

30 June 2009

**Atlantic Coal Plc ('Atlantic' or 'the Company')**  
**Preliminary Results**

Atlantic Coal Plc, the AIM listed opencast coal production and processing company with activities in Pennsylvania, USA, announces its preliminary results for the year ended 31 December 2008.

**Highlights**

- Company continues to bring Stockton Colliery towards full production
- Several obstacles hindering production overcome
- Production for 2009 financial year bolstered by commencement of mining at Mammoth coal seam on the northern face and mid section of the mine
- As of 31 May 2009, production at Stockton stood at 108,823 tons of run of mine coal and 27,672 tons of clean coal
- Continued investment in infrastructure: recently ordered a new 21 yard bucket hydraulic excavator under 4 year lease agreement

Atlantic Coal Managing Director Steve Best said, "We have worked hard this year to overcome a number of operational issues that have hindered the achievement of full production levels at our primary asset, the Stockton Colliery in Pennsylvania. With these obstacles, for the most part surmounted, we have been steadily increasing production at the mine, which has a defined resource of 4 million tons and have already experienced a significant improvement on last year's performance."

For further information on the Company, visit: [www.atlanticcoal.com](http://www.atlanticcoal.com) or contact:

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**Chairman's Statement**

During the year under review, Atlantic has focused on fulfilling its objectives of advancing its primary asset, the Stockton Colliery in Pennsylvania. Although the wider economic landscape has been marred by the economic turbulence experienced during this period, and despite a number of operational issues that we have had to overcome, I am pleased to report that a steady rate of development has been maintained by Atlantic Coal and that the outlook for the Company remains extremely positive.

As investors will be aware, the Stockton Colliery is an operating opencast anthracite mine located in the Hazle Creek Valley in Pennsylvania, USA. The mine has a defined

reserve of 4 million tons and a historic production capability of over 400,000 tons of run of mine coal per annum. The colliery has its own on-site anthracite preparation plant, capable of washing and sizing up to 300,000 tons of anthracite per annum operating on a single shift. It is intended that this significant excess capacity will be utilised by acquiring additional sites within a 12 mile radius of the plant.

## **Financial Review**

The loss for the year ended 31 December 2008 was \$3,927,465. This performance was impacted by lower raw coal production from the mine which is explained in more detail in the Operational Review. Turnover was \$2,229,746 with 17,654 tons of clean coal sold at an average selling price of \$126. These results represent an improvement over our forecast for the year ended 31 December 2008 of revenues of \$1,700,000 and a net loss after tax of \$8,500,000.

## **Operational Review**

Production at Stockton during the year ended 31 December 2008 stood at 49,992 tons of run of mine coal resulting in 16,293 tons of clean coal and sales of 17,654 tons. The low level of production during 2008 was directly linked to the re-tasking of equipment and staff to the railway relocation project, combined with downtime due to the fine tuning and refining of the new washing plant. As a result production was only recommenced in November of 2008. Production levels have been bolstered in recent months by the commencement of mining at the Mammoth coal seam on the northern face and mid section of the mine. This has resulted in a steady rise in quality and recovery of coal and a subsequent increase in volume supplied to the preparation plant.

As of 31 May 2009, production at Stockton stands at 108,823 tons of run of mine coal and 27,672 tons of clean coal. Total inventory as at 31 May 2009 includes 42,504 tons of run of mine coal and 6,683 tons of clean coal. The Board expects the stocks of both run of mine and clean coal to continue to build over the summer months in preparation for the substantial increase in demand expected during the winter period. To date the Company has sold 22,090 tons of clean coal resulting in revenues of \$2.8 million.

A further boost in production has also been achieved recently following the discovery of an anomaly in the Mammoth coal seam. Production from this undocumented pocket of coal extending from the mammoth seam has so far provided approximately 50,000 tons of additional high yield coal and the management estimates a further 50,000 tons have yet to be extracted from this area.

A key aspect of our strategy this year has been our ongoing effort to improve efficiency and the cost effectiveness of our operations. Maintenance of key equipment can be expensive, time consuming and disruptive to mining operations. Given this, continued investment in high quality machinery and equipment is an essential aspect of our

business. In June 2009 we announced that the Company has signed a four year lease agreement for a new 21 yard bucket hydraulic excavator, at a total cost of US\$3.5 million. Delivery of the new excavator will take around nine months, and it is anticipated that this new piece of machinery will have a significant effect on our operational efficiency and production capacity.

Additionally, changes implemented following operational reviews at the mine have allowed us to refocus our mining strategy at the colliery. We have benefitted from optimised operations and newly discovered areas of coal. Significantly, this has meant that we have reached a stage where the relocation of the Norfolk Southern Railway, situated near the north of the current pit area, can be delayed. The decision to hold off work on completion of the line has been taken primarily to preserve working capital for the Company. Preparation work for the area has already been completed and work can recommence on the relocation easily as and when the Board deems that conditions are right to do so. In the meantime, the management will focus on maximising the production of coal from the rest of the site.

The economic downturn has had an adverse effect on the steelmaking industry in the US, to which a large proportion of our product is sold. However, we serve a diverse range of markets, and a large volume of our coal is presently sold to supply heating to homes and public buildings. Supply to these markets is seasonal and coupled with reduced demand from the steelmakers we have experienced a dip in sales in recent months. However, we are presently seeing a resurgence in orders and fully expect sales to increase as coal merchants begin to stockpile supplies in preparation for winter.

We are also fortunate that the high quality anthracite mined at Stockton is a versatile material with numerous industrial uses, for example in metallurgy, for filtration and as a tincture for glass products. We continue to supply our coal to these niche markets which form an important component of our overall sales profile. The average price of our anthracite has held steady at US\$126 per ton this year reaching a high of up to \$165 per ton for certain products during the month of December. Prices during the first 6 months of 2009 have averaged US\$127 per ton.

Since the Company last reported we have raised over £2.5 million through the placing of new shares. The first placing in September 2008 saw us raise £2,133,560 (including the conversion of £283,365 of debt to equity) through the issue of 426,712,000 new shares to new and existing institutional shareholders. In April 2009 we announced the raising of £500,000 via a placing of 100,000,000 new ordinary shares in the Company. The ability to raise money in a financial climate lacking in positive sentiment is an extremely encouraging sign for the Company and is a testament to investors' faith in the management and their ongoing strategy to maximize the potential of Atlantic Coal's assets.

The Company has also recently undertaken and announced a restructuring of the Board of Directors. In a further effort to cut expenditure, non-executive directors Max Crossland and Ken Ford have elected to step down from their positions with effect from 30 June 2009. I would like to take this opportunity to offer my thanks on behalf of the Board to Max and Ken and to wish them the very best in their future endeavours. In a further change to the Board, we announced that Ray Petrilla has also stepped down from his position on the Board to focus on his role as Chief Operations Officer of the Company's subsidiary, the Stockton Coal Group.

Overall, I believe that Atlantic Coal is in a strong position moving forward. This has been an important and transformational year for us, during which we have overcome obstacles that have previously constrained our operations and profitability. At Stockton we have a defined resource, state of the art equipment and a rising production capacity with established markets to supply. Time spent operating in the US has enabled our management to build strong ties in the local business community over the years, and we will continue to pursue other business opportunities in Pennsylvania, including potential acquisitions and farm out agreements for the use of our coal preparation plant amongst other mines in the area's prolific coalfields. I look forward to reporting further on our progress in what will hopefully be a bright year for the Company.

**Adam Wilson**

Non-Executive Chairman

29 June 2009

**BALANCE SHEETS**  
**As at 31 December 2008**

	Note	Group		Company	
		As at 31 December 2008 \$	As at 31 December 2007 \$	As at 31 December 2008 \$	As at 31 December 2007 \$
<b>Non-Current Assets</b>					
Property, plant and equipment	3	<b>5,097,627</b>	6,159,182	<b>212</b>	3,065
Land, coal rights and restoration	4	<b>7,656,260</b>	6,378,121	-	-
Intangible assets	5	-	-	-	-
Investment in subsidiaries	6	-	-	<b>14,235,180</b>	19,072,306
Trade and other receivables	7	-	-	<b>9,872,350</b>	8,217,677
		<b>12,753,887</b>	12,537,303	<b>24,107,742</b>	27,293,048
<b>Current Assets</b>					
Inventories	8	<b>480,191</b>	751,589	-	-
Trade and other receivables	7	<b>672,216</b>	2,135,420	<b>67,866</b>	541,721
Other assets	9	<b>736,944</b>	653,216	-	-
Cash and cash equivalents	10	<b>327,090</b>	1,591,300	<b>210,986</b>	1,469,689
		<b>2,216,441</b>	5,131,525	<b>278,852</b>	2,011,410
<b>Total Assets</b>		<b>14,970,328</b>	17,668,828	<b>24,386,594</b>	29,304,458

<b>Current Liabilities</b>					
Trade and other payables	12	<b>3,556,904</b>	3,525,155	<b>457,474</b>	428,786
Provisions	13	<b>2,160,000</b>	1,080,000	-	-
Borrowings	14	<b>1,098,993</b>	950,500	<b>281,496</b>	-
Accrued restoration costs	15	<b>2,100,000</b>	428,000	-	-
		<b>8,915,897</b>	5,983,655	<b>738,970</b>	428,786
<b>Non-Current Liabilities</b>					
Borrowings	14	<b>3,186,327</b>	3,988,413	-	-
Accrued restoration costs	15	<b>5,080,927</b>	6,624,209	-	-
		<b>8,267,254</b>	10,612,622	-	-
<b>Total Liabilities</b>		<b>17,183,151</b>	16,596,277	<b>738,970</b>	428,786
<b>Net (Liabilities) / Assets</b>		<b>(2,212,823)</b>	1,072,551	<b>23,647,624</b>	28,875,672
<b>Capital and Reserves Attributable to Equity Holders of the Company</b>					
Called up share capital	11	<b>1,640,945</b>	1,057,101	<b>1,640,945</b>	1,057,101
Share premium account		<b>15,604,095</b>	12,108,661	<b>15,604,095</b>	12,108,661
Merger reserve		<b>15,326,850</b>	17,112,462	<b>17,112,462</b>	17,112,462
Reverse acquisition reserve		<b>(12,999,288)</b>	(12,562,742)	-	-
Other reserves		<b>121,786</b>	78,381	<b>121,786</b>	78,381
Foreign currency translation reserve		<b>(3,322,014)</b>	(277,968)	<b>(8,595,686)</b>	(277,968)
Retained earnings / (losses)		<b>(18,585,197)</b>	(16,443,344)	<b>(2,235,978)</b>	(1,202,965)
<b>Total Equity</b>		<b>(2,212,823)</b>	1,072,551	<b>23,647,624</b>	28,875,672

**GROUP INCOME STATEMENT**  
**For the year ended 31 December 2008**

	Note	Group	
		For the year ended 31 December 2008	For the period from 1 September 2007 to 31 December 2007
		\$	\$
<b>Revenue</b>	1	<b>2,229,746</b>	2,523,054
Cost of sales		<b>(7,520,732)</b>	(3,252,089)
Gross loss		<b>(5,290,986)</b>	(729,035)
Administration expenses		<b>(1,661,768)</b>	(848,628)
Other gains - net	16	<b>3,444,188</b>	268,143
Other income	17	-	1,602
<b>Operating Loss</b>		<b>(3,508,566)</b>	(1,307,918)
Impairment of goodwill	5	-	(1,785,612)
Finance income	18	<b>54,469</b>	21,834
Finance costs	18	<b>(473,368)</b>	(543,767)
<b>Loss Before Taxation</b>		<b>(3,927,465)</b>	(3,615,463)
Corporation tax expense	19	-	-
<b>Loss for the Year</b>		<b>(3,927,465)</b>	(3,615,463)

Attributable to Equity Holders

(3,927,465)

(3,615,463)

**Loss per share attributable to the equity holders of the Company:**

**Basic and diluted**

20

0.44 cents

1.11 cents

All activities are classified as continuing.

The Company has elected to take the exemption under Section 230 of the Companies Act 1985 from presenting the Parent Company Income Statement.

The loss for the parent company for the year was \$1,033,013 (for the period 19 November 2007 to 31 December 2007: \$302,643)

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the year ended 31 December 2008**

<b>Group (\$)</b>	Share capital	Share Premium	Merger reserve	Share option reserve	Reverse acquisition reserve	Translation reserve	Profit and loss account	Total equity
<b>At 31 August 2007</b>	1	2,674,078	-	-	-	-	(10,877,687)	(8,203,608)
Partnership capital	-	1,950,194	-	-	-	-	(1,950,194)	-
Capital contribution	-	1,000,000	-	-	-	-	-	1,000,000
Loss for the period	-	-	-	-	-	-	(3,615,463)	(3,615,463)
Reverse merger	1,057,100	6,484,389	17,112,462	78,381	(12,562,742)	(277,968)	-	11,891,622
<b>At 31 December 2007</b>	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
Foreign currency	-	-	-	-	-	(3,044,046)	-	(3,044,046)
Loss for the year	-	-	-	-	-	-	(3,927,465)	(3,927,465)
Acquisition costs	-	-	-	-	(436,546)	-	-	(436,546)
Transfer of Goodwill Impairment to Reserve	-	-	(1,785,612)	-	-	-	1,785,612	-
<b>At 31 December 2008</b>	1,640,945	15,604,095	15,326,850	121,786	(12,999,288)	(3,322,014)	(18,585,197)	(2,212,823)

<b>Company (\$)</b>	Share capital	Share Premium	Merger reserve	Share option reserve	Translation reserve	Profit and loss account	Total equity
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<b>As at 31 December 2006</b>	348,784	6,593,569	-	13,030	345,920	(374,021)	6,927,282
Share capital issued	708,317	5,532,086	17,112,462	-	-	-	23,352,865
Share based payments	-	(16,994)	-	65,351	-	-	48,357
Foreign currency	-	-	-	-	(623,888)	-	(623,888)
Loss for the year	-	-	-	-	-	(828,944)	(828,944)
<b>As at 31 December 2007</b>	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
Foreign currency	-	-	-	-	(8,317,718)	-	(8,317,718)
Loss for the year	-	-	-	-	-	(1,033,013)	(1,033,013)
<b>As at 31 December 2008</b>	1,640,945	15,604,095	17,112,462	121,786	(8,595,686)	(2,235,978)	23,647,624

## GROUP CASH FLOW STATEMENT

### For the year ended 31 December 2008

	Group	
	For the year ended 31 December 2008	For the period from 1 September 2007 to 31 December 2007
Note	\$	\$
<b>Cash flows from operating activities</b>		
Operating loss	(3,508,566)	(1,307,918)
Adjustments for:		
Depreciation	1,096,054	365,133
Amortisation	77,199	49,468
Share options expensed	43,405	64,521
Accretion, accrued restoration costs	195,621	62,496
Foreign exchange gains	(3,444,188)	(268,143)
Decrease / (increase) in trade and other receivables	566,766	(9,286)
Less: Trade & other receivables acquired on reverse acquisition	-	(541,721)
Decrease in inventories	271,398	215,187
Increase / (decrease) in trade and other payables	222,658	(11,782)
Less: Trade and other payables acquired on reverse acquisition	-	(428,786)
Increase in provisions	1,080,000	432,000
<b>Net cash used in operations</b>	<b>(3,399,653)</b>	<b>(1,378,831)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,390,094)	(28,404)
Increase in deposits & escrow	(83,728)	(12,930)
Additions of cash from reverse acquisition	-	3,157,195
Interest paid	(441,218)	(301,938)
Interest received	54,469	21,834
<b>Net cash from (used in) investing activities</b>	<b>(1,860,571)</b>	<b>2,835,757</b>
<b>Cash flows from financing activities</b>		
Proceeds from equity contribution	750,000	250,000
Proceeds from issue of share capital	2,998,159	-
Transaction costs of share issue	(67,937)	-
Proceeds from borrowings	666,687	-

Repayments of borrowings		<b>(1,035,677)</b>	(207,959)
<b>Net cash from Financing Activities</b>		<b>3,311,232</b>	42,041
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,948,992)</b>	1,498,967
<b>Effect of foreign exchange rate changes</b>		<b>684,782</b>	(40,754)
<b>Cash and cash equivalents at beginning of period</b>		<b>1,591,300</b>	133,087
<b>Cash and cash equivalents at end of period</b>	10	<b>327,090</b>	1,591,300

## Significant Non-Cash Transactions

### Conversion of Loan

A total of 56,673,000 shares issued as part of the placing in September 2008 were related to the conversion of a \$500,000 loan outstanding as part of the working capital facility described in Note 22.

## COMPANY CASH FLOW STATEMENT

### For the year ended 31 December 2008

	Note	Company	
		For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
<b>Cash flows from operating activities</b>			
Operating loss		<b>(1,015,940)</b>	(953,621)
Adjustments for:			
Depreciation		<b>2,594</b>	2,678
Share options expensed		<b>43,405</b>	64,521
Decrease in deposits paid		<b>72,305</b>	-
Decrease / (increase) in VAT due		<b>109,594</b>	(132,315)
Decrease in prepayments		<b>51,648</b>	108,129
Decrease / (increase) in trade and other receivables		<b>93,869</b>	(128,622)
Increase in trade payables		<b>141,851</b>	364,543
Increase in accruals		<b>2,750</b>	34,035
<b>Net cash used in operations</b>		<b>(497,924)</b>	(640,652)
<b>Cash flows from investing activities</b>			
Loans to subsidiary		<b>(3,876,092)</b>	(1,070,388)
Costs relating to acquisition of subsidiary		<b>(318,538)</b>	(1,249,330)
Interest received		<b>11,767</b>	125,349
<b>Net cash used in investing activities</b>		<b>(4,182,863)</b>	(2,194,369)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		<b>2,998,159</b>	-
Transaction costs of share issue		<b>(67,937)</b>	-
Loans received		<b>666,687</b>	-

<b>Net cash from Financing Activities</b>	<b>3,596,909</b>	-
<b>Net Decrease in cash and cash equivalents</b>	<b>(1,083,878)</b>	(2,835,021)
<b>Cash and cash equivalents at beginning of period</b>	<b>1,469,689</b>	4,311,342
<b>Effect of foreign exchange rate changes</b>	<b>(174,825)</b>	(6,632)
<b>Cash and cash equivalents at end of period</b>	<b>210,986</b>	1,469,689

## Significant Non-Cash Transactions

### Acquisition

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. The consideration for this acquisition comprised the issue of 494,131,736 ordinary shares in Atlantic Coal plc.

### Conversion of Loan

A total of 56,673,000 shares were issued as part of the placing in September 2008 which related to the conversion of a \$500,000 loan outstanding as part of the working capital facility described in Note 22.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2008

#### 1. Segmental Information

At 31 December 2008, the Group operates in one business segment, the extraction and processing of anthracite coal. The Group has interests in two geographical segments, the United Kingdom and the United States of America. The Group revenues and assets are substantially attributable to the coal activities in the US. The parent company operates a head office based in the United Kingdom which incurs certain administration and corporate costs.

#### Geographical Segments

The Group's business segments operate in two main geographical areas. The Group's revenues are wholly within the US.

	Group	
	<b>For the year ended 31 December 2008</b>	For the period from 1 September 2007 to 31
<b>Revenue</b>		

	\$	December 2007
		\$
USA	<b>2,229,746</b>	2,523,054

Revenue is allocated based on customer location.

	Group	
	<b>For the year ended 31 December 2008</b>	For the period from 1 September 2007 to 31 December 2007
	\$	\$
<b>Operating Loss</b>		
USA	<b>2,492,626</b>	990,451
UK	<b>1,015,940</b>	317,467
<b>Total</b>	<b>3,508,566</b>	1,307,918

	Group	
	<b>As at 31 December 2008</b>	As at 31 December 2007
	\$	\$
<b>Total Assets</b>		
USA	<b>14,691,264</b>	15,654,354
UK	<b>279,064</b>	2,014,474
<b>Total</b>	<b>14,970,328</b>	17,668,828

Total assets are allocated based on asset location.

	Group	
	<b>For the year ended 31 December 2008</b>	For the period from 1 September 2007 to 31 December 2007
	\$	\$
<b>Capital Expenditure</b>		
USA	<b>1,456,997</b>	28,403

Capital expenditure is allocated based on asset location.

	Group	
	<b>As at 31 December 2008</b>	As at 31 December 2007
	\$	\$
<b>Total Liabilities</b>		
USA	<b>16,444,181</b>	16,167,491
UK	<b>738,970</b>	428,786
<b>Total</b>	<b>17,183,151</b>	16,596,277

	Group	
<b>Depreciation</b>	<b>For the year ended 31</b>	For the period from 1

	<b>December 2008</b>	September 2007 to 31 December 2007
	\$	\$
USA	<b>1,093,460</b>	362,455
UK	<b>2,594</b>	2,678
<b>Total</b>	<b>1,096,054</b>	365,133

	Group	
	<b>For the year ended 31 December 2008</b>	For the period from 1 September 2007 to 31 December 2007
	\$	\$
<b>Amortisation</b>		
USA	<b>77,199</b>	49,168

## 2. Operating Loss

The operating loss is stated after charging:

	Group	
	<b>For the year ended 31 December 2008</b>	For the period from 1 September 2007 to 31 December 2007
	\$	\$
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated accounts	<b>37,104</b>	40,036
Fees payable to the Company's auditors for other services provided to the Company and its subsidiaries:	-	34,030
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	<b>60,000</b>	75,000
Fees payable to the Company's auditors for tax services	<b>2,000</b>	2,000
Depreciation	<b>1,096,054</b>	365,133
Amortisation	<b>77,199</b>	49,468

## 3. Property, Plant and Equipment

	Group				
	Land and buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance as at 31 August 2007	332,957	15,047,171	365,546	63,398	15,809,072
Additions	-	24,000	-	4,403	28,403
Additions on reverse acquisition	-	-	-	6,831	6,831
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

<b>Depreciation</b>					
Balance as at 31 August 2007	219,626	8,703,956	332,330	60,699	9,316,611
Charge for the period	5,110	353,004	5,583	1,436	365,133
On reverse acquisition	-	-	-	3,475	3,475
Exchange differences	-	-	-	(95)	(95)
As at 31 December 2007	224,736	9,056,960	337,913	65,515	9,685,124
Charge for the period	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
<b>Net book value as at 31 December 2007</b>	<b>108,221</b>	<b>6,014,211</b>	<b>27,633</b>	<b>9,117</b>	<b>6,159,182</b>
<b>Net book value as at 31 December 2008</b>	<b>93,234</b>	<b>4,989,551</b>	<b>11,054</b>	<b>3,788</b>	<b>5,097,627</b>

The net book value of assets under finance lease is \$118,930 (31 December 2007: \$140,800).

	Company
	Furniture and equipment
	\$
<b>Cost</b>	
Balance as at 1 January 2007	6,831
Exchange differences	89
As at 31 December 2007	6,920
Exchange differences	(1,871)
As at 31 December 2008	5,049
<b>Depreciation</b>	
Balance as at 1 January 2007	1,128
Charge for the year	2,736
Exchange differences	(9)
As at 31 December 2007	3,855
Charge for the year	2,594
Exchange differences	(1,612)
As at 31 December 2008	4,837
<b>Net book value as at 31 December 2007</b>	<b>3,065</b>
<b>Net book value as at 31 December 2008</b>	<b>212</b>

#### 4. Land, coal rights and restoration costs

	Group	
	As at 31 December 2008	As at 31 December 2007
	\$	\$
<b>Stockton mine costs</b>		

Land costs	<b>3,000,000</b>	3,000,000
Development costs	<b>2,437,098</b>	2,437,098
Railroad relocation costs <sup>(1)</sup>	<b>1,422,241</b>	-
<b>Retirement obligation cost</b>		
Brought forward	<b>914,472</b>	914,472
Decrease in retirement obligation estimate	<b>(66,903)</b>	-
Carried forward	<b>847,569</b>	914,472
Total Stockton mine costs	<b>7,706,908</b>	6,351,570
<b>Stockton mine costs depreciation</b>		
Brought forward	<b>2,249,823</b>	2,222,419
Charge for the year	<b>50,102</b>	27,404
Stockton accumulated depreciation	<b>2,299,925</b>	2,249,823
<b>Stockton mine costs net book value</b>	<b>5,406,983</b>	4,101,747
<b>Land costs</b>		
Land – 154.2 Acres surface and mineral	<b>3,400,000</b>	3,400,000
Land – 181 Acres mineral only	<b>150,000</b>	150,000
	<b>3,550,000</b>	3,550,000
<b>Mineral depreciation</b>		
Brought forward	<b>1,273,626</b>	1,251,562
Charge for the year	<b>27,097</b>	22,064
Land accumulated depreciation	<b>1,300,723</b>	1,273,626
<b>Land net book value</b>	<b>2,249,277</b>	2,276,374
<b>Total</b>	<b>7,656,260</b>	6,378,121

(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.

## 5. Intangible Fixed Assets

Group
Goodwill
\$

<b>Cost</b>	
Balance as at 31 August 2007	-
Arising on reverse acquisition	1,785,612
Impairment losses	(1,785,612)
As at 31 December 2007	-
<b>As at 31 December 2008</b>	<b>-</b>

The goodwill arising on the reverse acquisition has been impaired in full as the Directors' do not consider this reflects any increase in the value of the Group's assets.

## 6. Investments in Subsidiary Undertakings

	Company	
	As at 31 December 2008	As at 31 December 2007
	\$	\$
<b>Shares in Group Undertakings</b>		
At 1 January	<b>19,072,306</b>	-
Additions	<b>436,546</b>	19,072,306
Foreign currency translation	<b>(5,273,672)</b>	-
<b>At 31 December</b>	<b>14,235,180</b>	19,072,306

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

### Details of Subsidiary Undertakings

Name of subsidiary	Place of establishment	Registered capital	Share capital held	Principal activities
Coal Contractors (1991) Inc	USA	Ordinary shares \$100	100%	Anthracite mining
Stockton Anthracite LP	USA	-	100%	Operation of anthracite washing plant
Stockton Anthracite LLC	USA	-	100%	Dormant

## 7. Trade and Other Receivables

	Group		Company	
	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
	\$	\$	\$	\$
Trade receivables	<b>327,745</b>	631,593	<b>1,190</b>	130,276
Other receivables	<b>169,429</b>	239,361	<b>2,574</b>	-
Prepayments	<b>137,545</b>	213,790	<b>26,605</b>	110,769
Deposits	-	99,091	-	99,091
Equity contributions receivable	-	750,000	-	-
VAT receivable	<b>37,497</b>	201,585	<b>37,497</b>	201,585

Loans to related parties (note 26)	-	-	<b>9,872,350</b>	8,217,677
	<b>672,216</b>	2,135,420	<b>9,940,216</b>	8,759,398
Less non-current portion: loans to related entities	-	-	<b>9,872,350</b>	8,217,677
<b>Current portion</b>	<b>672,216</b>	2,135,420	<b>67,866</b>	541,721

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

### Group

At 31 December 2008, trade receivables of \$327,745 (31 December 2007: \$501,317) 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 December 2008	As at 31 December 2007
	\$	\$
Up to 3 months	<b>231,506</b>	320,746
3 to 6 months	<b>3,647</b>	135,123
6 to 12 months	<b>5,836</b>	45,448
Over 12 months	<b>86,756</b>	-
<b>Total</b>	<b>327,745</b>	501,317

### 8. Inventories

	Group		Company	
	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
	\$	\$	\$	\$
Coal	<b>350,611</b>	601,348	-	-
Supplies	<b>129,580</b>	150,241	-	-
	<b>480,191</b>	751,589	-	-

The cost of inventories recognised as an expense and included in cost of sales was \$271,399 (31 December 2007: (\$186,815)).

### 9. Other assets

	Group	
	As at 31 December 2008	As at 31 December 2007
	\$	\$
Certificate of deposit	<b>230,606</b>	230,649
Escrow account	<b>506,338</b>	422,567
	<b>736,944</b>	653,216

The Group, as part of a purchase agreement on a portion of the site currently being mined, has provided a supply agreement to the seller. The Group is 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 Note 13). As part of the agreement, the Group is required to deposit into an escrow account \$1.00 for every ton of prepared coal produced from the site until the escrow account accumulates to \$2,500,000. Should the Group default on the terms of the agreement, the escrow account could be forfeited as liquidating damages.

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

## 10. Cash and Cash Equivalents

	Group		Company	
	As at 31 December 2008 \$	As at 31 December 2007 \$	As at 31 December 2008 \$	As at 31 December 2007 \$
Cash at bank and in hand	<b>327,090</b>	1,591,300	<b>210,986</b>	1,469,689

## 11. Called-Up Share Capital

	Number	£
<b>Authorised</b>		
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 2007	267,868,264	348,784	6,593,569	6,942,353
Acquisition of subsidiaries	494,131,736	708,317	5,515,092	6,223,409
<b>At 31 December 2007</b>	<b>762,000,000</b>	<b>1,057,101</b>	<b>12,108,661</b>	<b>13,165,762</b>
Issue of new shares – 15 September 2008 <sup>(1)</sup>	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
<b>At 31 December 2008</b>	<b>1,233,712,000</b>	<b>1,640,945</b>	<b>15,604,095</b>	<b>17,245,040</b>

(1) Includes placing costs of \$86,806

## Share Options

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

Expiry date	Exercise	Shares	
		2008	2007

	price in £ per share		
7 June 2011	0.02	24,348,142	24,348,142
3 December 2011	0.0045	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
15 September 2013	0.005	28,074,070	-
15 September 2013	0.012	4,500,000	-
		105,662,212	56,588,142

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:

	2008 Options		2007 Options	2006 Options
	15/09/2008	03/12/2008	19/11/2007	06/06/2006
Option granted on:				
Option life (years)	5 years	3 years	5 years	5 years
Risk free rate	4.21%	2.71%	5%	4.6%
Expected volatility	29%	30%	15%	15%
Expected dividend yield	-	-	-	-
Marketability discount	20%	20%	20%	80%
Total fair value of options granted (\$000)	43	15	65	13

The expected volatility is based on historical volatility for the 6 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.

A reconciliation of options granted over the year to 31 December 2008 is shown below:

	2008		2007	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding as at 1 January	<b>56,588,142</b>	0.03	24,348,142	0.02
Granted	<b>49,074,070</b>	0.005	32,240,000	0.04
Outstanding as at 31 December	<b>105,662,212</b>	0.019	56,588,142	0.032
Exercisable at 31 December	<b>83,446,166</b>	0.023	56,588,142	0.032

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 – 0.01	0.005	44,574,070	4.05	4.05	-	-	-	-
0.01 – 0.075	0.03	61,088,142	3.37	3.37	0.032	56,588,142	4.26	4.26

No options were exercised during the period. The total fair value has resulted in a charge to the Income Statement for the year ended 31 December 2008 of \$43,405 (2007: \$30,832).

## 12. Trade and Other Payables

	Group		Company	
	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
	\$	\$	\$	\$
Trade payables	<b>3,032,127</b>	2,661,675	<b>417,990</b>	326,016
Other payables	<b>2,487</b>	-	<b>2,487</b>	-
Social security and other taxes	<b>84,136</b>	75,772	<b>456</b>	-
Accrued expenses	<b>438,154</b>	787,708	<b>36,541</b>	102,770
	<b>3,556,904</b>	3,525,155	<b>457,474</b>	428,786

## 13. Provisions

	Group	
	As at 31 December 2008	As at 31 December 2007
	\$	\$
Provision for supply of coal	<b>2,160,000</b>	1,080,000

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 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 \$1,080,000 has been recognised in the current period (period ended 31 December 2007 - \$432,000).

#### 14. Borrowings

	Group		Company	
	As at 31 December 2008 \$	As at 31 December 2007 \$	As at 31 December 2008 \$	As at 31 December 2007 \$
<b>Non-Current</b>				
Debenture and other loans	<b>3,085,340</b>	3,860,161	-	-
Finance lease liabilities	<b>100,987</b>	128,252	-	-
	<b>3,186,327</b>	3,988,413	-	-
<b>Current</b>				
Debentures and other loans	<b>1,041,265</b>	908,328	<b>281,496</b>	-
Finance lease liabilities	<b>57,728</b>	42,172	-	-
	<b>1,098,993</b>	950,500	<b>281,496</b>	-

At 31 December 2008 total borrowings include secured liabilities of \$1,683,887 (31 December 2007: \$2,707,857). Borrowings are secured as follows:

General Electric Capital Corporation loan note in the amount of \$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 mortgage on all the real property of the Stockton Coal Group.

After the year end, the working capital facility provided by Stephen Best (refer Note 22) of \$281,496 became secured by way of a second 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 the Stockton Coal Group.

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

	Carrying amount		Fair value	
	As at 31 December 2008 \$	As at 31 December 2007 \$	As at 31 December 2008 \$	As at 31 December 2007 \$
Debenture and other loans	<b>3,085,340</b>	3,860,161	<b>3,085,340</b>	3,860,161
Finance lease liabilities	<b>100,987</b>	128,252	<b>100,987</b>	128,252
	<b>3,186,327</b>	3,988,413	<b>3,186,327</b>	3,988,413

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.

### 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 December 2008 \$	As at 31 December 2007 \$
<b>Finance lease liabilities – minimum lease payments</b>		
- due within one year	73,206	60,210
- due within two to five years	107,983	146,532
- due thereafter	-	-
	<b>181,189</b>	206,742
Finance charges allocated to future periods	22,473	36,318
Present value of finance lease liabilities	<b>158,716</b>	170,424

### 15. Accrued Restoration Costs

	Group	
	As at 31 December 2008 \$	As at 31 December 2007 \$
Gowen	2,534,625	4,206,625
Stockton	2,546,302	2,417,584
	<b>5,080,927</b>	6,624,209
<b>Gowen total costs</b>		
Brought forward	4,634,625	4,634,625
Increase in estimated reclamation liability	-	-
Carried forward	<b>4,634,625</b>	4,634,625
<b>Gowen costs split:</b>		
Current	2,100,000	428,000
Non-current	2,534,625	4,206,625
<b>Stockton total costs</b>		
Brought forward	2,417,584	2,355,088
Accretion	195,621	62,496
Decrease in estimated Stockton mine reclamation liability	(66,903)	-
Carried forward	<b>2,546,302</b>	2,417,584

## 16. Other Gains - Net

	Group	
	For the year ended 31 December 2008	For the period from 1 September 2007 to 31 December 2007
	\$	\$
Net foreign exchange gains	3,444,188	268,143

## 17. Other Income

	Group	
	For the year ended 31 December 2008	For the period from 1 September 2007 to 31 December 2007
	\$	\$
Sale of scrap metal	-	1,572
Other	-	30
	-	1,602

## 18. Finance Income and Costs

	Group	
	For the year ended 31 December 2008	For the period from 1 September 2007 to 31 December 2007
	\$	\$
<b>Interest Expense:</b>		
Convertible bond	-	63,733
Other loans	473,268	480,034
<b>Finance Costs</b>	<b>473,368</b>	<b>543,767</b>
<b>Finance Income</b>		
Interest received from bank	54,469	21,834
<b>Net Finance Costs</b>	<b>418,899</b>	<b>521,933</b>

## 19. Taxation

	Group	
	For the year ended 31 December 2008	For the period from 1 September 2007 to 31 December

	\$	2007
		\$
Loss before tax	<b>(3,927,465)</b>	(3,615,463)
Tax at the applicable rate of 39% (2007: 39%)	<b>(1,531,711)</b>	(1,410,030)
Net tax effect of losses carried forward	<b>1,531,711</b>	1,410,030
Tax charge	-	-

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

The tax rate used is a combination of the 28.25% (2007 : 30%) 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 39% (2007: 39%).

The Group has tax losses of approximately \$5,680,000 (2007: \$3,500,000) 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.

## 20. Loss per Share

The calculation of the basic loss per share of 0.44 cents (31 December 2007 loss per share: 1.11 cents) is based on the loss attributable to ordinary shareholders of \$3,927,465 (31 December 2007 loss: \$3,615,463) and on the weighted average number of ordinary shares of 891,603,541 (31 December 2007: 326,081,044) 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 11.

## 21. Related Party Transactions

### Shareholder Loans

Included within borrowings are the following amounts owed to shareholders:

	Group	
	As at 31 December 2008	As at 31 December 2007
	\$	\$
Willoughby (465) Limited <sup>(1)</sup>	<b>488,357</b>	600,060
Hichens, Harrison & Co Plc	<b>160,809</b>	218,273
Mary Catherine Best <sup>(2)</sup>	<b>1,374,210</b>	1,242,300
American Investments Ltd <sup>(3)</sup>	-	55,000
	<b>2,023,376</b>	2,115,633

<sup>(1)</sup> Willoughby (465) Limited is a company controlled by Stephen Best, who is a Director and shareholder of the Company.

<sup>(2)</sup> Mary Catherine Best is the spouse of Stephen Best.

<sup>(3)</sup> American Investments Ltd is a company controlled by Stephen Best.

### **Partnorth Limited**

As at 31 December 2008 there are amounts receivable of \$166,855 (31 December 2007: \$166,855) due from Partnorth Limited. Partnorth Limited is controlled by Stephen Best, who is a Director and shareholder of the Company.

### **Credit Facility**

On 17 November 2006 the Company entered into an agreement with Stephen Best, who is a Director and shareholder of the Company, ('Facility Letter'), whereby Stephen Best has agreed to make available a credit facility of up to \$1,000,000, with a maturity date of 17 April 2009, solely for the purposes of working capital. Interest is payable at a rate of 10% per annum on monies drawn. As at 31 December 2008 the Company had drawn down \$281,496 (31 December 2007 : Nil) on this facility. Refer to Note 22 for further information.

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

As at 31 December 2008 there are amounts receivable of \$9,872,350 (31 December 2007: \$8,217,677) due from Coal Contractors (1991) Inc to the Company. This loan is interest free and is 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 \$306,196 payable to Stephen Best, who is a Director and shareholder of the Company, (31 December 2007: \$274,148). 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 other corporate consulting services provided to the Company. The total fees paid during the year ended 31 December 2008 amounted to \$89,160 (31 December 2007: \$24,380).

## **22. Events after the Balance Sheet Date**

### **Credit Facility**

On 17 October 2007 the Company entered into an agreement with Stephen Best, who is a Director and 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, 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 this facility was extended by an additional \$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.

### **Share Issue**

On 30 April 2009 the Company raised £500,000 through the issue of 100,000,000 new shares.