Registered number: 05315929

ATLANTIC CARBON GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

ATLANTIC CARBON GROUP PLC

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ATLANTIC CARBON GROUP PLC

COMPANY INFORMATION
For the year ended 31 December 2017

Directors	Adam Wilson (Executive Chairman) Stephen Best (Executive Director) Peter Chinneck (Non-Executive Director) George Roskos (Executive Director)
Company Secretary	Heytesbury Corporate LLP
Registered Office	200 Strand London WC2R 1DJ
Company Number	05315929
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD

ATLANTIC CARBON GROUP PLC

CHAIRMANS STATEMENT
For the year ended 31 December 2017

2017 was a record year for Atlantic Carbon Group plc ("ACG" or "the Company") with both record production and financial performance.

While 2016 was a challenging year as the Company sought to integrate and develop the Hazleton Shaft Corporation ("HSC") operations after the acquisition of HSC on May 27th 2016, the hard work bore fruit in 2017, the first full year of the combined operation.

In 2017 adjusted EBITDA* increased over nine fold over the previous year to $14.5 million (on a turnover of $31.5 million) and run of mine production over three fold to over 1 million tons making ACG the largest US producer of anthracite.

Operating profit was $10.8 million after taking depreciation (non cash) of $6.2 million and interest of $6.6 million, this resulted in an accounting loss of $2.9m.

This compares with a loss of $12.7 million in 2016, which represents a very encouraging positive turnaround in performance. The US Government's focus on reviving American industries does give us optimism that prices will strengthen as Government policies take effect.

On 1st March 2018 the US Government introduced a 25% tariff on steel imports from a number of countries. This has already resulted in an increase in US steel industry utilisation and consequent increase in demand for anthracite.

The bulk of ACG anthracite production is for the US iron and steel industry and the new steel tariff, together with the upcoming US infrastructure bill provides an optimistic outlook for anthracite demand though the remainder of 2018 and into 2019. Indeed, ACG has already pre-sold almost all of 2018 projected production and US steel companies are now seeking to lock into 2019 supply. The Company's recently secured sales contracts are already showing price increase in the high teens to 20%.

The Company has recently renegotiated the interest rate on its principal loan with White Oak Global Advisors LLC from 14% down to 9.5% representing a substantial reduction in interest payments going forward.

In similar vein the Company has also renegotiated its anthracite royalty payments at Jeansville, Spring Mountain and Hazleton Shaft sites, with a substantial reduction on the baseline rate with provision for indexing related to sales price. This represents a considerable saving on operating costs and a more equitable arrangement with the royalty owners reflecting the prevailing sales price of the product.

The Company's improved performance has also attracted substantial new equity funding with two recent share subscriptions totalling £1 million at a share value of £0.005. This values the Company at over £35 million (over $US50 million).
All of this gives us the confidence to look forward positively for the remainder of 2018.

In August of 2017 we combined Coal Contractors and HSC management and administration operations at new offices at Stockton Mine and I would like to commend the cooperation of all concerned in making a success of this move. Finally, I would also like to thank all our employees for their cooperation and performance in 2017 which gives us great confidence going forward.

Adam R Wilson
Chairman

04 May 2018

** Earnings Before Interest Tax Depreciation Amortisation (EBITDA) has been adjusted to included capitalisation of overburden removal costs in developments cuts which is now standard practice for mining companies and will be utilised going forward for accounting purposes.*

ATLANTIC CARBON GROUP PLC

STRATEGIC REPORT
For the year ended 31 December 2017

The Directors of the Company and its subsidiary undertakings (which together comprise 'the Group') present their Strategic Report for the year ended 31 December 2017.

Business Review

On 1st September 2017 the Company leased the Spring Mountain property comprising 930 acres of land and containing approx. 2.6 million tons of anthracite (clean coal product). The property has the benefit of a Pennsylvania Department of Environmental Protection mining permit and is located immediately adjacent, and west of, the Company's Jeansville Mine and includes:

- the operational, but currently idled, Wet Slope Basin Mine;
- the undeveloped Number 4 Basin; and
- the undeveloped Spring Brook North and South areas.

The addition of this property to the Company's reserve base is a particularly attractive acquisition as it can be operated together with Jeansville Mine and provides a suitable location for the relocation of the Stockton processing plant which would process both Jeansville and Spring Mountain run of mine anthracite. This will facilitate substantial cost savings as four miles of on-highway haulage of run of mine anthracite to the Hazleton Shaft processing plant will be eliminated.

There is also an operational railroad on the western part of the property where anthracite loading facilities can be readily established enabling direct rail shipping to customers without the additional cost of on-highway transfer to the Hazleton Shaft site.

Reserves

The Company's clean coal product reserve base increased by approx. 2 million tons in 2017 to a total in excess of 10.3 million tons. The Spring Mountain acquisition added approx. 2.5 million tons set against approx. 0.5 million tons mined during the year. In addition, there are substantial, but unquantified, reserves of anthracite culm (bank material) and silt at Hazleton Shaft, Beaverbrook and Sandy Run.

Mining Operations

Mining operations in 2017 were concentrated mainly at the Stockton and Jeansville Mines with a small contribution from Hazleton Shaft Mine.

Production of ROM anthracite exceeded 1 million tons for the first time with total production of 1,024,294 tons making ACG the largest anthracite producer in the USA.

Stockton Mine was, again, the largest producer with one large basin cut being mined during 2017 with production from the 45 feet thick Mammoth seam at the bottom of the basin extending into Q1 2018.
Production at Jeansville Mine continued alongside the abandoned mine reclamation project which is now programmed to be complete in Q2 2018. This work is being undertaken as contractor to the Pennsylvania Department of Environmental Protection, Bureau of Abandoned Mine Reclamation and is a significant revenue generator for the Company.

Mining on a relatively small scale took place at Hazleton Shaft Mine and also included recovery of high quality anthracite fines, formerly a waste product from deep mining and processing operations on the site but now in demand from a number of customers.

Mining operations are continuing throughout 2018 at Stockton, Jeansville and Hazleton Shaft Mines together with supply of anthracite silt and fines from the Sandy Run operation. Production from the Spring Mountain Wet Slope Basin Mine is also programmed to recommence during the course of the year.

Production of hard rock aggregates continued at Stockton Mine, crushing hard sandstones which are extracted as part of the overburden removal to recover anthracite. The aggregates are shipped from the site via the Stockton rail terminal and provide a useful revenue stream for the Company.

Processing Operations

Processing operations in 2017 were concentrated at Hazleton Shaft plant with the Stockton Plant being idled during the year. The Stockton Plant was restarted in Q1 2018 to meet increased demand but subject to further improvements at the Hazleton Shaft Plant it is intended to relocate the Stockton Plant to the Wet Slope site as indicated above.

New storage sheds for dried anthracite were completed during 2017 at the Hazleton Hiller Drying Plant and rail loading was also extended to directly serve this plant. The Hazleton Hiller Drying Plant at Hazleton Shaft is a 50% each joint venture between HSC (now ACG) and Hiller Carbon LLC. Hazleton Hiller is contracted to take 150,000 tons a year of processed anthracite from ACG for supply to the steel and foundry industries. Consideration is currently being given to expanding the plant to increase capacity to 250,000 tons a year.

ATLANTIC CARBON GROUP PLC

STRATEGIC REPORT
For the year ended 31 December 2017

Market Review

Both clean anthracite and run of mine anthracite ("ROM") sales increased in 2018. Clean anthracite sales at 275,099 tons were up 13.5% on 2016, and ROM sales at 122,710 tons were up 228% on 2016 generating an additional $4.7 million revenue (up 17.6% on 2016).

Weak anthracite pricing did, however, continue through 2017 with only a slight recovery in prices compared with 2016 due to a combination of yet another warm winter in north east USA, weak industrial demand and cheap anthracite exports from Russia and Breakaway East Ukraine (via Russia) which have also depressed industrial prices. Prospects for 2018, however, look much better with both demand strengthening and prices improving.

Results and Financial Review

The loss of the Group for the year ended 31 December 2017 before taxation amounts to $2,868,537 (year ended 31 December 2016: loss of $12,724,207).

Key financial highlights for the year to 31 December 2017 are:

	31 December 2017	31 December 2016
Revenue	$31,469,082	$26,737,456
Gross profit	$11,625,128	$1,519,109
Gross margin	36.9%	5.6%
EBITDA	$10,866,785	($435,429)
Adjusted EBITDA*	$14,546,284	$1,535,587

*Adjusted EBITDA for the year has been adjusted for the costs of the overburden removal (2016: adjusted for one off acquisition costs for Hazleton Shaft Corporation.

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 2017 and will continue to be used by the Board to assess performance over the year to 31 December 2018.

	31 December 2017	31 December 2016
Reserves (tons clean coal)	**10,337,000**	9,300,000
ROM Production (tons)	**1,024,294**	296,669
Clean Anthracite production	**238,704**	226,659
ROM Sales	**131,990**	53,708
Clean Anthracite Sales (tons)	**275,099**	244,021
Health and Safety – number of reportable accidents (number)	**5**	0
Environmental Incidents – breaches of environmental legislation (number)	**-**	2

The Group is obliged to report any health and safety incidents to the Pennsylvanian Department of Environmental Protection. No Environmental incidents were reported and of the health and safety incidents reported in 2017, none resulted in hospital treatment or any further action.

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.

Mining and processing risks

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

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

The Company is pleased to report that there were no environmental incidents in 2017. ACG has a good working relationship with the Pennsylvania Department of Environmental Protection and any potential issues are dealt with in advance of becoming reportable incidents.

There were five reportable accidents in 2017 which, although regrettable, were of a minor nature ie: a broken wrist resulting from a fall from a loader; a cut that required stitches to the head when a wrench slipped off a bolt and struck the employee; and three incidences of rust, dirt, etc. in the eye.

The Company takes its health and safety responsibilities very seriously and appointed a dedicated Safety Officer on 1st March 2017 and a Safety Committee was also established. Safety training, as appropriate takes place for all employees with particular attention to supervisors. From April 2017 refresher safety training has also taken place for all employees who are crossed trained for all of the Company's sites.

Supervisors now attend an annual class on the responsibilities of supervisors, where they are instructed in hazard recognition, task & hazard training, safe operating procedures, etc.

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 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.

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.

ATLANTIC CARBON GROUP PLC

STRATEGIC REPORT
For the year ended 31 December 2017

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

Outlook and Future Developments

The improved performance in 2017 together with strengthening demand and improvements in pricing in 2018 and renegotiation of interest rates and royalty payments are all major positives for the Company going forward in 2018 and beyond. With the recent equity raise (previously discussed in the Chairman's Statement) the Company is now considering a major "liquidity event" with the preference being a relisting later this year, preferably on the London Stock Exchange.
The Company is also actively engaged in further developing its position in the Pennsylvania anthracite industry with a view to improving both capacity and efficiency and improving market share both in terms of size and pricing with particular interest being directed towards the higher margin heating market. To this end preliminary terms have been agreed with another major player in the industry. Discussions with interested parties on funding and due diligence are currently ongoing.

All of this, provides us with cause for optimism going forward through 2018 and we will advise on further developments on both the liquidity event and the potential acquisition as events progress.

This report was approved by the Board on 04 May 2018 and signed on its behalf.

Adam Wilson
Director

ATLANTIC CARBON GROUP PLC

DIRECTORS' REPORT
For the year ended 31 December 2017

The Directors present their Report, together with the Group Financial Statements and the Independent Auditor's Report, for the year ended 31 December 2017.

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 Mine, Hazleton Shaft Mine, Jeansville Mine and an anthracite washing plant in Pennsylvania, USA.

Dividends

The Directors are precluded from recommending a dividend.

Directors

The names of the Directors are shown in the Company Information on page 1.

Directors' Interests

The Directors who served during the year ended 31 December 2017 had the following beneficial interests in the shares of the Company:

	31 December 2017		1 January 2017	
	Ordinary Shares	**Options**	Ordinary Shares	Options
Stephen Best (1)	1,131,311,911	441,765,028	980,546,884	288,000,000
Adam Wilson (2)	241,954,506	-	241,954,506	-
Peter Chinneck(3)	312,551,282	-	312,551,282	-
George Roskos	598,265,928	170,765,028	269,166,667	-

(1) *Stephen Best's shares are held as follows: 3,730,000 personally, 430,338,327 by his spouse, 18,096,148 by Willoughby (465) Limited, 576,000,000 by Mayford Equities, 103,147,436 through Mount Charles of which his spouse beneficially owns 50% and 288,000,000 options by Mayford Equities.*

(2) *Adam Wilson's shares are held as follows: 138,807,070 personally and 103,147,436 through Mount Charles which is 50% beneficially owned by him.*

(3) *Peter Chinneck's shares are held as follows: 94,500,000 personally and 218,051,282 by Alliance Trust Savings Limited.*

Further details on options can be found in Note 11 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.

DIRECTORS' REPORT
For the year ended 31 December 2017

Branches outside the UK

The Company has two wholly owned subsidiaries as follows:
- Coal Contractors (1991) Inc., which owns and operates the Stockton Colliery
- Atlantic Carbon Group LLC (formerly Luzerne Carbon Company LLC) which wholly owns Hazleton Shaft Corporation which owns and operates the Hazleton Shaft Mine.

Both subsidiaries are registered and operate in Pennsylvania, USA.

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 2017 the Group had an average of 223 days (2016 - 132 days) purchases outstanding in trade payables.

Events after the Reporting Period

Events after the reporting period are as described in note 28.

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 is included with the Accounting Policies.

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 04 May 2018 and signed on its behalf.

Stephen Best
Executive Director

ATLANTIC CARBON GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBLITIES
For the year ended 31 December 2017

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.

This Statement was approved by the Board on 04 May 2018 and signed on its behalf.

Stephen Best
Managing Director

ATLANTIC CARBON GROUP PLC

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2017

Independent Auditor's Report to the Members of Atlantic Carbon Group Plc

Opinion

We have audited the financial statements of Atlantic Carbon Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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.

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 2017 and of the group's and parent company'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 EU 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

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

1 Westferry Circus
Canary Wharf
London E14 4HD

04 May 2018

ATLANTIC CARBON GROUP PLC

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2017

Company number: 05315929

	Note	Group		Company	
		As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
		$	$	**$**	$
Non-Current Assets					
Property, plant and equipment	4	**49,502,664**	54,212,335	**-**	-
Land, coal rights and restoration costs	5	**14,123,294**	13,898,161	**-**	-
Investment in subsidiaries	6	**-**	-	**12,800,683**	11,707,469
Investment in joint venture	25	**635,484**	328,423	**-**	-
Trade and other receivables	7	**-**	-	**7,105,207**	6,837,043
		64,261,442	68,438,919	**19,905,890**	18,544,512
Current Assets					
Inventories	8	**13,499,718**	6,773,879	**-**	-
Trade and other receivables	7	**3,938,519**	4,258,337	**427,178**	53,286
Other assets	9	**899,066**	741,739	**-**	-
Cash and cash equivalents	10	**497,849**	503,870	**9,088**	5,447
		18,835,152	12,227,825	**436,266**	58,733
Total Assets		**83,096,594**	80,716,744	**20,342,156**	18,603,245
Equity Attributable to Owners of the Parent and Shareholders					
Share capital	11	**7,464,515**	6,932,640	**7,464,515**	6,932,640
Share premium	11	**41,709,728**	41,329,818	**41,709,728**	41,329,818
Merger reserve		**15,326,850**	15,326,850	**12,489,738**	12,489,738
Reverse acquisition reserve		**(12,999,288)**	(12,999,288)	**-**	-
Other reserves	12	**47,853**	44,301	**47,853**	44,301
Translation reserve		**(4,245,954)**	(4,188,794)	**(9,485,751)**	(11,104,826)
Retained losses		**(46,829,357)**	(43,988,091)	**(32,918,210)**	(31,781,873)
Total Equity		**474,347**	2,457,436	**19,307,873**	17,909,798
Current Liabilities					
Trade and other payables	13	**9,488,533**	8,309,470	**516,826**	220,182
Borrowings	14	**7,443,807**	10,693,389	**-**	-
Provision for restoration costs	15	**15,658**	15,658	**-**	-
		16,947,998	19,018,517	**516,826**	220,182
Non-Current Liabilities					
Borrowings	14	**60,593,367**	55,671,663	**-**	-
Trade and other payables	13	**408,900**	-	**517,457**	473,265
Provision for restoration costs	15	**4,671,982**	3,569,128	**-**	-
		65,674,249	59,240,791	**517,457**	473,265
Total Liabilities		**82,622,247**	78,259,308	**1,034,283**	693,447
Total Equity and Liabilities		**83,096,594**	80,716,744	**20,342,156**	18,603,245

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 $1,163,608 (2016: loss of $4,769,834) and the total comprehensive loss for the year was $455,467 (2016: loss of $8,517,979).

The Financial Statements were approved and authorised for issue by the Board of Directors on 04 May 2018 and were signed on its behalf by:

Stephen Best
Managing Director

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements

ATLANTIC CARBON GROUP PLC

GROUP AND COMPANY INCOME STATEMENT
For the year ended 31 December 2017

		Group	
Continuing operations	**Note**	**For the year ended 31 December 2017** **$**	For the year ended 31 December 2016 **$**
Revenue	3	**31,469,082**	26,737,456
Cost of sales	17	**(19,843,954)**	(25,218,347)
Gross Profit		**11,625,128**	1,519,109
Administration expenses	17	**(7,962,021)**	(10,012,516)
Other gains/losses	18	**114,854**	(120,363)
Other income	21	**35,420**	1,455,094
Operating Profit/(loss)		**3,813,381**	(7,158,676)
Impairments	5	**-**	(2,153,957)
Finance income		**192**	(2,992)
Finance costs	22	**(6,612,702)**	(3,360,697)
Share of loss from Hazleton Hiller	25	**(69,408)**	(47,885)
Profit/(loss) Before Taxation		**(2,868,537)**	(12,724,207)
Income tax expense	23	**-**	-
Profit/(loss) for the Year		**(2,868,537)**	(12,724,207)
Profit/(loss) attributable to the owners of the Parent		**(2,868,537)**	(12,724,207)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Group	
	For the year ended 31 December 2017 **$**	For the year ended 31 December 2016 **$**
Profit/(loss) for the year	**(2,868,537)**	**(12,724,207)**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(57,160)	(88,161)
Total comprehensive income/ (loss) for the year	**(2,925,697)**	**(12,812,368)**
Total comprehensive income/ (loss) attributable to the owners of the Parent	**(2,925,697)**	**(12,812,368)**

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.

ATLANTIC CARBON GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	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 2016	**5,769,335**	**40,498,886**	**15,326,850**	**(12,999,288)**	**42,901**	**(4,100,633)**	**(31,313,240)**	**13,224,811**
Profit for the year	-	-	-	-	-	-	(12,724,207)	(12,724,207)
Other comprehensive income for the year								
Currency translation differences	-	-	-	-	-	(88,161)	-	(88,161)
Total comprehensive income for the year	-	-	-	-	-	(88,161)	(12,724,207)	(12,812,368)
Proceeds from share issue	1,163,305	830,932	-	-	-	-	-	1,994,237
Granting of options & warrants	-	-	-	-	50,756	-	-	50,756
Exercising of options & warrants	-	-	-	-	(23,098)	-	23,098	-
Expiration of options & warrants	-	-	-	-	(26,258)	-	26,258	-
Transactions with owners, recognised directly in equity	1,163,305	830,932	-	-	1,400	-	49,356	2,044,993
At 31 December 2016	**6,932,640**	**41,329,818**	**15,326,850**	**(12,999,288)**	**44,301**	**(4,188,794)**	**(43,988,091)**	**2,457,436**
At 1 January 2017	**6,932,640**	**41,329,818**	**15,326,850**	**(12,999,288)**	**44,301**	**(4,188,794)**	**(43,988,091)**	**2,457,436**
Loss for the year	-	-	-	-	-	-	(2,868,537)	(2,868,537)
Other comprehensive income for the year								
Currency translation differences	-	-	-	-	-	(57,160)	-	(57,160)
Total comprehensive loss for the year	-	-	-	-	-	(57,160)	(2,868,537)	(2,925,697)
Proceeds from share issue	322,536	230,383	-	-	-	-	-	552,919
Granting of options & warrants	-	-	-	-	30,823	-	-	30,823
Exercising of options & warrants	209,339	149,527	-	-	(16,360)	-	16,360	358,866
Expiration of options & warrants	-	-	-	-	(10,911)	-	10,911	-
Transactions with owners, recognised directly in equity	531,875	379,910	-	-	3,552	-	27,271	942,608
At 31 December 2017	**7,464,515**	**41,709,728**	**15,326,850**	**(12,999,288)**	**47,853**	**(4,245,954)**	**(46,829,357)**	**474,347**

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.

ATLANTIC CARBON GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to the shareholders						
	Share capital $	Share Premium $	Merger reserve $	Other reserves $	Translation reserve $	Retained losses $	Total equity $
At 1 January 2016	**5,769,335**	**40,498,886**	**12,489,738**	**42,901**	**(7,356,681)**	**(27,061,395)**	**24,382,784**
Profit for the year	-	-	-	-	-	(4,769,834)	(4,769,834)
Other comprehensive income for the year							
Currency translation differences	-	-	-	-	(3,748,145)	-	(3,748,145)
Total comprehensive income for the year	-	-	-	-	(3,748,145)	(4,769,834)	(8,517,979)
Proceeds from share issue	1,163,305	830,932	-	-	-	-	1,994,237
Granting of options & warrants							
Exercising of options & warrants	-	-	-	50,756	-	-	50,756
Expiration of options & warrants	-	-	-	(23,098)	-	23,098	-
Total contributions by and distributions to owners of the Company	1,163,305	830,932	-	1,400	-	49,356	2,044,993
As at 31 December 2016	**6,932,640**	**41,329,818**	**12,489,738**	**44,301**	**(11,104,826)**	**(31,781,873)**	**17,909,798**
At 1 January 2017	**6,932,640**	**41,329,818**	**12,489,738**	**44,301**	**(11,104,826)**	**(31,781,873)**	**17,909,798**
Profit/(loss) for the year	-	-	-	-	-	(1,163,608)	(1,163,608)
Other comprehensive income for the year							
Currency translation differences	-	-	-	-	1,619,075	-	1,619,075
Total comprehensive income for the year	-	-	-	-	1,619,075	(1,163,608)	455,467
Proceeds from share issue	322,536	230,383	-	-	-	-	552,919
Granting of options & warrants	-	-	-	30,823	-	-	30,823
Exercising of options & warrants	209,339	149,527	-	(16,360)	-	16,360	358,866
Expiration of options & warrants	-	-	-	(10,911)	-	10,911	-
Total contributions by and distributions to owners of the Company	531,875	379,910	-	3,552	-	27,271	942,608
As at 31 December 2017	**7,464,515**	**41,709,728**	**12,489,738**	**47,853**	**(9,485,751)**	**(32,918,210)**	**19,307,873**

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.

ATLANTIC CARBON GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Note	Group	
		For the year ended 31 December 2017	For the year ended 31 December 2016
		$	$
Cash flows from operating activities			
Profit/(loss) before taxation		**(2,868,537)**	(12,724,207)
Adjustments for:			
- Depreciation	4	**6,236,427**	6,270,888
- Mine depletion and mineral depreciation	5	**816,977**	500,244
- Share option and warrants expense		**30,823**	50,756
- Impairments		**-**	2,153,957
- Loss on disposal of property, plant and equipment		**(8,075)**	(1,420,594)
- Accretion and accrued restoration costs		**359,291**	309,553
- Equity settled transactions		**-**	904,698
- Foreign exchange gains		**(2,426)**	268,979
Changes in working capital			
- Increase in trade and other receivables		**575,024**	(56,650)
- (Increase)/decrease in inventories		**(6,725,839)**	1,501,206
- (Decrease)/increase in trade and other payables		**1,658,606**	2,441,695
Net cash generated from/(used) in operating activities		72,271	200,525
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,363,731)**	(134,616)
Change in deposits	9	**(157,327)**	(474,332)
Capitalised land and plant costs		**164,315**	(439,244)
Share of loss from joint ventures	25	**69,408**	47,885
Capital contribution to joint venture		**(376,469)**	-
Cash consideration for subsidiaries		**-**	(17,899,087)
Proceeds from sale of property plant and equipment		**-**	2,765,500
Net cash used in investing activities		(1,663,804)	(16,133,894)
Cash flows from financing activities			
Proceeds from issue of share capital		**600,000**	1,089,539
Proceeds from borrowings		**1,875,000**	26,318,174
Repayments of borrowings		**-**	(1,150,000)
Interest added to borrowings		**369,570**	-
Finance lease payments		**(3,995,092)**	(2,856,450)
Finance lease refinancing		**2,736,034**	-
Repayment of loan in subsidiary undertaking		**-**	(7,100,921)
Net cash used in financing activities		1,585,512	16,300,342
Net decrease in cash and cash equivalents		(6,021)	366,979
Exchange losses on cash and cash equivalents		-	4,610
Cash and cash equivalents at beginning of year		503,870	132,287
Cash and cash equivalents at end of year	10	497,849	503,870

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements.

ATLANTIC CARBON GROUP PLC

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

		Company	
		For the year ended 31 December 2017	For the year ended 31 December 2016
	Note	**$**	**$**
Cash flows from operating activities			
Profit/(loss) before tax		**(1,163,608)**	(4,769,834)
Adjustments for:			
- Depreciation	4	-	51,441
- Impairments		-	2,153,957
- *Share based payments*		-	*51,824*
- Share option and warrants expense		**30,823**	50,756
- Intercompany management fees		**(123,696)**	-
- Foreign exchange losses/(gains)		**191,736**	387,383
Changes in working capital:			
- Decrease/(increase) in trade and other receivables		**12,675**	3,440
- (Decrease)/increase in trade and other payables		**296,643**	(23,505)
Net cash used in operating activities		***(755,427)***	*(2,094,538)*
Cash flows from investing activities			
Loans to subsidiary		**159,068**	1,041,763
Interest received		-	-
Net cash generated from investing activities		**159,068**	1,041,763
Cash flows from financing activities			
Proceeds from issue of share capital		**600,000**	292,434
Proceeds from borrowings		-	733,492
Net cash generated from/(used in) financing activities		**600,000**	1,025,926
Net decrease in cash and cash equivalents		**3,641**	(26,849)
Exchange losses on cash and cash equivalents		-	4,610
Cash and cash equivalents at beginning of year		**5,447**	27,686
Cash and cash equivalents at end of year	10	**9,088**	5,447

The Accounting Policies and Notes on pages 18 to 48 form part of these Financial Statements

ATLANTIC CARBON GROUP PLC

ACCOUNTING POLICIES
For the year ended 31 December 2017

General Information

The Financial Statements presented are for Atlantic Carbon Group Plc ("the Company") and its subsidiaries (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 and Hazleton Shaft Mine and an anthracite washing plant in Pennsylvania, USA.

The Company, the legal parent, is a public limited company 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 (IFRIC) 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

There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2017 that had a material impact on the Group or Company.

ii) New and amended standards and interpretations issued but not effective

The standards and interpretations that are issued, but not yet effective for the financial year beginning 1 January 2017 are listed below. Unless stated below, there are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

Standard	Impact on initial application	Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRIC Interpretation 22	Foreign currency transactions and advanced consideration	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	*1 January 2019
IFRS 2 (Amendments)	Share-based payments – classification and measurement	1 January 2018
Annual Improvements	2014 - 2016 Cycle	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	*1 January 2018
IFRS 9 (Amendments)	Prepayment features with negative compensation	*1 January 2019
IAS 28 (Amendments)	Long term interests in associates and joint ventures	*1 January 2019

* *Subject to EU endorsement*

The Group is evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Group's results or shareholders' funds. There is not expected to be any significant impact from the introduction of IFRS 15.

The vast majority of the lease arrangements in the Group are finance in nature and as such IFRS 16 is not expected to have a material impact.

Summary of Significant Accounting Policies (continued)

c) Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of Atlantic Carbon Group Plc and the audited management accounts of its subsidiaries for the year ended 31 December 2017.

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 Carbon Group 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 Carbon Group 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.

On 27 May 2016 the Company acquired Atlantic Carbon Group LLC (formerly "Luzerne Carbon LLC"), which fully owns Hazleton Shaft Corporation ("HS") for $18,409,736. HS is registered in the USA and operates an anthracite mine and processing facility. 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.

d) Going Concern

The Financial Statements have been prepared on a going concern basis notwithstanding that the Group incurred a net loss of $2,868,537 (2016: net loss of $12,724,207) during the year ended 31 December 2017.

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. 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. The review has given consideration of recent sales, contracts agreed and the recent changes in the economic climate in the expected to lead to a future up turn of the coal market. The Group has entered in to significant upfront sales agreements for 2018 and there is also expected to be increased demand as a result of the US Government's 25% tariff on steel imports from 1 March 2018. The Company has also renegotiated the interest rate to 9.5% (2016: 9.5%) on its principal loan with White Oak Global Advisors LLC. This renegotiation included alteration of the loan covenants to less onerous terms. Since the year end, $1million of new equity has been raised and management are confident that further equity raises will be forthcoming if required. As such, the directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have also had due regard of their current debt covenants with their principal lenders. These covenants have been reviewed alongside the forecasts and the Directors are of the opinion that these covenants will be met and that it remains appropriate to continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Summary of Significant Accounting Policies (continued)

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.

Summary of Significant Accounting Policies (continued)

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.

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.

ACCOUNTING POLICIES
For the year ended 31 December 2017

Summary of Significant Accounting Policies (continued)

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.

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 15; Provision for Restoration Costs.

j) Financial Assets

Classification

The Group's financial assets comprise 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.

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 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.

Summary of Significant Accounting Policies (continued)

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.

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, on-demand deposits and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

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.

ACCOUNTING POLICIES
For the year ended 31 December 2017

Summary of Significant Accounting Policies (continued)

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.

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 flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (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.

ACCOUNTING POLICIES
For the year ended 31 December 2017

Summary of Significant Accounting Policies (continued)

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.

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.

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 and other aggregate bi-products 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 their significance and nature.

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.

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.

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 A or 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 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	**3,150,000**	**4,200,000**	**21,059,847**	**-**
Finance lease liabilities	**4,293,807**	**4,485,082**	**30,848,436**	**-**
Trade and other payables	**9,488,533**	**-**	**408,900**	**-**

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	4,865,871	2,100,000	19,199,409	-
Finance lease liabilities	5,827,518	7,655,343	23,064,857	3,652,055
Trade and other payables	8,309,470	-	-	-

1. Financial Risk Management (continued)

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.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	As at 31 December 2017 $	As at 31 December 2016 $
Total Borrowings (note 14)	**68,037,174**	66,365,052
Less: cash and cash equivalents (note 10)	**(497,849)**	(503,870)
Net debt	**67,539,325**	65,861,182
Total equity	**474,347**	2,457,436
Total capital	**68,013,672**	68,318,618
Gearing ratio	**1%**	4%

ATLANTIC CARBON GROUP PLC

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

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 has a carrying value at 31 December 2017 of $4,671,982 (2016: $3,584,786) 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.

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 15 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 2017 would be approximately $1,976,738 higher or $73,123 lower respectively.

Valuation of coal inventory

The amount of coal held in inventory in the Group's Financial Statements at 31 December 2017 has a carrying value of $13,499,718 (2016: $6,773,879). 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.

Impairment of investment in subsidiary

The Company's investment in its subsidiary has a carrying value at 31 December 2017 of $12,800,683 (2016: $11,707,469).

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.

Fair value of the acquisition of Hazleton Shaft Corporation

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. The fair value of the assets was determined by reference to an independent evaluation of the assets acquired. The asset appraisal was then used as a basis upon which to allocate a fair value to the property, plant and equipment and assets in the ground acquired.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

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 2017				For the year ended 31 December 2016			
	USA $	UK $	Intra-segment balances $	Total $	USA $	UK $	Intra-segment balances $	Total $
Revenue from external customers	31,469,082	-	-	31,469,082	26,737,456	-	-	26,737,456
Gross profit	11,625,128	-	-	11,625,128	1,519,109	-	-	1,519,109
Operating profit/(loss)	4,976,989	(1,163,608)	-	3,813,381	(4,399,166)	(2,612,625)	(146,885)	(7,158,676)
Depreciation	6,236,427	-	-	6,236,427	6,219,447	51,441	-	6,270,888
Depletion	816,977	-	-	816,977	500,244	-	-	500,244
M&A Expenses	-	-	-	-	1,923,131	-	-	1,923,131
Capitalised overburden	3,679,499	-	-	3,679,499	-	-	-	-
EBITDA*	15,709,892	(1,163,608)	-	14,546,284	4,243,656	(2,561,184)	(146,885)	1,535,587
Capital expenditure	2,318,107	-	-	2,318,107	42,308,927	-	-	42,308,927
Total assets	90,878,337	20,342,156	(28,123,899)	83,096,594	88,806,612	18,603,245	(26,693,113)	80,716,744
Total liabilities	89,442,827	1,034,284	(7,854,864)	82,622,247	85,735,600	220,182	(7,696,474)	78,259,308

** EBITDA in 2016 was adjusted for the one off transaction costs of $1,923,131 associated with the acquisition of Hazleton Shaft Corporation. In 2017, EBITDA has been adjusted for the overburden removal costs incurred.*

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

	For the year ended 31 December 2017 **$**	For the year ended 31 December 2016 $
Operating profit/(loss) for reportable segments	3,813,381	(7,158,676)
Impairments	-	(2,153,957)
Finance income	192	(2,992)
Finance costs	(6,612,702)	(3,360,697)
Share of loss from Hazleton Hiller	(69,408)	(47,885)
Profit/(loss) before tax	(2,868,537)	(12,724,207)

Information about major customers

On the basis of a cut off of $1 million, revenues of approximately $21.2 million (2016: $13.19 million) were derived from four (2016: four) external customers. These revenues were all generated in the USA.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. Property, Plant and Equipment

	Group					
	Land and buildings	Plant and machinery	Motor vehicles	Maps	Furniture and equipment	Total
	$	$	$	$	$	$
Cost						
As at 1 January 2016	1,497,427	36,067,903	758,061	296,040	171,794	38,791,225
Additions	915,498	41,013,769	252,198	-	127,462	42,308,927
Fair value uplift on acquisition	-	5,393,607	-	-	-	5,393,607
Disposals	-	(4,578,697)	(164,511)	-	-	(4,743,208)
Exchange differences	-	-	-	(49,259)	(4,222)	(53,481)
As at 31 December 2016	**2,412,925**	**77,896,582**	**845,748**	**246,781**	**295,034**	**81,697,070**
Additions	497,156	1,666,503	98,538	-	55,910	2,318,107
Disposals	-	(844,619)	(29,104)	-	-	(873,723)
Exchange differences	-	-	-	23,043	1,975	25,018
As at 31 December 2017	**2,910,081**	**78,718,466**	**915,182**	**269,824**	**352,919**	**83,166,472**
Depreciation						
As at 1 January 2016	**683,192**	**10,336,034**	**467,549**	**239,874**	**92,423**	**11,819,072**
Charge for the year	233,015	5,872,534	87,031	51,441	26,867	6,270,888
Acquisition related	217,303	12,438,700	122,636	-	54,309	12,832,948
Disposals	-	(3,269,405)	(120,012)	-	-	(3,389,417)
Exchange differences	-	-	-	(44,534)	(4,222)	(48,756)
As at 31 December 2016	**1,133,510**	**25,377,863**	**557,204**	**246,781**	**169,377**	**27,484,735**
Charge for the year	131,121	5,971,964	97,546	-	35,796	6,236,427
Disposals	-	(63,546)	(18,826)	-	-	(82,372)
Exchange differences	-	-	-	23,043	1,975	25,018
As at 31 December 2017	**1,264,631**	**31,286,281**	**635,924**	**269,824**	**207,148**	**33,663,808**
Net Book Value						
As at 31 December 2016	1,279,415	52,518,719	288,543	-	125,657	54,212,335
As at 31 December 2017	**1,645,450**	**47,432,185**	**279,258**	**-**	**145,771**	**49,502,664**

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 $35,068,428 (31 December 2016: $37,164,209).

Depreciation expense of $6,285,392 (2016: $6,270,888) has been charged in 'cost of sales'.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. Property, Plant and Equipment (continued)

	Company		
	Maps $	Furniture and equipment $	Total $
Cost			
As at 1 January 2016	296,040	25,375	321,415
Exchange differences	(49,259)	(4,222)	(53,481)
As at 31 December 2016	246,781	21,153	267,934
Exchange differences	23,043	1,975	25,018
As at 31 December 2017	**269,824**	**23,128**	**292,952**
Depreciation			
As at 1 January 2016	239,874	25,375	265,249
Charge for the year	51,441	-	51,441
Exchange differences	(44,534)	(4,222)	(48,756)
As at 31 December 2016	246,781	21,153	267,934
Charge for the year	-	-	-
Exchange differences	23,043	1,975	25,018
As at 31 December 2017	**269,824**	**23,128**	**292,952**
Net Book Value			
As at 31 December 2016	-	-	-
As at 31 December 2017	-	-	-

ATLANTIC CARBON GROUP PLC

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

5. Land, Coal Rights and Restoration Costs

	Stockton mine costs	Railway relocation costs	Hazleton Shaft cost	Jeansville cost	Land, surface and mineral costs	Wet Slopes	Other exploration assets	Total
	$	$	$	$	$	$	$	$
Cost								
As at 1 January 2016	4,918,114	3,198,727	-	-	3,550,000	-	6,000,000	17,666,841
Additions	-	-	664,737	4,581,523	-	-	-	5,246,260
Fair value uplift on acquisition	-	-	-	-	8,915,412	-	-	8,915,412
Retirement obligation estimate	(607,084)	(799,429)	(267,019)	(1,641,699)	(900,617)	-	-	(4,215,848)
Impairment / Loan write off	-	-	-	-	-	-	(6,000,000)	(6,000,000)
As at 31 December 2016	**4,311,030**	**2,399,298**	**397,718**	**2,939,824**	**11,564,795**	-	-	**21,612,665**
Additions	-	-	-	-	-	298,547	-	298,547
Retirement obligation estimate	48,477	26,979	170,706	467,608	29,793	-	-	743,563
Impairment / Loan write off	-	-	-	-	-	-	-	-
As at 31 December 2017	**4,359,507**	**2,426,277**	**568,424**	**3,407,432**	**11,594,588**	**298,547**	-	**22,654,775**
Mine depletion and mineral depreciation								
As at 1 January 2016	4,081,409	938,941	-	-	2,193,910	-	-	7,214,260
Charge for the year	37,008	126,849	-	270,623	65,764	-	-	500,244
As at 31 December 2016	**4,118,417**	**1,065,790**	-	**270,623**	**2,259,674**	-	-	**7,714,504**
Charge for the year	63,135	437,095	-	196,943	119,804	-	-	816,977
As at 31 December 2017	**4,181,552**	**1,502,885**	-	**467,566**	**2,379,478**	-	-	**8,531,481**
Net Book Value								
As at 31 December 2016	**192,613**	**1,333,508**	**397,718**	**2,669,201**	**9,305,121**	-	-	**13,898,161**
As at 31 December 2017	**177,955**	**923,392**	**568,424**	**2,939,866**	**9,215,110**	**298,547**	-	**14,123,294**

The retirement and depreciation provision for the Stockton, Hazleton and Jeansville mine property is calculated using current cost estimates provided by an independent third-party consultant.

6. Investment in Subsidiaries

	Company	
	As at 31 December 2017	As at 31 December 2016
Shares in Group Undertaking	$	$
At 1 January	11,707,469	14,044,351
Additions in the year	-	-
Reversal of impairment	-	-
Foreign currency translation	1,093,214	(2,336,882)
At 31 December	12,800,683	11,707,469

Investments in Group undertakings are stated at cost less impairment.

Details of Subsidiaries

Details of the subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Country of incorporation	Share capital held by Parent	Share capital held by Group	Principal activities
Coal Contractors (1991), Inc.	USA	100%	100%	Anthracite mining and processing
The Pennsylvanian Anthracite Company LLC	USA	Nil	100%	Dormant
Atlantic Carbon Group LLC	USA	Nil	100%	Holding
Hazleton Shaft Corporation	USA	Nil	100%	Anthracite mining and processing
Hazleton Hiller LLC	USA	Nil	50%	Anthracite processing

The registered office of all subsidiary undertakings is Stockton Mine, 100 Hazlebrook Road, PO Box 39, Hazleton, Pennsylvania, 18201.

Impairment review

An impairment review of the investment in Coal Contractors (1991), Inc and Hazleton Shaft Corporation. 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 subsidiaries is the Stockton mine and Hazleton Shaft mine. The value of the investment will naturally decline over the life of the mine as coal reserves are extracted.

The recoverable amount of the investment in Coal Contractors (1991), Inc and Hazleton Shaft Corporation 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 and Hazleton Shaft 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. For the year ended 31 December 2017 there was no impairment required.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

7. Trade and Other Receivables

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Trade receivables	**3,806,646**	4,169,375	**-**	-
Less: provision for impairment of trade receivables	**(405,081)**	(315,975)	**-**	-
Trade receivables net	**3,401,565**	3,853,400	**129,515**	-
Other receivables	**266,542**	19,881	**264,732**	7,682
Prepayments	**136,617**	256,537	**13,616**	33,401
VAT receivable	**19,316**	12,203	**19,315**	12,203
Loans to related parties (Note 26)	**114,479**	116,316	**7,105,207**	6,837,043
	3,938,519	4,258,337	**7,532,385**	6,890,329
Less non-current portion	**-**	-	**(7,105,207)**	(6,837,043)
Current portion	**3,938,519**	4,258,337	**427,178**	53,286

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 2017, trade receivables of $2,574,751 (2016: $2,066,132) were fully performing.

At 31 December 2017, trade receivables of $677,824(2016: $1,528,646) 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 2017	As at 31 December 2016
	$	$
Up to 3 months	**386,481**	1,316,547
3 to 6 months	**33,799**	127,802
6 to 12 months	**257,544**	84,297
Total	**677,824**	1,528,646

At 31 December 2017, trade receivables of $685,942 (2016: $574,595) were past 12 months due. The amount of the provision was $405,081 as of 31 December 2017 (2016: $315,975). 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 2017	As at 31 December 2016
	$	$
Over 12 months	**685,942**	574,595
Total	**685,942**	574,595

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 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
US dollar	**3,640,857**	4,205,051	**-**	-
UK pound	**297,662**	53,286	**7,532,385**	6,890,329
Total	**3,938,519**	4,258,337	**7,532,385**	6,890,329

8. Inventories

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Coal	**13,379,823**	6,653,984	**-**	-
Supplies	**119,895**	119,895	**-**	-
	13,499,718	6,773,879	**-**	-

The value of inventories recognised as a debit and included in cost of sales was $8,512,202 (31 December 2016: expense of $3,235,645).

9. Other assets

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Certificates of deposit	**899,066**	741,739	**-**	-

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 24: Commitments.

10. Cash and Cash Equivalents

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Cash at bank and in hand	**497,849**	503,870	**9,088**	5,447
Cash and cash equivalents (excluding bank overdrafts)	**497,849**	503,870	**9,088**	5,447

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Cash and cash equivalents	**497,849**	503,870	**9,088**	5,447

11. 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 2016	4,912,538,502	5,769,335	40,498,886	46,268,221
At 31 December 2016	6,259,371,836	6,932,640	41,329,818	48,262,458
Shares issued – March 2017	341,530,055	322,536	230,383	552,919
Options Exercised – November 2017	221,666,666	209,339	149,527	358,866
At 31 December 2017	**6,822,568,557**	**7,464,515**	**41,709,728**	**49,174,243**

11. 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**	**2017**	**2016**
24 January 2013	24 January 2018	0.0075	263,157,894	263,157,894
4 December 2014	3 December 2017	0.0018	-	109,724,137
22 June 2016	21 June 2026	0.0012	129,666,667	288,000,000
12 June 2017	12 June 2027	0.0012	116,208,040	-
30 June 2017	30 June 2027	0.0012	449,988,682	-
			959,021,283	**660,882,031**

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. A reconciliation of options granted and lapsed during the year ended 31 December 2017 and 2016 are shown below:

	2017		2016	
	Number	**Weighted average exercise price (£)**	**Number**	**Weighted average exercise price (£)**
Outstanding as at 1 January	660,882,031	0.0033	374,080,510	0.0058
Granted	629,530,055	0.0012	576,000,000	0.0012
Exercised	(221,666,666)	0.0012	(288,000,000)	0.0012
Lapsed	(109,724,137)	0.0033	(1,198,479)	0.0058
Outstanding as at 31 December	**959,021,283**	**0.0029**	660,882,031	0.0033
Exercisable at 31 December	**959,021,283**	**0.0029**	660,882,031	0.0033

The total fair value of the options and warrants granted in the current year resulted in a charge of $30,823 (2016: $50,756) to the Consolidated Statement of Comprehensive Income.

	2017				2016			
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	**0.0029**	**959,021,283**	**6.815**	**6.815**	0.0033	660,882,031	1.146	1.146

12. Other Reserves

Group and Company	Share option reserve	Total
	$	$
At 1 January 2016	**42,901**	**42,901**
Issue of share options and warrants (Note 11)	50,756	50,756
Expiration of options	(26,258)	(26,258)
Options Exercised	(23,098)	(23,098)
At 31 December 2016	**44,301**	**44,301**
Issue of share options and warrants (Note 11)	30,823	30,823
Expiration of options	(10,911)	(10,911)
Options Exercised	(16,360)	(16,360)
At 31 December 2017	**47,853**	**47,853**

13. Trade and Other Payables

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	$	$
Trade payables	**4,869,393**	3,630,386	**215,925**	160,874
Other payables	**2,013,735**	2,076,030	-	-
Payroll, social security and other taxes	**41,196**	3,232	**32,763**	10,413
Accrued expenses	**2,564,209**	2,599,822	**268,138**	48,895
	9,488,533	8,309,470	**516,826**	220,182

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For the year ended 31 December 2017

13. Trade and Other Payables(continued)

Non-current

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Loans from related parties (Note 26)	-	-	**517,457**	473,265
Other creditors	**408,900**			
	408,900	-	**517,457**	473,265

14. Borrowings

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Non-Current				
Debentures and other loans	**25,259,847**	21,299,408	-	-
Finance lease liabilities	**35,333,520**	34,372,255	-	-
	60,593,367	55,671,663	-	-
Current				
Debentures and other loans	**3,150,000**	4,865,871	-	-
Finance lease liabilities	**4,293,807**	5,827,518	-	-
	7,443,807	10,693,389	-	-

At 31 December 2017, debentures and other loans include secured liabilities of $68,037,174 (31 December 2016: $29,200,843). 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 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	$	$	**$**	$
Debenture and other loans	**25,259,847**	21,299,408	**21,397,095**	16,313,388
Finance lease liabilities	**35,333,520**	34,372,255	**26,719,231**	16,057,472
	60,593,367	55,671,663	**48,116,326**	32,370,860

The fair values are based on cash flows discounted using the borrowing rate of 7.83% (2016: 9.81%), which represents the cost of capital of the Group.

14. Borrowings (continued)

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

	Group	
	As at 31 December 2017	As at 31 December 2016
	$	$
US dollar	**68,037,174**	66,365,052
Total	**68,037,174**	66,365,052

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 2017	As at 31 December 2016
	$	$
Finance lease liabilities – minimum lease payments		
- no later than one year	**5,726,177**	7,731,884
- later than one year and no later than five years	**39,440,605**	34,996,862
- later than five years	**5,736**	3,749,435
	45,172,518	46,478,181
Future finance charges on finance lease liabilities	**(5,545,191)**	(6,278,411)
Present value of finance lease liabilities	**39,627,327**	40,199,770

The present value of finance lease liabilities is as follows:

	Group	
	As at 31 December 2017	As at 31 December 2016
	$	$
No later than one year	**4,293,807**	5,827,518
Later than one year and no later than five years	**35,325,858**	30,720,198
Later than five years	**7,662**	3,652,054
Present value of finance lease liabilities	**39,627,327**	40,199,770

15. Provision for Restoration Costs

	Group	
	As at 31 December 2017 $	As at 31 December 2016 $
Non-Current		
Stockton (see below)	**1,790,676**	1,521,521
Hazleton Shaft (see below)	**2,881,306**	2,047,607
	4,671,982	3,569,128
Current		
Gowen (see below)	**15,658**	15,658
	15,658	15,658
Total reclamation costs	**4,687,640**	3,584,786
Gowen total costs		
As at 1 January	**15,658**	50,420
Expense reclamation costs offset	**-**	(34,762)
As at 31 December	**15,658**	15,658
Stockton total costs		
As at 1 January	**1,521,521**	3,484,337
Accretion	**269,155**	344,315
Decrease in estimated reclamation liability	**-**	(2,307,131)
As at 31 December	**1,790,676**	1,521,521
Hazleton Shaft total costs		
As at 1 January	**2,047,607**	3,956,325
Accretion	**833,699**	-
Decrease in estimated reclamation liability	**-**	(1,908,718)
As at 31 December	**2,881,306**	2,047,607

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 1.34% (2016: 2.35%) for Stockton and 4.91% for Jeansville (2016: 4.96%) annually to the anticipated future mine closure date. The escalation factor was derived from the prior 10 year average increase for Stockton and 15 year average for Jeansville. in the US Producer Price Index for Anthracite producers. The future reclamation cost value is discounted by 7.83% (2016: 9.81%) (incremental cost of borrowing) to arrive at the recorded reclamation liability.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2017

16. Financial Instruments by Category

Group - 31 December 2016 Assets per Statement of Financial Position	Loans and receivables	Total
Trade and other receivables (excluding prepayments)	4,001,800	4,001,800
Cash and cash equivalents	503,870	503,870
	4,505,670	4,505,670

Group - 31 December 2016 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings (excluding finance leases)	26,165,278	26,165,278
Finance lease liabilities	40,199,774	40,199,774
Trade and other payables (excluding non-financial liabilities)	7,798,812	7,798,812
Total	74,163,864	74,163,864

Group - 31 December 2017 Assets per Statement of Financial Position	Loans and receivables	Total
Trade and other receivables (excluding prepayments)	3,801,902	3,801,902
Cash and cash equivalents	497,849	497,849
	4,299,751	4,299,751

Group - 31 December 2017 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings (excluding finance leases)	28,409,847	28,920,506
Finance lease liabilities	39,627,327	39,625,369
Trade and other payables (excluding non-financial liabilities)	7,333,224	7,333,224
Total	75,370,398	75,370,398

Company - 31 December 2016 Assets per Statement of Financial Position	Loans and receivables	Total
Trade and other receivables (excluding prepayments)	6,856,928	6,856,928
Cash and cash equivalents	5,447	5,447
Total	6,862,375	6,862,375

Company - 31 December 2016 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings	-	-
Trade and other payables (excluding non-financial liabilities)	693,447	693,447
Total	693,447	693,447

Company - 31 December 2017 Assets per Statement of Financial Position	Loans and receivables	Total
Trade and other receivables (excluding prepayments)	7,518,769	7,518,769
Cash and cash equivalents	9,088	9,088
Total	7,527,857	7,527,857

Company - 31 December 2017 Liabilities per Statement of Financial Position	At amortised cost	Total
Borrowings	-	-
Trade and other payables (excluding non-financial liabilities)	766,145	766,145
Total	766,145	766,145

17. Expenses by Nature

	Group	
	For the year ended 31 December 2017 $	For the year ended 31 December 2016 $
Staff and related costs (Note 19)	**7,761,669**	7,940,718
Other staff related costs	**1,922,118**	2,605,883
Depreciation, depletion and impairment charges	**6,236,427**	6,270,888
Reclamation costs	**816,977**	623,781
Fuel and oil	**3,712,976**	2,419,524
Blasting	**3,550,387**	1,321,582
Rental expenses	**225,042**	249,737
Royalties	**1,790,113**	859,070
Maintenance	**2,872,854**	2,384,554
Coal transport	**191,498**	584,027
Mine fire expense	**420,968**	528,782
Insurance	**446,046**	481,747
M&A Expenses	**63,952**	1,361,016
Supplies	**430,432**	1,826,458
Consulting fees	**1,524,814**	1,673,113
Inventory movement	**(8,512,202)**	1,563,795
Utilities	**960,874**	795,564
Other expenses	**3,391,030**	1,740,624
Total cost of sales, administration and other expenses	**27,805,975**	35,230,863

17. Expenses by Nature (continued)

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 2017	For the year ended 31 December 2016
	$	$
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and the Consolidated Financial Statements	35,000	32,000
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiary	62,000	60,000
- Tax compliance services	4,000	4,000
- Other assurance services	27,500	27,500

18. Other gains/(losses)

	Group	
	For the year ended 31 December 2017	For the year ended 31 December 2016
	$	$
Net foreign exchange gains	(4,734)	(69,607)
Share option expense	(30,823)	(50,756)
Other gains	150,411	-
	114,854	(120,363)

19. Employees

	Group		Company	
Staff Costs (Including Executive Directors)	For the year ended 31 December 2017	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2016
	$	$	$	$
Wages and salaries	7,141,024	7,322,840	348,025	734,013
Social security costs	572,916	580,253	25,876	-
Pensions – defined contribution plan	47,729	37,625	32,146	33,456
	7,761,669	7,940,718	406,047	767,469

	Group	
Average Number of Employees (including Executive Director)	For the year ended 31 December 2017	For the year ended 31 December 2016
Directors	4	4
Administration	15	8
Coal miners	104	98
Total average headcount	123	84

20. Directors' Remuneration

	Directors' Fees		Company pension contributions		Other employment benefits		Total	
	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016	For the year ended 31 Dec 2017	For the year ended 31 Dec 2016
	$	$	$	$	$	$	$	$
Adam Wilson	**507,994**	649,141	-	-	**4,927**	268,297	**512,921**	917,438
Peter Chinneck	**92,772**	107,608	-	-	-	-	**92,772**	107,608
Stephen Best	**154,620**	374,821	**30,924**	32,537	-	-	**185,544**	407,358
George Roskos	**571,367**	347,636	-	-	-	-	**571,367**	347,636
	1,326,753	1,479,206	**30,924**	32,537	**4,927**	268,297	**1,362,604**	1,780,040

21. Other Income

	Group	
	For the year ended 31 December 2017	For the year ended 31 December 2016
	$	$
Profit on disposal of property, plant and equipment	**35,420**	**1,455,094**
	35,420	**1,455,094**

22. Finance Costs

	Group	
	For the year ended 31 December 2017	For the year ended 31 December 2016
	$	$
Interest Expense:		
Finance leases	**2,700,257**	880,968
Other borrowings	**3,912,444**	2,479,729
	6,612,701	3,360,697

23. Income Tax Expense

	Group	
	For the year ended 31 December 2017	For the year ended 31 December 2016
	$	$
Profit/(Loss) before tax	**(2,868,537)**	(12,724,207)
Tax at the applicable rate of 28.51% (2015: 35.88%)	**(988,303)**	(4,565,445)
Expenses not deductible for tax purposes	-	203,354
Tax losses utilised	-	-
Net tax effect of losses carried forward	**988,303**	4,362,091
Income tax charge	-	-

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

The tax rate used is a combination of 19% (2016: 20%) standard rate of corporation tax in the UK, 35% (2016: 34%) US federal tax rate and 10% (2016:10%) Pennsylvania state tax rate for the Stockton Coal Group, to give an applicable rate of 34.45% (2016: 35.88 %).

The Group has tax losses of approximately $39,826,607 (2016: $38,838,304) 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.

24. 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.

25. Investment in Joint Venture

On 5 August 2013 Hazleton Shaft Corporation acquired a 50% equity interest in Hazleton Hiller. Hazleton Hiller is an anthracite washing plant located in Hazleton, Pennsylvania. The Group's investment in Hazleton Hiller remains a key part of its plans to expand its operations.

Hazleton Hiller is accounted for as an joint venture because, while Atlantic Carbon Group plc has significant influence over Hazleton Hiller, it does not have control, only receives a 50% share of the return on investment, has 50% voting rights and it is accounted for on an equity accounting basis.

The carrying value of the investment in the joint venture is determined as follows:

	Group	
	As at 31 December 2017	As at 31 December 2016
	$	$
Opening balance	**328,423**	376,308
Share of loss in joint venture	**(69,408)**	(47,885)
Capital contributions	**376,469**	-
	635,484	328,423

The Groups share of Hazleton Hiller's result for the year was $69,408 (2016: $47,885).

26. Related Party Transactions

Shareholder Loans

Included within borrowings and trade and other payables are the following amounts owed to shareholders:

	Group	
	As at 31 December 2017	As at 31 December 2016
	$	$
Loan from George Roskos	**1,950,590**	1,950,590
Seller note in relation to acquisition of HSC	**4,945,506**	4,609,437
	6,896,096	6,560,027

On acquisition of HSC there was amount owed to, George Roskos of $400,000. $286,000 of this remains unpaid at year end. As part of the acquisition of Atlantic Carbon Group LLC, George Roskos advanced a $1,664,590 restricted loan to Atlantic Carbon Group LLC. Both loans remain fully outstanding as at 31 December 2017.

In addition to the above George Roskos loaned $250,000 to Coal Contractors (1991) Inc and $240,000 to Hazleton Shaft LLC during the year. These amounts were settled before year end with no balance outstanding.

As part of the amounts raised to fund the acquisition of HSC a Seller note was entered in to for $4,000,000. This is a commercial secured subordinated promissory note with an interest rate of 7% per annum. The maturity date is no later than 6 months after satisfaction of all amounts due to White Oak Global Advisors. In the year, interest of $336,069 (2016: $609,437) has been capitalised in to the loan amount in line with the terms of the agreement.

Intercompany Transactions

All group transactions and balances have been eliminated on consolidation.

26. Related Party Transactions (continued)

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

As at 31 December 2017 there were amounts receivable of $5,961,081 (31 December 2016: $6,039,940) due from Coal Contractors (1991) Inc to the Company. The amounts were interest free and repayable in Sterling when sufficient cash resources are available in the subsidiary.

During the year ended 31 December 2017 the Company charged fees of $123,696 (31 December 2016: $146,884) to Coal Contractors (1991) Inc., for certain administrative and consulting services.

Loan to Atlantic Carbon Group Plc from Atlantic Carbon Group LLC

As at 31 December 2017 there were amounts payable of $517,457 (31 December 2016: 473,265) due to Atlantic Carbon Group LLC to the Company. The amounts were interest free and repayable in Sterling when required by the subsidiary,

Loan from Atlantic Carbon Group Plc to Hazleton Shaft LLC

As at 31 December 2017 there were amounts receivable of $1,144,125 (31 December 2016: $797,102) due from Hazleton Shaft LLC. The amounts were interest free and repayable in Sterling when sufficient cash resources are available in the subsidiary.

Loan from Coal Contractors to Atlantic Carbon Group LLC

As at 31 December 2017 there were amounts receivable of $876,369 (31 December 2016: $726,575) due from Coal Contractors (1991) Inc to Atlantic Carbon Group LLC to. The amounts were interest free and repayable in US Dollars when sufficient cash resources are available in the subsidiary.

All Group transactions have been eliminated on consolidation.

Loans between Hazleton Shaft LLC and Coal Contractors (1991) Inc

As at 31 December 2017 there were amounts receivable of $25,085,452 (31 December 2016: $4,437,820) due from Coal Contractors (1991) Inc to Hazleton Shaft LLC. The amounts were interest free and repayable in US Dollars when sufficient cash resources are available in the subsidiary.

Loan from Atlantic Carbon Group LLC to Hazleton Shaft LLC

As at 31 December 2017 there were amounts receivable of $6,822,589 (31 December 2016: $7,100,921) due from Hazleton Shaft LLC to Atlantic Carbon Group LLC. The amounts were interest free and repayable in US Dollars when sufficient cash resources are available in the subsidiary.

All Group transactions have been eliminated on consolidation.

Coal Sales between Coal Contractors (1991) Inc and Hazleton Shaft LCC

During the year Coal Contractors (1991) Inc sold run of mine coal with a total value of $13,245,320 and clean coal with a total value of $556,162 to Hazleton Shaft LCC. Hazleton Shaft LLC sold run of mine coal with a total value of $149,770 to Coal Contractors (1991) Inc.

Other Transactions

Mayford Equities Limited, a company of which Stephen Best is a Director, was paid a fee of $31,673 for consulting services to Atlantic Carbon Group plc. No balance was outstanding at the year-end.

During the year amounts owning from Coal Contractors (1991) Inc to Steve Best for $66,494 were written off, with no balance outstanding at year end.

27. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.

28. Subsequent Events

On 7 March 2018, Atlantic Carbon Group plc issued 100,000,000 new ordinary shares in the Company at a price of £0.005 per share raising £500,000 GBP.

On 30 January 2018, George Roskos advanced a loan to Hazleton Shaft LLC for $350,000.

On 11 April 2018, The Group signed a temporary amendment to the mining leases held with Pagnotti Enterprises Inc. The amendment lasts one year from 1 May 2018 and results in a decreased royalty rate of $4.05 per tonne, subject to a guaranteed bi-monthly amount of $84,375. There is also a bonus royalty payable if average sales price for any quarter exceeds $110 per tonne. A consent fee of $50,000 was payable on signing of the amendment.

On 17 April 2018, Atlantic Carbon Group plc issued 100,000,000 new ordinary shares in the Company at a price of £0.005 per share raising £500,000 GBP.