

21 January 2010

Atlantic Coal plc ('Atlantic' or 'the Company')
Termination and Settlement of Supply Agreement

Atlantic, the AIM listed open cast coal production and processing company with activities in Pennsylvania, USA, has reached a settlement terminating its Supply Agreement with Pagnotti Enterprises, Inc. ('Pagnotti'). Based on the current sales price of clean washed anthracite, the Board estimates this will save the Company in excess of US\$10 million during the life of its Stockton Mine.

In connection with the acquisition of the Stockton Mine real estate in November 2000, the Stockton Coal Group ('SCG'), a subsidiary of Atlantic, entered into a Run of Mine ('ROM') Coal Sale and Purchase Agreement to supply coal to Jeddo, an affiliate of the vendor, Pagnotti. Under the terms of the agreement, Jeddo was granted the option to purchase up to 100,000 tons of coal annually, whilst the term of SCG's obligation lasted until all the coal reserves at the Stockton Mine were depleted. As the pricing of the coal supplied under this agreement was not fixed by the market, but by an escalator based on movement in the producer price index, the price of any coal supplied to Jeddo would have been substantially below market price.

As part of the agreement, SCG was required to deposit into an escrow account US\$1.00 for every ton of prepared coal produced from the site. The current balance of this escrow account is US\$435,000. As a result of non-supply under the agreement, a provision has been recognised for SCG's obligations. As at 30 June 2009 this provision stood at US\$2,592,000.

The terms of the settlement agreement are as follows:

- The US\$435,000 currently held in escrow will be paid to Pagnotti
- A cash payment of US\$565,000 will be paid to Pagnotti
- A US\$700,000 promissory note payable in three instalments in March 2011, March 2012 and March 2013
- A US\$1.50 royalty payable on all clean coal sold, payable 60 days after sale continuing over the life of the mine

The termination will result in a write-back of the provision for the year ended 31 December 2009 of circa US\$800,000.

Atlantic Managing Director Steve Best said, "The termination of the Pagnotti Supply Agreement is a major step forward in improving the long term profitability of the Stockton Mine and should save us approximately US\$10 million during the life of the mine. The additional tonnage released as a result of this agreement will also provide substantial opportunities for sales not only to our existing customers but also for securing new customers. We are now focussed on utilising this cash flow to expand our

asset base and production and in line with this we recently announced our intention to acquire Montana based Maple Carpenter Creek, LLC, which has over 380 million tons of coal resource.”

****ENDS****

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