
WEST CUMBRIA MINING LIMITED

**ANNUAL REPORT
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED
31 DECEMBER 2021**



WEST CUMBRIA MINING LIMITED
REGISTERED NUMBER:07144109

BALANCE SHEET
AS AT 31 DECEMBER 2021

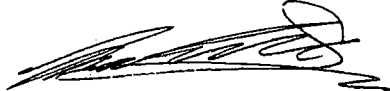
	Note	2021 £	2020 £
Fixed assets			
Intangible assets	4	26,168,072	24,270,296
Tangible assets	5	36,033	78,420
		<u>26,204,105</u>	<u>24,348,716</u>
Current assets			
Debtors	6	46,443	175,544
Cash at bank and in hand		81,037	1,302,472
		<u>127,480</u>	<u>1,478,016</u>
Creditors: amounts falling due within one year	7	(523,302)	(524,331)
Net current (liabilities)/assets		<u>(395,822)</u>	<u>953,685</u>
Total assets less current liabilities		<u>25,808,283</u>	<u>25,302,401</u>
Net assets		<u><u>25,808,283</u></u>	<u><u>25,302,401</u></u>
Capital and reserves			
Called up share capital	8	1	1
Capital contribution reserve	9	38,060,944	35,014,202
Profit and loss account	9	(12,252,662)	(9,711,802)
		<u>25,808,283</u>	<u>25,302,401</u>

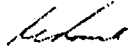
The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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 16 were approved and authorised for issue by the board on 16 December 2022 and were signed on its behalf by:


M. A. Kirkbride
 Director


R. C. Round
 Director

WEST CUMBRIA MINING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 July 2019	1	34,518,001	(7,882,933)	26,635,069
Comprehensive loss for the year				
Loss for the year	-	-	(1,828,869)	(1,828,869)
Total comprehensive loss for the year	-	-	(1,828,869)	(1,828,869)
Capital contribution - Share-based payment	-	166,473	-	166,473
Capital contribution - Parent Company	-	329,728	-	329,728
Total transactions with owners	-	496,201	-	496,201
At 1 July 2020	1	35,014,202	(9,711,802)	25,302,401
Comprehensive loss for the period				
Loss for the year	-	-	(2,540,860)	(2,540,860)
Total comprehensive loss for the period	-	-	(2,540,860)	(2,540,860)
Capital contribution - Share-based payment	-	336,737	-	336,737
Capital contribution - Parent Company	-	2,710,005	-	2,710,005
Total transactions with owners	-	3,046,742	-	3,046,742
At 31 December 2021	1	38,060,944	(12,252,662)	25,808,283

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 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 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.

The accounting period is from 1 July 2020 to 31 December 2021. The accounting period was lengthened as a result of the operational needs of the Company. The comparatives in these financial statements are for the year ended 30 June 2020.

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.3 Going concern

The Company is dependent on its immediate Parent Company, West Cumbria Mining (Holdings) Limited, for financial support to meet its liabilities as they fall due. West Cumbria Mining (Holdings) Limited has written to the Board of Directors to confirm that it will continue to support West Cumbria Mining Limited using the financial resources that are available.

On 7 December 2022 the Secretary of State for Levelling Up, Housing and Communities granted planning permission for the development of an underground coal mine and associated development known as Woodhouse Colliery in Whitehaven, subject to certain planning conditions. The validity of the Secretary of State's decision may be challenged by an application to the High Court within 6 weeks from 8 December 2022.

The development of the mine at Woodhouse Colliery, Whitehaven, will require substantial additional funds to be raised by West Cumbria Mining (Holdings) Limited.

The Parent Company plans to raise the development and construction funding in two stages, namely:

1. An interim raise in early 2023 to fund preparation for full construction of the mine; and
2. Full construction funding in mid to late 2023.

The Directors of the Parent Company are progressing discussions with interested potential investors and have engaged a Financial Adviser to manage the funding process.

While the financial statements herein have been prepared on a going concern basis, if the Parent Company does not successfully raise additional funds in the 12 months from the date of this report there can be no assurance that it will be able to continue in operation as currently planned. The raising of additional working capital by the Parent Company represents a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern.

While there can be no absolute assurance on the matter, the directors have a reasonable expectation that the Parent Company can successfully obtain the necessary new funding as required to meet the Company's obligations as they fall due and to fund its operation as currently planned for the next 12 months from the date of this Report.

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

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

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.

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)

1.5 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'.

1.6 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 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)

1.7 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.

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.

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 31 DECEMBER 2021**

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

1.10 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 Capital contribution

Amounts contributed by the Parent Company are treated as a capital contribution and are included within equity.

1.13 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 31 DECEMBER 2021

1. Accounting policies (continued)

1.14 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 other creditors in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.15 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 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, 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.

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 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.

3. Employees

The average monthly number of employees, including directors, during the period/year was 12 (2020 - 15).

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Intangible assets

	License fees and exploration costs £
Cost	
At 1 January 2021	24,287,066
Additions	1,897,776
At 31 December 2021	<u>26,184,842</u>
Amortisation	
At 1 January 2021	<u>16,770</u>
At 31 December 2021	<u>16,770</u>
Net book value	
At 31 December 2021	<u>26,168,072</u>
At 31 December 2020	<u>24,270,296</u>

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Furniture & equipment £	Total £
Cost					
At 1 January 2021	40,000	5,101	57,831	130,060	232,992
Additions	-	-	-	1,003	1,003
Disposals	-	-	(57,831)	-	(57,831)
At 31 December 2021	<u>40,000</u>	<u>5,101</u>	<u>-</u>	<u>131,063</u>	<u>176,164</u>
Depreciation					
At 1 January 2021	2,362	5,079	32,877	114,254	154,572
Charge for the year on owned assets	3,008	22	11,045	15,406	29,481
Disposals	-	-	(43,922)	-	(43,922)
At 31 December 2021	<u>5,370</u>	<u>5,101</u>	<u>-</u>	<u>129,660</u>	<u>140,131</u>
Net book value					
At 31 December 2021	<u>34,630</u>	<u>-</u>	<u>-</u>	<u>1,403</u>	<u>36,033</u>
At 31 December 2020	<u>37,638</u>	<u>22</u>	<u>24,954</u>	<u>15,806</u>	<u>78,420</u>

The Company has granted a fixed charge over its freehold property.

6. Debtors

	2021 £	2020 £
Due after more than one year		
Other debtors	-	17,487
Due within one year		
Other debtors	<u>46,443</u>	158,057
	<u>46,443</u>	<u>175,544</u>

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	405,828	120,023
Other taxation and social security	16,704	20,721
Other creditors	100,770	383,587
	<u>523,302</u>	<u>524,331</u>

8. Share capital

	2021 £	2020 £
Shares classified as equity		
Allotted, called up and fully paid		
1 (2020 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

9. 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 31 DECEMBER 2021**

10. 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 Company 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.

No options were granted in the current period or prior year.

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

During the period ended 31 December 2021, a fair value option charge of £239,329 (year ended 30 June 2020: £129,016) for options granted since 1 July 2017 was charged to the Profit and Loss Account, with a corresponding 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 31 December 2021	Weighted average exercise price (pence) 31 December 2021	Number 30 June 2020	Weighted average exercise price (pence) 30 June 2020
Outstanding at the beginning of the period/year	27,550,000	14.83	44,650,000	12.32
Exercised during the period/year	-	-	(4,001,000)	(8.27)
Lapsed during the period/year	(12,050,000)	(11.33)	(13,099,000)	(8.27)
Outstanding at the end of the period/year	15,500,000	17.55	27,550,000	14.83

Subsequent to the period end, a further 7,750,000 options lapsed.

At 31 December 2021, the weighted average remaining contractual life of options exercisable was 1.14 years (30 June 2020: 1.76 years). All the share options are due to expire by 16 August 2023.

WEST CUMBRIA MINING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. 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 Company 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.

No warrants were granted in the current period or prior year.

A fair value warrant charge of £97,408 (period ended 30 June 2020: £nil) is recognised as an expense in the Profit and Loss Account, with a corresponding increase in the capital contribution reserve. During the year, a fair value warrant charge of £nil (period ended 30 June 2020: £37,457) was reflected as an addition to intangible fixed assets, with a corresponding 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 31 December 2021	Weighted average exercise price (pence) 31 December 2021	Number 30 June 2020	Weighted average exercise price (pence) 30 June 2020
Outstanding at the beginning and end of the period/year	<u>4,500,000</u>	<u>17.55</u>	<u>4,500,000</u>	<u>17.55</u>

Subsequent to the period end, a further 2,250,000 warrants lapsed.

At 31 December 2021, the weighted average remaining contractual life of warrants exercisable was 1.14 years (2020: 2.65 years). 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 31 DECEMBER 2021**

11. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	31 December 2021 £	30 June 2020 £
Within one year	-	41,700
Between two and five years	-	111,375
	<u>-</u>	<u>153,075</u>

12. 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 address of the parent company's registered office Belmont House, Station Way, Crawley, West Sussex, RH10 1JA.

13. 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.

14. Contingencies

Guarantees

The Company has provided guarantees in respect of secured convertible loan notes issued by the Company's parent company, West Cumbria Mining (Holdings) Limited.

Security

The Company has granted a fixed charge over its freehold property in respect of the facilities noted under Guarantees above.

WEST CUMBRIA MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 financial statements and reports for the financial year ended 30 June 2020, 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) on 16 December 2022, was unqualified, with a disclosure for a Material Uncertainty related to going concern as follows:

Material uncertainty relating to going concern

We draw attention to note 1.3 in the financial statements, which indicates an uncertainty relating to the raising of additional funding via an external fund raising (or otherwise) in the 12 months from the date of this report, in order to be able to continue in operation as currently planned. The raising of additional working capital represents a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.