

Atlantic Coal plc (“Atlantic Coal” or the “Company”)

**Entry into an option to lease a 410 acre Pennsylvanian anthracite mining property
and conditional coal purchase agreement**

Atlantic Coal plc, the AIM listed open cast coal production and processing company with activities in Pennsylvania, USA, is delighted to announce that it has entered into a lease option agreement (the “Lease Option”) with Reading Anthracite Company (“RAC”), an established operator in Pennsylvania's anthracite coal industry, over the fully permitted 410 acre Pott & Bannon anthracite mining property in New Castle Township, Schuylkill County, Pennsylvania (the “Property”).

Highlights:

- Lease option signed over a permitted 410 acre anthracite mining property with Pennsylvania based Reading Anthracite Company
- Directors estimate site to contain Reserves of 12 million tons Run of Mine at 3.9 ratio with 4.1 million tons of clean coal – potential to more than double Atlantic Coal’s existing anthracite reserves
- ATC average sales price during November 2011 of anthracite in Pennsylvania is c.US\$156/ton
- Site located 25 miles from the Company’s Stockton site in the productive Pennsylvanian Anthracitic Belt with established infrastructure and industrial and domestic demand
- Following completion of due diligence, a consideration of c. US\$6.0 million in cash and shares to be paid to Reading Anthracite Company plus the grant of US\$3.0 million worth of warrants in Atlantic at 0.75 pence per share - cash component to be satisfied from Atlantic Coal’s from existing cash resources
- Strong potential for building a commercial relationship with RAC, a US anthracite company
- Agreement is part of the Company’s strategy of increasing its current reserves and production profile, particularly in the Pennsylvania Anthracitic Belt

RAC has been operating in Pennsylvania for 135 years. The Property, which is located 25 miles from Atlantic Coal’s existing producing opencast anthracite operation, the Stockton Colliery, contains the high quality Mammoth Seam also being mined at Stockton and has a geographic location in close proximity to major east-coast transportation hubs. Entry into the Lease Option is part of Atlantic Coal’s expansion strategy of increasing its current reserves and production profile, particularly in the Pennsylvania Anthracitic Belt. In addition to the Lease Option, Atlantic Coal has granted a conditional coal purchase agreement to RAC, of which further details are set out below

Based on information provided to the Company in a report, commissioned by RAC in January 1999, prepared by John T. Boyd & Company, the Directors believe that the Property could contain up to 13.6 million tons (“Mt”) run-of-mine (“ROM”) coal, equating to approximately 4.1Mt of washed, saleable anthracite. The average strip ratio is estimated to be 3.9 ROM. Confirming these resource details will form part of Atlantic Coal’s due diligence on the Property and will be updated by a qualified person (as

defined within the AIM Rules for Companies). However, there can be no guarantee that the qualified person's report will confirm these numbers and further announcements will be made in this regard at the appropriate time.

Atlantic Coal's Managing Director, Steve Best, said: "We are extremely pleased to have been able to secure an option on this major site. This agreement is in line with our growth strategy of expanding our regional footprint in this prime anthracite region, which has excellent infrastructure and established demand, and building Atlantic Coal into a major anthracite producer in the USA. I believe that should Atlantic Coal decide to exercise the option, this deal will be beneficial to both parties, and in particular provide us with a more diverse portfolio. Additionally, this transaction could enable us to build a strong relationship with RAC, and the potential for examining additional business opportunities with this US company, which has been operating for over 135 years and is already a national and global supplier for metallurgical and diverse manufacturing industries, commercial and municipal filtration applications, and residential and commercial heating. The signs from our initial evaluation have been positive and we look forward to updating shareholders as our more detailed due diligence progresses."

Lease option

In order to secure the Lease Option, Atlantic Coal has made a payment of US\$250,000.00 to RAC. This sum is refundable only if the board of RAC do not approve the granting lease to Atlantic Coal pursuant to the Lease Option. In addition, Atlantic Coal has made a further payment of US\$250,000.00 to be held in escrow for a six month period (the "Escrow Payment") to enable Atlantic Coal to carry out due diligence on the Property. The Escrow Payment is repayable to Atlantic Coal in the event that Atlantic Coal does not wish to exercise the Lease Option.

Subject to the results of the due diligence, obtaining all necessary regulatory and shareholders consents and the satisfaction of various other conditions precedent including the transfer of the relevant permits, Atlantic Coal has the option to take a lease of the Property (the "Lease") for an initial period of ten years (the "Initial Period"). Following the expiry of the Initial Period, Atlantic Coal will have the option to extend the Lease for two additional five year periods. In consideration for RAC granting the Lease to Atlantic Coal, Atlantic will pay RAC the sum of US\$2,750,000.00 in cash (from the Company's existing cash resources) and US\$3,000,000.00 to be satisfied by the allotment of a corresponding number of ordinary shares (to be determined by Atlantic Coal's VWAP for the preceding three months) in Atlantic Coal to RAC (or, in certain circumstances, to RAC's shareholders) (the "Consideration Shares"). RAC will also be issued with warrants to subscribe for up to US\$3,000,000 worth of ordinary shares in Atlantic at a price of 0.75 pence per ordinary share for five years from the grant of the Lease (the "Warrants"). Should the board of Atlantic Coal decide to exercise the Lease Option a circular will be sent to shareholders at the appropriate time so as to enable the Consideration Shares and the Warrants to be issued to RAC.

Under the terms of the Lease Option, should Atlantic Coal choose to exercise the Lease Option then Atlantic Coal has agreed use its best endeavours to employ mining equipment at the Property to achieve a minimum production of 400,000 tons of ROM coal in the second year of the Lease, provided that market conditions warrant such a level of production.

Coal purchase agreement

Under the terms of the Lease, RAC will have the annual option to purchase (at certain pre-agreed prices) up to 50 per cent. of all sizes of standard coal provided that the standard coal meets certain specifications. Further, until Atlantic Coal constructs a processing plant at the Property, RAC will have the right to purchase all of the raw coal mined by Atlantic Coal at the Property at certain pre-agreed prices. Should Atlantic Coal determine that it will not construct a processing place at the Property then RAC's right to purchase all of the raw coal mined by Atlantic Coal at the Property will reduce to 50 per cent. of all of the raw coal mined by Atlantic Coal at the Property. Finally, RAC will be granted the right of first refusal in respect of the purchase all coal which does not meet the specifications set out in the Lease Option.

Ronald L Lewis, of John T. Boyd & Company, who meets the criteria of a qualified person under the AIM Rules - Guidance for Mining, Oil and Gas Companies, has reviewed and approved the estimated resource information contained within this announcement.

****ENDS****

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