage of the exemption provided in FRS 102 Section 1A from disclosing transactions with members of the same group.

Transactions which have occurred with the directors are deemed to have occurred on normal commercial terms and therefore do not require disclosure.

15. Auditors' information

As the profit and loss account has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006.

The auditor's report on the accounts and reports for the financial year ended 30 June 2019, which was audited by F.W. Smith, Riches & Co. (Statutory Auditors) and signed on behalf of the auditor by Martin J. Rooney (Senior Statutory Auditor), was unqualified.