



Report for Half Year to 30 June 2017

I am pleased to report a very encouraging Half Year to 30 June 2017 ("H1") for the Company both in terms of financial performance and production and sales.

The positive turnaround in the Company's performance in the first quarter of 2017 with approx. \$1 million EBITDA (as reported in in the 2016 Annual Report and Accounts, May 21st, 2017) accelerated in the second quarter to achieve an EBITDA of \$6,795,385 for the first six months of the year and with losses substantially reduced to \$804,520.

A summary of the comparative financial performance of the Company for the full year 2016, pro rata half year 2016* and half year 2017 is shown below.

| | 2016 Full Year \$ | *2016 pro rata H1 \$ | 2017 H1 \$ |
|---------------------|----------------------------------|-------------------------------------|-----------------------|
| Revenue | 26,737,456 | 13,368,728 | 16,681,676 |
| EBITDA** | 1,535,587 | 767,793 | 6,795,385 |
| Profit(Loss) | (12,724,207) | (6,362,103) | (804,520) |

**The Company acquired Hazleton Shaft Corporation only at the very end of H1 2016 so pro rata H1 from 2016 full year is used for comparison purposes.*

***EBITDA for H1 2017 includes the following items which are subtracted to calculate the profit/loss figure:*

- Depreciation of circa \$4 million a half year which is a non cash charge against the circa \$40 million we recently spent on new equipment; and*
- Interest charge of nearly \$3 million a half year which we are actively seeking to refinance on a cheaper basis.*

Production and sales (see Table below) show significant increases on the comparable pro rata period for 2016 with the exception of ROM sales where we took the strategic decision to mainly conserve ROM stocks for our own use rather than supply competitors. The massive increase in ROM production partly reflects the cut cycle, with extraction of the 42 feet thick Mammoth seam at Stockton, but also further improvements in mining operations and will stand us in good stead for ROM feed through the remainder of the year and into 2018.

| | 2016 Full Year Tons | 2016 pro rata H1 tons | 2017 H1 tons |
|----------------------------------|--|--------------------------------------|-------------------------|
| ROM Production | 296,669 | 148,344 | 477,543 |
| Clean Coal Production | 222,580 | 111,290 | 129,488 |
| ROM coal Sales | 150,700 | 75,350 | 42,076 |
| Clean Coal Sales | 225,744 | 112,872 | 142,296 |

At the end of the half year we can therefore report:

- positive production and sales figures;
- long term marketing and sales contracts with Hiller Carbon LLC and Reading Anthracite Company;
- a positive trajectory in our financial performance; and
- the company is positive on both an operational and cash flow basis (EBITDA).

These factors together with the growth on the business give us optimism for the remainder of the year.

Adam R. Wilson
Chairman
26 July 2017