Registered number: 05315929

ATLANTIC COAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

ATLANTIC COAL PLC

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ATLANTIC COAL PLC

COMPANY INFORMATION

Directors	Adam Wilson (Executive Chairman) Stephen Best (Managing Director) Peter Chinneck (Non-Executive Director) Edward Nelson (Non-Executive Director) – resigned 30 November 2014
Company Secretary	Heytesbury Corporate LLP
Registered Office	200 Strand London WC2R 1DJ
Company Number	05315929
Bankers	HSBC Bank Plc 4 Hardman Square Manchester M3 3EB
Nominated Adviser & Broker	Allenby Capital Limited 3 St Helen's Place London EC3A 6AB
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ

ATLANTIC COAL PLC

CHAIRMAN'S REPORT

2014 has seen a lot of exciting and positive developments at Stockton Mine which are feeding through into our performance for 2015 and provide us with a sound basis for optimism going forward. That said, despite record production it was disappointing not to make a profit which was primarily caused by lower sales volumes and low prices towards the end of the year.

The worst winter for twenty years in Pennsylvania severely curtailed production in the first quarter of 2014 with particular problems of washing anthracite at consistently low temperatures. We did, however, make a strong recovery throughout the rest of the year to achieve record production at Stockton of 165,046 tons in 2014.

In December 2014 we started to mine a cut of almost solid coal in the Mammoth seam ranging from 29 to 32 feet thick. While we reached this highly productive area of the mine too late in the year to affect the 2014 results, the Directors anticipate that this will have a positive effect on operational costs in that the working ratio (cubic yards of overburden excavated per ton of clean coal) will be reduced.

Following confirmation of solid coal in the new cut, Wardell Armstrong, international mining consultants, have re-assessed the Stockton reserve which is now estimated at 2.220 million tons as at 31 December 2014 compared with the John T. Boyd estimate of 1.626 million tons at 31 December 2013. Bearing in mind that over 165,000 tons were produced in 2014 this equates to a 37% increase in the reserve base and has a positive effect on the mining ratio, the primary determinant of mining costs at Stockton.

The improved mining conditions and prospects at Stockton have given the Board of Directors the confidence to enter into an agreement with the Reading Blue Mountain & Northern Railway to construct a rail loading facility at Stockton this summer, providing us with commercial advantage in the region. Earlier this year, Komatsu, the world's second largest manufacturer of heavy mining plant has shared that confidence in Atlantic Coal such that their wholly owned US subsidiary, Midlantic, entered a partnership with Atlantic Coal to provide new mining plant costing US$20m funded through an asset backed lease purchase agreement.

On 7 April we were delighted to report an excellent first quarter performance in 2015, and with the additional 2015 tranche of new plant, production rates continue to be extremely positive. I would like to thank all our employees for making 2014 a year of consolidation in what has, at times been difficult working and trading conditions but most importantly in laying down the foundations for a sound future for your company going forward and which is already bearing fruit as we progress through the first part of 2015.

Adam R Wilson
Chairman

STRATEGIC REPORT

The Directors of the Company and its subsidiary undertaking (which together comprise the Group) present their Strategic Report on the Group for the year ended 31 December 2014.

The Strategic Report is a statutory requirement under section 414a of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to provide fair and balanced information that enables the Directors to be satisfied that they have complied with section 172 of the Companies Act, which sets out the Directors duty to promote the success of the Company.

Business Review

Mining at Stockton

The producing Stockton Mine is located in the Pennsylvanian Anthracite Coal Field and includes an anthracite preparation plant capable of washing 450,000 tons of ROM coal per annum. The site is operated by Coal Contractors (1991) Inc., a 100% owned subsidiary of Atlantic Coal.

In December 2014 we started to mine a cut of almost solid coal in the Mammoth seam; old underground mine plans indicated this area as being largely unworked but it was only when we actually reached this area that we could confirm this. The Directors anticipate that the Company will be working these favourable conditions in the Mammoth seam with higher levels of coal remaining through the remainder of the Stockton reserve area. While we reached this highly productive area of the mine too late in the year to affect the 2014 results, the Directors anticipate that this will have a positive effect on operational costs in that the working ratio (cubic yards of overburden excavated per ton of clean coal) will be reduced.

Wardell Armstrong, international mining consultants, have been able to re-assess the Stockton reserve following the confirmation of this area of solid coal, and have estimated a 37% increase in the reserve base. Whilst previous reserve assessments by John T. Boyd had estimated 1.626 million tons remaining at 31 December 2013, our current figure, taking into account the 165,000 tons produced in 2014, now stands at 2.220 million tons at 31 December 2014. This is primarily attributable to the increased reserves in the Mammoth seam but also to a higher proportion of coal remaining from previous underground mining in the Primrose, Orchard and Diamond seams than previously estimated.

While more detailed survey work and assessment has identified a higher overburden excavation figure the higher coal reserve has still resulted in a substantial decrease in the mining ratio to 13.99 cubic yards of overburden to 1 ton of clean coal (John T. Boyd figure from 2013 was 19.40 to 1). As mining ratio is the primary determinant of mining cost the Company considers that this 28% decrease in the ratio bodes well for our mining costs as we go forward. The Directors consider that these additional reserves will potentially extend Stockton's life by approximately three years.

The reduction in the amount of old underground mine workings which we are now encountering also means we have less rock dilution in the run of mine (ROM) coal which also has the effect of reducing haulage and washing costs as we are transporting and washing proportionately less rock and more coal. The wash recovery rate in 2014 was just under 40% but with the increased coal content in the ROM is now around 52-54% with the additional potential to recover a further 25% from the discard giving a total wash recovery rate of approximately 64%.

Mining at sites such as Stockton in synclinal basins over 400 feet deep is by its very nature a cyclical operation with peaks of production when the bottom of the basin is reached, particularly now that this is almost solid 29 to 32 feet thick Mammoth seam, and also with lower production and higher cost phases, for instance as we now excavate down through the basin working the thinner upper seams and the Mammoth seam in the "limbs" of the syncline which tend to have been quite heavily worked underground.

While we did achieve record production in 2014, the cyclical nature of the mining operation meant that we only worked one cut in the lucrative bottom of the basin Mammoth seam and our mining ratio for the year at 19 to 1 was therefore higher than the overall ratio for the mine at 13.96 to 1. Consequently, our mining costs per ton were higher than they might otherwise have been. This year, however, with the increased mining capacity the new plant gives we anticipate working two full basin cuts in 2015. We completed coal extraction in the first cut in May of this year but will reach the bottom of the basin in the next cut before the end of the year. This will be particularly positive not only in terms of production but also in terms of lower costs since, unlike 2014, we will be working at the overall mine ratio and we anticipate that this should continue to be the case as we progressively mine westwards through the basin.

On 7 April we were delighted to report an excellent first quarter performance in 2015. Despite another desperately cold winter in Pennsylvania we surpassed our Q1 2014 performance by some considerable margin and broke a number of production records with record quarterly ROM production (136,981 tons) and overburden removal (1,082,028 cubic yards) and, had it not been for persistent sub-zero temperatures and the adverse effect on coal washing operations, we anticipate that we would also have achieved record clean coal production albeit this was still 32% up on Q1 2014 (Q1 2015 – 45,669 tons, Q1 2014 – 34,451 tons).

STRATEGIC REPORT (continued)

Business Review (continued)

Production rates continue to be extremely positive. We have built up a healthy inventory of clean coal (17,840 tons at end of Q1 2015 compared with 1,396 tons at the end of Q1 2014 which has risen to over 30,000 tons by mid-May) to enable us to both compete effectively in the market and also to benefit from the higher prices which traditionally materialise as we move into July and onwards. We have also built up a healthy inventory of ROM (over 94,000 tons as at 30 May (30 May 2014: 93,000 tons)) to keep our washing plant fully utilised and maintain clean coal production. This has enabled us to generate further sales of over 25,000 tons of ROM to date to other processors and has started to contribute to our revenues. The value of our coal inventory at the date of this report is around US$ 8.9 million.

We continue to seek new anthracite mining properties in Pennsylvania to add to our Stockton Mine with a view to giving us the productive capacity to compete more effectively in both the US and export markets. For example, export contracts often now look for between 40,000 and 50,000 ton shipments which are equivalent to over 25% of our current production and it would be challenging to supply such contracts at the present time whilst maintaining our current sales commitments.

We continue to undertake geological and engineering design work on our Pott and Bannon property which we see as a strategic reserve to ultimately replace the Stockton Mine at the end of its mine life. As stated previously, our main focus on new anthracite mining properties is to acquire operational mines with a good reserve base which would enable us to quickly increase production without the need for substantial mine development costs. To this end we are evaluating a number of mining properties and further announcements will be made at the current time.

New rail loading facility

In June 2015 we entered into an agreement with the Reading Blue Mountain & Northern Railway to construct a rail loading facility at Stockton. Construction will begin this summer, initially allowing for a minimum of four railcar spots directly adjacent to the mine, with the option to expand the facility if needed at a later date. This will provide significant cost savings and commercial advantage in supplying customers that require rail delivery.

Major new mining equipment acquisition

In February 2015, the purchase of new equipment in partnership with Komatsu was announced. The full complement of new equipment is to be funded through an asset backed lease purchase agreement at a total cost of $20 million over six years, and consisted of the following pieces of equipment:

- PC3000 hydraulic excavator;
- Four Komatsu Model HD785-7 100 ton haul trucks;
- Two Komatsu Model HM400-3 articulated haul trucks;
- One Komatsu Model PC490LC-10 hydraulic excavator;
- Two Komatsu Model D275AX-SEO dozers;
- One Komatsu Model WA500-7 wheel loader.

This is in addition to the six Komatsu Model HD785-7 100 ton haul trucks delivered to Stockton in March and April 2014. We will shortly be installing a new larger barrel in our washing plant, partly as a replacement for the original barrel which is now worn out, but also to process the additional quantity and quality of ROM we are now producing and to maximise efficient coal recovery. While most of this new equipment arrived beyond the time frame to impact on the 2014 results we are now fully re-equipped to exploit the Stockton reserves.

Market Review

Sales Prices and Trends in 2014

2013 saw a marked slowdown in demand throughout the Pennsylvania anthracite sector due to overcapacity on the international market, as countries such as Russia, the Ukraine, Vietnam and North Korea increased their anthracite exports. This was partly relieved in 2014, as the Ukraine crisis saw disruption to the country's anthracite production, and cessation of its anthracite exports will have had a positive effect on prices internationally.

On the other hand, falling US steel production and rising steel imports have dampened US anthracite demand and prices. Whilst the average sales price* for Stockton anthracite (all grades) increased by 2.3% from $117.89 in 2013 to $120.79 in 2014, sales at 153,698 tons were down 8% on the 2013 figure of 166,780 tons.

In Pennsylvania, the market was very competitive towards the end of the year which has had a negative effect on prices but there are now signs that this situation is easing and I am pleased to report that the average sale price in Q1 increased to $124, a 2.6% increase on the overall 2014 figure. Anthracite sales to the home heating sector remained strong in 2014, thanks in part to the low temperatures seen in Q1 2014.

STRATEGIC REPORT (continued)

Market Review (continued)

I would also note that anthracite prices have also been much less volatile than other types of coal. Metallurgical (coking) coal prices have recently fallen to a six year low with Australian prices down over 60% on four years ago. Thermal coal prices have also fallen substantially caused by competition from cheap shale gas with prices down over 40% on four years ago. Over the same period our anthracite prices have fallen by only 20%.

This is partly down to the high quality of the product but also the fact that anthracite has a wide variety of uses based on its high heat value, high carbon content and purity which renders it less susceptible to fluctuations in single market areas which is the situation with metallurgical and thermal coal. This gives us the confidence to continue to invest in the anthracite mining industry.

Outlook

The Directors believe anthracite is the most versatile and high quality metallurgical coal, with a range of applications in the steel industry; it is also used as a component in the sugar industry, as a process carbon in the manufacture of bricks, wire, silicon and glass, and in water purification and filtration. The home and industrial heating market which continues to be a large part of our sales (47% of our total sales in 2015) has remained stable as many homes throughout North East USA are still unconnected to the mains gas supply, and this is expected to continue throughout 2015 and beyond. This of Stockton's anthracites products supports demand for our products remaining strong, if not increasing.

Only 1% of the world's coal reserves is made up of anthracite, and even then few of the reserves are of as high a quality as the North East Pennsylvania Coalfield, or benefit from the same level political stability, established infrastructure and an industry-friendly jurisdiction. This suggests a future supply imbalance, supporting future price increases.

Atlantic Coal is confident that demand for its products will continue across key domestic markets. The Group is now well positioned to take advantage of these opportunities in that the almost solid coal in the Mammoth seam that was reached in in late 2014, has allowed for an increase in both ROM and Clean Coal inventory levels in comparison to June 2014 as demonstrated below;

	1 June 2015	1 June 2014
ROM Coal (tons)	**91,627**	63,471
Clean Coal (tons)	**33,471**	6,774

Sales prices for ROM Coal have averaged $53.5 per ton and $120 per ton in 2015.

Results and Financial Review

The loss of the Group for the year ended 31 December 2014 before taxation amounts to $3,539,560 (year ended 31 December 2013: $1,478,707).

Key financial highlights for the year to 31 December 2014 are:

	2014	2013
Cash at bank at the year end	**$725,517**	$877,003
Sales	**$18,397,465**	$19,661,639
Gross profit	**$409,718**	$3,618,233
Gross margin	**2.23%**	18.40%
Debt at the year end	**$14,045,106**	$4,773,339
Restoration obligations at the year end	**$4,074,796**	$4,365,255

- The Group's cash position during 2014 continued to decrease as we used existing cash balances to repay debt and finance leases. The Group also used cash to complete the Gowen mine reclamation and to pursue opportunities to acquire additional anthracite mining assets. We have again improved the production capacity at our Stockton Colliery and increased coal reserves.
- Total debt increased by over $9 million in 2014, used to fund equipment assets previously mentioned.
- Restoration obligations decreased with the final completion of seeding work at Gowen.

Key Performance Indicators ("KPIs")

The Board monitors the activities and performance of the Group on a regular basis. The Board uses both financial and non-financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below were used during the year to 31 December 2014 and will continue to be used by the Board to assess performance over the year to 31 December 2015.

STRATEGIC REPORT (continued)

KPIs

	31 December 2014	31 December 2013
Average Sales Revenue – per ton of coal sold before discounts ($)[(1)]	**116.64**	127.92
Cost Price – operating cost per ton of coal sold ($)	**115.16**	104.93
Health and Safety – number of reportable accidents (number)	**0**	3
Environmental Incidents – breaches of environmental legislation (number)	**0**	0
Recovery Rates – amount of clean coal generated from raw coal mined	**40%**	43%

[(1)] *Excludes sales of low value number 5 coal which accounts for a minor portion of Stockton coal sales. Average sales prices change to $120.79 (2014) and $117.89 (2013) with the inclusion of number 5 coal.*

The nature of the geology of the coal seam means that there will be fluctuations in the cost per ton over the life of the mine. The Board expects cost per ton to further reduce in 2015.

The Group is obliged to report any health and safety incidents to the Pennsylvanian Department of Environmental Protection. Of the incidents reported during 2014, none resulted in hospital treatment.

Working Capital

In order to provide working capital the Company entered into a loan backed by a standby equity distribution agreement with YA Global Masters SPV Limited ("Yorkville"). Subsequently the Company entered into an equity swap agreement with Yorkville. The details of all the transactions with Yorkville are set out in Note 28.

The total funds available under these arrangements are US$5,000,000 and to date the Company has utilised $4,000,000, repaid $4,000,000, utilised a further $1,000,000, meaning that at the year end the Company has access to $4,000,000 under this arrangement.

During the year the Company changed its bankers to the Community Bank and as a result obtained access to a $200,000 overdraft facility which is open to extension in the near term.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

The key business risks affecting the Group are set out below.

Mining and processing risks

The Group's principal operation is the mining of coal. Its operations are subject to all of the hazards and risks normally encountered in mining and processing coal. These include unusual and unexpected geological formations, rock falls, flooding and other conditions involved in the extraction of material, any of which could result in damage to the mine and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimise risk are taken, operations are subject to hazards, which may result in environmental pollution and consequent liability which could have a material adverse impact on the business, operations and financial performance of the Group.

As is common with all mining operations, there is uncertainty and therefore risk associated with the Group's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Group's control.

The Group may be required to undertake clean-up programmes resulting from any contamination from its operations or to participate in mine rehabilitation programmes which may vary from project to project. The Group follows all necessary laws and regulations and is not aware of any present material issues in this regard.

Environment, health and safety

While the Group believes that its operations are currently compliant, and will be in substantial compliance, with all relevant material environmental, health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to, or stringent enforcement of, existing laws and regulations will not be introduced. This could have a material adverse impact on the Group. Dust, noise and chemical re-agents, among other factors, may pose a health risk to persons at the mine and the environment. There can be no assurance that all permits which the Group require will be retained or maintained on reasonable terms.

The Group is required to comply with Pennsylvanian Department of Environmental Protection regulations on mine reclamation and rehabilitation. Any breaches of these rules may result in the Group being fined or, in relation to serious offences, may result in the mining permit being cancelled.

STRATEGIC REPORT (continued)

Reserve and resource estimates

The Group's reported reserves and resources are only estimates. No assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Reserve and resource estimates are based on sampling and, consequently, are uncertain because the samples may not be representative. Reserve and resource estimates may require revision (either up or down) based on future actual production experience.

Volatility of commodity prices

Historically, commodity prices have fluctuated and are affected by numerous factors beyond the Group's control, including global demand and supply, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices, over the long term, may adversely impact the returns of the Group's investments.

A significant reduction in global demand for coal, leading to a fall in coal prices, could lead to a significant fall in the cash flow of the Group, which may have a material adverse impact on the operating results and financial condition of the Group.

Dependence on key personnel

The Group and Company are dependent upon the executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

Currency risk

The Group reports its results in US Dollars, whilst the functional currency of the Parent Company from which the Group derives the majority of its funding is Pound Sterling. This may result in additions to the Group's reported costs. Fluctuations in exchange rates between currencies in which the Group invest, reports or derives income may cause fluctuations in its financial results that are not necessarily related to the Group's underlying operations.

Price risk

The Group is exposed to equity securities price risk because of derivative financial instruments held by the Group at fair value through the profit or loss. The Company's share price may vary in either direction from the benchmark price.

Financial Instruments and Risk Management

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices and foreign currency exchange rates, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Details of the Group's financial risk management policies are set out in Note 1 to the Financial Statements.

This report was approved by the Board on 5 June 2015 and signed on its behalf.

Stephen Best
Managing Director

ATLANTIC COAL PLC

DIRECTORS' REPORT

The Directors present their Report, together with the Group Financial Statements and the Independent Auditor's Report, for the year ended 31 December 2014.

Principal Activities and Business Review

The principal activity of the Company is that of a holding company. The principal activity of the Group is the development and operation of the Stockton Colliery which comprises the Stockton Mine and an anthracite washing plant in Pennsylvania, USA.

Dividends

The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2013 - $nil).

Directors

The names of the Directors are shown in the Company Information on page 2.

Directors' Interests

The Directors who served during the year ended 31 December 2014 had the following beneficial interests in the shares of the Company:

	31 December 2014		1 January 2014	
	Ordinary Shares	**Options**	Ordinary Shares	Options
Stephen Best [(1)]	333,450,730	-	300,851,865	-
Edward Nelson (resigned 30 November 2014)	-	-	-	-
Adam Wilson [(2)]	170,858,352	-	138,807,070	-
Peter Chinneck	250,051,282	-	213,000,000	-

(1) Stephen Best's shares are held as follows: 3,730,000 personally, 279,573,300 by his spouse, 18,096,148 by Willoughby (465) Limited, and 32,051,282 through Mount Charles of which his spouse beneficially owns 50%.

(2) Adam Wilson's shares are held as follows: 138,807,070 personally and 32,051,282 through Mount Charles which is 50% beneficially owned by him.

Further details on options can be found in Note 12 to the Financial Statements.

Environmental Responsibility

The Company recognises that the Group's activities require it to have regard to the potential impact that it and its subsidiary may have on the environment. Wherever possible, the Company ensures that its subsidiary complies with the local regulatory requirements with regard to the environment.

Health and Safety

The Group operates a health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. Employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

Internal Controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Branches outside the UK

The Company has one wholly owned subsidiary, Coal Contractors (1991) Inc., which owns and operates the Stockton Colliery based in Pennsylvania, USA.

DIRECTORS' REPORT (continued)

Policy and Practice on Payment of Creditors

The Company and its subsidiary undertaking agree terms and conditions for their business transactions with suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier. As at 31 December 2014 the Group had an average of 65 days (2013 - 52 days) purchases outstanding in trade payables.

Events after the Reporting Period

There were no such events to report.

Going Concern

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusion thereon are included in the statement on going concern on page 23.

Statement of Financial Position

As illustrated by the Statement of Financial Position on page 15 of the Financial Statements, whilst part reversal of impairment amounting to $2,374,080 has been adjusted for, the significant impairment of loans due from group undertakings to the Company from previous periods has resulted in the Company's net assets being less than half of its called-up share capital. This has resulted in the Company issuing an announcement on 5 June 2014 confirming that the matter would be put to shareholders at the Annual General Meeting as required under section 656 of the Companies Act 2006.

Directors' and Officers' Indemnity Insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the previous period and remain in force at the date of this report.

Provision of Information to Auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 5 June 2015 and signed on its behalf.

Stephen Best
Managing Director

ATLANTIC COAL PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, www.atlanticcoal.com. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

This statement was approved by the Board on 5 June 2015 and signed on its behalf.

Stephen Best
Managing Director

CORPORATE GOVERNANCE REPORT

The Board of Directors currently comprises one Executive Managing Director an Executive Chairman and an Executive Director. The Directors recognise the importance of sound corporate governance and they have sought to observe a number of the requirements of the UK Corporate Governance Code, as published by the Financial Reporting Council. However, not every provision and principle of this Code has been dealt with as it is considered by the Directors to be inappropriate due to the current size of the Group. Although not required, the Directors have decided to provide the following corporate governance information.

The Company is headed by an effective Board which is collectively responsible for promoting the success of the Company. The Board sets the Company's strategic aims, its values and standards, and ensures that its obligations to its shareholders and others are understood and met. All Directors are expected to bring independent judgement to bear, and to take decisions objectively in the interests of the Company. If Directors have concerns about the way the Company is being run or about any course of action that is proposed, they must ensure that such concerns are recorded in the Board minutes if they cannot be resolved. Non-Executive Directors are expected to constructively challenge and contribute to the development of strategy, to scrutinise management performance, to satisfy themselves on the integrity of financial information and that financial controls and risk management systems are robust and defensible. Non-Executive Directors will have to undertake that they have sufficient time to fulfil the role, and must disclose any other commitments or future new appointments. New Directors to the Board receive a detailed induction pack on appointment, and are advised to regularly update and refresh their skills and knowledge. This includes skills and knowledge that they need to bring to their role, as well as matters relating to the Group itself.

Board Meetings

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Director who is charged with consulting the Board on all significant financial and operational matters.

	Number held and entitled to attend	Number attended
Adam Wilson	11	10
Stephen Best	10	10
Peter Chinneck	11	10
Edward Nelson	11	11

Board Committees

The Company has established an Audit Committee, a Remuneration Committee and a Working Capital Committee. In light of the size of the Board, the Directors do not consider it necessary to establish a Nomination Committee. However, this will be kept under regular review.

Audit Committee

An Audit Committee, comprising Peter Chinneck and Adam Wilson, has been established by the Company. The Audit Committee is chaired by Adam Wilson and meets at least two times each year. The Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The Committee also reviews regular reports from management and the external auditor on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment of, and reviews the fees of, the external auditor.

Remuneration Committee

The Company has a Remuneration Committee, comprising Adam Wilson and Peter Chinneck. The Remuneration Committee is chaired by Peter Chinneck. The Committee is responsible for reviewing the performance of the Executive Director and for setting the scale and structure of his remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Company.

	Number held and entitled to attend	Number attended
Peter Chinneck	1	1
Adam Wilson	1	1

CORPORATE GOVERNANCE REPORT (continued)

Working Capital Committee

Adam Wilson reviews the Group's working capital requirements from time to time. The Company intends to establish a formal working capital committee with the expansion of the Board through the appointment of Non-Executive Directors.

Internal Controls

The Board acknowledges its responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

The Board has reviewed the effectiveness of the internal controls and consider them adequate and effective.

Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management. Project milestones and timelines are regularly reviewed.

Securities Trading

The Company has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM company. The Directors will comply with AIM Rule 21 relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees.

Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through Stock Exchange announcements and regular updates of the Company website. The Board views the Annual General Meeting as a forum for communication between the Company and its shareholders and encourages their participation.

ATLANTIC COAL PLC

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Atlantic Coal Plc

We have audited the Financial Statements of Atlantic Coal Plc for the year ended 31 December 2014 which comprise the Group and Company Statements of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alistair Roberts (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

5 June 2015

ATLANTIC COAL PLC

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

Company number: 05315929

	Note	Group		Company	
		As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
		$	$	**$**	$
Non-Current Assets					
Property, plant and equipment	4	**16,744,999**	9,123,661	**123,179**	200,457
Land, coal rights and restoration costs	5	**11,796,159**	12,805,313	**6,000,000**	6,000,000
Investment in subsidiaries	6	**-**	-	**-**	-
Trade and other receivables	7	**-**	-	**11,900,000**	11,475,001
Other assets	9	**199,644**	62,421	**-**	-
		28,740,802	21,991,395	**18,023,179**	17,675,458
Current Assets					
Inventories	8	**1,614,485**	2,804,216	**-**	-
Trade and other receivables	7	**2,679,438**	2,171,775	**145,349**	65,226
Other assets	9	**58,046**	195,589	**-**	-
Derivative financial instruments	10	**-**	974,209	**-**	974,209
Cash and cash equivalents	11	**725,517**	877,003	**520,932**	670,851
		5,077,486	7,022,792	**666,281**	1,710,286
Total Assets		**33,818,288**	29,014,187	**18,689,460**	19,385,744
Equity Attributable to Owners of the Parent and Shareholders					
Share capital	12	**5,510,300**	5,510,300	**5,510,300**	5,510,300
Share premium	12	**40,359,710**	40,359,710	**40,359,710**	40,359,710
Merger reserve		**13,898,706**	13,898,706	**2,374,080**	-
Reverse acquisition reserve		**(12,999,288)**	(12,999,288)	**-**	-
Other reserves	13	**101,077**	94,666	**101,077**	94,666
Translation reserve		**(3,853,590)**	(2,364,293)	**(7,252,707)**	(6,550,491)
Retained losses		**(35,389,440)**	(31,857,428)	**(28,014,990)**	(25,320,676)
Total Equity		**7,627,475**	12,642,373	**13,077,470**	14,093,509
Current Liabilities					
Trade and other payables	14	**8,070,911**	7,233,220	**4,611,990**	4,438,069
Borrowings	15	**3,833,297**	2,962,856	**1,000,000**	854,166
Provision for restoration costs	16	**158,100**	175,000	**-**	-
		12,062,308	10,371,076	**5,611,990**	5,292,235
Non-Current Liabilities					
Borrowings	15	**10,211,809**	1,810,483	**-**	-
Provision for restoration costs	16	**3,916,696**	4,190,255	**-**	-
		14,128,505	6,000,738	**-**	-
Total Liabilities		**26,190,813**	16,371,814	**5,611,990**	5,292,235
Total Equity and Liabilities		**33,818,288**	29,014,187	**18,689,460**	19,385,744

The Financial Statements were approved and authorised for issue by the Board of Directors on 5 June 2015 and were signed on its behalf by:

Stephen Best
Managing Director

The Accounting Policies and Notes on pages 21 to 51 form part of these Financial Statements.

ATLANTIC COAL PLC

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

		Group	
		For the year ended 31 December 2014	For the year ended 31 December 2013
Continuing operations	**Note**	**$**	$
Revenue	3	**18,397,465**	19,661,639
Cost of sales	18	**(17,987,747)**	(16,043,406)
Gross profit		**409,718**	3,618,233
Administration expenses	18	**(3,374,770)**	(3,411,866)
Exceptional expenses	19	**(359,088)**	(497,623)
Other gains/(losses)	20	**398,212**	(421,960)
Other income	23	**205,673**	12,114
Operating Loss		**(2,720,255)**	(701,102)
Finance costs	24	**(819,305)**	(777,605)
Loss Before Taxation		**(3,539,560)**	(1,478,707)
Income tax expense	25	**-**	-
Loss for the Year		**(3,539,560)**	(1,478,707)
Loss attributable to the owners of the Parent		**(3,539,560)**	(1,478,707)
Earnings per share attributable to the owners of the Parent during the year, expressed as cents per share:			
Basic and diluted (cents)	26	**(0.09)**	(0.03)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Loss for the year	**(3,539,560)**	(1,478,707)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**(1,489,297)**	27,330
Total comprehensive income for the year	**(5,028,857)**	(1,451,377)
Total comprehensive income attributable to the owners of the Parent	**(5,028,857)**	(1,451,377)

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement and Statement of Comprehensive Income.

The loss for the Parent Company for the year was $327,782 (2013: loss of $15,982,181) and the total comprehensive income for the year was a loss of $1,029,998 (2013: loss of $16,023,434).

The Accounting Policies and Notes on pages 21 to 51 form part of these Financial Statements.

ATLANTIC COAL PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Attributable to the owners of the parent							
	Share capital $	**Share premium $**	**Merger reserve $**	**Reverse acquisition reserve $**	**Other reserves $**	**Translation reserve $**	**Retained losses $**	**Total equity $**
At 1 January 2013	4,595,188	38,670,457	15,326,850	(12,999,288)	88,510	(2,391,623)	(31,834,940)	11,455,154
Loss for the year	-	-	-	-	-	-	(1,478,707)	(1,478,707)
Other comprehensive income for the year								
Currency translation differences	-	-	-	-	-	27,330	-	27,330
Total comprehensive income for the year	-	-	-	-	-	27,330	(1,478,707)	(1,451,377)
Share capital issued	915,112	1,802,608	-	-	-	-	-	2,717,720
Share issue costs	-	(113,355)	-	-	-	-	-	(113,355)
Issue of share options and warrants	-	-	-	-	34,231	-	-	34,231
Expiration of options & warrants	-	-	-	-	(28,075)	-	28,075	-
Transfer of merger reserve	-	-	(1,428,144)	-	-	-	1,428,144	-
Transactions with owners, recognised directly in equity	915,112	1,689,253	(1,428,144)	-	6,156	-	1,456,219	2,638,596
At 31 December 2013	**5,510,300**	**40,359,710**	**13,898,706**	**(12,999,288)**	**94,666**	**(2,364,293)**	**(31,857,428)**	**12,642,373**
At 1 January 2014	5,510,300	40,359,710	13,898,706	(12,999,288)	94,666	(2,364,293)	(31,857,428)	12,642,373
Loss for the year	-	-	-	-	-	-	(3,539,560)	(3,539,560)
Other comprehensive income for the year								
Currency translation differences	-	-	-	-	-	(1,489,297)	-	(1,489,297)
Total comprehensive income for the year	-	-	-	-	-	(1,489,297)	(3,539,560)	(5,028,857)
Issue of share options and warrants	-	-	-	-	13,959	-	-	13,959
Expiration of options & warrants	-	-	-	-	(7,548)	-	7,548	-
Transactions with owners, recognised directly in equity	-	-	-	-	6,411	-	7,548	13,959
At 31 December 2014	**5,510,300**	**40,359,710**	**13,898,706**	**(12,999,288)**	**101,077**	**(3,853,590)**	**(35,389,440)**	**7,627,475**

The Accounting Policies and Notes on pages 21 to 51 form part of these Financial Statements.

ATLANTIC COAL PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Attributable to the shareholders						
	Share capital $	**Share Premium $**	**Merger reserve $**	**Other reserves $**	**Translation reserve $**	**Retained losses $**	**Total equity $**
At 1 January 2013	4,595,188	38,670,457	1,428,144	88,510	(6,509,238)	(10,794,714)	27,478,347
Loss for the year	-	-	-	-	-	(15,982,181)	(15,982,181)
Other comprehensive income for the year							
Currency translation differences	-	-	-	-	(41,253)	-	(41,253)
Total comprehensive income for the year	-	-	-	-	(41,253)	(15,982,181)	(16,023,434)
Share capital issued	915,112	1,802,608	-	-	-		2,717,720
Share issue costs	-	(113,355)	-	-	-	-	(113,355)
Transfer of investment impairment	-	-	(1,428,144)	-	-	1,428,144	-
Issue of share options and warrants	-	-	-	34,231	-	-	34,231
Expiry of options & warrants	-	-	-	(28,075)	-	28,075	-
Total contributions by and distributions to owners of the Company	915,112	1,689,253	(1,428,144)	6,156	-	1,456,219	2,638,596
As at 31 December 2013	**5,510,300**	**40,359,710**	**-**	**94,666**	**(6,550,491)**	**(25,320,676)**	**14,093,509**
At 1 January 2014	5,510,300	40,359,710	-	94,666	(6,550,491)	(25,320,676)	14,093,509
Loss for the year	-	-	-	-	-	(327,782)	(327,782)
Other comprehensive income for the year							
Currency translation differences	-	-	-	-	(702,216)	-	(702,216)
Total comprehensive income for the year	-	-	-	-	(702,216)	(327,782)	(1,029,998)
Transfer of investment impairment	-	-	2,374,080	-	-	(2,374,080)	-
Issue of share options and warrants	-	-	-	13,959	-	-	13,959
Expiry of options & warrants	-	-	-	(7,548)	-	7,548	-
Total contributions by and distributions to owners of the Company	-	-	2,374,080	6,411	-	(2,366,532)	13,959
As at 31 December 2014	**5,510,300**	**40,359,710**	**2,374,080**	**101,077**	**(7,252,707)**	**(28,014,990)**	**13,077,470**

The Accounting Policies and Notes on pages 21 to 51 form part of these Financial Statements.

ATLANTIC COAL PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Note	Group For the year ended 31 December 2014 $	For the year ended 31 December 2013 $
Cash flows from operating activities			
Loss before taxation		**(3,539,560)**	(1,478,707)
Adjustments for:			
- Finance costs		**819,305**	777,605
- Depreciation	4	**2,699,591**	1,761,371
- Mine depletion and mineral depreciation	5	**368,908**	777,822
- Share option and warrants expense		**13,959**	34,231
- Fair value loss on derivative financial instruments		**951,440**	96,698
- Loss on disposal of property, plant and equipment		**205,673**	-
- Accretion and accrued restoration costs		**366,687**	431,796
- Reclamation work performed		**(16,900)**	(216,049)
- Foreign exchange gains		**(1,425,566)**	35,181
Changes in working capital			
- Increase in trade and other receivables		**(718,138)**	(1,173,004)
- Financial assets at fair value through profit or loss		**-**	(1,070,907)
- Decrease in inventories		**1,189,731**	929,747
- Increase/(decrease) in trade and other payables		**966,999**	(925,530)
Net cash generated from/(used) in operating activities		**1,882,129**	(19,746)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(422,757)**	(376,305)
Increase in deposits		**320**	113,019
Net cash used in investing activities		**(422,437)**	(263,286)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	2,472,492
Proceeds from borrowings		**3,284,617**	1,063,360
Repayments of borrowings		**(1,963,986)**	(1,702,053)
Interest paid		**(560,613)**	(738,693)
Finance lease payments		**(2,338,230)**	(1,828,584)
Net cash used in financing activities		**(1,578,212)**	(733,478)
Net decrease in cash and cash equivalents		**(118,520)**	(1,061,510)
Exchange (losses)/gains on cash and cash equivalents		**(32,966)**	(8,835)
Cash and cash equivalents at beginning of year		**877,003**	1,902,348
Cash and cash equivalents at end of year	11	**725,517**	877,003

The Accounting Policies and Notes on pages 21 to 51 form part of these Financial Statements.

ATLANTIC COAL PLC

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Note	Company	
		For the year ended 31 December 2014	For the year ended 31 December 2013
		$	$
Cash flows from operating activities			
Loss before tax		**(327,782)**	(15,982,181)
Adjustments for:			
- Finance expense		**33,377**	75,096
- Depreciation	4	**69,282**	68,021
- Impairment of investment and loans/(reversal of impairment)	6	**(2,374,080)**	13,419,010
- Share option and warrants expense		**13,959**	34,231
- Fair value loss on derivative financial instruments		**951,440**	96,698
- Foreign exchange losses/(gains)		**100,121**	(33,402)
Changes in working capital:			
- (Increase)/decrease in trade and other receivables		**(80,123)**	358,440
- Financial assets at fair value through profit or loss		**-**	(1,070,907)
- Increase/(decrease) in trade and other payables		**303,229**	(19,425)
Net cash used in operating activities		**(1,310,577)**	(3,054,419)
Cash flows from investing activities			
Loans to subsidiary		**(1,873,025)**	(1,344,512)
Loan repayments received from subsidiary		**3,083,500**	750,000
Net cash generated from/(used in) investing activities		**1,210,475**	(594,512)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	2,472,492
Proceeds from borrowings		**995,692**	1,063,360
Repayment of borrowings		**(979,166)**	(166,667)
Interest paid		**(33,377)**	(55,267)
Net cash (used in)/ generated from financing activities		**(16,851)**	3,313,918
Net decrease in cash and cash equivalents		**(116,953)**	(335,013)
Exchange (losses) on cash and cash equivalents		**(32,966)**	(8,835)
Cash and cash equivalents at beginning of year		**670,851**	1,014,699
Cash and cash equivalents at end of year	11	**520,932**	670,851

The Accounting Policies and Notes on pages 21 to 51 form part of these Financial Statements.

ACCOUNTING POLICIES
For the year ended 31 December 2014

General Information

The financial statements presented are for Atlantic Coal Plc ("the Company") and its subsidiary (together, "the Group"). The principal activity of the Company is that of a holding company. The principal activity of the Group is the development and operation of the Stockton Colliery which comprises the Stockton Mine and an anthracite washing plant in Pennsylvania, USA.

The Company, the legal parent, is a public limited company, which is listed on the AIM of the London Stock Exchange and incorporated and domiciled in United Kingdom. The address of its registered office is 200 Strand, London, WC2R 1DJ.

Summary of Significant Accounting Policies

The principal Accounting Policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of Preparation of Financial Statements

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have also been prepared under the historical cost convention as modified by the revaluation of certain financial assets to fair value through the profit or loss.

The Financial Statements are presented in US Dollars rounded to the nearest dollar.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.

b) Changes in accounting policy

i) New and amended standards adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for the annual periods beginning on or after 1 January 2014 and have been applied in preparing these Financial Statements. The material standards applied are as follows:

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements.

Amendment to IAS 36, 'Impairment of Assets', require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments also incorporate the requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

All other new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2014 are not material to the Group and Company and therefore not applied in preparing these Financial Statements.

ii) New and amended standards and interpretations issued but not yet effective for the financial year beginning on or after 1 January 2014 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are listed below:

ACCOUNTING POLICIES
For the year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

b) Changes in accounting policy (continued)

Standard		Effective Date
IAS 1 (Amendments)	Presentation of Financial Statements: Disclosure Initiative	*1 January 2016
IAS 16 (Amendments)	Clarification of Acceptable Methods of Depreciation	*1 January 2016
IAS 16 (Amendments)	Property, plant and equipment: Bearer Plants	*1 January 2016
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions	1 February 2015
IAS 27 (Amendments)	Separate Financial Statements	*1 January 2016
IAS 28 (Amendments)	Investments in Associates and Joint Ventures	*1 January 2016
IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IAS 38 (Amendments)	Clarification of Acceptable Methods of Amortisation	*1 January 2016
IAS 41 (Amendments)	Agriculture: Bearer Plants	*1 January 2016
IFRS 9 (Amendments)	Financial Instruments	*1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements	*1 January 2016
IFRS 10 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	*1 January 2016
IFRS 12 (Amendments)	Investment Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 14	Regulatory Deferral Accounts	*1 January 2016
IFRS 15	Revenue from Contracts with Customers	*1 January 2017
Annual Improvements	2010 – 2012 Cycle	1 February 2015
Annual Improvements	2011 – 2013 Cycle	1 January 2015
Annual Improvements	2012 – 2014 Cycle	*1 July 2016

**Subject to EU endorsement*

Whilst the Directors do not anticipate the adoption of these standards and interpretation in future reporting periods will have a material impact on the Group's financial statements, they have yet to complete their full assessment in relation to the impact of IFRS 9 and IFRS 15.

c) Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of Atlantic Coal Plc and the audited management accounts of its subsidiaries for the year ended 31 December 2014.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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 had control of the legal parent, Atlantic Coal Plc, the transaction was 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 subsidiaries. The following accounting treatment was applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiaries within the Stockton Coal Group were and continue to be recognised and measured in the Consolidated Financial Statements at their pre-combination carrying amounts, without restatement to fair value;
- the equity structure appearing in the Consolidated Financial Statements reflected and continues to reflect the equity structure of the legal parent, Atlantic Coal Plc, including the equity instruments issued to effect the business combination.

The cost of acquisition was measured as the fair value of the assets acquired, equity instruments issued and liabilities acquired or assumed at the date of exchange, plus certain costs directly attributable to the acquisition. Inter-company transactions, balances and unrealised gains on transactions between Group companies were eliminated.

On 31 December 2009 the activities of the companies within the Stockton Coal Group were merged into Coal Contactors (1991) Inc.

ACCOUNTING POLICIES
For the year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

d) Going Concern

The Financial Statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of $3,539,560 (2013: $1,478,707) during the year ended 31 December 2014.

The Group's and Company's business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report on pages 4 to 8. In addition, Note 1 to the Financial Statements includes the Group's and Company's objectives, policies and processes for managing their capital, their financial risk management objectives and their exposure to credit risk and liquidity risk.

The Directors have reviewed the cash flow forecast and the future requirements of the Group and are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future and that It remains appropriate to continue to adopt the going concern basis of accounting in preparing the Financial Statements.

e) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

f) Foreign Currencies

(i) Functional and presentation currency

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK parent entity is Pound Sterling and the functional currency of the US subsidiary is US Dollars. The Financial Statements are presented in US Dollars, rounded to the nearest dollar, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign currency gains and losses, including those relating to borrowings and cash and cash equivalents, are presented in the income statement within 'other gains'.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities at each year-end are translated at the closing rate at the Statement of Financial Position date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment

Property, plant and equipment, are recorded at cost less depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other maintenance and repairs are expensed as incurred.

Property, plant and equipment are depreciated using the straight-line method with estimated useful lives substantially as follows:

Land and buildings	Life of mine
Plant and machinery	1 to 20 years
Motor vehicles	2 to 7 years
Maps	5 years
Furniture and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount wherever applicable.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in the Income Statement.

h) Land, Coal Rights and Restoration Costs

Coal land, mine development costs, which include directly attributable construction overheads, land and coal rights are recorded at cost. Coal land and mine development are depleted and amortised, respectively, using the units of production method, based on estimated recoverable tonnage. The depletion of coal rights and depreciation of restoration costs are expensed by reference to the estimated amount of coal to be recovered over the expected life of the operation.

i) Coal Mine Reclamation Costs

Future cost requirements for land reclamation are estimated where surface 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 Pennsylvanian State regulations. These costs relate to reclaiming the pit and support acreage at surface mines and sealing portals at deep mines. Other costs include reclaiming refuse and slurry ponds as well as related termination/exit costs.

The Group records asset retirement obligations that result from the acquisition, construction or operation of long-lived assets at fair value when the liability is incurred. Upon the initial recognition of a liability, that cost is capitalised as part of the related long-lived asset and expensed over the useful life of the asset. The asset retirement costs are recorded in Land, coal rights and restoration costs – see Note 5; Land, Coal Rights and Restoration Costs.

The Group expenses reclamation costs prior to the 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 year end reclamation provision calculation – see Note 16; Provision for Restoration Costs.

j) Financial Assets

Classification

The Group's financial assets consist of: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Summary of Significant Accounting Policies (continued)

j) Financial Assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents at the year-end.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Income Statement within "Other (Losses)/Gains" in the period in which they arise.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the loss is recognised in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

Impairment of Non-Financial Assets

The Group assesses whether an asset may be impaired when circumstances indicate that an impairment may exist. If any such indicator exists, the entity tests the asset for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of the asset, an impairment loss is required. In addition to this, assets with indefinite lives are tested for impairment at least annually.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Components of inventories consist of coal, parts and supplies, net of allowance for obsolescence. Coal inventories represent coal contained in stockpiles, coal that has been mined and hauled to the wash plant (raw coal) for processing and coal that has been processed (crushed, washed and sized) and stockpiled for shipment to customers.

The cost of raw and prepared coal comprises extraction costs, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

ACCOUNTING POLICIES
For the year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

l) Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

m) Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and on-demand deposits.

o) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Share Based Payments

The Group operates a number of equity-settled, share-based schemes, under which it receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Group. The Group may also issue warrants to share subscribers as part of a share placing. The fair value of the equity-settled share based payments is recognised as an expense in the income statement or charged to equity depending on the nature of the service provided or instrument issued. The total amount to be expensed or charged is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

In the case of warrants the amount charged to the share premium account is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable, the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

q) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Summary of Significant Accounting Policies (continued)

r) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are expensed in the period in which they are incurred and are included in finance costs in the Income statement.

s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash lows estimated to settle the present obligation, its carrying amount is the present value of those cash lows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the consolidated statement of profit or loss and comprehensive loss.

Provision for Asset retirement obligation

The Group has also recorded an asset retirement obligation for its current mining operation for costs to reclaim the site when mining is completed.

The amount provided for restoration of 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 third party appraisal of reclamation costs reviews site specific information related to total cubic yards of material required to be placed at the mine, support area restoration and total acres to be re-seeded. Costs are derived from recent Pennsylvanian State mine reclamation project bids by qualified contractors, Pennsylvanian State Bond Rates required for annual recalculation of reclamation bonds and comparable company reclamation projects.

The provision for future asset retirement obligations is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal and other requirements and technology. Future costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at each reporting date.

The initial estimate of the provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset.

t) Leases

The Group leases certain plant and equipment. Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised on the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets obtained under finance leases are depreciated over their useful lives.

ACCOUNTING POLICIES
For the year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

u) Employee Benefits

The Group sponsors a 401(K) savings and retirement defined contribution plan for substantially all employees based in the USA. The plan matches voluntary contributions of participants up to a maximum contribution based upon a percentage of a participants' salary with an additional matching contribution possible at the discretion of the Group. No additional contributions were made under the plan for the year ended 31 December 2014 or the year ended 31 December 2013.

The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in current and prior years. Agreed contributions are charged to the Income Statement as they become payable.

v) Revenue Recognition

Revenue comprises sales to customers of coal produced by the Group. It is measured at the fair value of consideration received or receivable, and represents amounts receivable for goods and services supplied net of sales taxes, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Revenue from the sale of coal is recognised at the time delivery occurs and title passes to the customer, which is either upon shipment or upon customer receipt of coal based on contractual terms. Also, the sale price must be determinable and collection reasonably assured.

w) Taxation

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

x) Exceptional Items

Exceptional items are disclosed separately in the Financial Statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of expense that have been shown separately due to the significance and nature.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market Risk

a) Currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Pound Sterling. Foreign exchange risk arises from future commercial transactions denominated in a foreign currency. The Group maintains bank accounts in these currencies to reduce its exposure to this risk. The volume of transactions is not deemed sufficient to enter into forward contracts. At 31 December 2014, if the currency had weakened or strengthened by 2% against Pound Sterling with all other variables held constant, the post tax loss for the year would have been approximately $10,419 higher or lower mainly as a result of foreign exchange losses or gains on translation of Sterling denominated balances.

b) Fair value interest risk

The Group has both interest-bearing assets and liabilities. Interest-bearing assets include only cash balances, all of which earn interest. The Group has a policy of maintaining the majority of its debt at a fixed rate to ensure certainty of future interest cash flows. The effect of fluctuations in rates on debt at variable rates is not expected to have a material effect. Thus the Group is only exposed to fair value interest rate risk, which is not expected to have a significant impact on profit or loss or equity.

c) Price Risk

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. If there had been any changes in individual commodity prices at the year-end date they would not have had any significant effect upon profit or loss or equity.

The Group was exposed to equity securities price risk because of derivative financial instruments held by the Group at fair value through the profit or loss.

The fair value of the derivative financial instruments was based on a formula related to the prevailing market price of the Company's ordinary shares in any month and a benchmark price of 0.23 pence. Hence the net funds to be received by the Company are dependent on the future performance price of the Company's ordinary shares.

The table below summarises the impact of increases/decreases in the AIM share price on the Group and Company's other income for the year. The analysis is based on the assumption that the AIM share price had increased/decreased by 10% with all other variables held constant and all the Group's listed equity investments moved according to the historical correlation with the index.

	2014		2013	
Index	**Impact on post tax losses**	**Impact on other comprehensive income**	Impact on post tax losses	Impact on other comprehensive income
	$	**$**	$	*$*
AIM – increase of 10%: gain	**-**	**-**	163,818	-
AIM – decrease of 10%: loss	**-**	**-**	(59,627)	-

No impact is seen for 2014 due to the derivative financial instruments held by the Group being closed during the period.

1. Financial Risk Management (continued)

Credit Risk

Credit risk arises from cash and cash equivalents as well as exposure to customers including outstanding receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the Board of Directors. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. All of the Group's cash at bank is held with institutions with an AA credit rating.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Liquidity Risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that it has sufficient available funds for operations and planned expansions.

The following table analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings, based on the remaining period to maturity at the year-end date. The amounts disclosed are the contractual undiscounted cash flows:

At 31 December 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Debentures and other loans	2,182,059	1,272,763	1,417,003	-
Finance lease liabilities	1,651,238	1,627,916	4,450,050	1,444,077
Trade and other payables	8,070,911	-	-	-

At 31 December 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Debentures and other loans	1,612,282	646,560	882,015	-
Finance lease liabilities	1,350,574	150,084	131,824	-
Trade and other payables	7,233,220	-	-	-

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide future returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Statement of Financial Position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt.

During 2014, the Group's strategy was to maintain the gearing ratio within 60% to 70%. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014	2013
Total Borrowings (note 15)	**14,045,106**	4,773,339
Less: cash and cash equivalents (note 11)	**(725,517)**	877,003
Net debt	**13,319,589**	5,650,342
Total equity	**7,625,475**	12,642,376
Total capital	**20,945,064**	18,292,715
Gearing ratio	**64%**	31%

The increase in the gearing ratio during 2014 resulted primarily from additional finance leases and loans entered into to secure plant and machinery used in the operations of the business.

1. Financial Risk Management (continued)

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value. The Group does not have any liabilities measured at fair value.

	2014		2013	
Assets	**Level 2 $**	**Total $**	Level 2 $	Total $
Financial assets at fair value through profit or loss				
- Derivative financial instruments	**-**	**-**	974,209	974,209
Total assets	**-**	**-**	974,209	974,209

The fair value of financial instruments in level 2 that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available, and rely as little possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments; and
- the fair value of derivative financial instrument is calculated based on the Company's quoted market price and a prescribed formula in accordance with the respective equity swap agreement.

The derivative financial instruments held as at 31 December 2013 were settled during the period and as such the balance as at 31 December 2014 was nil.

2. Critical Accounting Estimates and Judgements

The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce the Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

Valuation of provision for restoration costs

The Group's provision for restoration costs have a carrying value at 31 December 2014 of $4,074,796 (2013: $4,365,255) and relate to the Group's reclamation obligations at the Gowen and Stockton mines.

The Group obtained a third party estimate of the expected costs of reclamation from an independent consultant. The third party appraisal of reclamation costs reviews site specific information related to total cubic yards of material required to be placed at the mine, support area restoration and total acres to be re-seeded. Costs are derived from recent Pennsylvanian State mine reclamation project bids by qualified contractors, Pennsylvanian State Bonding Rates required for annual recalculation of reclamation bonds and comparable company reclamation projects.

2. Critical Accounting Estimates and Judgements (continued)

For the Stockton mine this estimate was based on the anticipated future size of the mine pit at the completion of the mine's life. Reclamation is already taking place at the Gowen site and, therefore, the estimation is based on the Group's remaining obligations. See Note 16 for further details.

The costs of reclamation are calculated on a cubic yard basis and taking into account Pennsylvanian State Bonding Rates, comparable reclamation projects and historical data from the Group's existing reclamation activities. For the Stockton mine Management increases reclamation costs estimates at an annual inflation rate to the anticipated future mine closure date. This inflation rate is based on the historical rate for the industry for a comparable period and further details are given in Note 16. The future reclamation provision is discounted to its present value based on the Group's incremental cost of borrowing. If the actual inflation rate for the industry was 2% higher or 2% lower than Management's estimates, the carrying value of accrued restoration costs at 31 December 2014 would be approximately $826,984 higher or $960,038 lower respectively.

Valuation of coal inventory

The amount of coal held in inventory in the Group's Financial Statements at 31 December 2014 has a carrying value of $1,447,876 (2013: $2,641,585). The Group values inventory in accordance with the stated accounting policy. The tonnage of coal included within coal inventory at the year-end date is estimated by an independent third party. The estimate of tonnage is based on survey data and sample densities of the year end coal piles.

Share based payment transactions

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and to suppliers for various services received.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 12 dealing with Share Capital and Share Premium.

Impairment of investment in subsidiary

The Company's investment in its subsidiary has a carrying value at 31 December 2014 of $nil, having been written down to $nil during 2011. Management tests annually whether the investment in subsidiary has future economic value in accordance with the accounting policies. The investment is subject to an annual impairment review by an independent consultant. This review calculates the net present value of future cash flows of the subsidiary's operations over the life of the Stockton mine, which is the subsidiary's main cash generating asset. The review takes into consideration constant long term coal prices, anticipated resource volumes, sales volumes and costs of production as well as supply and demand outlook. The estimated future cash flows are discounted to their present value at the Company's cost of capital in order to determine the recoverable amount of the mine.

The net present value of future cash flows as at 31 December 2014 was above the total investment's carrying amount including the carrying value of the loan to its subsidiary and, after considering repayment of the inter-company loan. A reversal of previously recognised impairment charge was made.

In light of the change of the estimated value of the mine at 31 December 2014 by the independent consultant the Directors concluded that an adjustment of $2,374,080 to reverse part of a previous impairment can be made which has the effect of reinstating the same amount with the intercompany loan.

If the estimated cost of capital used in determining the discount rate for the valuation of the overall investment had been 2% higher than Management's estimates (for example, 12% instead of 10%), the Company would have recognised a reduction in the reversing adjustment amounting to $878,000 against the intercompany loan.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

3. Segmental Information

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the year the Group had interests in two geographical segments, the United Kingdom and the United States of America ("USA"). Activities in the UK are mainly administrative in nature whilst the activities in the USA relate to coal production and sale of coal.

The reportable operating segments derive their revenue from the sale of prepared coal to industrial and retail customers.

	For the year ended 31 December 2014				For the year ended 31 December 2013			
	USA $	**UK** $	**Intra-segment balances** $	**Total** $	USA $	UK $	Intra-segment balances $	Total $
Revenue from external customers	**18,397,465**	-	-	**18,397,465**	19,661,639	-	-	19,661,639
Gross profit	**409,718**	**-**	**-**	**409,718**	3,618,233	-	-	3,618,233
Operating profit/(loss)	**(51,770)**	**(294,405)**	**(2,374,080)**	**(2,720,255)**	1,786,972	(15,907,084)	13,419,010	(701,102)
Impairment	**-**	**2,374,080**	**(2,374,080)**	**-**	-	(13,419,010)	13,419,010	-
Depreciation	**2,630,309**	**69,282**	**-**	**2,699,591**	1,693,350	68,021	-	1,761,371
Depletion – Stockton Mine	**368,908**	**-**	**-**	**368,908**	777,822	-	-	777,822
EBITDA	**2,947,447**	**(225,123)**	**(2,374,080)**	**348,244**	4,257,987	(15,839,063)	13,419,010	1, 837,934
Capital expenditure	**10,367,367**	**-**	**-**	**10,367,367**	844,897	6,000,000	-	6,844,897
Total assets	**27,028,824**	**18,689,460**	**(11,900,000)**	**33,818,288**	21,103,444	19,385,744	(11,475,001)	29,014,187
Total liabilities	**43,093,891**	**5,611,990**	**(22,515,068)**	**26,190,813**	36,330,811	5,292,235	(25,251,232)	16,371,814

Included in the UK segment for 2014 is the reversal of impairment of investment in subsidiary described in Note 6.

A reconciliation of operating loss to loss before taxation is provided as follows:

	For the year ended 31 December 2014 $	For the year ended 31 December 2013 $
Operating loss for reportable segments	**(2,720,255)**	(701,102)
Finance income	**-**	-
Finance costs	**(819,305)**	(777,605)
Loss before tax	**(3,539,560)**	(1,478,707)

Information about major customers

Revenues of approximately $3.598 million (2013: $2.197 million) were derived from a single external customer. These revenues were all generated in the USA.

4. Property, Plant and Equipment

	Group					
	Land and buildings	Plant and machinery	Motor vehicles	Maps	Furniture and equipment	Total
	$	$	$	$	$	$
Cost						
As at 1 January 2013	501,589	19,742,854	565,916	325,200	98,477	21,234,036
Additions	236,576	531,183	72,727	-	4,411	844,897
Disposals	-	(347,306)	-	-	-	(347,306)
Exchange differences	-	-	-	6,060	520	6,580
As at 31 December 2013	738,165	19,926,731	638,643	331,260	103,408	21,738,207
Additions	349,525	9,916,719	7,000	-	94,123	10,367,367
Disposals	-	(1,039,115)	-	-	-	(1,039,115)
Exchange differences	-	-	-	(19,400)	(1,664)	(21,064)
As at 31 December 2014	**1,087,690**	**28,804,335**	**645,643**	**311,860**	**195,867**	**31,045,395**
Depreciation						
As at 1 January 2013	345,353	10,272,098	421,658	68,604	87,172	11,194,885
Charge for the year	76,164	1,562,561	53,779	62,358	6,509	1,761,371
Disposals	-	(347,306)	-	-	-	(347,306)
Exchange differences	-	-	-	4,946	650	5,596
As at 31 December 2013	421,517	11,487,353	475,437	135,908	94,331	12,614,546
Charge for the year	137,726	2,432,039	55,660	65,936	8,230	2,699,591
Disposals	-	(1,000,673)	-	-	-	(1,000,673)
Exchange differences	-	-	-	(11,524)	(1,544)	(13,068)
As at 31 December 2014	**559,243**	**12,918,719**	**531,097**	**190,320**	**101,017**	**14,300,296**
Net Book Value						
As at 31 December 2013	316,648	8,439,378	163,206	195,352	9,077	9,123,661
As at 31 December 2014	**528,447**	**15,885,616**	**114,546**	**121,540**	**94,850**	**16,744,999**

The Group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between 1 and 6 years, and ownership of the assets lie within the Group. The net book value of assets under finance leases is $9,459,676 (31 December 2013: $5,561,541).

Depreciation expense of $2,630,309 (2013: $1,692,504) has been charged in 'cost of sales' and $69,282 (2013: $68,867) in administration expenses.

4. Property, Plant and Equipment (continued)

	Company		
	Maps $	Furniture and equipment $	Total $
Cost			
As at 1 January 2013	325,200	27,875	353,075
Exchange differences	6,060	520	6,580
As at 31 December 2013	331,260	28,395	359,655
Exchange differences	(19,400)	(1,664)	(21,064)
As at 31 December 2014	**311,860**	**26,731**	**338,591**
Depreciation			
As at 1 January 2013	68,604	16,977	85,581
Charge for the year	62,358	5,663	68,021
Exchange differences	4,946	650	5,596
As at 31 December 2013	135,908	23,290	159,198
Charge for the year	65,936	3,346	69,282
Exchange differences	(11,524)	(1,544)	(13,068)
As at 31 December 2014	**190,320**	**25,092**	**215,412**
Net Book Value			
As at 31 December 2013	195,352	5,105	200,457
As at 31 December 2014	**121,540**	**1,639**	**123,179**

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5. Land, Coal Rights and Restoration Costs

	Group				
	Stockton mine costs $	Railway relocation costs $	Land, surface and mineral costs $	Other exploration assets $	Total $
Cost					
As at 1 January 2013	7,009,977	3,198,727	3,550,000	-	13,758,704
Additions	-	-	-	6,000,000	6,000,000
Decrease in retirement obligation estimate	(700,832)	-	-	-	(700,832)
As at 31 December 2013	6,309,145	3,198,727	3,550,000	6,000,000	19,057,872
Decrease in retirement obligation estimate	(640,246)	-	-	-	(640,246)
As at 31 December 2014	**5,668,899**	**3,198,727**	**3,550,000**	**6,000,000**	**18,417,626**
Mine depletion and mineral depreciation					
As at 1 January 2013	3,456,815	243,678	1,774,244	-	5,474,737
Charge for the year	338,028	281,127	158,667	-	791,664
As at 31 December 2013	3,794,843	524,805	1,932,911	-	6,252,559
Charge for the year	117,718	167,961	83,229	-	368,908
As at 31 December 2014	**3,912,561**	**692,766**	**2,016,140**	**-**	**6,621,467**
Net Book Value					
As at 31 December 2013	2,514,302	2,673,922	1,617,089	6,000,000	12,805,313
As at 31 December 2014	**1,756,338**	**2,505,961**	**1,533,860**	**6,000,000**	**11,796,159**

The retirement and depreciation 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 up to the date of closure of the mine.

	Company	
	Other exploration assets $	Total $
Cost		
As at 1 January 2013 and 31 December 2013	6,000,000	6,000,000
Additions	-	-
As at 31 December 2014	**6,000,000**	**6,000,000**
Mine depletion and mineral depreciation		
As at 1 January 2013 and 31 December 2013	-	-
Charge for the year	-	-
As at 31 December 2014		
Net Book Value		
As at 31 December 2013	6,000,000	6,000,000
As at 31 December 2014	**6,000,000**	**6,000,000**

In January 2013, the Company exercised its option to acquire the fully permitted 410 acre Pott & Bannon anthracite mining property in New Castle, Schuylkill County, Pennsylvania for total consideration of $6.0m.

No mine depletion or mineral depreciation charge has been made against this asset as it has not yet been brought into use.

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6. Investment in Subsidiaries

	Company	
	As at 31 December 2014	As at 31 December 2013
Shares in Group Undertaking	**$**	$
At 1 January	**-**	**-**
At 31 December	**-**	**-**

Investments in Group undertakings are stated at cost less impairment.

Details of Subsidiaries

Details of the subsidiaries at 31 December 2014 are as follows:

Name of subsidiary	Country of incorporation	Registered capital	Share capital held	Principal activities
Coal Contractors (1991), Inc.	USA	Ordinary shares $100	100%	Anthracite mining and processing
The Pennsylvanian Anthracite Company LLC	USA	-	100%	Dormant
Atlantic (Badallan) Limited	United Kingdom	Ordinary shares £2	100%	Dormant

Impairment review

An impairment review of the investment in Coal Contractors (1991), Inc. is carried out on an annual basis in order to ensure that it is valued at the lower of cost and recoverable amount. The main asset of the Company's subsidiary is the Stockton mine. The value of the investment will naturally decline over the life of the mine as coal reserves are extracted; therefore it is considered appropriate by the Directors to impair the value of the investment.

The recoverable amount of the investment in Coal Contractors (1991), Inc. has been determined based on value in use calculations prepared by an independent third party. These calculations use pre-tax cash-flow projections based on financial budgets approved by Management covering the useful life of the estimated resource at the Stockton mine. Management compares the recoverable amount resulting from the calculations to the carrying value of the investment, after accounting for the recovery of the inter-company loan balance, to determine whether an impairment charge is required. This has resulted in an impairment (charge)/reversal against the investment and inter-company loans as follows:

	Company	
	As at 31 December 2014	As at 31 December 2013
Impairment reversal/(charge)	**$**	$
Amount due from group undertaking (Note 28)	**2,374,080**	(13,419,010)
	2,374,080	(13,419,010)

The discount rate used was 10% (2013:10%), which reflects the cost of capital for the Company and the Group.

7. Trade and Other Receivables

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Trade receivables	**2,384,068**	1,709,831	**-**	-
Less: provision for impairment of trade receivables	**(48,000)**	(6,149)	**-**	-
Trade receivables net	**2,336,068**	1,703,682	**-**	-
Other receivables	**9,708**	277,819	**9,708**	-
Prepayments	**272,496**	186,754	**74,475**	61,706
VAT receivable	**61,166**	3,520	**61,166**	3,520
Loans to related parties (Note 28)	**-**	-	**11,900,000**	11,475,001
	2,679,438	2,171,775	**12,045,849**	11,540,227
Less non-current portion	**-**	-	**(11,900,000)**	(11,475,001)
Current portion	**2,679,438**	2,171,775	**145,349**	65,226

The fair value of all current receivables is as stated above. Non-current receivables have no fixed date of repayment and as such the Directors believe a calculation of a reliable estimate of their fair value cannot be made at the Statement of Financial Position date.

Group

At 31 December 2014, trade receivables of $1,772,257 (2013: $1,147,366) were fully performing.

At 31 December 2014, trade receivables of $565,240 (2013: $559,141) were past due 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 2014	As at 31 December 2013
	$	$
Up to 3 months	**523,792**	451,495
3 to 6 months	**40,863**	75,681
6 to 12 months	**585**	31,965
Total	**565,240**	559,141

At 31 December 2014, trade receivables of $46,571 (2013: $3,324) were impaired and provided for. The amount of the provision was $48,000 as of 31 December 2014 (2013: $6,149). The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic circumstances.

The ageing of these receivables is as follows:

	As at 31 December 2014	As at 31 December 2013
	$	$
Over 12 months	**46,571**	3,324
Total	**46,571**	3,324

7. Trade and Other Receivables (continued)

The creation and release of provisions for impaired receivables has been included in administration expenses in the income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's and Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
US dollar	**2,617,960**	2,106,549	**-**	-
UK pound	**61,478**	65,226	**11,900,000**	11,540,227
Total	**2,679,438**	2,171,775	**11,900,000**	11,540,227

8. Inventories

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Coal	**1,447,876**	2,641,585	**-**	-
Supplies	**166,609**	162,631	**-**	-
	1,614,485	2,804,216	**-**	-

The value of inventories recognised as an expense and included in cost of sales was $1,189,731 (31 December 2013: $929,747).

9. Other assets

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Certificates of deposit:				
Non-Current	**199,644**	62,421	**-**	-
Current	**58,046**	195,589	**-**	-

The Group has provided certificates of deposit as collateral to secure mine reclamation obligations as required by the Pennsylvanian Department of Environmental Protection. The certificates are not released until the underlying reclamation obligations have been completed by the Group to the satisfaction of the Department of Environmental Protection. See also Note 27: Commitments.

10. Derivative Financial Instruments

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Equity swap	**-**	974,209	**-**	974,209

Derivative financial instruments were amounts receivable pursuant to an equity swap agreement to be settled across twelve monthly payments based on a formula related to the difference between the prevailing market price of the Company's ordinary shares in any month and a benchmark price of 0.23 pence. The net funds received by the Company were dependent on the future performance price of the Company's ordinary shares. All amounts due under the equity swap agreement were fully satisfied during the year. For further information see Note 28.

11. Cash and Cash Equivalents

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Cash at bank and in hand	**725,517**	877,003	**520,932**	670,851

12. Share Capital and Share Premium

Authorised	**Number**	**£**
Ordinary shares of 0.07p each	20,000,000,000	14,000,000

There has been no movement in the authorised share capital during the year.

Group and Company

Issued	**Number of shares**	**Ordinary shares $**	**Share premium $**	**Total $**
At 1 January 2013	3,868,772,016	4,595,188	38,670,457	43,265,645
Shares issued - November 2014	104,275,286	119,328	207,632	326,960
Shares issued - December 2014	689,491,200	795,784	1,594,976	2,390,760
Share issue costs	-	-	(113,355)	(113,355)
At 31 December 2013	4,662,538,502	5,510,300	40,359,710	45,870,010
At 31 December 2014	**4,662,538,502**	**5,510,300**	**40,359,710**	**45,870,010**

12. Share Capital and Share Premium (continued)

Share options and warrants

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

			Shares	
Grant date	**Expiry date**	**Exercise price in £ per share**	**2014**	2013
27 August 2010	27 August 2014	0.0100	**-**	86,956,522
15 February 2010	14 February 2015	0.0050	**29,716,927**	29,716,927
24 January 2013	24 January 2018	0.0075	**263,157,894**	263,157,894
27 July 2013	21 July 2016	0.0018	**84,491,300**	84,491,300
1 November 2013	31 October 2016	0.0028	**35,356,600**	35,356,600
4 December 2014	3 December 2017	0.0019	**106,428,267**	-
			519,150,988	499,679,243

The options and warrants are exercisable starting immediately from the date of grant and lapse between two and five years from the date of grant. The Company and Group have 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:

	2014 Options		**2013 Options**	
Option granted on:	**04/12/2014**	**24/01/2013**	**27/07/2013**	**01/11/2013**
Option life (years)	3 years	5 years	3 years	3 years
Weighted average exercise price	0.19 pence	0.75 pence	0.18 pence	0.275 pence
Options granted	106,428,267	263,157,894	84,491,300	35,356,600
Risk free rate	0.82%	1.11%	0.90%	0.90%
Expected volatility	21.77%	15.00%	28.47%	25.74%
Expected dividend yield	-	-	-	-
Marketability discount	-	-	-	-
Total fair value of options granted ($000)	14	-	21	13

The expected volatility is based on historical volatility for the 6 months prior to the date of granting. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

A reconciliation of options granted and lapsed during the year ended 31 December 2013 and 2014 are shown below:

	2014		2013	
	Number	**Weighted average exercise price (£)**	**Number**	**Weighted average exercise price (£)**
Outstanding as at 1 January	**499,679,243**	**0.0058**	206,793,449	0.0060
Granted	**106,428,267**	**0.0019**	383,005,794	0.0058
Lapsed	**(86,956,522)**	**0.0058**	(90,120,000)	0.0066
Outstanding as at 31 December	**519,150,988**	**0.0050**	499,679,243	0.0058
Exercisable at 31 December	**519,150,988**	**0.0050**	499,679,243	0.0058

12. Share Capital and Share Premium (continued)

The total fair value of the options and warrants granted has resulted in a charge of $13,959 to the Consolidated Statement of Comprehensive Income for the year ended 31 December 2014 (2013:$34,231).

	2014				2013			
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	**0.0050**	**519,150,988**	**2.64**	**2.64**	0.0058	499,679,243	2.93	2.93

13. Other Reserves

Group and Company	**Share option reserve**	**Total**
	$	**$**
At 1 January 2012	88,510	88,510
Expiration of options	(28,075)	(28,075)
At 31 December 2013	94,666	94,666
Issue of share options and warrants (Note 12)	13,959	13,959
Expiration of options	(7,548)	(7,548)
At 31 December 2014	**101,077**	**101,077**

14. Trade and Other Payables

	Group		**Company**	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Trade payables	**3,210,388**	2,332,978	**461,548**	322,694
Other payables	**3,908,659**	3,890,034	**3,908,659**	3,890,034
Social security and other taxes	**160,086**	145,051	**148,225**	128,494
Accrued expenses	**791,778**	865,157	**93,558**	96,847
	8,070,911	7,233,220	**4,611,990**	4,438,069

Other payables represent the balance due on the purchase of Other Exploration Assets. Although the amount is not payable until 12 months after mining operations have commenced, the Group is settling the balance owed in the current year.

15. Borrowings

	Group		Company	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Non-Current				
Debentures and other loans	**2,689,766**	1,528,575	**-**	-
Finance lease liabilities	**7,522,043**	281,908	**-**	-
	10,211,809	1,810,483	**-**	-
Current				
Debentures and other loans	**2,182,059**	1,612,282	**1,000,000**	854,166
Finance lease liabilities	**1,651,238**	1,350,574	**-**	-
	3,833,297	2,962,856	**1,000,000**	854,166

At 31 December 2014, debentures and other loans include secured liabilities of $1,947,706 (31 December 2013: $nil). The loan was secured on specific plant and machinery owned by of the Group and was repayable within 3 years.

The fair value of current borrowings equals their carrying amounts, as the impact of discounting is not significant.

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

	Carrying amount		Fair value	
	As at 31 December 2014	As at 31 December 2013	**As at 31 December 2014**	As at 31 December 2013
	$	$	**$**	$
Debenture and other loans	**2,689,766**	1,528,575	**2,689,766**	1,528,575
Finance lease liabilities	**7,522,043**	281,908	**5,812,375**	237,642
	10,211,809	1,810,483	**8,502,141**	1,766,218

The fair values are based on cash flows discounted using the borrowing rate of 8.13% (2013: 8.65%), which represents the cost of capital of the Group.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Group	
	As at 31 December 2014	As at 31 December 2013
	$	$
US dollar	**14,045,106**	4,773,339
Total	**14,045,106**	4,773,339

15. Borrowings (continued)

Finance Lease Liabilities

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

	Group	
	As at 31 December 2014	As at 31 December 2013
	$	$
Finance lease liabilities – minimum lease payments		
- no later than one year	**2,009,308**	1,393,044
- later than one year and no later than five years	**8,447,868**	293,138
	10,457,176	1,686,182
Future finance charges on finance lease liabilities	**(1,283,895)**	(53,700)
Present value of finance lease liabilities	**9,173,281**	1,632,482

The present value of finance lease liabilities is as follows:

	Group	
	As at 31 December 2014	As at 31 December 2013
	$	$
No later than one year	**1,651,238**	1,350,574
Later than one year and no later than five years	**7,522,043**	281,908
Present value of finance lease liabilities	**9,173,281**	1,632,482

16. Provision for Restoration Costs

	Group	
	As at 31 December 2014	As at 31 December 2013
	$	$
Non-Current		
Stockton (see below)	**3,916,696**	4,190,255
	3,916,696	4,190,255
Current		
Gowen (see below)	**158,100**	175,000
	158,100	175,000
Total reclamation costs	**4,074,796**	4,365,255
Gowen total costs		
As at 1 January	**175,000**	391,049
Expense reclamation costs offset	**(16,900)**	(216,049)
As at 31 December	**158,100**	175,000
Stockton total costs		
As at 1 January	**4,190,255**	4,459,291
Accretion	**366,687**	431,796
(Decrease)/increase in estimated reclamation liability	**(640,246)**	(700,832)
As at 31 December	**3,916,696**	4,190,255

The asset 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 up to the date of closure of the mine. The cost estimates are increased at 6.52% (2013: 7.42%) annually to the anticipated future mine closure date. The escalation factor was derived from the prior 9 year average increase in the US Producer Price Index for Anthracite producers. The future reclamation cost value is discounted by 8.13% (2013: 8.65%) (incremental cost of borrowing) to arrive at the recorded reclamation liability.

17. Financial Instruments by Category

Group - 31 December 2014 **Assets per Statement of Financial Position**	**Loans and receivables**	**Assets at fair value through the profit or loss**	**Total**
Derivative financial instruments	-	-	**-**
Trade and other receivables (excluding prepayments)	2,406,942	-	**2,406,942**
Cash and cash equivalents	725,517	-	**725,517**
	3,132,459	-	**3,132,459**

Group - 31 December 2014 **Liabilities per Statement of Financial Position**	**At amortised cost**	**Total**
Borrowings (excluding finance leases)	4,871,825	**4,871,825**
Finance lease liabilities	9,173,281	**9,173,281**
Trade and other payables (excluding non-financial liabilities)	7,910,825	**7,910,825**
Total	21,955,931	**21,955,931**

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17. Financial Instruments by Category (continued)

Group - 31 December 2013 Assets per Statement of Financial Position	Loans and receivables	Assets at fair value through the profit or loss	Total
Derivative financial instruments	-	974,209	**974,209**
Trade and other receivables (excluding prepayments)	1,985,021	-	**1,985,021**
Cash and cash equivalents	877,003	-	**877,003**
	2,862,024	974,209	**3,836,233**

Group - 31 December 2013 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings (excluding finance leases)	3,140,857	**3,140,857**
Finance lease liabilities	1,632,482	**1,632,482**
Trade and other payables (excluding non-financial liabilities)	7,088,169	**7,088,169**
Total	11,861,508	**11,861,508**

Company - 31 December 2014 Assets per Statement of Financial Position	Loans and receivables	Assets at fair value through the profit or loss	Total
Derivative financial instruments	-	-	**-**
Trade and other receivables (excluding prepayments)	9,596,794	-	**9,596,794**
Cash and cash equivalents	520,932	-	**520,932**
Total	10,117,726	-	**10,117,726**

Company - 31 December 2014 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings	1,000,000	**1,000,000**
Trade and other payables (excluding non-financial liabilities)	4,463,765	**4,463,765**
Total	5,463,765	**5,463,765**

Company - 31 December 2013 Assets per Statement of Financial Position	Loans and receivables	Assets at fair value through the profit or loss	Total
Derivative financial instruments	-	974,209	**974,209**
Trade and other receivables (excluding prepayments)	11,478,521	-	**11,478,521**
Cash and cash equivalents	670,851	-	**670,851**
Total	12,149,372	974,209	**13,123,581**

Company - 31 December 2013 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings	854,166	**854,166**
Trade and other payables (excluding non-financial liabilities)	4,309,575	**4,309,575**
Total	5,163,741	**5,163,741**

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18. Expenses by Nature

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Staff and related costs (Note 21)	**5,822,952**	5,045,312
Other staff related costs	**1,645,298**	1,401,815
Depreciation, depletion and impairment charges	**3,068,499**	2,539,193
Reclamation costs	**366,687**	315,435
Fuel and oil	**3,007,867**	2,663,087
Blasting	**1,180,621**	1,023,890
Rental expenses	**399,715**	267,765
Royalties	**230,700**	283,687
Maintenance	**1,685,853**	2,107,561
Other expenses	**3,954,325**	3,807,527
Total cost of sales, administration and other expenses	**21,362,517**	19,455,272

During the year, the Group (including overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and the Consolidated Financial Statements	**58,000**	60,000
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiary	**40,000**	40,000
- Tax compliance services	**4,280**	4,000
- Corporate finance services	**-**	20,000
- Other assurance services	**12,000**	12,000

19. Exceptional Expenses

Exceptional expenses are as follows:

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
New Venture Costs	**359,088**	497,623

New Venture Costs are costs incurred pursuing opportunities to expand the operations of the group. In 2013 they consisted predominantly of costs associated with a proposed acquisition of anthracite mining assets for US$35 million over which the Company secured an option as was announced to the market on 15 February 2012. Due to the size of the transaction the acquisition would have constituted a Reverse Takeover ("RTO") should it have been executed. This resulted in high costs due to the amount of due diligence required to be undertaken including an independent Competent Person's Report on both the acquisition target and the existing business as well as both legal and financial due diligence. Unfortunately the Company was not able to proceed to completion of the proposed acquisition (see note 28) and the costs associated with the new venture have been written off as exceptional costs mainly at 31 December 2013 but some residual costs were written off at 31 December 2014.

20. Other losses

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Net foreign exchange (gains)/losses	**(1,349,652)**	325,262
Fair value loss on derivative financial instruments	**951,440**	96,698
	(398,212)	421,960

21. Employees

	Group		Company	
Staff Costs (including Executive Directors)	**For the year ended 31 December 2014**	For the year ended 31 December 2013	**For the year ended 31 December 2014**	For the year ended 31 December 2013
	$	$	**$**	$
Wages and salaries	**5,242,398**	4,498,855	**1,187,146**	977,530
Social security costs	**516,266**	457,683	**86,791**	114,339
Pensions – defined contribution plan	**64,288**	88,774	**64,288**	88,774
	5,822,952	5,045,312	**1,338,225**	1,180,643

	Group	
Average Number of Employees (including Executive Director)	**For the year ended 31 December 2014**	For the year ended 31 December 2013
Administration	**10**	11
Coal miners	**73**	64
Total average headcount	**83**	75

22. Directors' Remuneration

	Directors' Fees		Company pension contributions		Other employment benefits		Total	
	For the year ended 31 Dec 2014	For the year ended 31 Dec 2013	**For the year ended 31 Dec 2014**	For the year ended 31 Dec 2013	**For the year ended 31 Dec 2014**	For the year ended 31 Dec 2013	**For the year ended 31 Dec 2014**	For the year ended 31 Dec 2013
	$	$	**$**	$	**$**	$	**$**	$
Non-executive Directors								
Adam Wilson	**140,000**	166,207	**24,726**	63,745	**129,103**	-	**293,829**	229,952
Peter Chinneck	**59,342**	56,315	-	-	**-**	-	**59,342**	56,315
Edward Nelson[(1)]	**44,177**	112,630	-	-	**-**	-	**44,177**	112,630
Executive Director								
Stephen Best	**197,808**	285,485	**39,562**	25,029	**-**	-	**237,370**	310,514
	441,327	620,637	**64,288**	88,774	**129,103**	-	**634,718**	709,411

(1) Of the total payments to Edward Nelson $32,960 (2013: $75,086) was charged by E.J.N. Engineering Ltd for consultancy services and is recognised as a trade payable due within one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

23. Other Income

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Other income	**205,673**	12,114
	205,673	12,114

Other income consists of profit on the sale of mining equipment.

24. Finance Costs

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Interest Expense:		
Finance leases	**287,702**	393,495
Other borrowings	**531,603**	384,110
	819,305	777,605

25. Income Tax Expense

	Group	
	For the year ended 31 December 2014	For the year ended 31 December 2013
	$	$
Loss before tax	**(3,539,560)**	(1,478,707)
Tax at the applicable rate of 37.23 % (2013: 25.09%)	**(1,321,009)**	(370,978)
Expenses not deductible for tax purposes	**169,045**	152,353
Tax losses utilised	**-**	(272,070)
Net tax effect of losses carried forward	**1,151,965**	490,695
Income tax (credit)/charge	**-**	-

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

The tax rate used is a combination of 21.49 % (2013: 25.09%) standard rate of corporation tax in the UK, 34% (2013: 34%) US federal tax rate and 10 % (2013:10%) Pennsylvania state tax rate for the Stockton Coal Group, to give an applicable rate of 37.23 % (2013: 10.5%).

The Group has tax losses of approximately $34,300,000 (2013: $31,914,000) available to carry forward against future taxable profits. No deferred tax asset has been recognised in view of the uncertainty over the timing of future taxable profits against which the losses may be offset.

26. Earnings per Share

The calculation of the basic earnings per share of (0.09) cents (31 December 2013 earnings per share: (0.03) cents) is based on the loss attributable to ordinary shareholders of $3,717,274 (31 December 2013 loss: $1,478,707) and on the weighted average number of ordinary shares of 3,944,272,016 (31 December 2013: 3,881,348,728) in issue during the year.

The basic and diluted earnings per share is the same, as the effect of the exercise of share options and warrants would be to decrease the loss per share.

Details of share options and warrants that could potentially dilute earnings per share in future periods are set out in Note 12.

27. Commitments

The Group has provided certificates of deposit as collateral to secure mining bonds required to provide mine reclamation obligations. The certificates will not be released until the underlying reclamation obligations have been completed by the Group to the satisfaction of the Pennsylvanian Department of Environmental Protection. See Note 9 for further details.

28. Related Party Transactions

Shareholder Loans

Included within borrowings are the following amounts owed to shareholders:

	Group	
	As at 31 December 2014	As at 31 December 2013
	$	$
Willoughby (465) Limited [(1)]	**917,008**	687,447
Mary Catherine Best [(2)]	**1,007,112**	1,599,244
YA Global Master SPV Limited[(3)]	**1,000,000**	854,166
	2,924,120	3,140,857

[(1)] Willoughby (465) Limited is a company controlled by Mary Catherine Best.
[(2)] Mary Catherine Best is the spouse of Stephen Best.
[(3)] YA Global Masters SPV Limited is a shareholder in Atlantic Coal PLC

During the year a total of $90,629 (2013: $87,321) interest and $nil (2013: $79) currency revaluation expenses were incurred and accrued on the loan from Willoughby (465) Limited.

During the year a total of $144,214 (2013: $221,692) interest was incurred on the loan from Mary Catherine Best.

Amounts due to Mary Catherine Best and Willoughby (465) Limited are repayable by 7 February 2018 and 4 September 2019, respectively. Interest is charged on the loans at a fixed rate of 10% p.a. (15% p.a. from 2 January 2013 until 30 April 2013 and 10% p.a. from 1 May 2013 payable on maturity).

In July 2013 the Company entered into a loan agreement with YA Global Masters SPV Limited (Yorkville) backed by a Standby Equity Distribution Agreement (SEDA). Under the agreement Yorkville provided a $5 million loan facility. The SEDA provides that Yorkville will purchase shares issued by the Company at an agreed discount to market price. The funds raised can be used to make the repayments due on the linked loan or can be used for working capital.

In July 2013 the Company drew down an initial tranche of $750,000 and subsequently a second tranche in October 2013 of $500,000. During the year interest of $33,377 (2013: $36,187) was incurred on the two loan tranches drawn. As at 31 December 2014 both tranches have been fully satisfied.

In October 2013 104,275,286 shares in the Company were issued to Yorkville at a price of 0.1918p; total proceeds were $326,960.

28. Related Party Transactions (continued)

Shareholder Loans (continued)

In November 2013 a further 689,491,203 shares were issued at a price of 0.2103p; total proceeds were $2,390,760. At the same time the Company entered into an equity swap agreement over these shares. A deposit of $1,070,907 (equivalent to £650,000) was paid to Yorkville which is repayable to the Company in monthly instalments of $107,091 (equivalent to £65,000) adjusted by the difference in value of the above shares compared to a benchmark price of 0.23p per share.

In November 2014, the Company entered into a loan arrangement with Tynedex Limited, a company controlled by Stephen Best, a Director of the Company. The loan was unsecured and incurred no interest. The loan was settled in full by the year end date.

In November 2014, the Company entered into a loan arrangement with Stephen Best, a Director of the Company. The loan was unsecured and incurred no interest. The loan was settled in full by the year end date.

In December 2014 the Company drew down a third tranche of the loan agreement with Yorkville of $1,000,000.

Payments to related parties

As at 31 December 2014 an amount of $28,691 (2013: $55,652) was recorded as a payable due within one year to E.J.N. Engineering Services Limited for consultancy services rendered during the year. Edward Nelson, who is a Company Director, is a Director of E.J.N. Engineering Services Limited.

Loan from Atlantic Coal Plc to Coal Contractors (1991) Inc

As at 31 December 2014 there were amounts receivable of $11,900,000 (31 December 2013: $11,475,001) due from Coal Contractors (1991) Inc to the Company. An adjustment to reverse part of a previous impairment was made to the value of this loan amounting to $2,374,080 (2013: adjustment to increase the impairment of $13,419,010), in respect of the carrying value of the Company's operations in the USA. The amounts were interest free and repayable in Sterling when sufficient cash resources are available in the subsidiary.

During the year ended 31 December 2014 the Company charged fees of $904,896 (31 December 2013: $581,558) to Coal Contractors (1991) Inc., for certain administrative and consulting services.

All Group transactions have been eliminated on consolidation.

29. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.

30. Contingencies

There are no legal or arbitration proceedings which may have or have had a material effect on the financial position of the Stockton Coal Group other than:

South Tamaqua Coal Pockets, Inc., as agent for Brook Contracting Corporation vs. Coal Contractors (1991), Inc. Raymond J. Petrilla and John T. Munley, Jr. (Common Pleas, Luzerne County No. 801-2007)

Brook Contracting Corp. alleges that it made prepayments, at the request of the Stockton Coal Group's management, for coal to be supplied pursuant to a coal supply agreement. Brook Contracting made prepayments aggregating $202,270 by early 2006, for which the coal was not delivered as agreed because the Stockton Coal Group's mining operations were idled during that time. Suit was filed in February 2007. Brook Contracting has made a claim for return of $202,270 with interest and damages in an unspecified amount caused by its having to obtain replacement coal from other sources at higher prices. A total of $8,552 has been provided for in the accounts.

Since the mine resumed operations in late 2006, deliveries of coal have been made to Brook Contracting in amounts sufficient to satisfy the claims for return of the prepaid amounts, and the Group is seeking a written acknowledgment from Brook Contracting to this effect, and a voluntary dismissal of other claims. The amount of coal which Coal Contractors (1991) Inc., allocated to Brook Contracting for this purpose was 558 tons of lump coal and 5,770 tons of run of mine coal.