

Company Atlantic Coal PLC
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Atlantic Coal PLC
27 September 2010

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

Atlantic Coal plc, the AIM listed open cast coal production and processing company with activities in Pennsylvania, USA, announces its interim results for the six months ended 30 June 2010.

Overview:

- Implementation of new mine plan at Stockton with significant investment in new equipment, including \$3.5million Liebherr excavator
- Significant increase in overburden production - 1.4 million cubic yards removed over the period (2009: 800,000 cubic yards)
- Increased revenue of \$4,827,508 (2009: \$3,417,700)
- Reduced loss of \$1,487,973 (H1 2009: loss of \$2,641,313)
- Supply agreement with Xcoal Energy & Resources Inc. ('Xcoal') to purchase up to 150,000 tons anthracite per year, expanding sales into Asia
- Historic supply agreement with Pagnotti Enterprises, Inc. ('Pagnotti') terminated, potentially saving up to US\$10 million over the mine's life
- Ongoing strategy to act as a regional consolidator in the Pennsylvanian Coal Field

Atlantic Coal Managing Director Steve Best said, "We are extremely pleased with the developments that we have made at Stockton over the last six months. The arrival of the Liebherr R9250 19.6-yard bucket hydraulic excavator in April 2010 has resulted in production approaching record levels. Although the six monthly figures show a distinct improvement, it is important to recognise that the true benefits of all the restructuring and development initiatives have not fully impacted this current reporting period. This gives your Board great confidence for the future performance of the Company."

For further information on the Company, visit: www.atlanticcoal.com or contact:

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Chairman's Statement

Atlantic has continued to advance its active mine development plan to raise sales and production efficiencies at its primary asset, the Stockton Colliery, an opencast anthracite producing operation in Pennsylvania ('Stockton'). Increased investment, the implementation of a new mine plan, equipment upgrades, the formation of strategic partnerships and an improved corporate structure have resulted in enhanced production and sales volumes. We therefore believe that Atlantic is well positioned to take advantage of increased demand and pricing for coal.

Stockton has a current reserve of 4.2 million tons of run-of-mine ('ROM') coal which after processing, equates to approximately 2.1 million tons of washed anthracite. The US and international coal market is robust and anthracite is in high demand which has led to strong summer sales for the Company. This has coincided with improved performance at the mine following the arrival of the Liebherr R9250 19.6-yard bucket hydraulic excavator in April 2010. Importantly, Atlantic's capability to meet increased demands has been aided by the termination of a historic supply agreement with Pagnotti in Q1 2010, which has released circa 100,000 tons of ROM coal annually. This ROM coal can now be sold at current sales prices. The Board believe that this has been a positive development for the Company and has not only influenced its sales potential but has also resulted in estimated savings of US\$10 million over the mine's life based on current anthracite sales prices.

The memorandum of understanding with Xcoal, announced on 13 April 2010, has also proved highly beneficial for the Company as we look to enhance the scope of our sales to take advantage of the current level of anthracite prices. Xcoal is a private US coal marketing company which specialises in

the export of US metallurgical coal to steel makers internationally, with contacts in Japan, China, Korea and Europe. Prior to the strategic memorandum of understanding, Xcoal took an initial tranche of 5,000 tons of premium anthracite which contributed substantially to the Company's sales in the period ending 30 June 2010. Under the memorandum of understanding, Xcoal has agreed to purchase up to the greater of 150,000 tons per year and 50 per cent. of Stockton's annual anthracite production. This provides the Company with a potentially highly significant cash flow and sales opportunity.

Pennsylvania is a prime high quality coal region and with this in mind the Board has a defined expansion strategy to increase Atlantic's position in the region through the acquisition of complementary assets. The Board is committed to developing Atlantic's asset base to optimise value for shareholders and in order to achieve this, believes that it is key to enter into a transaction which has the potential to deliver an upside for the Company. With this in mind, as announced on 18 February 2010, talks with Maple Carpenter Creek, LLC ('MCC') were terminated as the Board felt that unable to proceed on the basis of the terms proposed. However, the Board continues to pursue its strategy and is currently evaluating a number of other opportunities with aim of building on the Company's regional presence.

Operations Review

The mine development plan at Stockton is beginning to prove successful and production is increasing towards the Company's aim of producing 500,000 tons ROM coal per annum. Production has improved considerably and during H1 2010 levels of overburden removal totalled 1.4 million cubic yards (H1 2009 - 800,000 cubic yards). By the end of September 2010 we expect overburden removal to have reached in excess of 2 million cubic yards compared with 1.15 million cubic yards for the same period in 2009. As we continue to move into the coal basin we expect raw coal production to increase dramatically.

These increased levels of production have been achieved through the effective implementation of efficiency measures, such as its re-negotiation of the Pagnotti Supply Agreement as outlined above. Investment in on-site equipment has been a priority and the effect of the Company's £3.5 million investment in the Liebherr R9250 19.6-yard bucket hydraulic excavator has been particularly noticeable following its delivery on site in April.

Financial Report

Atlantic conducted a capital raising during the period which raised £500,000 in February 2010 for working capital purposes as we continue to implement our mine development plan to increase production at Stockton. Additionally, post-period end in August 2010 the Company strengthened this through the placing of 427,500,000 new ordinary shares at 0.4p, which raised £1,710,000 to complete the last stage of infrastructure works at Stockton and, as announced on 31 August 2010, the Company

refinanced its Loan Notes with Cornhill Capital and the annualised coupon rate of the Loan Notes has been reduced to 13.75 per cent. (from 15 per cent.).

The Group reports an increased revenue of \$4,827,508 (H1 2009: \$3,417,700) and a reduced loss of \$1,487,973 (H1 2009: loss of \$2,641,313) for the period.

Board Changes

As announced earlier today, from 30 September 2010 Greg Kuenzel, Atlantic's Finance Director and Company Secretary, and Toby Howell, a Non-Executive Director, will be stepping down from the Board. Greg will continue to work with the Company as Group Accountant on a part-time basis.

Outlook

Atlantic is well placed to take advantage of the current demand for anthracite. The Board has invested heavily in equipment to improve the economics of the operation, including the Liebherr excavator which, having only arrived in April, has yet to fully impact performance. The Company has also implemented a defined mine plan at Stockton to affect efficiency. This includes completing the relocation of the Norfolk Southern Railway, which is expected to recommence shortly, to provide access to coal reserves under the tracks that traverse the southern pit area. This will contribute positively to production.

The Board continues to evaluate a number of assets within the Pennsylvanian Coal Field and believes that there is an opportunity to create increased value by implementing a regional consolidation play.

Finally, I would like to thank the Board and employees for their hard work in building the foundations and contributing to the development of the Company and Atlantic shareholders for their continuing support.

Adam Wilson
Chairman

Condensed Consolidated Income Statement

	6 months to 30 June 10 Unaudited \$	6 months to 30 June 09 Unaudited \$	Year ended December 2009 Audited \$
Turnover	4,827,508	3,417,700	9,048,214
Cost of sales	<u>(5,830,851)</u>	<u>(3,466,513)</u>	<u>(7,355,354)</u>
Gross profit / (loss)	(1,003,343)	(48,813)	1,692,860
Administration expenses	(908,637)	(850,212)	(2,298,161)
Other gains / (losses)- net	757,278	(1,570,212)	(1,124,539)
Other income	-	-	141,848
Loss from operations	<u>(1,154,702)</u>	<u>(2,469,237)</u>	<u>(1,587,992)</u>
Finance income	14,869	13,290	21,246
Finance costs	<u>(348,140)</u>	<u>(185,366)</u>	<u>(1,004,926)</u>
Loss from ordinary activities before tax	(1,487,973)	(2,641,313)	(2,571,672)
Corporation tax expense	-	-	-
Retained loss for the period attributable to shareholders	<u>(1,487,973)</u>	<u>(2,641,313)</u>	<u>(2,571,672)</u>
Loss per share - basic and diluted	(0.10) cents	(0.21) cents	(0.19) cents

Condensed Consolidated Balance Sheet

	30 June 10 Unaudited \$	30 June 09 Unaudited \$	31 December 09 Audited \$
ASSETS			
Non-current assets			
Property, plant & equipment	7,354,034	4,685,370	4,320,491
Land, coal rights and restoration	7,234,387	7,518,244	7,335,637
Trade and other receivables	-	-	201,823
	<u>14,588,421</u>	<u>12,203,614</u>	<u>11,857,951</u>
Current assets			
Inventories	1,088,479	1,352,840	1,761,047
Trade and other receivables	1,586,796	941,831	1,093,695
Other assets	236,654	740,728	236,486
Bank balances and cash	<u>135,221</u>	<u>318,485</u>	<u>843,807</u>
	<u>3,047,150</u>	<u>3,353,884</u>	<u>3,935,035</u>
Total assets	<u>17,635,571</u>	<u>15,557,498</u>	<u>15,792,986</u>

EQUITY & LIABILITIES

Equity

Called up share capital	1,914,388	1,743,971	1,804,719
Share premium account	17,235,098	16,203,854	16,616,252
Merger reserve	15,326,850	15,326,850	15,326,850
Reverse acquisition reserve	(12,999,288)	(12,999,288)	(12,999,288)
Other reserves	263,426	121,786	263,426
Foreign currency translation reserve	(2,934,687)	(2,002,260)	(2,352,466)
Retained losses	<u>(22,644,842)</u>	<u>(21,226,510)</u>	<u>(21,156,869)</u>
	<u>(3,839,055)</u>	<u>(2,831,597)</u>	<u>(2,497,376)</u>

Non-current liabilities

Borrowings	6,433,805	2,614,678	2,864,936
Accrued restoration costs	<u>2,860,785</u>	<u>5,183,556</u>	<u>2,953,327</u>
	<u>9,294,590</u>	<u>7,798,234</u>	<u>5,818,263</u>

Current liabilities

Trade and other payables	4,311,143	4,214,683	3,517,161
Provisions	-	2,592,000	-
Borrowings	4,767,807	2,097,473	5,222,749
Accrued restoration costs	<u>3,101,086</u>	<u>1,686,705</u>	<u>3,732,189</u>
	<u>12,180,036</u>	<u>10,590,861</u>	<u>12,472,099</u>

Total equity and liabilities

	<u>17,635,571</u>	<u>15,557,498</u>	<u>15,792,986</u>
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Condensed Statement of Comprehensive Income

	30 June 10 Unaudited \$	30 June 09 Unaudited \$	31 December 09 Audited \$
Loss for the year	<u>(1,487,973)</u>	<u>(2,641,313)</u>	<u>(2,571,672)</u>
Other comprehensive income:			
Exchange differences on translating foreign operations	<u>(582,221)</u>	<u>1,319,754</u>	<u>969,548</u>
Total comprehensive income for the period	<u>(2,070,194)</u>	<u>(1,321,559)</u>	<u>(1,602,124)</u>

Condensed Consolidated Statement of Changes in Equity

	Share Capital \$	Share Premium \$	Merger Reserve \$	Share Option Reserve \$	Reverse Acquisition \$	Translation reserve \$	Profit & Loss Account \$	Total \$
As at 1 January 2009	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	103,026	599,759	-	-	-	-	-	702,785
Total comprehensive income for the period	-	-	-	-	-	1,319,754	(2,641,313)	(1,321,559)
As at 30 June 2009	<u>1,743,971</u>	<u>16,203,854</u>	<u>15,326,850</u>	<u>121,786</u>	<u>(12,999,288)</u>	<u>(2,002,260)</u>	<u>(21,226,510)</u>	<u>(2,831,597)</u>

	Share Capital	Share Premium	Merger Reserve	Share Option Reserve	Reverse Acquisition	Translation reserve	Profit & Loss Account	Total
	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 January 2010	1,804,719	16,616,252	15,326,850	263,426	(12,999,288)	(2,352,466)	(21,156,869)	(2,497,376)
Share capital issued	109,669	618,846	-	-	-	-	-	728,515
Total comprehensive income for the period	-	-	-	-	-	(582,221)	(1,487,973)	(2,070,194)
As at 30 June 2010	<u>1,914,388</u>	<u>17,235,098</u>	<u>15,326,850</u>	<u>263,426</u>	<u>(12,999,288)</u>	<u>(2,934,687)</u>	<u>(22,644,842)</u>	<u>(3,839,055)</u>

Condensed Consolidated Cash Flow Statement

	6 months to 30 June 10 Unaudited \$	6 months to 30 June 09 Unaudited \$	Year ended December 2009 Audited \$
Cash flows from operating activities			
Loss from operations	(1,154,702)	(2,469,237)	(1,587,992)
Depreciation	519,083	528,405	1,001,142
Amortisation	111,549	168,205	348,852
Share options expensed	-	-	81,071
Accretion, accrued restoration costs	262,462	102,630	806,106
Reclamation work performed	(986,108)	(413,295)	(1,300,649)
Profit on sale of assets	-	-	(131,342)
Foreign exchange (gain)/ loss	(757,581)	1,570,212	1,099,216

Increase in trade and other receivables	(180,403)	(260,046)	(414,676)
(Increase) / decrease in inventories	672,569	(872,649)	(1,280,856)
Increase/(Decrease) in trade and other payables	711,615	399,781	(273,297)
Increase/(Decrease) in provisions	<u>-</u>	<u>432,000</u>	<u>(388,377)</u>
Net cash used in operating activities	<u>(801,516)</u>	<u>(813,994)</u>	<u>(2,040,802)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(784,850)	(146,308)	(221,049)
Payment for deposits	(168)	(3,784)	(6,164)
Loans to third parties	(100,000)	-	(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	(100,416)	(28,969)	(77,245)
Interest received	<u>-</u>	<u>13,290</u>	<u>19,451</u>
Net cash used in investing activities	<u>(985,434)</u>	<u>(165,771)</u>	<u>88,161</u>
Cash flows from financing activities			
Proceeds from issue of share capital	783,350	826,000	813,087
Transaction costs of share issue	(54,835)	(37,170)	(33,116)
Proceeds from borrowings	994,685	340,407	1,840,376
Repayments of borrowings	(565,000)	(130,724)	(156,612)
Finance lease payments	<u>(32,044)</u>	<u>-</u>	<u>(65,169)</u>
Net cash from financing activities	<u>1,126,156</u>	<u>998,513</u>	<u>2,398,566</u>
Net (decrease)/increase in cash and cash equivalents	(660,794)	18,748	445,925
Effect of foreign exchange rate changes	(47,792)	(27,353)	70,792
Cash and cash equivalents at the beginning of the period	<u>843,807</u>	<u>327,090</u>	<u>327,090</u>
Cash and cash equivalents at the end of the period	<u>135,221</u>	<u>318,485</u>	<u>843,807</u>

Notes to the unaudited financial statements

1. General information

The principal activity of Atlantic Coal plc ('the Company') and its subsidiary (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. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31

December 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The interim financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2009 were approved by the Board of Directors on 7 June 2010 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, but includes an emphasis of matter regarding going concern..

The 2010 interim financial report of the Company has not been audited but has been reviewed by the Company's auditor, Littlejohn LLP, whose independent review report is included in this Interim Report.

3. Accounting policies

Except as described below, the same accounting policies, presentation and methods of computation are followed in this condensed consolidated financial information as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

(a) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27,'Consolidated and separate financial statements', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. All costs associated with acquisitions or potential acquisitions have been expensed during the period incurred in accordance with the revision of IFRS 3.

4. Loss for the period

Loss for the period includes the following items which are unusual because of their nature, size or incidence:

	6 months to 30 June 10 Unaudited \$	6 months to 30 June 09 Unaudited \$	Year ended December 2009 Audited \$
Foreign exchange gains/(losses)	757,278	(1,570,212)	(1,124,539)

5. Dividends

No dividend is proposed for the period.

6. Loss per share

The calculation of loss per share is based on a retained loss of \$1,487,973 for the period ended 30 June 2010 (30 June 2009: \$2,641,313; 31 December 2009: \$2,571,672) and the weighted average number of shares in issue in the period 30 June 2010 of 1,464,851,875 (30 June 2009: 1,267,144; 31 December 2009: 1,321,934,438). No diluted earnings per share is presented as the effect on the exercise of share options would be to decrease the loss per share.

7. Property plant and equipment

In April 2010 the Group acquired a new excavator for the cost of \$3,499,220 via finance lease. The purchase of this excavator was previously disclosed as a capital commitment in the Group's Audited Financial Statements for the year ended 31 December 2009.

8. 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 period.

Issued	Number of shares	Ordinary shares \$	Share premium \$	Total \$
At 1 January 2010	1,385,846,350	1,804,719	16,616,252	18,420,971
Issue of new shares - 8 February 2010	100,000,000	109,669	618,846	728,515
At 30 June 2010	1,485,846,350	1,914,388	17,235,098	19,149,486

9. Events after balance sheet date

Placing

On 5 August 2010 the Company raised £1,710,000 through the placing of 427,500,000 new ordinary shares at a price of 0.4p per share.

One warrant was issued at 0.65p per share along with every share issued. The warrants are exercisable at any time up to two years from the date of admission of the placing shares to trading on AIM.

Secured loan note

On 31 August 2010 Company announced that it had refinanced its £1 million convertible loan note with Cornhill Capital Limited ("Cornhill"). The annualised coupon rate of the Loan Notes has been reduced 13.75 per cent. payable upon maturity and are now convertible into new ordinary shares in the capital of the Company at a conversion price of 0.55 pence per Loan Note converted. In addition, the warrants issued to Cornhill in November 2009 have been cancelled and by way of

replacement the Company has issued 86,956,522 new warrants to subscribe for new ordinary shares in the capital of the Company to Cornhill. These warrants may be exercised by Cornhill at any time in the 4 years from the date of issue and have an exercise price of 0.575 pence per ordinary share subscribed for.

The Company also raised £57,000 through a placing of 14,250,000 new ordinary shares (the "Placing Shares") at a price of 0.4p per Placing Share

10. 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. Further copies will be available from the Company Secretary, Gregory Kuenzel, at Atlantic Coal Plc, 200 Strand, London WC2R 1DJ.

Independent Review Report to Atlantic Coal Plc

Introduction

We have been engaged by Atlantic Coal Plc to review the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2010 which comprise the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, consolidated statement of changes in equity, condensed 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 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 requirements of 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 and for no other purpose. 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 2010 is not prepared, in all material respects, in accordance with the AIM Rules for Companies.

Littlejohn LLP

Chartered Accountants and Registered Auditors
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24th September 2010

This information is provided by RNS
The company news service from the London Stock Exchange

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