Atlantic Coal plc

Annual Report and Financial Statements 2009

Open Cast Coal Production & Processing

Atlantic Coal plc

- Creating a significant mid tier coal company
- Value generation from developing high quality coal products
- Leveraging production revenues for growth
- Exploration and production projects in established coal regions
- Defined development plan to bring key assets into production

Atlantic Coal plc is a transatlantic group focusing on open cast mining and processing of high-grade anthracitic coal. Atlantic Coal plc is based in the UK with its first operating mine and anthracite preparation plant being the Stockton Mine in Pennsylvania USA. The company intends to expand its coal mining and processing operations in the United States.

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Company Information

Directors	Adam Wilson (Non-Executive Chairman) Stephen Best (Managing Director) Gregory Kuenzel (Finance Director) Toby Howell (Non-Executive Director) Peter Chinneck (Non-Executive Director)
Company Secretary	Gregory Kuenzel
Registered Office	200 Strand London WC2R 1DJ
Company Number	05315929
Bankers	HSBC Bank plc 129 New Bond Street London W1J 2JA
Nominated Adviser	Allenby Capital Limited Claridge House 32 Davies Street London W1K 4ND
Broker	Fox-Davies Capital Whitefriars House 6 Carmelite Street London EC4Y 0BS
Auditors	Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ

Chairman's Report

Adam Wilson

Over the year Atlantic Coal has successfully increased production, sales and investment at our primary asset, the Stockton Colliery ("Stockton"), an opencast anthracite mining and processing operation in the United States' Pennsylvania Coal Field. Despite the fact that this is proving more expensive and taking longer to achieve profitability than was previously hoped, we have made progress and continue to advance towards our goals, albeit later than originally envisaged.

Stockton has a reserve of four million tons of anthracitic coal and the Board estimate a mine life at current rates of production of *circa* 13 years. Over the past year we have continued to focus our attention on implementing a new mine plan and improving productivity at Stockton and in 2010 have also installed a new crusher, invested $3.5 million into a new Liebherr R9250 19.6-yard bucket hydraulic excavator and improved our coal washing facilities. These procedures and investments will help to improve the efficiency of the mine and the quality of our product.

Additionally, we terminated a supply agreement with Pagnotti Enterprises, Inc. ("Pagnotti") that had been entered into by previous management and which was no longer commercially beneficial to us. The Board believes that for the duration of the mine's life, around $1 million will be saved each year, with up to an additional 100,000 tons of run of mine coal available for processing.

The agreement with Xcoal provides the opportunity to achieve international sales of our high quality anthracitic coal, particularly in Asia where Xcoal has a large presence. Furthermore, as per our objective to become a significant mid-tier coal Company, we have agreed to not only assess the development of Stockton with Xcoal, but to evaluate further mining opportunities with them. The Board retains its belief that the possibilities for regional consolidation within the Pennsylvanian Coal Field remain and we are committed to identifying potential value adding activities.

Financial Review

Revenues for the year ended 31 December 2009 were $9,048,214, up from 2008 revenues of $2,229,746 as sales of coal from Stockton increased dramatically. As a result of the significantly higher sales and improved mine efficiency, Atlantic is able to report a gross profit for the year of $1,692,860 compared to a gross loss of $5,290,986 for the 2008 financial year. Total loss for the year was $2,571,672 compared to a total loss of $3,927,465 for 2008.

The Board expects to see a continued increase in demand from the North American steel industry in addition to sales to new customers in Asia as a consequence of the recent agreement with Xcoal.

A profit of $131,342 was realised from the sale of shares in Strategic Natural Resources PLC following termination of acquisition discussions in October 2009. Additionally, the termination of the Maple Carpenter Creek ("MCC") deal should see the return of $300,000 advanced to MCC as part of the loan agreement ahead of any corporate transaction. At the year end, MCC had drawn down $200,000 of this loan.

Further, following the successful termination of the supply arrangement with Pagnotti, Atlantic Coal have benefited from the write-back of the provision for the year ended 31 December 2009 of *circa* $360,000.

Directorate Changes

In June 2009, two Non-Executive Directors, Max Crosland and Ken Ford, stepped down from the Board. Ray Petrilla also resigned from the Board in order to focus on his role as Chief Operations Officer of the Company's operating subsidiary, Coal Contractors (1991) Inc.

Operational Review

Production for the 12 month period to 31 December 2009 was 232,499 tons of run-of-mine coal, an increase on 2008's production of 49,992 tons. Of the 232,499 tons, 81,766 tons were prepared into clean washed coal, an increase in excess of 400% on the same period for 2008. 2009 saw the full impact of the economic recession, with many of the USA's and Canada's steel plants closed, heavily impacting the demand for anthracite. Atlantic sold 74,567 tons of clean washed coal during the year ended 31 December 2009 (2008: 17,654) and was able to maintain an average selling price of $121 per ton.

As we have previously reported, the Stockton Colliery has benefited from the improved Parnaby preparation plant which is now capable of producing in excess of 450 tons of washed and sized coal per day on a single shift; this is up from 400 tons in June 2009. In addition, the new Gator jaw crusher gives a great deal more control over the sizing of coal for sale to a variety of markets and is extremely efficient. Most recently, following an investment of $3.5 million, we have taken delivery of a Liebherr R9250 19.6-yard bucket hydraulic excavator. The excavator has already begun work and will continue to increase production, improve mining efficiency and reduce the amount of downtime that the Stockton Colliery experiences as per our mine plan.

Chairman's Report

Adam Wilson

During 2009, we began continuous production from the Mammoth seam, resulting in higher coal yields as we developed lower elevations towards the basin of the coal seam. Atlantic also benefited from an anomaly in the Mammoth seam that is estimated to contain up to 80,000 tons of extremely high yield anthracite. The work on the relocation of the Norfolk and Southern Railway was halted to conserve working capital and retain focus on production. The new mine plan was instrumental in allowing development of Stockton without the immediate need to move the railway. A significant amount of the relocation work has already been undertaken and work is expected to recommence in the summer.

Between 1 January 2010 and 30 April 2010, production at Stockton was 32,511 tons of run of mine coal and 24,076 tons of clean washed coal. Sales during the period to 30 April 2010 total 30,921 tons of clean coal resulting in revenues of approximately $3.4 million.

Finally, Atlantic was able to stockpile both processed and unprocessed coal over the year. Our deal with Xcoal provides us with the capacity to distribute this stockpile to extended geographic markets due to their large customer base across Asia. Demand for anthracitic coal from the steel industry in China and India is returning and the stockpiles of processed and unprocessed coal will be a commercial strength for the Company as we can immediately satisfy new orders.

Working Capital Requirements and Outlook

As a result of the termination of the Pagnotti supply agreement (which has had the effect of significantly reducing the risk to our ongoing operations), as well the continued softness in demand from the domestic US steel market for anthracite, our cash reserves have been somewhat depleted during the first quarter of 2010. The summer months historically see a drop-off in demand for anthracite as the home heating market falls away and these months are typically used to prepare forward development work and build up stocks for the coming winter.

The Group will continue to be reliant on the working capital facility it has in place with a Director and major shareholder and also plans to raise additional funds to continue development of the Stockton operations. As a consequence, the accounts for the Group for the year ended 31 December 2009 includes an emphasis of matter in relation to going concern.

With the arrival of the new excavator we expect production to increase during the coming year whilst also achieving greater efficiency. Our agreement with Xcoal is the first step in taking advantage of this higher level of production at Stockton. In line with our continued efforts to increase our reserves we will continue to seek new investment opportunities to expand our operations and acquire additional assets.

Adam Wilson
Non-Executive Chairman
7 June 2010

The Directors present their Report, together with the Group Financial Statements and the Independent Auditors' Report, for the year ended 31 December 2009.

Principal Activities and Business Review
The principal activity of the Company is that of a holding company. The principal activity of the Group is the development and operation of the Stockton Colliery which comprises the Stockton Mine and an anthracite washing plant in Pennsylvania, USA.

A detailed review of the business of the Group during the year and an indication of likely future developments may be found in the Chairman's Report on pages 3 and 4.

Risks and uncertainties are discussed on pages 6 and 7 of this Directors' Report.

Results and Dividends
The loss of the Group of the year ended 31 December 2009 before taxation amounts to $2,571,672 (year ended 31 December 2008: $3,927,465).
The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2008: $nil).

Directors
The names of the Current Directors are shown in the Company Information on page 2.

Directors' Interests
The Directors who served during the year ended 31 December 2009 had, at that time, the following beneficial interests in the shares of the Company:

	As at the date of appointment		31 December 2009		1 January 2009	
	Ordinary Shares	Options	Ordinary Shares	Options	Ordinary Shares	Options
Stephen Best[1]	136,492,199	15,000,000	224,385,199	15,000,000	201,470,282	15,000,000
Raymond Petrilla[2]	4,127,331	2,000,000	n/a	n/a	4,704,801	2,000,000
Toby Howell	–	–	5,332,223	2,678,683	5,332,223	2,678,683
Gregory Kuenzel[3]	1,140,000	–	7,440,000	10,500,000	2,940,000	10,500,000
Adam Wilson	56,673,000	22,074,070	86,233,000	22,074,070	62,233,000	22,074,070
Max Crosland[2]	–	–	n/a	n/a	1,110,000	–
Ken Ford[2]	–	–	n/a	n/a	–	–
Peter Chinneck	60,000,000	16,500,000	156,000,000	16,500,000	105,000,000	16,500,000

[1] Stephen Best's shares are held as follows: 132,328,633 by his spouse, 73,960,418 by American Investments Limited and 18,096,148 by Willoughby (465) Limited. 15,000,000 options are held in his name.
[2] Raymond Petrilla, Ken Ford and Max Crosland resigned on 30 June 2009.
[3] Of the 7,440,000, 2,250,000 of Gregory Kuenzel's shares are held by his spouse and 3,300,000 by Freeside Limited.

Further details on options can be found in Note 13 to the Financial Statements.

Key Performance Indicators ("KPIs")
The Board monitors the activities and performance of the Group on a regular basis. The Board uses both financial and non-financial indicators based on budget versus actual to assess the performance of the Group. Meaningful comparative figures are not available for the prior year ended 31 December 2008 as the mine was not in production for a substantial portion of the year. As a result, these KPIs have not been reported. The indicators set out below will continue to be used by the Board to assess performance over the period to 31 December 2010.

KPIs

	31 December 2009 ($)
Sales Revenue – per ton of coal sold ($)	121.34
Cost Price – operating cost per ton of coal sold ($)	98.64
Health and Safety – number of reportable accidents (number)	7
Environmental Incidents – breaches of environmental legislation (number)	1
Recovery rates – amount of clean coal generated from raw coal mined	41%

Environmental Responsibility

The Company recognises that the Group's activities require it to have regard to the potential impact that it and its subsidiary companies may have on the environment. Wherever possible, the Company ensures that all related companies comply with the local regulatory requirements with regard to the environment.

The Group is required to comply with Pennsylvanian Department of Environmental Protection (DEP) regulations on mine reclamation and rehabilitation. The DEP regularly review and comment on progress both on reclamation work and ongoing mining operations.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

The key business risks affecting the Group are set out below.

General and economic risks:

- Contractions in the world economies or increases in the rate of inflation resulting from international conditions.
- Movements in global equity and share markets and changes in market sentiment towards the resource industry.
- Currency exchange rate fluctuations and, in particular, the relative prices of the UK pound and US dollar.
- Adverse changes in factors affecting the success of mining operations, such as increases in expenses, changes in government policy and further regulation of the mining industry; unforeseen major failure, breakdowns or repairs required to key items of mining plant and equipment or mine structure resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; and unforeseen adverse geological, mining or prolonged weather conditions.
- The Group is required to comply with Department of Environmental Protection (DEP) regulations on mine reclamation and rehabilitation. Any breaches of these rules may result in the Group being fined or in relation to serious offences, may result in the mining permit being cancelled.

Funding risk:

- The Company may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or mine development projects.

Commodity risk:

- Commodities are subject to high levels of volatility in price and demand. The cost of commodities depends on a wide range of factors, most of which are outside the control of the Group. Production costs depend on a wide range of factors, including commodity prices and capital and operating costs in relation to any operational site.

Mining exploration and development risks:

- Mining exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs.
- Success in identifying recoverable reserves can never be guaranteed. Also the Group cannot guarantee that it will be able to obtain the necessary permits and approvals required for development of its projects.
- The Group may be required to undertake clean-up programmes resulting from any contamination from its operations or to participate in mine rehabilitation programmes which may vary from project to project. The Group follows all necessary laws and regulations and is not aware of any present material issues in this regard.

Financial Instruments and Risk Management

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices and foreign currency exchange rates, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Details of the Group's financial risk management policies are set out in Note 1 to the Financial Statements.

Internal Controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Company's control environment and any related shortfalls during the year. Since the Company was established, the Directors are satisfied that, given the current size and activities of the Company, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Post-Balance Sheet Events

The post-balance sheet events are set out in Note 29 to the Financial Statements.

Policy and Practice on Payment of Creditors

The Company and its subsidiary undertakings agree terms and conditions for their business transactions with suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier. As at 31 December 2009, the Company had an average of 130 days' (2008: 88 days') purchases outstanding in trade payables. The Group average was 143 days (31 December 2008: 244 days).

Going Concern

The Group's and Company's business activities, together with the factors likely to affect their future development, performance and position, are set out in the Chairman's Report on pages 3 and 4. The financial position of the Group and Company in terms of cash flows and liquidity position are described on pages 12 to 16. In addition, Note 1 to the Financial Statements includes the Group's and Company's objectives, policies and processes for managing its capital, their financial risk management objectives and their exposure to credit risk and liquidity risk.

Whilst the Directors have instituted measures to preserve existing cash and secure additional finance, these circumstances create material uncertainties over future results and cash flows.

The Directors have concluded that these circumstances represent a material uncertainty that casts doubt upon the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties mentioned above and based on forecasts and projections, the Directors have a reasonable expectation that sufficient new funds will be raised to continue in operational existence for the foreseeable future. A Director and shareholder has also agreed to provide adequate funding for the Group to meet its expected liabilities as they fall due (refer to Note 27). For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Directors' and Officers' Indemnity Insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the previous year and remain in force at the date of this report.

Provision of Information to Auditors

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Littlejohn LLP has signified its willingness to continue in office as auditors.

This report was approved by the Board on 7 June 2010 and signed on its behalf.

Stephen Best
Managing Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, www.atlanticcoal.com. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Corporate Governance Report

The Board of Directors currently comprises two Executive Directors and three Non-Executive Directors, one of whom is the Chairman. The Directors recognise the importance of sound corporate governance and intend to observe the requirements of the Code of Best Practice (commonly known as the "Combined Code"), as published by the Financial Reporting Council to the extent they consider appropriate in light of the Company's size, stage of development and resources.

In accordance with the Combined Code the Company is headed by an effective Board which is collectively responsible for promoting the success of the Company. The Board sets the Company's strategic aims, its values and standards, and ensures that its obligations to its shareholders and others are understood and met. All Directors are expected to bring independent judgement to bear, and to take decisions objectively in the interests of the Company. If Directors have concerns about the way the Company is being run or about any course of action that is proposed, they must ensure that such concerns are recorded in the Board minutes if they cannot be resolved. Non-Executive Directors are expected to constructively challenge and contribute to the development of strategy, to scrutinise management performance, to satisfy themselves on the integrity of financial information and that financial controls and risk management systems are robust and defensible. It is expected that the Non-Executive Directors will hold separate meetings without Executive Directors or the Chairman present. The scope of their responsibilities is enlarging, and Non-Executive Directors will have to undertake that they have sufficient time to fulfil the role, and must disclose any other commitments or future new appointments. New Directors to the Board receive a detailed induction pack on appointment, and are advised to regularly update and refresh their skills and knowledge. This includes skills and knowledge that they need to bring to their role, as well as matters relating to the Group itself.

Board Meetings

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

Board Committees

The Company has established an audit committee, a remuneration committee and a working capital committee. In light of the size of the Board, the Directors do not consider it necessary to establish a nomination committee. However, this will be kept under regular review.

Audit Committee

An Audit Committee, comprising Toby Howell and Adam Wilson, has been established by the Company. The Audit Committee is chaired by Toby Howell and meets at least two times each year. The Audit Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The committee also reviews regular reports from management and external auditors on accounting and internal control matters. Where appropriate, the committee monitors the progress of action taken in relation to such matters. The committee also recommends the appointment of, and reviews the fees of, the external auditors.

Remuneration Committee

The Company has in addition established a Remuneration Committee, comprising Toby Howell, Adam Wilson and Peter Chinneck. The Remuneration Committee is chaired by Adam Wilson. The Committee is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Company.

Working Capital Committee

The Board has established a Working Capital Committee for the specific purpose of reviewing the Group's working capital requirements from time to time. The members of this committee are Adam Wilson, Toby Howell and Gregory Kuenzel.

Internal Controls
The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk Management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

Securities Trading
The Company has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM company. The Directors will comply with Rule 21 of the AIM Rules for companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees.

Relations with Shareholders
The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the Annual General Meeting as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Independent Auditors' Report to the Members of Atlantic Coal plc

We have audited the Financial Statements of Atlantic Coal plc for the year ended 31 December 2009 which comprise the Group and Parent Company Balance Sheets, the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Shareholders' Equity, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances, and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the Financial Statements, which is not qualified, we have considered the adequacy of disclosures on page 20 'Accounting policies – going concern' of these Financial Statements concerning the Group and Company's ability to continue as a going concern. The Group incurred a loss of $2,571,672 during the year ended 31 December 2009 and at that date had cash resources of $843,807 and net current liabilities of $8,537,064. These conditions along with the other matters explained in the accounting policies indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

The Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above matters.

Nicholas Light (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor
7 June 2010

1 Westferry Circus
Canary Wharf
London
E14 4HD

Balance Sheets

As at 31 December 2009

Company number: 05315929

		Group		Company	
		As at 31 Dec 2009	As at 31 Dec 2008	**As at 31 Dec 2009**	As at 31 Dec 2008
	Note	**$**	$	**$**	$
Non-current assets					
Property, plant and equipment	5	**4,320,491**	5,097,627	**4,197**	212
Land, coal rights and restoration	6	**7,335,637**	7,656,260	**–**	–
Investment in subsidiaries	7	**–**	–	**15,659,779**	14,235,180
Trade and other receivables	8	**201,823**	–	**12,427,969**	9,872,350
		11,857,951	12,753,887	**28,091,945**	24,107,742
Current assets					
Inventories	10	**1,761,047**	480,191	**–**	–
Trade and other receivables	8	**1,093,695**	672,216	**75,332**	67,866
Available-for-sale financial assets	9	**–**	–	**–**	–
Other assets	11	**236,486**	736,944	**–**	–
Cash and cash equivalents	12	**843,807**	327,090	**726,015**	210,986
		3,935,035	2,216,441	**801,347**	278,852
Total assets		**15,792,986**	14,970,328	**28,893,292**	24,386,594
Current liabilities					
Trade and other payables	14	**3,517,161**	3,556,904	**564,212**	457,474
Provisions	15	**–**	2,160,000	**–**	–
Borrowings	16	**5,222,749**	1,098,993	**1,592,800**	281,496
Accrued restoration costs	17	**3,732,189**	2,100,000	**–**	–
		12,472,099	8,915,897	**2,157,012**	738,970
Non-current liabilities					
Borrowings	16	**2,864,936**	3,186,327	**637,184**	–
Accrued restoration costs	17	**2,953,327**	5,080,927	**–**	–
		5,818,263	8,267,254	**637,184**	–
Total liabilities		**18,290,362**	17,183,151	**2,794,196**	738,970
Net (liabilities)/assets		**(2,497,376)**	(2,212,823)	**26,099,096**	23,647,624
Capital and reserves attributable to equity holders of the Company					
Called up share capital	13	**1,804,719**	1,640,945	**1,804,719**	1,640,945
Share premium account		**16,616,252**	15,604,095	**16,616,252**	15,604,095
Merger reserve		**15,326,850**	15,326,850	**17,112,462**	17,112,462
Reverse acquisition reserve		**(12,999,288)**	(12,999,288)	**–**	–
Other reserves		**263,426**	121,786	**263,426**	121,786
Foreign currency translation reserve		**(2,352,466)**	(3,322,014)	**(6,201,159)**	(8,595,686)
Retained earnings/(losses)		**(21,156,869)**	(18,585,197)	**(3,496,604)**	(2,235,978)
Total equity		**(2,497,376)**	(2,212,823)	**26,099,096**	23,647,624

The Financial Statements were approved and authorised for issue by the Board of Directors on 7 June 2010 and were signed on its behalf by:

Gregory Kuenzel
Finance Director

The Notes on pages 25 to 48 form part of these Financial Statements.

Group Income Statement

For the year ended 31 December 2009

		Group	
		For the year ended 31 Dec 2009	For the year ended 31 Dec 2008
	Note	**$**	$
Revenue	3	**9,048,214**	2,229,746
Cost of sales		**(7,355,354)**	(7,520,732)
Gross profit/(loss)		**1,692,860**	(5,290,986)
Administration expenses		**(2,298,161)**	(1,661,768)
Other (losses)/gains – net	18	**(1,124,539)**	3,444,188
Other income		**141,848**	–
Operating loss	4	**(1,587,992)**	(3,508,566)
Finance income	22	**21,246**	54,469
Finance costs	22	**(1,004,926)**	(473,368)
Loss before taxation		**(2,571,672)**	(3,927,465)
Corporation tax expense	24	**–**	–
Loss for the year		**(2,571,672)**	(3,927,465)
Attributable to equity holders		**(2,571,672)**	(3,927,465)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted	25	**0.19 cents**	0.44 cents

All activities are classified as continuing.

Group Statement of Comprehensive Income

For the year ended 31 December 2009

		Group	
		For the year ended 31 Dec 2009	For the year ended 31 Dec 2008
	Note	**$**	$
Loss for the year		**(2,571,672)**	(3,927,465)
Other comprehensive income:			
Exchange differences on translating foreign operations		**969,548**	(3,044,046)
Total comprehensive income for the year		**(1,602,124)**	(6,971,511)

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement and Statement of Comprehensive Income.

The loss for the Parent Company for the year was $1,260,626 (2008: $1,033,013) and the comprehensive income for the year was $1,133,901 (2008: ($9,350,731)).

The Notes on pages 25 to 48 form part of these Financial Statements.

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2009

Group ($)	Share capital	Share premium	Merger reserve	Share option reserve	Reverse acquisition reserve	Translation reserve	Profit and loss account	Total equity
At 31 December 2007	1,057,101	12,108,661	17,112,462	78,381	(12,562,742)	(277,968)	(16,443,344)	1,072,551
Share capital issued	583,844	3,495,434	–	–	–	–	–	4,079,278
Share-based payments	–	–	–	43,405	–	–	–	43,405
Acquisition costs	–	–	–	–	(436,546)	–	–	(436,546)
Transfer of Goodwill Impairment to reserve	–	–	(1,785,612)	–	–	–	1,785,612	–
Total comprehensive income for the year	–	–	–	–	–	(3,044,046)	(3,927,465)	(6,971,511)
At 31 December 2008	1,640,945	15,604,095	15,326,850	121,786	(12,999,288)	(3,322,014)	(18,585,197)	(2,212,823)
Share capital issued	163,774	1,012,157	–	–	–	–	–	1,175,931
Share-based payments	–	–	–	141,640	–	–	–	141,640
Total comprehensive income for the year	–	–	–	–	–	969,548	(2,571,672)	(1,602,124)
At 31 December 2009	**1,804,719**	**16,616,252**	**15,326,850**	**263,426**	**(12,999,288)**	**(2,352,466)**	**(21,156,869)**	**(2,497,376)**

Company ($)	Share capital	Share premium	Merger reserve	Share option reserve	Translation reserve	Profit and loss account	Total equity
As at 31 December 2007	1,057,101	12,108,661	17,112,462	78,381	(277,968)	(1,202,965)	28,875,672
Share capital issued	583,844	3,495,434	–	–	–	–	4,079,278
Share-based payments	–	–	–	43,405	–	–	43,405
Total comprehensive income for the year	–	–	–	–	(8,317,718)	(1,033,013)	(9,350,731)
As at 31 December 2008	1,640,945	15,604,095	17,112,462	121,786	(8,595,686)	(2,235,978)	23,647,624
Share capital issued	163,774	1,012,157	–	–	–	–	1,175,931
Share-based payments	–	–	–	141,640	–	–	141,640
Total comprehensive income for the year	–	–	–	–	2,394,527	(1,260,626)	1,133,901
As at 31 December 2009	**1,804,719**	**16,616,252**	**17,112,462**	**263,426**	**(6,201,159)**	**(3,496,604)**	**26,099,096**

The Notes on pages 25 to 48 form part of these Financial Statements.

Group Cash Flow Statement

For the year ended 31 December 2009

	Note	Group For the year ended 31 Dec 2009 $	For the year ended 31 Dec 2008 $
Cash flows from operating activities			
Operating loss		**(1,587,992)**	(3,508,566)
Adjustments for:			
Depreciation		**1,001,142**	1,096,054
Amortisation		**348,852**	77,199
Share options expensed		**81,071**	43,405
Accretion, accrued restoration costs		**806,106**	195,621
Reclamation work performed		**(1,300,649)**	–
Profit on sale of assets		**(131,342)**	–
Foreign exchange losses/(gains)		**1,099,216**	(3,444,188)
(Increase)/decrease in trade and other receivables		**(409,964)**	566,766
Increase in prepaid expenses		**(4,712)**	–
(Increase)/decrease in inventories		**(1,280,856)**	271,398
(Decrease)/increase in trade and other payables		**(273,297)**	222,658
(Decrease)/increase in provisions		**(388,377)**	1,080,000
Net cash used in operations		**(2,040,802)**	(3,399,653)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(221,049)**	(1,390,094)
Increase in deposits & escrow		**(6,164)**	(83,728)
Loans to third parties		**(200,000)**	–
Purchase of available-for-sale financial assets		**(441,827)**	–
Proceeds from the sale of available-for-sale financial assets		**1,014,995**	–
Interest paid		**(77,245)**	(441,218)
Interest received		**19,451**	54,469
Net cash from/(used in) investing activities		**88,161**	(1,860,571)
Cash flows from financing activities			
Proceeds from equity contribution		**–**	750,000
Proceeds from issue of share capital		**813,087**	2,998,159
Transaction costs of share issue		**(33,116)**	(67,937)
Proceeds from borrowings		**1,840,376**	666,687
Repayments of borrowings		**(156,612)**	(1,035,677)
Finance lease payments		**(65,169)**	–
Net cash from financing activities		**2,398,566**	3,311,232
Net increase/(decrease) in cash and cash equivalents		**445,925**	(1,948,992)
Effect of foreign exchange rate changes		**70,792**	684,782
Cash and cash equivalents at beginning of year		**327,090**	1,591,300
Cash and cash equivalents at end of year	12	**843,807**	327,090

Significant non-cash transactions

A total of 42,750,000 shares issued on 10 August 2009 related to the purchase of shares in Strategic Natural Resources.

The Notes on pages 25 to 48 form part of these Financial Statements.

Company Cash Flow Statement

For the year ended 31 December 2009

	Note	Company **For the year ended 31 Dec 2009 $**	 For the year ended 31 Dec 2008 $
Cash flows from operating activities			
Operating loss		**(1,144,866)**	(1,015,940)
Adjustments for:			
Depreciation		**1,241**	2,594
Profit on sale of assets		**(131,342)**	–
Share options expensed		**81,071**	43,405
Foreign exchange losses		**3,352**	–
Decrease in deposits paid		**–**	72,305
Decrease in VAT due		**20,926**	109,594
(Increase)/decrease in prepayments		**(22,875)**	51,648
Decrease in trade and other receivables		**1,287**	93,869
(Decrease)/increase in operating payables		**(105,664)**	141,851
Increase in accruals		**36,590**	2,750
Net cash used in operations		**(1,260,280)**	(497,924)
Cash flows from investing activities			
Loans to subsidiary		**(1,283,782)**	(3,876,092)
Costs relating to acquisition of subsidiary		**–**	(318,538)
Interest received		**9**	11,767
Purchase of property, plant and equipment		**(5,225)**	–
Purchase of available-for-sale financial assets		**(441,827)**	–
Proceeds from sale of assets		**1,014,995**	–
Loan to third parties		**(200,000)**	–
Net cash used in investing activities		**(915,830)**	(4,182,863)
Cash flows from financing activities			
Proceeds from issue of share capital		**813,087**	2,998,159
Transaction costs of share issue		**(33,116)**	(67,937)
Loans received		**1,840,376**	666,687
Net cash from financing activities		**2,620,347**	3,596,909
Net increase/(decrease) in cash and cash equivalents		**444,237**	(1,083,878)
Cash and cash equivalents at beginning of year		**210,986**	1,469,689
Effect of foreign exchange rate changes		**70,792**	(174,825)
Cash and cash equivalents at end of year	12	**726,015**	210,986

Significant non-cash transactions

A total of 42,750,000 shares issued on 10 August 2009 related to the purchase of shares in Strategic Natural Resources.

The Notes on pages 25 to 48 form part of these Financial Statements.

Summary of Significant Accounting Policies

The principal Accounting Policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of Preparation of Financial Statements

The Financial Statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have also been prepared under the historical cost convention other than financial assets and financial liabilities at fair value through profit or loss.

The Financial Statements are presented in US dollars rounded to the nearest dollar.

Atlantic Coal plc, the legal parent, is domiciled and incorporated in the United Kingdom. The functional currency of Atlantic Coal plc is £ sterling.

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

b) Standards and Interpretations in Issue but not yet effective or not yet endorsed

IFRS 9 "Financial Instruments" specifies how an entity should classify and measure financial assets, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's Financial Statements.

A revised version of IAS 24 "Related Party Disclosures" simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This standard is effective for periods beginning on or after 1 January 2011, subject to EU endorsement, and is not expected to have an impact on the Group's Financial Statements.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" address the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments are effective for periods beginning on or after 1 January 2010, subject to EU endorsement, and are not expected to have an impact on the Group's Financial Statements.

Amendments to IFRS 2 "Share-based Payment" clarify the accounting for Group cash-settled share-based payment transactions. These amendments are effective for periods beginning on or after 1 January 2010, subject to EU endorsement, and are not expected to have an impact on the Group's Financial Statements.

Further amendments to IAS 32 address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments are effective for periods beginning on or after 1 January 2010, subject to EU endorsement, and are not expected to have an impact on the Group's Financial Statements.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" provide additional guidance on what can be designated as a hedged item. These amendments are effective for periods beginning on or after 1 July 2009 and are not expected to have an impact on the Group's Financial Statements.

Summary of Significant Accounting Policies (continued)

b) Standards and Interpretations in Issue but not yet effective or not yet endorsed (continued)

"Improvements to IFRSs" are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. These improvements have has various implementation dates, for April 2009 improvements, the improvement is effective for periods beginning on or after 1 January 2010, subject to EU endorsement. The Directors are assessing the possible impact of these improvements on the Group's Financial Statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 January 2010, subject to EU endorsement, and is not expected to have an impact on the Group's Financial Statements.

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment issued by the IASB in October 2008. These amendments are effective for periods ending on or after 30 June 2010, subject to EU endorsement, and are not expected to have an impact on the Group's Financial Statements

An amendment to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is effective for periods beginning on or after 1 January 2011, subject to EU endorsement, and is not expected to have an impact on the Group's Financial Statements

c) Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of Atlantic Coal plc and the audited management accounts of all of its subsidiary undertakings made up to 31 December 2009.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The Company acquired the Stockton Coal Group (consisting of Coal Contractors (1991) Inc, Stockton Anthracite LLC and Stockton Anthracite LP) on 19 November 2007 through a share exchange. As the shareholders of the Stockton Coal Group have control of the legal parent, Atlantic Coal plc, the transaction has been accounted for as a reverse acquisition in accordance with IFRS 3 "Business Combinations". Consequently, although the financial statements are prepared in the name of the legal parent, they are in substance a continuation of those of the legal subsidiaries. The following accounting treatment has been applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiaries within the Stockton Coal Group are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, without restatement to fair value;
- the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, Atlantic Coal plc, including the equity instruments issued to effect the business combination.

The cost of acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities acquired or assumed at the date of exchange, plus certain costs directly attributable to the acquisition. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

During the year the trade and assets of Stockton Anthracite LP and Stockton Anthracite LLC were transferred to Coal Contractors (1991) Inc. Stockton Anthracite LP and Stockton Anthracite LLC were dissolved on 31 December 2009.

Summary of Significant Accounting Policies (continued)

d) Going Concern

The Financial Statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of $2,571,672 during the year ended 31 December 2009 (loss for year ended 31 December 2008: $3,927,465) and has net liabilities of $2,497,376 as at 31 December 2009 (31 December 2008: net liabilities of $2,212,823).

The Group's and Company's business activities, together with the factors likely to affect their future development, performance and position, are set out in the Chairman's Report on pages 3 and 4. In addition, Note 1 to the Financial Statements includes the Group's and Company's objectives, policies and processes for managing its capital, their financial risk management objectives and their exposure to credit risk and liquidity risk.

Whilst the Directors have instituted measures to preserve existing cash and secure additional finance, these circumstances create material uncertainties over future results and cash flows.

The Directors have concluded that these circumstances represent a material uncertainty that casts doubt upon the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties mentioned above and based upon forecasts and projections, the Directors have a reasonable expectation that sufficient new funds will be raised to continue in operational existence for the foreseeable future. A Director and shareholder has also agreed to provide adequate funding for the Group to meet its expected liabilities as they fall due (refer to Note 27). For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

e) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

f) Foreign Currencies

Items included in the Financial Statements are initially measured using the currency of the primary economic environment in which the entities in the Group operate (their "functional currency"). This is pounds sterling for the legal parent and US dollars for the subsidiaries. The presentation currency for both the parent and the Group is US dollars. This reflects the primary economic environment in which the Group as a whole operates.

Assets and liabilities of the legal parent are translated into the presentation currency using the rate of exchange ruling at the Balance Sheet date, and income and expenses at the average rate for the year. Foreign exchange differences are recognised in equity.

Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences on retranslation and settlement are recognised in the Income Statement.

g) Property, Plant and Equipment

Property, plant and equipment, including coal lands and mine development costs are recorded at cost, which includes construction overheads and capitalised interest. Interest cost applicable to major asset additions are capitalised during the construction period. Expenditures for major renewals and betterments are capitalised while expenditures for maintenance and repairs are expensed as incurred. Coal land costs are depleted using the units of production method, based on estimated recoverable interest. Mine development costs are amortised using the units of production method, based on estimated recoverable interest. Other property, plant and equipment is depreciated using the straight-line method with estimated useful lives substantially as follows:

Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

Buildings	10 to 45 years
Mining and other equipment and related facilities	1 to 20 years
Land improvements	15 years
Transportation equipment	2 to 7 years
Furniture and fixtures	3 to 10 years

h) Coal Mine Reclamation Costs

Future cost requirements for land reclamation are estimated where surface and deep mining operations have been conducted, based on the Group's interpretation of the technical standards of regulations enacted by the US Office of Surface Mining, as well as state regulations. These costs relate to reclaiming the pit and support acreage at surface mines and sealing portals at deep mines. Other costs common to both types of mining are related to reclaiming refuse and slurry ponds as well as holding and related termination/exit costs.

The Group records these reclamation obligations under the provisions of Statements of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS No. 143"), which addresses asset retirement obligations that result from the acquisition, construction or normal operation of long-lived assets. It requires companies to recognise asset retirement obligations at fair value when the liability is incurred. Upon the initial recognition of a liability, that cost should be capitalised as part of the related long-lived asset and allocated to expense over the useful life of the asset. The asset retirement costs are recorded in coal lands.

The Group expenses reclamation performed prior to final mine closure. The establishment of the end of mine reclamation and closure liability is based upon permit requirements and requires significant estimates and assumptions, principally associated with regulatory requirements, costs and recoverable coal lands. Annually, the end of mine reclamation and closure liability is reviewed and necessary adjustments are made, including adjustments due to mine plan and permit changes and revisions of cost and production levels to optimize mining and reclamation efficiency. The amount of such adjustments is reflected in the SFAS No. 143 year end calculation.

SFAS No. 143 is in line with International Accounting Standard No. 37, Provisions, Contingent Liabilities and Contingent Assets which covers the accounting for asset retirement obligations.

i) Land and Coal Rights and Restoration Costs

The land and coal rights are stated at cost. Restoration costs are based on estimated amounts. Depletion of coal rights and depreciation of restoration costs are being provided over the estimated amount of coal to be recovered.

j) Accrued restoration costs

The Group also has recorded an asset retirement obligation for its current mining operation for costs to reclaim the site when mining is completed.

The remaining amount provided for restoration on a site previously mined by the Group and currently being restored is based on an independent third party appraisal of current costs to reclaim the site. The liability for the total estimated restoration costs is adjusted as estimates are revised.

The Group believes that in the event that the contractor fails to perform there is sufficient bonding in place to cover a significant portion of the incremental cost to complete the reclamation.

The third party appraisal of reclamation costs reviewed site specific information related to total cubic yards of material required to be placed in the mine, support area restoration and total acres to be reseeded. Costs were derived from recent state mine reclamation project bids by qualified contractors and state bond rates required for annual recalculation of reclamation bonds.

Summary of Significant Accounting Policies (continued)

k) Leasing Commitments

A finance lease is one in which a significant portion of the risks and rewards of ownership are transferred to the lessee. Assets obtained under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the Income Statement over the period of the lease, and represents a constant proportion of the balance of capital repayments outstanding.

l) Financial Assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

(ii) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in profit or loss within "Other (Losses)/Gains – Net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of Other Income when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in other income as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of Other Income when the Group's right to receive payments is established.

Impairment of Financial Assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets Classified as Available-for-Sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Impairment testing of trade receivables is described under "Trade Receivables" below.

m) Inventories

Inventories are stated at lower of cost and net realisable value. Components of inventories consist of coal, parts and supplies, net of allowance for obsolescence. Coal inventories represent coal contained in stockpiles and includes tons that have been mined and hauled to the wash plant (raw coal) for processing and coal that has been processed (crushed, washed and sized) and stockpiled for shipment to customers.

Summary of Significant Accounting Policies (continued)

n) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

p) Taxation

Current tax is the tax currently payable based on the taxable profit for the year.

Tax losses available to be carried forward, and other tax credits to the Group, are recognised as deferred tax assets, to the extent that it is probable that there will be future taxable profits against which the temporary differences can be utilised.

q) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

r) Employee Benefits

The Group sponsors a savings and retirement defined contribution pension plan for substantially all employees based in the US. The plan matches voluntary contributions of participants up to a maximum contribution based upon a percentage of a participants' salary with an additional matching contribution possible at the discretion of the Group. No contributions were made under the plan for the year ended 31 December 2009 or the year ended 31 December 2008.

The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in current and prior years. Agreed contributions are charged to the Income Statement as they become payable.

s) Revenue Recognition

Revenues include sales to customers of coal produced by the Group. The Group recognises revenue from the sale of coal at the time delivery occurs and title passes to the customer, which is either upon shipment or upon customer receipt of coal based on contractual terms. Also, the sale price must be determinable and collection reasonably assured.

t) Share-Based Payments

The Group operates a share option scheme to encourage participation by Directors in the Group's performance. The fair value of the services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of any options granted, excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimate of options that are expected to vest.

Where shares were issued in exchange for services rendered, the fair value of the shares was calculated as the fair value of the services provided.

Summary of Significant Accounting Policies (continued)

t) Share-Based Payments (continued)

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

u) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Under the reverse acquisition, goodwill represents the excess of the cost of the combination over the acquirer's interest in the net fair values of the legal parent. The fair value of the equity instruments of the legal subsidiary to effect the combination was not available; therefore, the fair value of all the issued equity instruments of the legal parent before the business combination was used as the basis for determining the cost of the combination

v) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are expensed in the period in which they are incurred and are included in finance costs in the Income Statement.

x) Impairment of Non-Financial Assets

The entity assesses at each reporting date whether an asset may be impaired. If any such indicator exists, the entity tests the asset for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of the asset, an impairment loss is required. In addition to this, assets with indefinite lives and goodwill are tested for impairment at least annually.

1. Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions denominated in a foreign currency. The Group maintains bank accounts in these currencies to reduce its exposure to this risk. The volume of transactions is not deemed sufficient to enter into forward contracts.

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. Changes in individual commodity prices that were possible at the Balance Sheet date would have no significant effect upon profit or loss or equity.

The Group has no exposure to equity securities price risk, as it has no listed equity investments.

The Group has both interest-bearing assets and liabilities. Interest-bearing assets include only cash balances, all of which earn interest at a fixed rate. The Group has a policy of maintaining the majority of its debt at a fixed rate to ensure certainty of future interest cash flows. The effect of fluctuations in rates on debt at variable rates is not expected to have a material effect. Thus the Group is only exposed to fair value interest rate risk, which is not expected to have a significant impact on profit or loss or equity.

Environmental & Mining Risk

The Group is required to comply with Department of Environmental Protection (DEP) regulations on mine reclamation and rehabilitation. Any breaches of these rules may result in the Group being fined or in relation to serious offences, may result in the mining permit being cancelled.

Credit Risk

Credit risk arises from cash and cash equivalents as well as exposure to customers including outstanding receivables.

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the Board of Directors. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

Liquidity Risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient available funds for operations and planned expansions.

1. Financial Risk Management (continued)

The following table analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings, based on the remaining period to maturity at the Balance Sheet date. The amounts disclosed are the contractual undiscounted cash flows:

At 31 December 2009	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	**5,222,749**	**2,392,795**	**472,141**	**–**
Trade and other payables	**3,517,161**	**–**	**–**	**–**

At 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,098,993	3,177,934	8,393	–
Trade and other payables	3,556,904	–	–	–

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio which is Net Debt divided by in full EBITDA. Net debt is calculated as securitisation, finance lease liabilities and Group loans less cash and cash equivalents.

Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables is assumed to approximate to their fair values, due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2. Critical Accounting Estimates and Judgements

The preparation of the combined financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant items subject to such estimates and assumptions include, but are not limited to:

Asset Retirement Obligations – the Group obtains third party estimates of the expected cost of reclamation and reviews these estimates based on actual performance.

Carrying Value of the Investment – the Directors refer to 3rd party valuation reports and assess the carrying value of the investment annually.

Other estimates include but are not limited to the allowance for doubtful accounts; employee benefit liabilities; future cash flows associated with assets; useful lives for depreciation, depletion and amortisation; workers' compensation claims; income taxes; and fair value of financial instruments. Due to the subjective nature of these estimates, actual results could differ from those estimates.

3. Segmental Information

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the year the Group had interests in two geographical segments, the United Kingdom and the United States of America. The parent Company operates a head office based in the United Kingdom which incurred certain administration and corporate costs.

	For the year ended 31 December 2009				For the year ended 31 December 2008			
	USA	**UK**	**Inter-segment balances**	**Total**	USA	UK	Inter-segment balances	Total
	$	**$**	**$**	**$**	$	$	$	$
Revenue from external customers	**9,048,214**	**–**	**–**	**9,048,214**	2,229,746	–	–	2,229,746
Gross profit/(loss)	**1,692,860**	**–**	**–**	**1,692,860**	(5,290,986)	–	–	(5,290,986)
Operating loss	**(443,126)**	**(1,144,866)**	**–**	**(1,587,992)**	(2,492,626)	(1,015,940)	–	(3,508,566)
Depreciation	**999,901**	**1,241**	**–**	**1001,142**	1,093,460	2,594	–	1,096,054
Amortisation	**348,852**	**–**	**–**	**348,852**	77,199	–	–	77,199
Capital expenditure	**247,876**	**5,225**	**–**	**253,101**	1,456,997	–	–	1,456,997
Total assets	**14,785,619**	**28,893,292**	**(27,885,925)**	**15,792,986**	14,691,264	24,386,594	(24,107,530)	14,970,328
Total liabilities	**27,721,931**	**2,794,196**	**(12,225,765)**	**18,290,362**	26,316,531	738,970	(9,872,350)	17,183,151

A reconciliation of operating loss to loss before taxation is provided as follows:

	Year ended 31 Dec 2009	Year ended 31 Dec 2008
	$	$
Operating loss for reportable segments	**(1,587,992)**	(3,508,566)
Finance income	**21,246**	54,469
Finance costs	**(1,004,926)**	(473,368)
Loss before tax	**(2,571,672)**	(3,927,465)

Information about major customers

Revenues of approximately $1.738 million are derived from a single external customer. These revenues were all generated in the USA. In 2008 no single customer exceeded 10% of the Group's total external revenue.

4. Operating Loss

The operating loss is stated after charging:

	Group	
	For the year ended 31 Dec 2009 $	For the year ended 31 Dec 2008 $
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated accounts	**38,396**	37,104
Fees payable to the Company's auditors for other services provided to the Company and its subsidiaries:		
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	**60,000**	60,000
Fees payable to the Company's auditors for tax services	**2,000**	2,000
Lease rentals:		
Land and buildings	**216,904**	71,201
Other assets	**66,275**	93,870
Bad debt expense	**68,120**	–
Share-based payments	**81,071**	43,405
Depreciation	**1,001,142**	1,096,054
Amortisation	**348,852**	77,199

5. Property, Plant and Equipment

	Group				
	Land and buildings $	**Plant and machinery $**	**Motor vehicles $**	**Furniture and equipment $**	**Total $**
Cost					
As at 31 December 2007	332,957	15,071,171	365,546	74,632	15,844,306
Additions	–	34,756	–	–	34,756
Exchange differences	–	–	–	(1,781)	(1,781)
As at 31 December 2008	332,957	15,105,927	365,546	72,851	15,877,281
Additions	–	95,251	123,530	5,224	224,005
Exchange differences	–	–	–	505	505
As at 31 December 2009	332,957	15,201,178	489,076	78,580	16,101,791
Depreciation					
As at 31 December 2007	224,736	9,056,960	337,913	65,515	9,685,124
Charge for the year	14,987	1,059,416	16,579	5,072	1,096,054
Exchange differences	–	–	–	(1,524)	(1,524)
As at 31 December 2008	239,723	10,116,376	354,492	69,063	10,779,654
Charge for the year	14,988	971,590	11,110	3,454	1,001,142
Exchange differences	–	–	–	504	504
As at 31 December 2009	254,711	11,087,966	365,602	73,021	11,781,300
Net book value as at 31 December 2008	93,234	4,989,551	11,054	3,788	5,097,627
Net book value as at 31 December 2009	**78,246**	**4,113,212**	**123,474**	**5,559**	**4,320,491**

The net book value of assets under finance lease is $101,555 (31 December 2008: $118,930).

Depreciation expense of $996,587 (2008: $1,089,882) has been charged in 'cost of sales' and $4,555 (2008: $6,172) in administration expenses.

5. **Property, Plant and Equipment (continued)**

	Company **Furniture and equipment** **$**
Cost	
Balance as at 1 January 2008	6,920
Exchange differences	(1,871)
As at 31 December 2008	5,049
Additions	5,225
Exchange differences	505
As at 31 December 2009	10,779
Depreciation	
Balance as at 1 January 2008	3,855
Charge for the year	2,594
Exchange differences	(1,612)
As at 31 December 2008	4,837
Charge for the year	1,241
Exchange differences	504
As at 31 December 2009	6,582
Net book value as at 31 December 2008	212
Net book value as at 31 December 2009	**4,197**

6. Land, coal rights and restoration costs

	Group	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Stockton mine costs		
Land costs	**3,000,000**	3,000,000
Development costs	**2,437,098**	2,437,098
Railroad relocation costs[1]	**1,451,338**	1,422,241
Retirement obligation cost		
Brought forward	**847,569**	914,472
Decrease in retirement obligation estimate	**(868)**	(66,903)
Carried forward	**846,701**	847,569
Total Stockton mine costs	**7,735,137**	7,706,908
Stockton mine costs depreciation		
Brought forward	**2,299,925**	2,249,823
Charge for the year	**225,405**	50,102
Stockton accumulated depreciation	**2,525,330**	2,299,925
Stockton mine costs net book value	**5,209,807**	5,406,983
Land costs		
Land – 154.2 Acres surface and mineral	**3,400,000**	3,400,000
Land – 181 Acres mineral only	**150,000**	150,000
	3,550,000	3,550,000
Mineral depreciation		
Brought forward	**1,300,723**	1,273,626
Charge for the year	**123,447**	27,097
Land accumulated depreciation	**1,424,170**	1,300,723
Land net book value	**2,125,830**	2,249,277
Total	**7,335,637**	7,656,260

[1] In the course of construction.

The asset retirement provision for the Stockton mine property is calculated using current cost estimates provided by an independent third party consultant. The current cost estimates are applied to the required reclamation activities for closure of the mine. The cost estimates are escalated at 4.4% annually to the anticipated future mine closure date. The escalation factor was derived from the prior 15 year average increase in the US Producer Price Index for Anthracite producers. The future reclamation cost value is discounted at 8% (incremental cost of borrowing) to arrive at the recorded reclamation liability.

7. Investments in Subsidiary Undertakings

	Company	
	As at 31 Dec 2009	As at 31 Dec 2008
Shares in Group undertakings	**$**	$
At 1 January	**14,235,180**	19,072,306
Additions	**–**	436,546
Foreign currency translation	**1,424,599**	(5,273,672)
At 31 December	**15,659,779**	14,235,180

Investments in Group undertakings are stated at cost, which is the fair value of the consideration paid.

Details of Subsidiary Undertakings

Details of subsidiary undertakings at 31 December 2009 are as follows:

Name of subsidiary	**Place of establishment**	**Registered capital**	**Share capital held**	**Principal activities**
Coal Contractors (1991) Inc	USA	Ordinary shares $100	100%	Anthracite mining and processing

During the year the trade and assets of Stockton Anthracite LP and Stockton Anthracite LLC, both previously wholly owned subsidiaries, were transferred to Coal Contractors (1991) Inc. Stockton Anthracite LP and Stockton Anthracite LLC were dissolved on 31 December 2009.

8. Trade and Other Receivables

	Group		Company	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $	**As at 31 Dec 2009 $**	As at 31 Dec 2008 $
Trade receivables	**781,403**	327,745	**–**	1,190
Less: provision for impairment of trade receivables	**(22,671)**	–	**–**	–
Trade receivables net	**758,732**	327,745	**–**	1,190
Other receivables	**166,855**	169,429	**–**	2,574
Prepayments	**145,312**	137,545	**52,536**	26,605
Accrued income	**1,823**	–	**1,823**	–
VAT receivable	**22,796**	37,497	**22,796**	37,497
Loans to third parties	**200,000**	–	**200,000**	–
Loans to related parties (note 25)	**–**	–	**12,226,146**	9,872,350
	1,295,518	672,216	**12,503,301**	9,940,216
Less non-current portion	**(201,823)**	–	**(12,427,969)**	(9,872,350)
Current portion	**1,093,695**	672,216	**75,332**	67,866

All non-current receivables are due within five years of the Balance Sheet date.

The fair value of all current receivables is as stated above. Non-current receivables have no fixed date of repayment and as such the Directors' believe a calculation of a reliable estimate of their fair value cannot be made at the balance sheet date.

Non-current receivables include a $200,000 loan due from Maple Carpenter Creek LLC (MCC). On 18 May 2010 the Company agreed revised terms with MCC whereby the loan would be repayable in 12 monthly instalments beginning 31 May 2010. The loan continues to carry an interest charge of 10% per annum and be unsecured.

Group

At 31 December 2009, trade receivables of $700,894 (31 December 2008: $327,745) were overdue but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is:

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Up to 3 months	**692,608**	231,506
3 to 6 months	**8,286**	3,647
6 to 12 months	**–**	5,836
Over 12 months	**–**	86,756
Total	**700,894**	327,745

8. Trade and Other Receivables (continued)

As at 31 December 2009, trade receivables of $80,509 (2008: $Nil) were impaired and provided for. The amount of the provision was $22,671 as of 31 December 2009 (2008: $Nil). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic circumstances. It is assessed that a proportion of the receivables is expected to be recovered.

The ageing of the receivables is as follows:

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Up to 3 months	**57,838**	–
3 to 6 months	**14,119**	–
6 to 12 months	**–**	–
Over 12 months	**8,552**	–
Total	**80,509**	–

The creation and release of provision for impaired receivables have been included in administration expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
US dollar	**1,220,186**	604,350
UK pound	**75,332**	67,866
Total	**1,295,518**	672,216

9. Available-for-sale financial assets

	Group		Company	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $	**As at 31 Dec 2009 $**	As at 31 Dec 2008 $
Balance at 1 January	**–**	–	**–**	–
Additions	**883,654**	–	**883,654**	–
Disposals	**(883,654)**	–	**(883,654)**	–
At 31 December	**–**	–	**–**	–

Available-for-sale financial assets represent UK Listed equity securities that were acquired and disposed of during the year. All securities are denominated in pound sterling. Details of the profit from disposal of available for sale financial assets are disclosed in note 21.

10. Inventories

	Group		Company	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $	**As at 31 Dec 2009 $**	As at 31 Dec 2008 $
Coal	**1,611,631**	350,611	**–**	–
Supplies	**149,416**	129,580	**–**	–
	1,761,047	480,191	**–**	–

The cost of inventories recognised as an expense and included in cost of sales was $1,295,650 (31 December 2008: $271,399).

11. Other assets

	Group	
	As at 31 Dec 2009	As at 31 Dec 2008
	$	$
Certificate of deposit	**236,486**	230,606
Escrow account	**–**	506,338
	236,486	736,944

The Group, as part of a purchase agreement on a portion of the site currently being mined, provided a supply agreement to the seller. The Group was required to provide, at the option of the purchaser, up to 100,000 tons of run of mine coal annually, with minimum quality specifications, until the date of exhaustion of the coal reserves on the site (refer to Note 15). As part of the agreement, the Group was required to deposit into an escrow account $1.00 for every ton of prepared coal produced from the site until the escrow account accumulated to $2,500,000. Had the Group defaulted on the terms of the agreement, the escrow account would have been forfeited as liquidating damages.

During the year the Group renegotiated the supply agreement (refer to Note 15). As a result of these negotiations the supply agreement was terminated and the balance on the escrow account forfeited by the Group.

The Group has provided certificates of deposit as collateral to secure mine reclamation obligations as required by the Department of Environmental Protection. The certificates of deposit are not released until the underlying reclamation obligations have been completed by the Group and released by the Department of Environmental Protection.

12. Cash and Cash Equivalents

	Group		Company	
	As at 31 Dec 2009	As at 31 Dec 2008	**As at 31 Dec 2009**	As at 31 Dec 2008
	$	$	**$**	$
Cash at bank and in hand	**843,807**	327,090	**726,015**	210,986

13. Called-Up Share Capital

	Number	£
Authorised		
Ordinary shares of 0.07 p each	20,000,000,000	14,000,000

There has been no movement in the authorised share capital during the year.

Issued	Number of shares	Ordinary shares $	Share premium $	Total $
At 1 January 2008	**762,000,000**	**1,057,101**	**12,108,661**	**13,165,762**
Issue of new shares – 15 September 2008[1]	426,712,000	536,074	3,208,815	3,744,889
Issue of new shares – 2 December 2008	45,000,000	47,770	286,619	334,389
At 31 December 2008	**1,233,712,000**	**1,640,945**	**15,604,095**	**17,245,040**
Issue of new shares – 30 April 2009[2]	100,000,000	103,026	524,838	627,864
Issue of new shares – 31 July 2009	9,384,350	10,806	66,380	77,186
Issue of new shares –10 August 2009	42,750,000	49,942	420,939	470,881
At 31 December 2009	**1,385,846,350**	**1,804,719**	**16,616,252**	**18,420,971**

[1] Includes placing costs of $86,806.

[2] Includes placing costs of $108,036.

Share Options

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Shares	
Expiry date	Exercise price in £ per share	**2009**	2008
7 June 2011	0.02	**24,348,142**	24,348,142
3 December 2011	0.0045	**16,500,000**	16,500,000
18 November 2012	0.025	**15,240,000**	15,240,000
18 November 2012	0.035	**6,000,000**	6,000,000
18 November 2012	0.055	**6,000,000**	6,000,000
18 November 2012	0.075	**5,000,000**	5,000,000
20 August 2013	0.0075	**7,620,000**	–
15 September 2013	0.005	**28,074,070**	28,074,070
15 September 2013	0.012	**4,500,000**	4,500,000
30 April 2014	0.005	**13,337,120**	–
27 August 2014	0.01	**23,500,000**	–
25 September 2014	0.01	**26,500,000**	–
		176,619,332	105,662,212

13. Called-Up Share Capital (continued)

The options are exercisable starting immediately from the date of grant and lapse on either the third or fifth anniversary of the date of grant. The Company or Group has no legal or constructive obligation to settle or repurchase the options in cash.

The fair value of the share options was determined using the Black–Scholes valuation model. The parameters used are detailed below:

	2009 Options		
Option granted on:	30/04/2009	26/08/2009	25/09/2009
Option life (years)	5 years	5 years	5 years
Risk-free rate	2.59%	2.69%	2.68%
Expected volatility	31.61%	13.11%	12.32%
Expected dividend yield	–	–	–
Marketability discount	20%	20%	20%
Total fair value of options granted ($000)	80	2	2

	2008 Options			2007 Options	2006 Options
Option granted on:	20/08/2008	15/09/2008	3/12/2008	19/11/2007	6/06/2006
Option life (years)	5 years	5 years	3 years	5 years	5 years
Risk-free rate	4.41%	4.21%	2.71%	5%	4.6%
Expected volatility	29%	29%	30%	15%	15%
Expected dividend yield	–	–	–	–	–
Marketability discount	20%	20%	20%	20%	80%
Total fair value of options granted ($000)	13	43	24	65	13

The expected volatility is based on historical volatility for the six months prior to the date of granting.

The risk-free rate return is based on zero yield government bonds for a term consistent with the option life.

13. Called-Up Share Capital (continued)

A reconciliation of options granted over the year to 31 December 2009 is shown below:

	2009		2008	
	Number	**Weighted average exercise price (£)**	Number	Weighted average exercise price (£)
Outstanding as at 1 January	**105,662,212**	**0.019**	56,588,142	0.03
Granted	**80,341,470**	**0.008**	49,074,070	0.005
Exercised	**(9,384,350)**	**0.005**	–	–
Outstanding as at 31 December	**176,619,332**	**0.015**	105,662,212	0.019
Exercisable at 31 December	**176,619,332**	**0.015**	83,446,166	0.023

	2009				2008			
Range of exercise prices (£)	**Weighted average exercise price (£)**	**Number of shares**	**Weighted average remaining life expected (years)**	**Weighted average remaining life contracted (years)**	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0.00–0.01	**0.007**	**115,531,190**	**3.95**	**3.95**	0.005	44,574,070	4.05	4.05
0.01–0.075	**0.03**	**61,088,142**	**2.37**	**2.37**	0.03	61,088,142	3.37	3.37

The total fair value has resulted in a charge to the Income Statement for the year ended 31 December 2009 of $81,071 (2008: $43,405) and a charge to Share Premium of $60,569 (2008: $nil).

14. Trade and Other Payables

	Group		Company	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $	**As at 31 Dec 2009 $**	As at 31 Dec 2008 $
Trade payables	**2,623,463**	3,032,127	**333,659**	417,990
Other payables	**–**	2,487	**–**	2,487
Social security and other taxes	**155,309**	84,136	**21,921**	456
Accrued expenses	**738,389**	438,154	**208,632**	36,541
	3,517,161	3,556,904	**564,212**	457,474

15. Provisions

	Group	
	As at 31 Dec 2009	As at 31 Dec 2008
	$	$
Provision for supply of coal	**–**	2,160,000

In connection with the acquisition of the Stockton Mine real estate in November 2000, the Stockton Coal Group entered into a ROM Coal Sale and Purchase Agreement to supply coal to Jeddo, an affiliate of the vendor of the property, Pagnotti Enterprises, Inc. It granted Jeddo the option to purchase up to 100,000 standard long tons of coal annually, divided into an "annual" amount of at least 50,000 tons, provided that Jeddo gave notice of its election to exercise by 31 December of the previous year, and a quarterly optional amount where Jeddo could buy up to 50,000 tons more per year by exercising quarterly increase rights of up to 5,000 tons per month. The term of the Group's obligation under this agreement lasted until all the coal reserves at the Stockton mine are depleted. The Group recognised a provision for its obligations under this agreement.

On 31 December 2009 the Group completed a termination agreement with Pagnotti which cancelled the previous supply agreement.

Included within cost of sales for the year ended 31 December 2009 is a credit of $360,385 resulting from a write-back of the provision, less a write-off of the receivable and recognition of the Group's liabilities under the new agreement.

Details of outstanding liabilities under the termination agreement are shown in Note 16.

In the year ended 31 December 2008 a charge of $1,080,000 was recognised for the increase in the provision during that year.

16. Borrowings

	Group		Company	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $	**As at 31 Dec 2009 $**	As at 31 Dec 2008 $
Non-current				
Debenture and other loans	**2,841,146**	3,085,340	**637,184**	–
Finance lease liabilities	**23,790**	100,987	**–**	–
	2,864,936	3,186,327	**637,184**	–
Current				
Debentures and other loans	**5,120,941**	1,041,265	**1,592,800**	281,496
Finance lease liabilities	**101,808**	57,728	**–**	–
	5,222,749	1,098,993	**1,592,800**	281,496

At 31 December 2009 total borrowings include secured liabilities of $4,258,066 (31 December 2008: $1,683,887). Borrowings are secured as follows:

General Electric Capital Corporation (GECC) loan note in the amount of $2,028,081 (2008: $1,683,887) is secured on all anthracite coal to be extracted from the property and all anthracite coal inventories through the grant of a first mortgage on all the real property of Coal Contractors (1991) Inc.

Cornhill Capital Limited loan notes with the Company in the amount of $1,592,800 (2008: $Nil) are secured on all real property of Coal Contractors (1991) Inc. through the grant of a second mortgage on the property and an unconditional, absolute and irrevocable guarantee by Coal Contractors (1991) Inc. The loan notes are repayable on various dates between 27 August 2010 and 25 September 2010 and carry an interest charge of 15% per annum payable on maturity.

The working capital facility provided by Stephen Best (refer to Note 26) of $637,184 (2008: $281,496: unsecured) is secured by way of a third charge over all anthracite coal to be extracted from the property and all anthracite coal inventories through the grant of a mortgage on all the real property of Coal Contractors (1991) Inc. The maturity date on this facility is 31 December 2011.

At 31 December 2009 balances in relation to the Pagnotti agreement (refer to Note 15) included in current and non-current liabilities were $565,000 (2008: $Nil) and $700,000 (2008: $Nil) respectively.

The GECC loan is repayable on 15 January 2012 and subject to an interest charge of 2% above US prime rates per annum. However, the loan repayments were not adhered to during the year and as such the balance has been shown within current liabilities at 31 December 2009. Since the year end the Directors have had positive discussions with GECC and are confident of renegotiating the repayment terms of the loan.

16. Borrowings (continued)

The carrying amounts and fair value of the non-current borrowings are:

	Carrying amount		Fair value	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $	**As at 31 Dec 2009 $**	As at 31 Dec 2008 $
Debenture and other loans	**2,841,146**	3,085,340	**2,841,146**	3,085,340
Finance lease liabilities	**23,790**	100,987	**23,790**	100,987
	2,864,936	3,186,327	**2,864,936**	3,186,327

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on the face values of the loans.

The carrying amounts of short-term borrowings are approximately their fair value.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
US dollar	**5,559,825**	3,498,309
UK pound	**2,527,860**	787,011
Total	**8,087,685**	4,285,320

Lease Liabilities

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Finance lease liabilities – minimum lease payments		
– due within one year	**110,072**	73,206
– due within two to five years	**25,085**	107,983
– due thereafter	**–**	–
	135,157	181,189
Finance charges allocated to future periods	**(9,559)**	(22,473)
Present value of finance lease liabilities	**125,598**	158,716

17. Accrued Restoration Costs

	Group	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Gowen	**203,130**	2,534,625
Stockton	**2,750,197**	2,546,302
	2,953,327	5,080,927
Gowen total costs		
Brought forward	**4,634,625**	4,634,625
Reclamation work performed	**(1,300,649)**	–
Increase in estimated reclamation liability	**601,343**	–
Carried forward	**3,935,319**	4,634,625
Gowen costs split:		
Current	**3,732,189**	2,100,000
Non-current	**203,130**	2,534,625
Stockton total costs		
Brought forward	**2,546,302**	2,417,584
Accretion	**204,763**	195,621
Decrease in estimated Stockton mine reclamation liability	**(868)**	(66,903)
Carried forward	**2,750,197**	2,546,302

The asset retirement provision for the Stockton mine property is calculated using current cost estimates provided by an independent third party consultant. The current cost estimates are applied to the required reclamation activities for closure of the mine. The cost estimates are escalated at 4.4% annually to the anticipated future mine closure date. The escalation factor was derived from the prior 15 year average increase in the US Producer Price Index for Anthracite producers. The future reclamation cost value is discounted at 8% (incremental cost of borrowing) to arrive at the recorded reclamation liability.

18. Other Gains – Net

	Group	
	For the year ended 31 Dec 2009 $	For the year ended 31 Dec 2008 $
Net foreign exchange (losses)/gains	**(1,124,539)**	3,444,188

	Group	
Average Number of Employees (including Executive Directors)	**For the year ended 31 Dec 2009**	For the year ended 31 Dec 2008
Admin	**6**	11
Coal miners	**51**	25
Total average headcount	**57**	36

19. Employees

Staff costs (including Executive Directors)	Group: **For the year ended 31 Dec 2009 $**	Group: For the year ended 31 Dec 2008 $	Company: **For the year ended 31 Dec 2009 $**	Company: For the year ended 31 Dec 2008 $
Wages and salaries	**2,696,649**	1,499,629	**258,932**	140,394
Social security costs	**278,923**	167,377	**42,804**	23,357
Share options granted to Directors	**43,345**	43,405	**43,345**	43,405
	3,018,917	1,710,411	**345,081**	207,156

Included within staff costs above are $201,129 (2008: $Nil) of costs incurred at the Gowen site that have been charged against the reclamation provision in the year.

20. Directors' Remuneration

	Directors' fees: **For the year ended 31 Dec 2009 $**	Directors' fees: For the year ended 31 Dec 2008 $	Options vested: **For the year ended 31 Dec 2009 $**	Options vested: For the year ended 31 Dec 2008 $
Non-Executive Directors				
Adam Wilson[1]	**117,445**	27,055	**18,824**	29,429
Toby Howell	**43,063**	52,873	**–**	–
Ken Ford[1] & [4]	**18,791**	12,986	**–**	–
Max Crosland[1], [4] & [5]	**18,791**	12,986	**–**	–
Peter Chinneck[2]	**37,582**	3,710	**21,760**	1,736
Christopher Lambert[3] & [6]	**–**	44,524	**–**	–
Executive Directors				
Stephen Best	**107,005**	111,311	**–**	–
Gregory Kuenzel[9]	**97,610**	44,853	**2,761**	12,240
Raymond Petrilla[4]	**80,000**	160,000	**–**	–
	520,287	470,298	**43,345**	43,405

[1] Appointed 15 September 2008.
[2] Appointed 3 December 2008.
[3] Resigned 15 September 2008.
[4] Resigned 30 June 2009.
[5] Non-Executive Director fees were paid to M2 Management Services Limited.
[6] Non-Executive Director fees were paid to CJL Consultants Limited.
[7] Non-Executive Director fees were paid to Terasse (WA) Pty Ltd.
[8] Non-Executive Director fees were paid to Jade Lauren Pty Ltd.
[9] Non-Executive Director fees were paid to Freeside Limited.

No pension benefits are provided for any Director.

21. Other income

	Group	
	For the year ended 31 Dec 2009	For the year ended 31 Dec 2008
	$	$
Gains from investment securities	**131,342**	–
Other income	**10,506**	–
	141,848	–

22. Finance Income and Costs

	Group	
	For the year ended 31 Dec 2009	For the year ended 31 Dec 2008
	$	$
Interest expense:		
Other loans	**1,004.926**	473,368
Finance costs	**1,004,926**	473,368
Finance income		
Interest received from bank	**7,665**	54,469
Other finance income	**13,581**	–
	21,246	54,469
Net finance costs	**983,680**	418,899

23. Expenses by nature

	Group	
	For the year ended 31 Dec 2009	For the year ended 31 Dec 2008
	$	$
Staff benefit expenses	**3,621,554**	2,290,119
Depreciation, amortisation and impairment charges	**1,349,994**	1,173,253
Fuel and oil	**1,506,828**	1,121,328
Rental expenses	**972,416**	71,201
Other expenses	**2,202,723**	4,526,599
Total cost of sales, administration and other expenses	**9,653,515**	9,182,500

24. Taxation

	Group	
	For the year ended 31 Dec 2009	For the year ended 31 Dec 2008
	$	$
Loss before tax	**(2,571,672)**	(3,927,465)
Tax at the applicable rate of 36% (2008: 39%)	**(925,802)**	(1,531,711)
Tax losses utilised	**47,283**	1,531,711
Net tax effect of losses carried forward	**878,519**	1,531,711
Tax charge	**–**	–

No tax charge or credit arises on the loss for the period.

The tax rate used is a combination of the 28% (2008: 28.25%) standard rate of corporation tax in the UK, 34% US federal tax rate and 6% Pennsylvania state tax rate for the Stockton Coal Group to give an applicable rate of 36% (2008: 39%).

The Group has tax losses of approximately $10,254,525 (2008: $5,680,000) available to carry forward against future taxable profits. A deferred tax asset has not been recognised because of uncertainty over the timing of future taxable profits against which the losses may be offset.

25. Loss per Share

The calculation of the basic loss per share of 0.19 cents (31 December 2008 loss per share: 0.44 cents) is based on the loss attributable to ordinary shareholders of $2,571,672 (31 December 2008 loss: $3,927,465) and on the weighted average number of ordinary shares of 1,321,934,438 (31 December 2008: 891,603,541) in issue during the period.

In accordance with IAS 33, no diluted earnings per share is presented as the effect on the exercise of share options would be to decrease the loss per share.

Details of share options that could potentially dilute earnings per share in future periods are set out in Note 13.

26. Commitments

The Group has provided certificates of deposit as collateral to secure mining bonds required to secure mine reclamation obligations. The certificates are not released until the underlying reclamation obligations have been completed by the Group and released by the Department of Environmental Protection. The balance of certificates of deposit at 31 December 2009 is $236,486 (31 December 2008: $230,606) and is included as a restricted asset within other assets.

Mine production has been temporarily reduced from expected levels due to the location of railroad tracks that prevent mining raw coal situated in proximity to and under the tracks. The Group requested the seller for a suspension of its obligation to supply run of mine coal until the tracks are relocated and normal mine production resumes. The seller consented provided that make-up tonnage be delivered in future years.

The Group has entered into a contractual arrangement with The Railroad Associates Corporation for work to be performed in relation to the relocation of the Norfolk Southern railway line. An amount of $218,257 (2008: $218,257) remains committed under this contract.

The Group has entered into a contractual arrangement with SL Financial Services for the purchase of a new excavator under finance lease. An amount of $3,520,066 (2008: $Nil) remains committed under this contract.

27. Related Party Transactions

Shareholder Loans

Included within borrowings are the following amounts owed to shareholders:

	Group	
	As at 31 Dec 2009 $	As at 31 Dec 2008 $
Willoughby (465) Limited[1]	**590,231**	488,357
Hichens, Harrison & Co Plc	**177,714**	160,809
Mary Catherine Best[2]	**1,503,963**	1,374,210
	2,271,908	2,023,376

[1] Willoughby (465) Limited is a company controlled by Stephen Best, who is a Director and shareholder of the Company.

[2] Mary Catherine Best is the spouse of Stephen Best.

Partnorth Limited

As at 31 December 2009 there are amounts receivable of $166,855 (31 December 2008: $166,855) due from Partnorth Limited. Partnorth Limited is controlled by Stephen Best, who is a Director and shareholder of the Company.

This balance has been repaid subsequent to year end.

27. **Related Party Transactions (continued)**

Credit Facility

On 17 October 2007 the Company entered into an agreement with Stephen Best, who is a Director and major shareholder of the Company, ('Facility Letter'), whereby Stephen Best has agreed to make available a credit facility of up to $1,000,000, for a period of 18 months following Admission to AIM, solely for the purposes of working capital. Interest is payable at a rate of 10% per annum on monies drawn and an arrangement fee of $50,000 is payable on first draw down or maturity, whichever is the earlier.

On 27 June 2008 a second facility was agreed for $4,000,000 with a maturity date of 31 December 2011, interest accruing at 9% per annum of on monies drawn down, secured over the assets of the Coal Contractors Group.

On 17 April 2009, the balance outstanding on the $1,000,000 Facility Letter agreement expired and the balance of $461,030 was transferred to the second Facility maturing on 31 December 2011.

As at 31 December 2009 the Group had drawn down $637,184 (31 December 2008: $281,496) of the available balance on the facility.

Loan from Atlantic Coal plc to Coal Contractors (1991) Inc

As at 31 December 2009 there are amounts receivable of $12,226,146 (31 December 2008: $9,872,350) due from Coal Contractors (1991) Inc to the Company. These amounts are interest free and are repayable in sterling when sufficient cash resources are available in the subsidiary.

All Group transactions were eliminated on consolidation.

Other Transactions

Included in Trade Creditors is a balance of $251,135 payable to Stephen Best, who is a Director and shareholder of the Company, (31 December 2008: $306,196). This relates to out of pocket expenses incurred by Mr Best relating to the operations of the Stockton Coal Group.

Freeside Limited, a company of which Gregory Kuenzel is a Director and beneficial owner, was paid a fee for Company secretarial services and the provision of office administrative and receptionist services provided to the Group. The total fees paid during the year ended 31 December 2009 amounted to $84,149 (31 December 2008: $89,160).

28. **Ultimate Controlling Party**

The Directors believe there to be no ultimate controlling party.

29. **Events after the Balance Sheet Date**

Share Issue

On 9 February 2010 and 11 February 2010 the Company raised a total of £500,000 through the issue of 100 million new shares.

30. Contingencies

The only legal or arbitration proceedings which may have a material effect on the financial position of the only Group is as follows:

South Tamaqua Coal Pockets, Inc., as agent for Brook Contracting Corporation vs. Coal Contractors (1991), Inc. Raymond J. Petrilla and John T. Munley, Jr. (Common Pleas, Luzerne County No. 801-2007)

Brook Contracting Corp. alleges that it made prepayments, at the request of Coal Contractors (1991) Inc.'s management, for coal to be supplied pursuant to a coal supply agreement. Brook Contracting made prepayments aggregating $202,270 by early 2006, for which the coal was not delivered as agreed because Coal Contractors (1991) Inc.'s mining operations were idled during that time. Suit was filed in February 2007. Brook Contracting has made a claim for return of $202,270 with interest and damages in an unspecified amount caused by its having to obtain replacement coal from other sources at higher prices.

Since the mine resumed operations in late 2006, deliveries of coal have been made to Brook Contracting in amounts sufficient to satisfy the claims for return of the prepaid amounts, and the Group is seeking a written acknowledgment from Brook Contracting of the same, and a voluntary dismissal of other claims. The amount of coal which Coal Contractors allocated to Brook for this purpose was 558 tons of lump coal and 5,770 tons of run of mine coal.

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