

Resourced in Britain Ltd

**Adding maximum value to an abundant supply
of natural resources**

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1 Executive Summary

This UK Company aims to develop and exploit connected revenue streams from coal and mineral water.

Central to the business, and a pre-requisite to the mineral water production, is a fully operational coal mining business that is under the control of one of the management team and whose output is sold mainly for building materials and power generation. Part of the funding will be used to acquire the coal mine by re-financing the existing lender.

The mining operations cause a constant 220 million litres every year of exceptionally pure water, naturally filtered through sandstone and carbon, to flow from a renowned aquifer through the mine. The Company has recently been granted a production licence to extract this water and is working with experts in the field to supply this source of high quality clean water to the food and drinks industry and for export in bulk to national government water purchasers. Early discussions regarding offtake agreements have taken place with an international hotel group and a luxury travel & tourism group.

In addition to the supply of water in perpetuity, the funding is backed by 350,000 tonnes of high calorific value coal. At present prices, the coal has an asset value of \$21 million.

As a medium-term objective, the company intends to develop a reprocessing plant to add significant revenue multiples to its coal products by cleaning, sorting and bagging not only its own raw coal but also coal from third party producers.

The management team has extensive experience of developing and operating substantial projects and businesses is seeking \$8.5 million of funding to develop these lines of business.

The company intends to re-finance the funding in 1 - 2 years through a trade sale and/or public offer.

2 Corporate Structure and Ownership

Resourced in Britain Ltd (RIB) has been established to raise the funds to re-finance existing trade finance lending to an operational coal mine based in the UK, and to provide additional working capital for the commercial exploitation of an inexhaustible water resource accessible only through the mine. The coal mine is the only remaining underground mine in England.

The executive management has sufficient equity interests in the company to ensure their continued support and involvement with the project.

The lead director of Resourced in Britain has personally funded the acquisition of the mining operation from its previous owners and has thereby acquired an asset base of \$21 million in coal resources and 220 million litres per annum of drinking water which RIB is intending to exploit. The mine employed 25 people when he acquired the operation. The workforce has subsequently grown to 40, reflecting the greater demand for its products.

Resourced in Britain has built a senior team of experienced and commercially successful managers. The lead director is incentivising that team through equity-related performance.

The shareholder structure to which RIB will resolve after incentives have been exercised is:

David Casey, CEO	40%
Colin Stocks, Head of Operations	20%
Michael Murphy, Head of Sales	20%
Director of Water	20%

The company is an untraded company registered in England & Wales with Company No. 10220510. It has no loans, overdrafts or other indebtedness currently outstanding.

3 Revenues and Operations

The key revenue items for the business are currently sales of coal to industrial users and energy suppliers, on call-off programmes (eg. 12 lorries per week of 'small coal' to a cement manufacturer).

Coal is supplied in lorry-loads of 28-29 tonnes, with the sale being formally transacted at the gates of the mine. The colliery is not responsible for transport costs, which can be considerable given that the loads are heavy and distances to the customer are often large.

Coal is sold into industrial users and similar operations on strict 14-day terms. This makes cash flow forecasting comparatively easy. Coal sales to heritage railways, which tend to be large coal at a premium price are normally made cash in advance, which further eliminates the risk of non-payment.

The colliery makes purchases of iron for roof supports and similar materials as required. Most of the suppliers operate on up-front payments, which is to be expected given the recent history of mining in the North of England. Purchases of utilities, insurance premiums on the miners etc. are on 14-30 day payment terms.

The company has total awareness of both its revenue streams and expenditures.

3.1 Operational coal mine with perpetual water resources

Central to the business, and a pre-requisite of the water production, is a fully operational coal mining business that is under the control of directors designate of RIB. They are experienced managers as shown in their biographies in Section 5.

In many economies, coal is increasingly being seen as an obsolescent source of energy. There is, and will remain, however, demand for quality coal with a high calorific content for industrial applications and selective domestic use.

Resourced in Britain Ltd will add value to that resource through bagging and further processing as required.

- Underground coal deposits in the UK are the property of the Crown, which employs the Coal Authority - a UK statutory body - to lease the rights to parcels of coal deposits for terms typically from 10 to 70 years. An Underground Licence then gives the licensee permission to extract coal from part or all of the coal covered by the Underground Lease. The licence is generally for the same period as the lease.

EC is a drift mine, which means that access tunnels have been driven at a shallow angle into a hillside close to an outcrop of a coal seam. While it is therefore an underground mine rather than an open quarry, it does not involve deep shafts and pit winding gear with their associated high cost of maintenance.

Eckington is a relatively new mine: it was opened in 1991. It therefore benefits from coal being readily accessible within a short distance of the entrance. This is a major advantage compared with earlier generations of coal mines where immediately accessible coal had been exhausted long ago, and continued exploitation required extensive underground travel by railway with a corresponding loss of operational efficiency.

A detailed analysis of the mine and its potential was conducted in 2012 by independent experts to international mining standards and confirmed the viability of the operations in terms of coal resources available for extraction.

Eckington Colliery is currently working a part of the lease area (the 'North Side') which has measured resources of 195,000 tonnes of coal remaining.

A second area within the same lease area (the 'South Side') is estimated to have available a further 220,000 tonnes of coal of the same quality (being part of the same seam). This resource will be brought on stream progressively over the next year. As the expensive infrastructure of the mine (roadways and surface infrastructure, for example) is already in place, the capital cost of accessing and recovering the coal in this area will be confined to the purchase of an additional mining machine.

- Allowing for coal which could not be extracted so as to avoid subsidence etc, the amount of coal which can be extracted is 350,000 tonnes, with a value of \$21 million at current prices.

The output of the mine is sold mainly for building materials and power generation.

3.2 Sandstone aquifer releasing 220 million litres of water annually

Independent of mining operations, but within the confines of the mine, the working coal seam interfaces with a sandstone aquifer. This releases a constant 220 million litres every year of pure water, naturally filtered through the sandstone.

The Company has recently been granted a production licence to extract this water and is working with experts in the field to supply this source of high quality clean water to the food and drinks industry and for export in bulk to national government water purchasers. Extensive discussions regarding offtake agreements have taken place with an international hotel group and a luxury travel & tourism group.

3.3 Asset backing for funding

In addition to the supply of water in perpetuity, the funding is backed by 350,000 tonnes of high calorific value coal. At present prices, the coal has an asset value of \$21 million.

As a medium-term objective, the company intends to develop a reprocessing plant to add significant revenue multiples to its coal products by cleaning, sorting and bagging not only its own raw coal but also coal from third party producers.

In planning the further progress of the business, the company is assuming that there will be a consistent demand for its grade of coal in the construction industry (for cement making) and power generation.

Both are entirely reasonable assumptions, as there is an untapped demand for new homes involving the use of bricks and cement. On the coal-fired power generation front, which is notional decline in the UK, the demand over the period of the loan exceeds the capacity of the Eckington site to produce coal by a substantial margin.

The management team has extensive experience of developing and operating coal mining substantial projects and businesses in mining and coal production, and is seeking \$8.5 million of funding to develop these lines of business.

Part of the funding will be used to repay a long-term loan which the beneficial owner of the coal mine – the CEO of RIB – raised from a lender who is unconnected with any of the executive team. Satisfaction of the loan will immediately remove the debenture over the mining company and release shares in the mining company which are held as security by the lender.

- The Company intends to re-finance the funding in a 1 to 2 year window through a trade sale and/or public offer.

4 Sales and Marketing

The Company has a comprehensive plan and the skills to get its product into the market and sell it profitably.

The Company's plan for coal sales reflects that of the mining company. Indeed, the present head of coal sales at the mine is a key member of the RIB team, while the Operations Director will fulfil the same role in RIB.

Eckington Colliery (EC) holds the lease on, and extraction rights to, confirmed deposits of high grade bituminous coal (i.e. with a high calorific value) in the community of Eckington in Derbyshire, a county in the north midlands of the United Kingdom.

In many economies, coal is increasingly being seen as an obsolescent source of energy. There is, and will remain, however, demand for quality coal with a high calorific content for industrial applications and selective domestic use.

Resourced in Britain Ltd will in due course add value to that resource through bagging and further processing as required.

Eckington is a relatively new mine: it was opened in 1991. It therefore benefits from coal being readily accessible within a short distance of the entrance. This is a major advantage compared with earlier generations of coal mines where immediately accessible coal had been exhausted long ago, and continued exploitation required extensive underground travel by railway with a corresponding loss of operational efficiency.

At projected rates of extraction, Eckington Colliery will be able to deliver coal for at least ten years. Seen as the medium for the water extraction operation considered in Section 4.4, the colliery will remain central to the Resourced in Britain business strategy throughout the period of the loan being sought.

Eckington Colliery is the conduit to the water resource described in Section 4.4; without an operational mine, the water supply is unavailable to the Company.

Control over the water supply in this way gives Eckington Colliery its unique selling point; even if the coal were to become exhausted, the water would be available in perpetuity.

4.1 The value of coal is transformed at the colliery gate

The commercial reality of coal is that a commodity located underground is converted the moment it leaves the colliery gates into a product worth between \$50 and \$245 per tonne dependent only on the size of the pieces generated and the extent to which it is packaged for onward sale through market channels.

The majority of all coal is taken up for industrial purposes such as cement manufacturing, where the product is crushed further and effectively blown into the production furnaces. The size of the coal when it leaves Eckington is therefore immaterial: what matters is the heat energy content of the coal. The Eckington seam has a high calorific content which is preferred for manufacturing.

For the record, UK GAAP Accounting Standards do not permit the writing of the inherent asset value to the balance sheet of a UK mining company. Only the transfer price of the coal once cut assumes the value of a balance sheet asset. Under all normal circumstances the coal has a value to the company which underpins its operations.

4.2 Acquisition and Development of Eckington Colliery

In November 2013, the owners at the time were granted a new Underground Lease and Underground Licence by The Coal Authority; the previous lease and licence having expired naturally.

In January 2014, the owners invited David Casey, now a director of Resourced in Britain, to acquire or help dispose of Eckington Colliery as it no longer fitted in with their mainstream activities, which were demolition and property development.

David Casey assessed the potential for developing Eckington colliery and, over the following seven months, entered into negotiations with the shareholders in Eckington Colliery to acquire the company. During that time, he took responsibility for 28 workers but did not own the assets or have them on lease.

Through an SPV, he purchased 100% of the shares in the colliery company via a share purchase agreement in August 2014, which established a price of \$550,000.

Immediately on acquisition, the SPV assumed the lease and licence which represented \$21 million in coal resources (the volume of coal independently verified). That is the lead director's commitment and the asset being proposed collateral for the loan being sought.

Extensive investment has been made in the refurbishment and maintenance of mission-critical equipment. This has allowed the colliery to move rapidly to two shift operation; increasing options for production without a corresponding increase in overheads. Key to that investment programme was the decision to purchase and refurbish a cutting and loading machine known as a dint header to increase capacity. That came on stream in November 2015 and is the backbone of volume production in the North Side going forward.

The directors will follow an identical course as the South Side is developed. The colliery has already acquired the parts of a second Bob Cat mining machine from multiple sources and will undertake its refurbishment in readiness for the additional mining operations.

4.3 Financed by secured trade finance

Eckington Colliery was funded out of sales revenue in the transition period from January 2014 to the signing of the Share Purchase Agreement in August 2014 and through to October of that year. Coal sales increased in this period and the management evolved a strategy for funding the business going forward.

The company gained access to a supportive source of trade finance. The decision to increase the level of investment in the mine (with a view to increasing productivity) led to the amount of trade finance being increased through 2015 and into 2016.

- All debentures, charges and other security taken for the trade finance will be released in full when it has been repaid.

A total of \$5.5 million has been raised in this way, which is not the ideal way to fund a business of this nature on an ongoing basis. The directors of RIB will replace this comparatively expensive funding with loans at a more commercial rate having due regard to the value of the water that can be extracted from the colliery by virtue of the Underground Lease and Licence, the underlying asset value of the coal in the lease area, the sale value of stocks that are cut at any time pending sale.

4.4 The market for Eckington Colliery coal going forward

There are essentially three markets addressed by the full range of coal sizes produced by Eckington Colliery.

Small coal. Industrial users including cement manufacturers. Customers send lorries to the mine to collect 28-29 tonnes per vehicle. The demand for cement in the UK is influenced at least in part by the level of new construction and property refurbishment. The UK government has a declared policy of seeing 200,000 new homes constructed each year to meet a growing demand. To that end, it has lifted many of the existing restrictions on where houses can be built and is encouraging the conversion of 'brownfield' sites – typically disused industrial sites – for residential use.

Doubles and triples. The primary market for these sizes is domestic consumption. EC sells this material either at the wholesale price for the respective sizes, or it can bag the coal itself and supply to domestic users or through retail distributors. A requirement for selling coal through the retail trade or directly to end customers is that it must be either 'washed' or 'hand-picked' to avoid the inclusion of potentially harmful non-coal materials.

The production processes at Eckington have recently been examined by the trade organisation responsible for the sector and deemed fit to be described as 'hand-picked'; a premium differentiator of quality assurance. The management at EC is actively examining opportunities for exploiting this attribute, with coal sold into the marketplace at between \$305 and \$370,000 per tonne; a significant uplift to the sale price of doubles in its forecasts.

Large coal. Vintage railways and steam fairs. Collected in smaller loads of approximately 15 tonnes apiece. Large pieces are identified on the conveyor and set aside. The UK has a growing network of steam-powered railways which consume between them approximately 500,000 tonnes of bituminous 'steam' coal every year. The gradual reduction in the supply of large coal within the UK has seen the importation of coal to meet the demand.

Through careful planning and resourcing, the colliery has withstood the fluctuations in demand and variations in coal prices experienced in 2015. As a result, the business has maintained a workforce of 40 staff.

4.5 The market for water

There is a weekly output from Eckington Colliery of approximately 4,500 cubic metres of independently tested water from an aquifer which interfaces with the mine workings. That volume can be expressed as 220 million litres annually.

This water is currently discharged into the local river. The directors consider this to be an unjustified waste of a high quality natural resource and have taken steps to commercialise this valuable asset. They have secured agreement from The Environment Agency (the relevant statutory body) to divert the water to a commercial application.

Resourced in Britain is developing multiple business streams from the water at its disposal.

RIB has identified the following routes to market for the water:

- Bulk sales into commercial consumers of pure water including food processing
- Export in bulk containers to overseas markets.

Sale in recyclable glass bottles into the premium consumer market. Interest has been expressed by a major hotel group in taking quantities of the bottled water for distribution across its estate as a distinctive brand. RIB will contract with specialised water bottlers to take the pure water from filtration tanks, fill and cap bottles, label them and pack on to pallets for distribution. That enquiry is purely indicative of the potential demand from this premium sector.

RIB has identified experienced management-grade personnel to oversee the water business.

5 Management and Staff

The RIB management team combines first-hand materials-handling knowledge with broadly-based business and finance experience. It is able to recruit and keep the necessary staff to execute the business plan to its fullest potential.

5.1 David Casey, CEO

David is a graduate engineer and industrial economist. After graduating from Oxford University, he gained professional experience with the Plessey Company (a leading UK Defence and Civil electronics manufacturer at the time). He then pursued a career lecturing on corporate finance to senior professionals from a variety of disciplines. That progressed into publishing on the subjects of finance and technology, for the UK business and financial media before acquiring his first magazine title in 1986.

He advised the education authority covering Inner London on business education and chaired public examination panels in business and finance.

With some 35 years experience monitoring and analysing businesses of every description, it was inevitable that he would be called upon to advise and assist Small and Medium scale Enterprises (SMEs) in particular on aspects of management and fund-raising. The focus of his activities has moved progressively in that direction.

David chaired the European Finance Convention for four years from 2002 to 2006, promoting sound business, investment and banking practice in Administrations pending or seeking membership of the EU.

5.2 Colin Stocks, Operations Director

Colin's extensive experience of running large mining operations in the UK and internationally is unparalleled. A career in mine management has taken him to a board level appointment in a listed mining company.

After an early career in mine management with the UK's National Coal Board (later British Coal), where he had increasing responsibility for technical and personnel aspects of the restructuring of coal mining in the UK, he became an independent Consultant Mining Engineer working initially with Engineering Companies and Mining Contractors involved in contract work for British Coal.

In 2005, Colin joined Coal International PLC and Cambrian Mining PLC as a Senior Mining engineer to assist the two companies in expanding their coal mining business in both the EU and Eastern Europe, also working with Xtract Energy PLC, a Partner Company of Cambrian, to acquire blocks of Oil Shale deposits in Jordan and Morocco. He became a director of XtractMoroc.

In 2008 he was appointed to the Board of Lysander Minerals PLC (later EastCoal Inc.) as the Chief Technical Officer (CTO) to develop mining operations in Ukraine which were initiated by Cambrian Mining Ltd. including the listing of the company on the Toronto Stock Exchange and the London AIM market.

In 2013, he resigned from EastCoal Inc to pursue business interests in the coal industry of the UK which included the restructuring and development of Eckington Colliery as a pre-cursor to that company receiving its Underground Lease and Licence in November 2013.

In summary, Colin has senior management experience of project management and operating modern high production mines. That is matched by experience in the administration and control of European Funded Projects.

Colin is supported at Eckington Colliery by a first class management team of mine managers and section managers. The mine manager John Watson deputizes for Colin Stocks as required and is a competent resources planner.

5.3 Michael Murphy, Director of Sales

Mike has spent his whole working life in the sale and marketing of solid fuel; most of that time in the wholesale sector. As a result, he has an unparalleled knowledge of the markets for bulk sales of coal into industrial users, such as cement manufacturers, and the power generation sector.

He started his career with the National Coal Board, involved in marketing at a regional level. Senior posts followed, including Manager of a Coal Processing Plant, where he built up a new site for screening, washing and stocking of fuels into one of largest private coal plants in England. It had a turnover in 1986 of \$18 in 1986, with a 350K tonnes throughput.

Mike became regional director of the same company responsible for 3 coal processing plants at Chesterfield, Bolton and Coventry, and all direct sales within a region from Cumbria to Warwickshire and an annual turnover of \$80M in 1997. He is an experienced manager, with 58 staff reporting to him.

For the past 18 years, Mike has operated his own business in the wholesale fuel sector. He has been a member and treasurer of the Coal Industrial Society.

6 Operations

Given the degree of financial control in its operations under the present ownership and management, the executive management is confident that it can sustain the growth planned for the next few years.

The company is being run by three members of the board with a strong management team headed by a mine manager who has held senior posts at mines across the UK.

Because Eckington is a coal mine, it is highly regulated by legislation developed over the decades to ensure safe working practices. On regular visits to the mine, HM Inspectorate of Mines found nothing to criticize the operators for, and commended the Operations Director on running a well managed mine.

Every aspect of the mine's operations is documented and written reports are maintained on all critical operations. Both are requirements under the Mines Acts and delegated legislation.

The colliery currently employs a total of 41 members of staff on permanent contracts. One is part-time; the remainder full-time.

RIB will appoint a permanent financial controller to work with the CEO in the management of the Company's finances. This will provide the necessary checks and balances as the Company expands.

7 Risks

The Executive Management believe that the risks that might prevent the business achieving the planned success are minimal.

Operationally, management believes there is more upside potential than downside to the business. Despite the fact that coal is regarded as an antiquated industry, there is a permanent and consistent demand for industrial products such as cement, which require the input of coal with a high net calorific value. The UK government has removed many of the restrictions on where homes can be built in an attempt to stimulate the construction of new homes.

Electricity generation in the UK is divided between oil, gas, nuclear and coal. While coal accounts for no more than 2% of production, the demand from the coal-fired power stations is several orders of magnitude greater than the maximum possible production from the Easington coal site. As there are problems at the nuclear stations, with new nuclear plants not scheduled to come on stream for a decade, and uncertainty about the price of oil and gas, coal has its place as a backstop fuel.

8 Financials

Attached is a detailed model for the business going forward 3 years.

The nature of the sector means that sales and costs are calculated weekly, with certain monthly and annual costs allocated across the year. These are shown in TRADING.

MONTHLY is the summation of TRADING per month. For the purposes of presentation, all months are shown as 4 weeks in length, to give 13 such 'months' in each year. When a start date has been defined for the re-financing, the monthly data will be adjusted to 12 months in the light of the TRADING sheet being adjusted to take into account public holidays and other non-working days.

ENGINE is the scratchpad of the system where formula can be applied in stages to data before it is presented in TRADING and MONTHLY.

P&L SUMMARY takes the 13 months of each 'year' as defined in MONTHLY to provide annual data.

No account has been taken on price inflation and so data is shown at today's values.

A pro-forma balance sheet has been drawn up to represent the business on the day of acquisition. The following features can be noted . .

- The freehold of the mining site is acquired simultaneously and shown as the agreed price.
- The value of the water is the Net Present Value of the projected revenue stream, discounted at market rate, through to the end of the current licence. It assumes only a 50% Extraction and minimal revenue per litre
- The present lease on the mining machinery in use today finishes in August 2017. It is on a terminal lease from that point on so is not shown as an asset of the company.
- Small items of machinery have been purchased by the operator and these are shown at written down value.
- \$260,000 of additional machinery is budgeted in the first 18 weeks. This will increase the production of the mine to 950 tonnes minimum per week.