

RNS Half-year/Interim Report

Half-year Report

BENS CREEK GROUP PLC

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Bens Creek Group PLC
22 December 2021

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Bens Creek Group Plc
("Bens Creek" or the "Company")

Unaudited interim results for the period from incorporation on 11 August 2021 to 30 September 2021

Bens Creek, the owner of a metallurgical coal mine in North America listed on the London Stock Exchange's AIM market, is pleased to announce its inaugural interim results for the period from incorporation on 11 August 2021 to 30 September 2021. Also included in the interim report is certain unaudited financial information on Ben's Creek Carbon LLC ("BCC") for the period from 1 April 2021 to 30 September 2021.

Chairman's review of period

The Company, via its wholly subsidiary Ben's Creek Carbon LLC, owns and operates property set over 10,000 acres in the southern part of the state of West Virginia and eastern edge of the Commonwealth of Kentucky, in the central Appalachian Basin of the eastern United States. The operations are located primarily in Mingo County, West Virginia and comprises of seven adjacent tracts which are controlled through leases and freehold property.

The freehold property includes a wash plant and rail loading facility. Historically Hi-Vol-A and Hi-Vol-B metallurgical coal has been produced from the property which has estimated coal resources of 17.2 million in-place tons and proven and probable recoverable coal reserves of 2.34 million tons. It also has all the permits necessary to carry out mining operations for the current mining plan which runs until 2028.

The Company was incorporated on 11 August 2021 for the purpose of acquiring BCC and its subsidiaries; Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC, entities all incorporated in Delaware (the "Enlarged Group"). The acquisition by the Company of the membership interests of BCC was completed on 22 September 2021, with the Enlarged Group's ordinary shares commencing trading on the London Stock Exchange's AIM market ("AIM") on 19 October 2021, via an Initial Public Offering ("IPO"). As the Company had effective control of BCC on 22 September 2021, it is consolidated within the Company's half yearly results, from this date.

The IPO was initially set to raise £5,000,000, however this target fund raise was oversubscribed and in order to ensure a broad shareholder base, the Company increased the fund raise to £7,000,000, equivalent to US\$9,450,000, via the issue of 70,000,000 shares at an issue price of 10p per share, which was completed on 19 October 2021.

I am pleased to report the Company, since it joined AIM, has regularly updated its investor base via its Regulatory News Service on operational progress and other activities. These updates have included the following signed agreements, which includes key milestones as the Company seeks to move into production and execute on its stated strategy:

- Offtake agreement with Integrity Coal Sales, Inc. New York, which allows the Company to sell approximately 22,000 US short tons per month for an initial twelve-month period from January 2022 to December 2022;
- Highwall mining agreement with Mega Highwall Mining LLC, for the provision of manpower and equipment to extract coal from the surface of the property, with a minimum monthly production capability of 40,000 tons of metallurgical coal per month;
- Convertible loan note issue of \$6.0 million with ACAM GP Limited, an entity owned by a hedge fund manager and a US based macro investor with over fifty years of combined experience, to provide funding to finance future acquisition opportunities and for general working capital; and
- Coal lease agreement with M.G.C., Inc. on a property adjacent to the existing Bens Creek mine in Mingo County, West Virginia covering 1,200 acres, which includes a royalty agreement for future metallurgical coal production on the acreage.

Thanks to the significant investment made pre and post admission to AIM, and the dedication of the workforce in West Virginia, the Company was pleased to announce on 1 December 2021, that extraction of metallurgical coal had successfully commenced.

In order to meet the obligations of the recently signed offtake agreement, the ongoing repairs to the preparation and wash plant are continuing and we expect this to be completed during the first quarter of 2022. At the same time, ongoing repairs are currently being undertaken to the Company's rail loadout facility, which will allow the seamless loading and transportation of the Company's coal output after it has been processed in the wash plant. Again we expect the necessary repairs to be completed during the first quarter of 2022. Our target remains to be shipping coal and generating revenue by the end of the first quarter of 2022.

As noted in the Company's admission document published on 13 October 2021, the preparation wash plant has an annual capacity to prepare and wash over three million tons of metallurgical coal. Accordingly, there is substantial scope for the Company to increase its output to meet any new offtake agreements the Company may enter into in the future.

Financial Results

As is to be expected, the Group has not generated any revenue during the period from 11 August 2021 to 30 September 2021. Accordingly, the Group is reporting a pre-tax loss of \$605,665 for this period, of which \$483,750 is attributable to costs associated with the listing process. The Group's net cash balance as at 30 September 2021 was \$86,712. This excludes the proceeds from the fundraising undertaken in conjunction with the listing of the Company's ordinary shares onto AIM on 19 October 2021, which raised a gross amount of US\$9,450,000 (£7,000,000). The proceeds, net of listing related costs, were US\$7,653,000 (£5,798,000).

The interim financial results of the Company cover two distinct periods;

- (i) 11 August to 30 September 2021 which consolidates the results of Bens Creek Group Plc along with the results of Ben's Creek Carbon LLC, its wholly owned operating subsidiary, from the date of acquisition on 22 September 2021 to 30 September 2021. Together, the results are reflected in the Consolidated Comprehensive Income and as at 30 September 2021 in the Consolidated Statement of Financial Position.
- (ii) 1 April 2021 to 30 September 2021, which is set out in note 18 of the interim results and is the Consolidated Statement of Comprehensive Income of Ben's Creek Carbon LLC and its subsidiaries during this period.

The period under review covers a period where substantial infrastructure costs have been incurred and continue to be incurred to ensure: (i) the Company is able to commence production; and (ii) the Company is able to deliver a finished product to its customers to generate income. The first milestone was met on 1 December 2021 and now the company will seek to ensure its second target is met during the first quarter of 2022, being to ship coal from the mine and to start to fulfil its obligations under the recently signed offtake agreement.

Responsibility Statement

We confirm that to the best of our knowledge:

- the interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as adopted by the United Kingdom;
- the interim report gives a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the interim report includes a fair review of important events that have occurred during the financial period and their impact on the set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

The interim report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Robin Fryer
Non-Executive Chairman

21 December 2021

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BENS CREEK GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST TO 30 SEPTEMBER 2021

	Note	2021 US\$ Unaudited
Administrative expenses	5	(605,737)
Operating loss		<u>(605,737)</u>
Interest income		<u>72</u>
Loss before taxation		(605,665)
Income tax		-
Loss for the period		<u>(605,665)</u>
Other comprehensive income		
Currency translation differences		74,115
Total comprehensive income for the period		<u>(531,550)</u>
Total comprehensive income for the period attributable to equity holders		<u>(531,550)</u>
Earnings per share from continuing operations attributable to the equity owners of the parent		
Basic earnings per share (US cents per share)	6	<u>(0.235)</u>

BENS CREEK GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	2021 \$ Unaudited
Non-current assets		
Property, plant & equipment	7	12,558,828
Coal rights and reclamation assets	8	27,148,502
Right of use assets		186,569
		<u>39,893,900</u>
Current assets		
Trade & other receivables		108,713
Work in progress deposits	9	804,926
Prepayment and accrued income		170,930
Cash and cash equivalents		86,712
		<u>1,171,281</u>
Total assets		<u>41,065,181</u>
Current liabilities		
Trade and other payables		917,818
Borrowings	10	2,257,848
Deferred consideration	11	628,419
Lease liability		117,484
		<u>3,921,568</u>
Non-current liabilities		
Borrowings	10	3,259,451
Provisions	12	1,455,569
Deferred consideration	11	2,444,372
Deferred tax	13	8,798,236
Lease liability		62,743
		<u>16,020,371</u>
Total liabilities		<u>19,941,939</u>
Net assets		<u>21,123,242</u>

Equity attributable to owners of the parent

Ordinary share capital		346,860
Share premium account		25,736,900
Retained earnings		(531,550)
Other reserves	14	(4,428,967)
Total equity		21,123,242

BENS CREEK GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT 30 SEPTEMBER 2021

	Share Capital 2021 US\$	Share Premium 2021 US\$	Other Reserves 2021 US\$	Retained Earnings 2021 US\$	Total Equity 2021 US\$
Operating loss for the period	-	-	-	(605,665)	(605,665)
Other comprehensive income for the period:					
Items that may be subsequently reclassified to profit and loss:					
Currency translation differences	-	-	-	74,115	74,115
Total comprehensive income for the period	-	-	-	(531,550)	(531,550)
Transactions with owners:					
Ordinary shares issued	346,860	25,736,900	-	-	26,083,760
Merger reserve from acquisition of subsidiary	-	-	(4,428,967)	-	(4,428,967)
Balance as at 30 September 2021	346,860	25,736,900	(4,428,967)	(531,550)	21,123,242

BENS CREEK GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT PERIOD ENDED 30 SEPTEMBER 2021

	2021 Note	US\$
Cash flows from operating activities		
Loss before taxation		(605,665)
Adjustments for:		
Depreciation and amortisation		3,067
Interest expense		(64,852)
Foreign exchange translation difference		74,115
(Increase)/decrease in trade and other receivables		(9,470)
Increase /(decrease) in trade and other payables		557,972
Net cash used in operations		(44,833)
Cash flows from Investing activities		
Net cash used in investing activities		-
Cash flows from financing activities		
Proceeds from borrowings		-
Issue of shares		19,481
Repayment of lease liabilities		(1,748)

Net cash generated from financing activities	17,733
Net (decrease)/increase in cash and cash equivalents	(27,101)
Cash acquired on acquisition in the investing activities	113,813
Cash and cash equivalents at end of period	86,712

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General Information

The Company was incorporated on 11 August 2021 in England and Wales with company number 13559916, and is domiciled in the United Kingdom with its registered office being Nightingale House, 65 Curzon Street, London, W1J 8PE, United Kingdom.

The Company acquired 100% of the membership interests of its subsidiary Ben's Creek Carbon LLC on 22 September 2021.

Bens Creek Group Plc is a holding company which, through its subsidiaries, Ben's Creek Carbon LLC, Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC (the "Subsidiaries") (together "the Group"), is a producer of high-quality metallurgical coal in the United States of America.

The Subsidiaries own and operate a metallurgical coal mine located on 10,000 acres on the southern part of the state of West Virginia and eastern edge of Kentucky, in the central Appalachian Basin of the eastern United States of America (the "Mine"). The Mine's operations are located primarily in Mingo County, West Virginia. The Mine includes a wash plant and rail loading facility located on the freehold land.

The ordinary shares of Bens Creek Group Plc were admitted to trading on AIM on 19 October 2021.

Ben's Creek Carbon LLC was incorporated on 13 October 2020 in Delaware, USA. Subsequent to this date, on 29 April 2021, Ben's Creek Carbon LLC acquired 100% of the membership interests of Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC.

The consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity includes:

- the results of the Company, from incorporation on 11 August 2021 to 30 September 2021;
- the results of its Subsidiaries from the date of acquisition on 22 September 2021 to 30 September 2021; and
- The consolidated statement of financial position of the Group as at 30 September 2021.

Included in note 18 to these interim financial statements is the consolidated unaudited Statement of Comprehensive Income of the Subsidiaries, for the period 1 April 2021 to 30 September 2021.

The functional currency of the Group is US Dollars.

2. Basis of Preparation

These unaudited consolidated interim financial statements of Bens Creek Group Plc are the Company's inaugural financial statements and have been prepared in accordance with IAS 34 "Interim Financial Statements," International Financial Reporting Standards as adopted by the United Kingdom ("IFRS") and the AIM Rules.

The interim financial information set out does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of IFRS.

The acquisition by the Company of its Subsidiaries has been reflected in the consolidated financial results of the Group using merger accounting. This method for accounting for business combinations has been made by virtue of both the Company and the Subsidiaries being under common control prior and post the acquisition. Business combinations under common control are outside the scope of IFRS 3. However, IAS 8 allows the use of judgement when developing an accounting policy.

Going concern

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the interim financial statements for the period ended 30 September 2021, particularly following its successful initial public offering of 70,000,000 shares at 10 per share on the 19 October 2021, which raised US\$9,450,000 (£7,000,000) for the Company, before costs.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors that mitigate those risks. A copy of this interim statement is available on the Company's website: www.benscreek.com. The key financial risks include liquidity risk, credit risk, interest rate risk and fair value estimation.

Critical accounting estimates

The preparation of the interim financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. The nature and

amounts of such estimates have not changed significantly during the interim period and since the formation of the Group and its subsequent acquisition of its subsidiaries. For details on the key assumptions in the Group, see the Historic Financial Information of the Company and Subsidiaries included within the Company's admission document published on 13 October 2021 ("Admission Document").

3. Accounting Policies

The accounting policies, presentation and methods of computation adopted in these interim financial statements were also applied in the Historical Financial Information of the Company and its Subsidiaries included in the Admission Document. The same accounting policies will be applied in the preparation of the Company's annual financial statements for the period ended 31 March 2022.

New policies applied for the first time by the Company in the interim period include:

Basis of consolidation

The Group's results consolidates the financial information of the Company and its Subsidiaries for the periods presented.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company has applied the merger method of accounting to account for its business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Investments in subsidiaries are accounted for at cost less impairment.

Where considered appropriate, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All intercompany transactions and balances between Group enterprises are eliminated on consolidation.

The Company has applied merger accounting for its acquisition of the Subsidiaries as the companies forming the Group were under common control. Any consideration paid in excess of the net assets of the consolidated subsidiaries at the date of acquisition is classified as merger reserve, included in other reserves, from the date of acquisition of a subsidiary.

New and amended standards adopted by the Group

There have been no new or amended standards adopted by the Group for the first time during the interim period.

4. Dividends

No dividend has been declared or paid by the Company during the period ended 30 September 2021.

5. Administrative Expenses

	2021 US\$
AIM listing costs	483,750
Other administrative costs	121,987
	<u>605,737</u>

Included within administrative expenses are costs amounting to \$483,750 incurred in connection with the initial public offering on AIM subsequent to the period end, as disclosed in Note 18.

6. Loss per Share

The calculation of loss per share is based on the loss of \$605,665 for the period ended 30 September 2021. The entire share capital was issued during September 2021, save for a nominal share capital on incorporation of £1, and accordingly the shares in issue at the period ended 30 September 2021 was 257,277,930 and is considered to be equivalent to the weighted average number of shares in issue for the period.

No diluted earnings per share is presented for the period ended 30 September 2021 as the Group is loss making and as such additional equity instruments would be anti-dilutive.

7. Property, Plant and Equipment

2021
US\$

Plant & equipment at fair value	12,450,000
Other plant and equipment at book cost	<u>108,828</u>
	<u>12,558,828</u>

The fair value of the plant and equipment of \$12,450,000 acquired by the Subsidiaries is based on independent expert valuations of the preparation plant and associated facilities. The plant has been valued at \$10,000,000 by Raw Resources Group whilst the equipment has been valued at \$2,450,000 by New Age Mining LLC.

8. Coal Rights and Reclamation Assets

	2021
	US\$
Fair value of coal reserves	25,700,000
Reclamation bonds	<u>1,448,502</u>
	<u>27,148,502</u>

The fair value of the coal rights was evaluated by Marshall Miller & Associates in their Competent Person Report, details of which are available in the Admission Document published on 13 October 2021. The valuation is based on proven and probable recoverable coal reserves of 2.34 million marketable tons (within the Pond Creek and Lower Alma underground mines) at a sale price of \$115 per ton less the capital expenditure and all operating expenditure required to extract, process, maintain and reclaim the mines plant and equipment and sell the coal, over the life the mines. US Corporate income tax at a rate of 27.5% (Federal tax of 21% and State tax of 6.5%) was applied to the projected pre-tax profits. The operating costs include all royalties payable and all applicable coal production and sales taxes. The net cash flows were discounted at 12.69% (which represents Marshall Miller & Associates estimate of the constant US dollar, risk adjusted weighted average cost of capital for likely market participants if the subject resources were offered for sale). The net present value of the discounted cash flows, over the life of the mines, at a discount rate of 12.69% was calculated to be \$25,700,000.

Reclamation bonds represent amounts held with the state of West Virginia for reclamation costs that may arise in respect of reclamation work based on the estimated future cost provided by independent experts (Heritage Technical Associates, Inc), being \$4,454,777. The reclamation costs are expected to be incurred from 2028 to 2033 (at the end of the mine life per the mine plan - being 7 years). The cash outflows have been discounted at 12.69%. The discounted provision for reclamation costs is broadly equivalent to the reclamation bond assessments made by the West Virginia Department of Environmental Protection.

9. Work in Progress Deposits

Amounts paid by the Company of \$804,926 during the period represent fees and deposits paid to various contractors to undertake repairs and mobilisation of equipment required to commence highwall mining and have been classified as work in progress deposits. At the balance sheet date, these works were still ongoing and had not been completed.

10. Borrowings

	2021	2021	2021
	Principal	Interest	Total
	US\$	US\$	US\$
Current liabilities	<u>2,218,081</u>	<u>39,767</u>	<u>2,257,848</u>

Borrowings included above in current liabilities amounted to \$2,257,848, including interest, and comprise of two short term bridging loans provided by MBU Capital Group Limited, the Company's major shareholder, to facilitate the Subsidiaries to:

- (i) Acquire the legal title to the reclamation cash bonds amounting to \$1,258,520, held with the state of West Virginia, from the seller of Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC; and
- (ii) Undertake repairs required on the existing preparation plant, railroad and equipment along with working capital.

The above loans were provided to enable the Subsidiaries to continue operations prior to the initial public offering on 19 October 2021. The annual percentage rate of interest charged for both loans is 12% p.a.

Both loans were repaid in full on 20 October 2021 from the net proceeds of the fundraise undertaken in conjunction with the initial public offering of shares in the Company.

	2021	2021	2021
	Principal	Interest	Total
	US\$	US\$	US\$
Non-current liabilities	<u>3,124,977</u>	<u>134,474</u>	<u>3,259,451</u>

Borrowings included above in non-current liabilities amounted to \$3,259,451 and represents a long-term facility provided by MBU Capital Group Limited, the Company's major shareholder, and is repayable no earlier than 30 June 2023. MBU Capital Group Limited has the option to convert its loan at a 50% premium to the price of 10p per share, being the price the shares were issued at the Group's initial public offering on 13 October 2021, subject to MBU being able to hold a maximum of 68.0 per cent. of the Company's share capital following conversion. The loan facility carries an annual interest rate of 7% p.a.

11. Deferred Consideration

	2021
	US\$
Deferred Consideration	
Deferred purchase consideration payable	4,485,428
Payments for reclamation bonds held with West Virginia state	(1,388,520)
Reduced consideration following early repayment	(24,117)
	<u>3,072,791</u>
Included as current liabilities	628,419
Included as non-current liabilities	2,444,372
	<u>3,072,791</u>

The deferred consideration relates to the purchase consideration for the acquisition of Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC. Note 14 sets in more detail how this has been calculated.

The deferred consideration balance payable at 30 September 2021 of \$628,419 included in current liabilities and \$2,444,372 included in non-current liabilities are payable in the form of ongoing royalty payments at a rate of \$2 per tonne of coal mined and sold, over the life of the mines, which has been discounted at 12.69% in calculating the deferred consideration. The life of the mines is projected to be until May 2028.

12. Provisions

The Group's provision for reclamation costs is the carrying value at 30 April 2021 of \$1,455,569 and relates to the Group's reclamation obligations. The provision for reclamation costs is calculated by discounting the expected future cash outflows in respect of reclamation work based on the estimated future cost provided by independent experts (Heritage Technical Associates, Inc), being \$4,454,777. The reclamation costs are expected to be incurred from 2028 to 2033 (at the end of the mine life per the mine plan - being 7 years). The cash outflows have been discounted at 12.69%.

13. Deferred Tax

Deferred tax of \$8,798,236 has been calculated on the Group's acquisition of coal reserves and the fair value of the plant and equipment acquired on 29 April 2021, following the acquisition of Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC, as disclosed in the Historic Financial Information of the Subsidiaries included in the Admission Document published on 13 October 2021. This has been calculated at a rate of 27.5%, being the combination of the US federal and West Virginia state tax rates.

14. Acquisition of Ben's Creek Carbon LLC

On 22 September 2021, the Company acquired 100% of the membership interests in Ben's Creek Carbon LLC, Delaware United States of America, which is registered and incorporated in Delaware, United States of America and operates from its office in West Virginia, United States of America.

The following table summarises the consideration paid for Ben's Creek Carbon LLC and the values of the net assets assumed at the acquisition date. The acquisition accounting has been completed using merger accounting, as the transaction was between entities under common control, it was not within the scope of IFRS 3 - Business Combinations:

	2021
	US\$
<i>Recognised amounts of assets and liabilities acquired</i>	
Total assets	41,011,468
Total liabilities	<u>(19,376,159)</u>
Total identifiable net assets	21,635,310
Purchase consideration	<u>(26,064,277)</u>
Merger reserve from acquisition of subsidiary	<u>(4,428,967)</u>

The identifiable net assets of Ben's Creek LLC have been consolidated into the results of the Company as at 30 September 2021, and reflect the assets acquired by Ben's Creek Carbon LLC on 29 April 2021, as described in note 15.

15. Business combinations

Acquisition of Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC

On 29 April 2021, Ben's Creek Carbon LLC, acquired 100% interest in Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC. Both of these entities are registered and incorporated in Delaware, United States of America and based and operate in West Virginia, United States of America.

The following table summarises the consideration paid for Ben's Creek Operations WV LLC and Ben's Creek Land WV LLC and the values of the assets and equity assumed at the acquisition date:

	2021
	US\$
<i>Recognised amounts of assets and liabilities acquired</i>	
Property and plant	10,000,000
Equipment	2,450,000
Coal rights and reclamation assets	<u>25,700,000</u>
Total identifiable net assets	38,150,000
Purchase consideration payable	(4,485,428)

Interest saving on early repayment of reclamation bonds	24,117
Gain on bargain purchase price	<u>33,688,689</u>

The fair value of the plant of \$10,000,000 and equipment of \$2,450,000 is based on independent expert valuations of the preparation plant and associated facilities (Raw Resources Group) and equipment (New Age Mining LLC). Raw Resources Group valued the preparation plant and associated facilities at \$16,000,000. The Company assumed a lower and more conservative valuation of \$10,000,000. New Age Mining LLC valued the equipment at \$2,450,000.

The fair value of the coal rights was evaluated by Marshall Miller & Associates in their Competent Person Report. The valuation is based on proven and probable recoverable coal reserves of 2.34 million tons (within the Pond Creek and Lower Alma underground mines) at a sale price of \$115 per ton less the capital expenditure and all operating expenditure required to extract, process, maintain and reclaim the mines plant and equipment and sell the coal, over the life the mines. Corporate income tax at a rate of 27.5% (Federal tax of 21% and State tax of 6.5%) was applied to the pre-tax profits. The operating costs include all royalties payable and all applicable coal production and sales taxes. The net cash flows were discounted at 12.69% (which represents Marshall Miller & Associates estimate of the constant US dollar, risk adjusted weighted average cost of capital for likely market participants if the subject resources were offered for sale). The net present value of the discounted cash flows, over the life of the mines, at a discount rate of 12.69% was calculated to be \$25,700,000.

The deferred purchase consideration of \$4,485,428, payable to Ben's Creek Holding LLC, is comprised of re-imbursment of reclamation bonds (\$1,412,637), which has been reduced by \$24,117 following the early repayment and transfer to the Subsidiaries of the reclamation bonds, and royalty payments (being \$3,072,791) over the life of the mines. In May 2021, \$130,000 was paid to Ben's Creek Holding LLC in respect of the re-imbursment of reclamation bonds with the outstanding amount payable by 31 October 2021 which nevertheless was settled early on 23 July 2021. The balance outstanding accrued interest at 7.5% per annum. Accrued interest has been included in calculating the deferred consideration, which was paid on 23 July 2021. The royalties payable, at a rate of \$2 per tonne of coal mined and sold, over the life of the mines were discounted at 12.69% in calculating the deferred consideration. The life of the mine is projected to be from October 2021 until May 2028. The production tonnage assumptions on which the royalties were calculated are as follows;

<u>Year To</u>	<u>Tonnage</u>
April 22	169,500
April 23	408,000
April 24	408,000
April 25	418,667
April 26	434,667
April 27	311,833
April 28	176,667
April 29	8,666
Total	2,336,000

Note 11 sets out the deferred consideration payable at 30 September 2021, following the early repayment to Bens Creek Holding WV LLC of the reclamation bonds.

16. Related party transactions

MBU Capital Group Limited ("MBU"), at 30 September 2021, owned 81% of the voting issued share capital of the Company.

MBU, as a member of Ben's Creek Carbon LLC until 22 September 2021, agreed a GBP £10,000,000 draw down facility with the Group. This facility commenced on 1 November 2020 and is repayable in full by 30th June 2023 or such earlier date as may be agreed between lender and borrower. The interest rate is 7% accruing monthly. As at 30 September 2021, \$3,124,977 has been drawn down by Ben's Creek Carbon LLC from the loan facility. During the period \$134,474 was charged as interest on the loan and \$81,262 was credited as a foreign currency revaluation profit. This is included in note 10 above and remains outstanding at 30 September 2021.

On 23 July 2021, MBU provided a short-term bridging loan of \$1,258,520 to enable the Subsidiaries to pay the purchase consideration in respect of the reclamation bonds. This facility, along with the outstanding interest at 30 September 2021 of \$28,488, was repaid in full on 20 October 2021 from the net proceeds of the Company's initial public offering on 19 October 2021. This is included in note 10 above.

On 27 August 2021, MBU provided a second short-term bridging loan of \$1,000,000 to enable the Subsidiaries to fund ongoing remediation works for the plant, repairs to the rail facility and to provide the Subsidiaries with working capital. This facility, along with the outstanding interest at 30 September 2021 of \$11,279, was repaid in full on 20 October 2021 from the net proceeds of the Company's initial public offering on 19 October 2021. This is included in note 10 above.

At 30 September 2021, a total of \$136,323 was owed to MBU in respect of certain operating costs since the date of acquisition of the Subsidiaries. This balance is included in trade and other payables.

At 30 September 2021, a total of \$33,907 was owed to MBU Corporate Finance Ltd, a subsidiary of MBU, for corporate advisory services. The aggregate fees charged during the period was \$30,000.

On 30 September 2021, the company issued 14,450,000 shares to employees and connected persons of MBU who subscribed for these shares at par value. The aggregate consideration payable for these was £14,450, which was paid after the period end.

17. Events after the Balance Sheet Date

On 6 October 2021 MBU provided a further short-term bridging loan of \$500,000 to enable the Group to continue with its infrastructure repairs.

On 19 October 2021 the Group issued 22,722,070 new ordinary shares in the capital of the Company at a price of 10p per share to a number of convertible loan note investors of MBU in settlement of funding provided to the Subsidiaries.

On 19 October 2021 the Group issued 70,000,000 new ordinary shares in the capital of the Company were issued at a price of 10p per share pursuant to its initial public offering on 13 October 2021, with trading in the shares having commenced on 19 October 2021.

On 20 October 2021, the Group repaid from the net proceeds of its initial public offering, the existing two short-term bridging loans, including the \$500,000 loan provided on 6 October 2021, in favour of MBU, which in aggregate amounted to \$2,818,253, including interest.

Following the successful initial public offering of the shares in the company on 19 October 2021, the Group has made several major announcements covering operational matters in West Virginia, which include:

- Entering into an offtake agreement with Integrity Coal Sales Inc. on 21 October 2021 which provides for nearly 50% of the Group's annual anticipated output of metallurgical coal. This agreement is for an initial 12 month period; and
- Acceptance of a contract mining agreement with Mega Highwall Mining LLC, on 29 October 2021, to provide high wall mining contract services using their own equipment and manpower.

On 12 November 2021, the Group issued 200,000 new ordinary shares in the capital of the Company at a price of 11.875p per share under a contractual agreement for services.

On 26 November 2021, Optiva Securities Limited, the joint broker to the Group for its initial public offering, exercised its option for warrants. In accordance with Group's admission document, 1,500,000 warrants held by Optiva Securities were exercised. Accordingly, 1,500,000 new ordinary shares in the capital of the company were issued on 3 December 2021 at a price of 10p per share, with the proceeds of issue amounting to £150,000.

On 1 December 2021, the Company announced the successful commencement of mining operations using its recently commissioned Highwall Miner, under a contract mining model.

On 10 December 2021, Orana Capital Ltd, a placing agent during Company's initial public offering, exercised its option for warrants. In accordance with Group's admission document, 370,880 warrants held by Orana Capital Ltd were exercised. Accordingly, 370,880 new ordinary shares in the capital of the company were issued on 14 December 2021, at a price of 10p per share, with the proceeds of issue amounting to £37,088.

On 14 December 2021, the Company was provided with a convertible loan note facility for \$6m by ACAM GP Limited in order to finance future acquisition opportunities and to provide general working capital. This facility carries an annual interest rate of 15%, which is payable on maturity on 31 December 2023. The terms of the convertible loan facility allows ACAM GP Limited to convert the facility and interest into ordinary shares of the company at a price of 28p per share during the term of the facility.

On 16 December 2021, the Company signed a coal lease agreement to mine metallurgical coal at a neighbouring site, which covers approximately 1,200 acres. The lease is for an initial period of five years and is extendable for a further five years. The minimum annual royalty payable is US\$50,000, which is recoupable from the royalties payable of between 4% and 7%, depending on the nature of mining undertaken, on the net selling price of the metallurgical coal extracted from the site.

18. Ben's Creek Carbon LLC

Setout overleaf are the consolidated unaudited management accounts of Ben's Creek Carbon LLC and its subsidiaries and cover the period from 1 April 2021 to 30 September 2021, which consists of a consolidated statement of comprehensive income.

BEN'S CREEK CARBON LLC CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 APRIL 2021 TO 30 SEPTEMBER 2021

	Note	Unaudited 2021 US\$
Administrative expenses	19	(1,781,873)
Operating loss		(1,781,873)
Other gains	15	33,688,689
Finance costs		(136,912)
Interest income		380
Profit before taxation		31,770,284
Tax expense	13	(8,798,236)
Profit for the period		22,972,048
Other comprehensive income		
Currency translation differences		81,262
Total comprehensive income for the period		23,053,310
Total comprehensive income for the period attributable to equity holders		23,053,310

19. Administrative expenses

Administrative expenses comprise:

	Unaudited 2021 US\$
Mine related costs	847,949
Rental, repairs and maintenance costs	32,947
Legal and professional fees	245,006
Staff salaries and wages	445,958
Travel and entertaining	28,194
Insurances	45,241
Other administrative costs	65,878
Depreciation	70,699
	1,781,873

20. Approval of interim financial statements

The interim financial statements were approved by the Board of Directors on 21 December 2021.

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