

24 September 2008

**Atlantic Coal plc ('Atlantic Coal' or 'the Company')**  
**Interim Results**

Atlantic Coal plc, the AIM listed open cast coal production and processing company, is pleased to announce its results for the six months ended 30 June 2008.

**Overview**

- Entering a transformational period for the Company
- Relocation of railway at Stockton mine progressing and due for completion by year end
- Targeting 30,000 tonnes per month next year from a 4 million tonnes reserve base
- Local market remains buoyant for coal - circa US\$145 per tonne
- Restructured Board of Directors and completed £2,133,560 capital raising in September
- Actively seeking additional properties with quantified reserves

Managing Director Steve Best said, "With the operational and corporate progress we have made, I believe we are entering an exciting time. With the track being relocated at Stockton, production targeted for 30,000 tonnes per month next year, and the recent boardroom appointments and fundraising, we expect to see a distinct turnaround in our business performance."

**For further information visit [www.atlanticcoal.com](http://www.atlanticcoal.com) or contact:**

Stephen Best/Greg Kuenzel	Atlantic Coal plc	Tel: 020 7182 1747
Rod Venables/James Reeve	HB Corporate	Tel: 020 7510 8600
Richard Hail	Fox Davies Capital	Tel 020 7936 5230
Hugo de Salis/Victoria Thomas	St Brides Media & Finance Ltd	Tel: 020 7236 1177

**Chairman's Statement**

I believe we are now entering a transformational period for the Company as we look forward to a period of progress, development and production at the Stockton Colliery. During the period, we have worked hard to overcome some major obstacles to achieve our goals at Stockton and in particular bringing the Colliery into full production. I am highly confident that with these initiatives and with the recent financing in place, the true value of this asset will be reflected in the Company's share price going forward.

Stockton remains our flagship project. It is a fully working, bonded and equipped opencast anthracite mine located in the Pennsylvania anthracite fields and has defined reserves in excess of 4 million tonnes and an adjacent washing plant capable of washing 300,000 tonnes per annum on a single shift. As shareholders will be aware, the major concern in the last six months has been the relocation of the Norfolk Southern railway track running through the mining area. The current

railway track location has hindered extraction, which has adversely affected levels of production at Stockton and as a result it was imperative that it should be moved.

I am therefore pleased to report that having overcome a number of planning issues surrounding our proposed relocation of the railway track, work on the diversion is now progressing well. Preliminary preparation of the diverted route is nearing completion, with clearance work expected to be finished by the end of September. This progress has allowed us to recommit machinery, previously being utilised as part of the railway track clearance project, back to the mining operation.

Delivery of the track steel and other materials required for its construction was imminent at the time of writing. The project contractor, The Railroad Associates Corporation, is scheduled to begin laying the railway track in October and we anticipate that the diversion will be completed by the year end.

With these positive developments in the relocation process, we are now starting to move overburden on the south face to expose the coal seam. This will allow us to restart the preparation plant and production in October, which will be ramped up as we progressively open up the mine and increase raw coal feed. We are targeting a run-of-mine coal production rate of circa 30,000 tonnes per month in 2009.

With the mine fully operational, we expect to see a significant increase in the Company's production levels, stripping ratios and resulting revenues all of which, we believe, should have a positive impact on the Company's financial performance.

## **Fundraising**

In September 2008, we announced the raising of £2,133,560 through the issue of 426,712,000 new ordinary shares in the Company. The funds were raised via a placing executed by our recently appointed broker, Fox Davies Capital Limited, to a combination of new institutional investors, existing shareholders and the partial conversion of a loan made by the Managing Director of the Company.

The funds are being utilised to help facilitate Stockton's return to full production, the development and implementation of an expansion strategy and for general working capital.

## **Financials**

The Group reports a loss of \$4,030,008 for the period under review. This incorporates losses incurred by the cessation of production at Stockton in anticipation of completion of the railway track diversion to the South. We fully believe that the recommencement of production and the eventual return to full production capacity over the next few months will make a significant difference to subsequent figures.

In the meantime, our cash position remains healthy with £1.7 million in treasury, and we remain positive with regard to the Company's current financial position.

## Appointments

In September, a major restructuring of the Board of Directors and management was effected. I assumed the role of non-executive Chairman, joined by senior non-executive director Ken Ford and non-executive director Max Crosland. In addition, Greg Kuenzel has been appointed Finance Director and Ray Petrilla will remain as an Executive Director and will focus his attention on managing the production operations at Stockton. I believe the new Board now has added expertise and experience which will prove invaluable to the Company as we continue to move forward and look to develop new strategic initiatives.

## Outlook

This has been a period of consolidation and development for the Company which has seen us move closer towards bringing the Stockton colliery up to its full production potential. Our market outlook is positive with the spot price of anthracite coal remaining buoyant and sized coal products selling at circa \$145 a tonne. Importantly, we continue to receive enquiries from coal dealers and traders on a daily basis.

In addition to our continued development at Stockton, we are also actively seeking additional properties with quantified reserves that are economic to mine. We feel that in the US and Europe, there are opportunities for Atlantic Coal where it can utilise its expertise both in coal and corporate activity.

We believe that this period signals the beginning of a chapter of positive transformation for the Company. I look forward to updating you on our continued progress in the coming period.

Adam Wilson  
Chairman

## Consolidated Income Statement

	<b>6 months to 30 June 08 Unaudited \$</b>	<b>6 months to 30 June 07 Unaudited \$</b>	<b>4 months to 31 December 2007 Audited \$</b>
<b>Turnover</b>	1,692,434	3,393,927	2,523,054
Cost of sales	<u>(4,548,711)</u>	<u>(2,334,811)</u>	<u>(3,252,089)</u>
<b>Gross profit / (loss)</b>	(2,856,277)	1,059,116	(729,035)
Administration expenses	(909,263)	(2,031,345)	(848,628)
Other (losses) / gains – net	(65,948)	-	268,143
Other income	<u>27,474</u>	<u>55,151</u>	<u>1,602</u>

<b>Loss from operations</b>	(3,804,014)	(917,078)	(1,307,918)
Impairment of goodwill	-	-	(1,785,612)
Finance income	10,718	-	21,834
Finance costs	<u>(236,712)</u>	<u>(366,304)</u>	<u>(543,767)</u>
<b>Loss from ordinary activities before tax</b>	(4,030,008)	(1,283,382)	(3,615,463)
Corporation tax expense	-	-	-
<b>Retained loss for the period attributable to shareholders</b>	<u><b>(4,030,008)</b></u>	<u><b>(1,283,382)</b></u>	<u><b>(3,615,463)</b></u>
<b>Loss per share - basic and diluted</b>	<b>(0.53) cents</b>	<b>(0.48) cents</b>	<b>(1.11) cents</b>

## Consolidated balance sheet

	30 June 08 Unaudited \$	30 June 07 Unaudited \$	31 December 07 Audited \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	5,609,222	6,689,609	6,159,182
Land, coal rights and restoration	<u>6,391,821</u>	<u>7,846,281</u>	<u>6,378,121</u>
	<u>12,001,043</u>	<u>14,535,890</u>	<u>12,537,303</u>
<b>Current assets</b>			
Inventories	257,030	1,324,663	751,589
Trade and other receivables	1,346,080	1,187,299	2,135,420
Other assets	653,668	634,382	653,216
Bank balances and cash	<u>380,707</u>	<u>81,635</u>	<u>1,591,300</u>
	<u>2,637,485</u>	<u>3,227,979</u>	<u>5,131,525</u>
<b>Total assets</b>	<u><b>14,638,528</b></u>	<u><b>17,763,869</b></u>	<u><b>17,668,828</b></u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Issued capital	1,057,101	1	1,057,101
Share premium account	12,108,661	2,674,078	12,108,661
Merger reserve	17,112,462	-	17,112,462
Reverse acquisition reserve	(12,562,742)	-	(12,562,742)
Other reserves	78,381	-	78,381
Foreign currency translation reserve	(229,185)	-	(277,968)
Accumulated losses	<u>(20,473,352)</u>	<u>(7,183,029)</u>	<u>(16,443,344)</u>
	<u>(2,908,674)</u>	<u>(4,508,950)</u>	<u>1,072,551</u>
<b>Non-current liabilities</b>			
Borrowings	3,720,045	4,050,969	3,988,413
Accrued restoration costs	<u>6,718,413</u>	<u>5,923,657</u>	<u>6,624,209</u>
	<u>10,438,458</u>	<u>9,974,626</u>	<u>10,612,622</u>
<b>Current liabilities</b>			
Trade and other payables	3,759,722	5,684,060	3,525,155
Provisions	1,512,000	486,000	1,080,000
Borrowings	1,409,022	5,700,133	950,500
Accrued restoration costs	<u>428,000</u>	<u>428,000</u>	<u>428,000</u>
	<u>7,108,744</u>	<u>12,298,193</u>	<u>5,983,655</u>
<b>Total equity and liabilities</b>	<u><b>14,638,528</b></u>	<u><b>17,763,869</b></u>	<u><b>17,668,828</b></u>

## Consolidated Statement of Changes in Equity

	Share Capital \$	Share Premium \$	Merger Reserve \$	Shares under option \$	Reverse Acquisition \$	Translation reserve \$	Accumul- ated loss \$	Total \$
<b>As at 1 January 2008</b>	<b>1,057,101</b>	<b>12,108,661</b>	<b>17,112,462</b>	<b>78,381</b>	<b>(12,562,742)</b>	<b>(277,968)</b>	<b>(16,443,344)</b>	<b>1,072,551</b>
Consolidated loss for the period	-	-	-	-	-	-	(4,030,008)	(4,030,008)
Movement on translation reserve	-	-	-	-	-	48,783	-	48,783
<b>As at 30 June 2008</b>	<b><u>1,057,101</u></b>	<b><u>12,108,661</u></b>	<b><u>17,112,462</u></b>	<b><u>78,381</u></b>	<b><u>(12,562,742)</u></b>	<b><u>(229,185)</u></b>	<b><u>(20,473,352)</u></b>	<b><u>(2,908,674)</u></b>

## Consolidated cash flow statement

	6 months to 30 June 08 Unaudited \$	6 months to 30 June 07 Unaudited \$	4 months to 31 December 2007 Audited \$
<b>Cash inflow from operating activities</b>			
Loss before tax	(3,804,014)	(917,078)	(1,307,918)
Depreciation	549,963	632,874	365,133
Amortisation	(21,904)	137,909	49,468
Accretion, accrued restoration costs	94,203	156,595	62,496
Foreign exchange loss/(gain)	65,948	-	(268,143)
Settlement of GE claim	-	1,500,000	-
Decrease/(Increase) in other receivables and prepayments	788,888	(752,632)	(9,286)
Less: Trade & other receivables acquired on reverse acquisition	-	-	(541,721)
(Increase) / decrease in inventories	494,559	(1,219,702)	215,187
(Decrease)/Increase in trade payables	234,566	155,589	(11,782)
Less: Trade & other payables acquired on reverse acquisition	-	-	(428,786)
Increase in provisions	<u>432,000</u>	<u>324,000</u>	<u>432,000</u>
<b>Net cash outflow from operating activities</b>	<b><u>(1,165,791)</u></b>	<b><u>17,555</u></b>	<b><u>(1,443,352)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	-	-	(28,404)
Payment for deposits	-	-	(12,930)
Additions of cash on reverse acquisition	-	-	3,157,195
Interest paid	(236,712)	(366,304)	(301,938)
Interest received	<u>10,719</u>	<u>-</u>	<u>21,834</u>
<b>Net cash used in investing activities</b>	<b><u>(225,993)</u></b>	<b><u>(366,304)</u></b>	<b><u>(2,835,757)</u></b>

<b>Cash flows from financing activities</b>			
Proceeds from equity contribution	-	-	250,000
Proceeds from related party	549,313	-	-
Proceeds from borrowings	-	437,000	-
Repayments of borrowings	<u>(359,159)</u>	<u>(19,702)</u>	<u>(207,959)</u>
<b>Net cash inflow from financing activities</b>	<b><u>190,154</u></b>	<b><u>417,298</u></b>	<b><u>42,041</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,201,630)	68,549	1,434,446
<b>Effect of foreign exchange rate changes</b>	(8,963)	-	23,767
<b>Cash and cash equivalents at the beginning of the period</b>	<u>1,591,300</u>	<u>13,086</u>	<u>133,087</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>380,707</u></b>	<b><u>81,635</u></b>	<b><u>1,591,300</u></b>

## Notes to the unaudited financial statements

### 1. General information

The principal activity of Atlantic Coal plc ('the Company') and its subsidiaries (together 'the Group') is the development and operation of the Stockton Colliery which comprises the Stockton Mine and an anthracite washing plant in Pennsylvania.

The address of its registered office is 200 Strand, London WC2R 1DJ.

### 2. Financial information

The interim financial information set out above does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies applied in preparing the financial information are consistent with those that have been adopted in the Group's 2007 audited statutory accounts. Statutory accounts for the year ended 31 December 2007 were approved by the Board of Directors on 16 July 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified.

The financial information for the 6 months ended 30 June 2008 and the 6 months ended 30 June 2007 has not been audited. As permitted, the Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information.

### 3. Accounting policies

A summary of the principal accounting policies applied in the preparation of the interim financial information are set out below. These policies have been consistently applied to all the periods presented.

#### Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and IFRIC interpretations. The financial information has been prepared under historical cost convention. The annual accounts of Atlantic Coal plc are prepared in accordance with IFRS as adopted by the European Union. The same accounting policies are followed in the interim financial information as applied in the Group's latest annual audited accounts.

The preparation of this financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements are presented in US Dollars.

### **Basis of consolidation**

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 subsidiary.

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

### **Foreign currency translation**

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.

### **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 U.S. 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.

### **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.

### **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 projects bid by qualified contractors and state bond rates required for annual recalculation of reclamation bonds.

### **Share based incentives**

The fair value of the employee services received in exchange for the grant of share 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 the options granted. At each balance sheet date the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

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.

## **4. Dividends**

No dividend is proposed for the period.

## **5. Loss per share**

The calculation of loss per share is based on a retained loss of \$4,030,008 for the period ended 30 June 2008 (30 June 2007: \$1,283,382; 31 December 2007: \$3,615,463) and the weighted average number of shares in issue in the period 30 June 2008 of 762,000,000 (30 June 2007: 267,868,264; 31 December 2007: 326,081,044). There is no difference between the diluted loss per share and the loss per share shown.

## **6. Provisions**

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 grants 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 gives notice of its election to exercise by 31 December of the previous year, and a quarterly optional amount where Jeddo can 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 lasts until all the coal reserves at the Stockton mine are depleted.

As a result, a provision has been recognised for the Group's obligations under this agreement.

A charge of \$432,000 has been recognised in the current period (30 June 2007: \$324,000; 31 December 2007: \$432,000).

## **7. Borrowings**

During the period the Company has drawn down \$549,313 from a working capital facility in accordance with an agreement whereby Stephen Best has agreed to make available a facility of up to \$1,000,000, for a period of 18 months following Admission, solely for the purposes of working capital.

On 27 June 2008 this facility was extended by an additional \$4,000,000 with a maturity date of 31 December 2010, interest accruing at 9% per annum of on monies drawn down, secured over the assets of the Coal Contractors Group.

## **Independent review report to the Directors of Atlantic Coal plc**

We have been engaged by the Company to review the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2008 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies.

The annual Financial Statements of the Group are prepared in accordance with the recognition and measurement criteria of IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this half-yearly financial report has been prepared in accordance with the AIM Rules for Companies.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies. We do not, in producing this report, accept or assume responsibility for any other purpose to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the AIM Rules for Companies.

Littlejohn  
Chartered Accountants  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

#### **Copies of report:**

Copies of these Interim results will be sent to shareholders upon request. Otherwise, shareholders will be able to download a copy of the interim results from the Company’s website [www.atlanticcoal.com](http://www.atlanticcoal.com). Further copies will be available from the Company Secretary, Gregory Kuenzel, at Atlantic Coal Plc, 200 Strand, London WC2R 1DJ.