

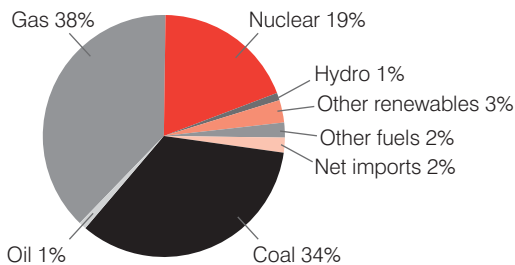


ATH Resources plc



Interim report for the six months ended 2 April 2006

- 1 CORPORATE STATEMENT AND HIGHLIGHTS
- 2 CHAIRMAN'S STATEMENT
- 4 CONSOLIDATED PROFIT AND LOSS ACCOUNT
- 5 CONSOLIDATED BALANCE SHEET
- 6 CONSOLIDATED CASH FLOW STATEMENT
- 7 NOTES TO THE INTERIM REPORT
- IBC DIRECTORS AND CORPORATE INFORMATION
- COMPANY DIARY 2006



Coal's share of the proportion of electricity generated in 2005 grew by 3% as high gas prices encouraged generators to turn to coal. Since 1999 consumption of coal in electricity generation has increased by 25% to 52m tonnes in 2005. With the decline in UK deep mined coal, 68% of the UK's coal requirement is now imported. ATH Resources supplied 2% of the total consumed by generators in 2005.

ATH Resources plc (“ATH”) is an operator of opencast coal mines and is currently the third largest producer of coal in the UK. Through its operational sites situated in East Ayrshire in Scotland, ATH provides coal principally to the electricity supply industry and also the industrial and house coal markets.

Throughout the development and mining process, ATH focuses on the restoration and rehabilitation of the sites and land is returned to various uses including agriculture, forestry, nature conservation and other forms of development.

ATH became a public company in June 2004 when the Company was listed on AIM. The Company intends to grow organically, particularly in Scotland where the Company’s UK operations are presently concentrated. It will also pursue suitable complementary acquisitions which meet strict, pre determined criteria.

Highlights

- October 2005: Planning application submitted for a new 2m tonne site at Muir Dean.
- January 2006: Laigh Glenmuir site granted planning permission.
- January 2006: Three new appointments made to the development team.
- April 2006: Two new sales contracts entered into for the supply of up to 1.5m tonnes.
- May 2006: Completed £9.5m acquisition of A Ogden & Sons Limited.
- May 2006: Grievehill change of planning conditions submitted for a further 370,000 tonnes of coal to be extracted from within the current site.



Chairman's statement

"These results reflect another busy six months for the Group. Operations at our three sites have continued well and we are pleased to have moved ahead with planning applications to further expand our reserve base."



Trading results

In the six months to 2 April 2006, turnover of £23.1m (2005: £17.1m) was achieved on sales of 790,000 tonnes (2005: 638,000 tonnes).

EBITDA was £8.1m (2005: £3.8m) with operating profit of £2.5m (2005: £1.8m). Earnings per share were 3.70p (2005: 3.39p) and the Board is proposing an interim dividend of 3.36p per share payable to members on the register as at 30 June 2006 on 21 July 2006.

The performance of the three operational sites during the last six months was in line with expectations. New plant deliveries, which have been arriving on schedule, have helped improve overall plant efficiencies whilst the tyre management regime, introduced last year, has led to us not suffering any down time.

The overall performance in the six months to 2 April 2006 was affected by the closure of the Settle to Carlisle railway line for four weeks in March which enabled Network Rail to carry out a planned track replacement scheme earlier than originally scheduled. This resulted in a reduced level of service from the rail freight operators due to the lack of available alternative routes. Consequently stocks of coal at the period end were some 110,000 tonnes higher than expected. However, we are confident that this will not impact on our full year forecasts.

Business development

Work on the Glenmuckloch site, planned to open this summer, is underway and on schedule. The Laigh Glenmuir site has suffered some delays in the issuing of the planning permission but this has now been resolved and should not disrupt the production expectations materially.



Summary

- Turnover: £23.1m (2005: £17.1m)
- EBITDA: £8.1m (2005: £3.8m)
- PBT: £2.1m (2005: £1.5m)
- Interim dividend: 3.36p (2005: 3.36p)
- EPS: 3.70p (2005: 3.39p)

We have submitted a planning application for the construction of a 12km field conveyor to transport the coal from the Glenmuckloch site direct to our Crowbandsgate railhead. This conveyor will link in with the Grievehill and Laigh Glenmuir sites. This conveyor will provide a cheaper alternative than the planned railhead at Glenmuckloch. This conveyor will be operational in a significantly shorter timeframe than the railhead alternative.

Our focus has been and continues to be on the organic growth of the reserve base. I am pleased to announce that the development team has been reorganised and strengthened in the period. We have recruited three new employees who will be focused on the identification and development of new coal reserves.

As at the period end we had 5.3m tonnes of permitted reserves (2005: 6.6m tonnes) and a further 3.2m tonnes submitted into the planning system (2005: 0.5m tonnes).

Outlook

The market for coal remains strong with demand for coal fired electricity generation being greatly assisted by the rise in gas prices. At the same time we believe the Government's energy review will ensure that a significant market remains for coal for some years to come.

Against this positive background the recent rapid increase in world oil prices will have a direct impact upon earnings in the second half of the financial year, although to what extent is uncertain at present. Notwithstanding this we expect to be able to deliver our anticipated full year figures.



David Port

Non-executive Chairman
12 June 2006



Consolidated profit and loss account

For the six months ended 2 April 2006

	Unaudited six months ended 2 April 2006 £	Unaudited six months ended 3 April 2005 £	Audited year ended 2 October 2005 £
Turnover	23,123,864	17,099,741	39,102,920
Cost of sales	(18,587,943)	(13,534,879)	(30,076,981)
Gross profit	4,535,921	3,564,862	9,025,939
Administrative expenses	(2,081,211)	(1,846,727)	(3,575,507)
Other operating income	13,854	39,000	7,018
Operating profit	2,468,564	1,757,135	5,457,450
Profit on disposal of fixed assets	54,264	20,341	968,327
Profit on ordinary activities before interest	2,522,828	1,777,476	6,425,777
Interest payable and similar charges	(380,255)	(333,783)	(712,927)
Interest receivable	—	13,192	14,445
Profit on ordinary activities before taxation	2,142,573	1,456,885	5,727,295
Taxation on profit on ordinary activities	(672,353)	(446,960)	(1,930,222)
Profit on ordinary activities after taxation	1,470,220	1,009,925	3,797,073
Dividends paid	(3,000,834)	(1,000,278)	(2,333,997)
Retained (loss)/profit for the period	(1,530,614)	9,647	1,463,076
Earnings per share	3.70p	3.39p	11.49p

The profit on ordinary activities before taxation arises from the Group's continuing operations.

There are no recognised gains and losses other than as stated in the profit and loss account.



Consolidated balance sheet

As at 2 April 2006

	Unaudited as at 2 April 2006 £	Unaudited as at 3 April 2005 £	Audited as at 2 October 2005 £
Fixed assets			
Goodwill	1,511,972	1,709,180	1,610,576
Tangible fixed assets	47,866,036	15,777,187	44,341,421
Investments	1	2	1
	49,378,009	17,486,369	45,951,998
Current assets			
Stocks	8,533,864	5,777,314	5,271,594
Debtors	9,035,779	8,982,824	8,171,118
	17,569,643	14,760,138	13,442,712
Creditors: amounts falling due within one year	(16,753,200)	(10,001,391)	(12,524,624)
Net current assets	816,443	4,758,747	918,088
Total assets less current liabilities	50,194,452	22,245,116	46,870,086
Creditors: amounts falling due after more than one year	(12,934,331)	(4,228,627)	(8,339,464)
Provisions for liabilities and charges	(9,697,906)	(6,366,660)	(9,437,793)
Net assets	27,562,215	11,649,829	29,092,829
Capital and reserves			
Called up share capital	198,468	148,851	198,468
Share premium account	27,341,084	11,401,415	27,341,084
Profit and loss account	22,663	99,563	1,553,277
Equity shareholders' funds	27,562,215	11,649,829	29,092,829



Consolidated cash flow statement

For the six months ended 2 April 2006

	Notes	Unaudited six months ended 2 April 2006 £	Unaudited six months ended 3 April 2005 £	Audited year ended 2 October 2005 £
Net cash from operating activities	3	5,324,613	2,163,960	8,611,996
Returns on investment and servicing of finance				
Interest received		—	13,192	14,445
Interest paid		(82,763)	(149,317)	(389,385)
Interest element of finance leases		(297,492)	(183,290)	(323,542)
		(380,255)	(319,415)	(698,482)
Taxation paid		—	(330,088)	(665,460)
Capital expenditure				
Payments to acquire tangible fixed assets		(839,233)	(357,275)	(21,220,773)
Receipts from sales of tangible fixed assets		192,000	242,000	2,119,550
Acquisitions				
Purchase of business		—	(3,125,000)	(3,125,000)
		(647,233)	(3,240,275)	(22,226,223)
Equity dividends paid		(3,000,834)	(1,000,278)	(2,333,997)
Cash flow before financing		1,296,291	(2,726,096)	(17,312,166)
Financing				
Issue of ordinary shares		—	—	15,989,286
New secured loan		—	—	625,724
Repayment of secured loans		(57,455)	(25,000)	(44,500)
Capital element of finance lease payments		(2,393,226)	(1,840,506)	(3,424,770)
		(2,450,681)	(1,865,506)	13,145,740
Decrease in cash	5	(1,154,390)	(4,591,602)	(4,166,426)



Notes to the interim report

For the six months ended 2 April 2006

1 Preparation of unaudited interim report

The unaudited interim report has been prepared on the basis of the accounting policies set out in the Group's 2 October 2005 statutory financial statements. The interim report was approved by the Board of Directors on 12 June 2006. The figures for the period ended 2 October 2005 have been extracted from the financial statements for that year which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

The Group has drawn up its accounts for the 26 week period ended 2 April 2006 (2005: 27 weeks to 3 April 2005).

2 Earnings per share

Basic earnings per share is calculated by reference to the weighted average number of ordinary shares in issue during the period of 39,693,568 (3 April 2005: 29,770,176; 2 October 2005: 33,033,394) and the profit after taxation. There is no difference between basic earnings per share and diluted earnings per share.

3 Reconciliation of operating profit to operating cash flows

	Unaudited six months ended 2 April 2006 £	Unaudited six months ended 3 April 2005 £	Audited year ended 2 October 2005 £
Operating profit	2,468,564	1,757,135	5,457,450
Depreciation charge	5,663,714	1,997,977	4,940,862
Other changes in fixed assets	—	—	(2,246,874)
Increase in stock	(3,262,270)	(769,473)	(263,753)
Increase in debtors	(864,662)	(867,261)	(3,504,489)
Decrease in creditors and provisions	1,319,267	45,582	4,228,800
Net cash inflow from operating activities	5,324,613	2,163,960	8,611,996



Notes to the interim report

For the six months ended 2 April 2006

4 Analysis of net debt

	Audited as at 2 October 2005 £	Cash flow £	Non-cash changes £	Unaudited as at 2 April 2006 £
Cash at bank and in hand	(1,641,230)	(1,154,390)	—	(2,795,620)
Debt due within one year	(122,000)	—	—	(122,000)
Debt due beyond one year	(853,724)	57,455	—	(796,269)
Finance leases and hire purchase contracts	(11,683,664)	2,393,226	(8,388,229)	(17,678,667)
		2,450,681		
	(14,300,618)	1,296,291	(8,388,229)	(21,392,556)

5 Reconciliation of net cash flow to movement in net debt

	Unaudited six months ended 2 April 2006 £	Unaudited six months ended 3 April 2005 £	Audited year ended 2 October 2005 £
Decrease in cash in the period	(1,154,390)	(4,591,602)	(4,166,426)
Cash inflow from increase in debt and lease financing	2,450,681	1,865,506	2,843,546
Change in net debt resulting from cash flow	1,296,291	(2,726,096)	(1,322,880)
New finance leases and hire purchase contracts	(8,388,229)	(3,353,850)	(9,803,930)
Movement in net debt in the period	(7,091,938)	(6,079,946)	(11,126,810)
Net debt brought forward	(14,300,618)	(3,173,808)	(3,173,808)
Net debt carried forward	(21,392,556)	(9,253,754)	(14,300,618)

6 Copies of the interim report

Copies of the interim report will be posted to shareholders in due course and are available from the Company's Head Office at: Aardvark House, Sidings Court, Doncaster DN4 5NU.



Directors and corporate information

Directors

D C Port
Non-executive Chairman

T J Allchurch
Chief Executive

M T W Tod
Development Director

J K Hodgson
Marketing Director

R A Croston
Finance Director

A Black
Operations Director

V M F Williams
Non-executive Director

I Slade
Non-executive Director

Secretary

R A Croston

Registered office

Aardvark House
Sidings Court
Doncaster DN4 5NU

Company number

4928463

Bankers

Royal Bank of Scotland
2 Whitehall Quay
Leeds LS1 4HR

Solicitors

Eversheds LLP
Cloth Hall Court
Infirmary Street
Leeds LS1 2JB

Auditors

Baker Tilly
2 Whitehall Quay
Leeds LS1 4HG

Nominated adviser and broker

Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Financial PR advisers

Abchurch Communications
Limited
100 Cannon Street
London EC4N 6EU

Registrar

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Company diary 2006

Half year end

2 April 2006

Interim results and dividend declared

13 June 2006

Ordinary shares go ex-dividend

28 June 2006

Record date

30 June 2006

Interim dividend paid

21 July 2006

Financial year end

1 October 2006

Preliminary results

6 December 2006

Annual General Meeting

8 January 2007





ATH Resources plc

Aardvark House
Sidings Court
Doncaster DN4 5NU

Tel: +44 (0)1302 760462
Fax: +44 (0)1302 760463
Web: www.ath.co.uk