

**ATH Resources plc**

("ATH Resources" or "the Group")

**Preliminary Results**

ATH Resources plc, one of the UK's largest coal producers, reports its preliminary results for the 53 week period ended 4 October 2009.

**Highlights**

- Turnover up 1% to £77.5 million (2008: £76.9 million) despite lower sales volumes of 1.8 million tonnes of coal (2008: 2.0 million tonnes)
- Average selling price increased by 13% to £43 per tonne
- Profit before interest and tax reduced by 28% to £8.6 million (2008: £11.9 million) due to the lack of production from ATH Regeneration
- Successful planning appeal at Langton after the year end, allowing 0.5 million tonnes ATH Regeneration project to commence in 2010
- Profit before interest and tax increased in Mining business by 20% to £11.8 million (2008: £9.8 million)
- Earnings per share reduced by 34% to 10.1 pence per share (2008: 15.3 pence per share)
- EBITDA in excess of £24 million (2008: £25 million)
- Full year dividend increased by 2.5% to 6.15 pence per share (2008: 6 pence per share), with final dividend of 6.15 pence per share (2008: 2.64 pence per share) incorporating deferred interim dividend (2008: interim dividend 3.36 pence per share)
- Refinance of Group bank debt following the year end securing three year revolving credit facility, set initially at £30 million
- New mine of 1.8 million tonnes included in probable reserves with the potential for an additional 1.5 million tonnes additional reserve subject to geological assessment
- Proven coal reserves up 4% to 4.7 million tonnes (2008: 4.5 million tonnes)

with total reserves unchanged at 8.2 million tonnes (2008: 8.2 million tonnes)

**Commenting on the preliminary results, Tom Allchurch, Chief Executive of ATH Resources, said:**

“The last year has been a challenging one for the Group with an absence of production, as expected, from our coal tip reclamation and regeneration business. However, our Mining business grew strongly, debt levels were reduced and proven reserves increased. With ATH Regeneration’s successful planning appeal at Langton resulting in a return to production in 2010, I am looking forward to further significant debt reductions and returning to growth over the next few years.”

**- Ends -**

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## **Chairman's Statement**

### **Business progress**

Sales revenue generated by the Mining business was up 18% to £77.5 million (2008: £65.7 million) with sales volumes and average prices both increasing. This resulted in profit before interest and tax in the Mining business increasing by 20% to £11.8 million (2008: £9.8 million).

However, ATH Regeneration, as expected, had no production in the year (2008: 0.3 million tonnes) following the refusal by Derbyshire County Council of the Group's planning application at Langton in Nottinghamshire and the completion of the Grimethorpe site in 2008.

This resulted in an overall reduction in Group sales volumes of around 10% to 1.8 million tonnes (2008: 2.0 million tonnes) and a consequent fall in earnings.

Although the fall in earnings was disappointing, the Board was delighted to hear following the year end that the Group was successful in the appeal against the planning refusal at the Langton site. Plans are well advanced to restart production from ATH Regeneration in 2010.

### **Development**

The Group has been successful in developing the reserve base with three planning applications receiving approval in the Mining business, representing in excess of 2 million tonnes of coal in total. This led to a 4% increase in Proven reserves to 4.7 million tonnes (2008: 4.5 million tonnes).

Proven and Probable coal reserves at 4 October 2009 are unchanged at 8.2 million tonnes (2008: 8.2 million tonnes).

### **Dividends**

The Board is recommending a final dividend of 6.15 pence per share (2008: 2.64 pence per share), payable on 27 January 2010, subject to approval by the members at the Annual General Meeting to be held on 20 January 2010, to members on the share register at 8 January 2010. The final dividend incorporates the deferred interim dividend (2008: interim dividend 3.36 pence per share).

## **Chief Executive's Statement**

### **Review of the period**

The results of the Group for the period were adversely affected by the absence of production at ATH Regeneration and, despite significant profit growth in the Mining business, profit before tax reduced by 36% to £5.8 million (2008: £9.0 million). Cash generated from operations reflected the fall in profitability but remained in excess of £17.7 million (2008: £22.6 million) and, with capital expenditure falling significantly, the Group's net debt fell by £5.9 million during the year to £39.4 million (2008: £45.3 million).

### **Operational review**

#### **Surface mining**

Profit before interest and tax grew by 20% during the year to £11.8 million (2008: £9.8 million). There was a full year contribution from the Muir Dean and Grievehill mines with, as planned, production completing at Grievehill towards the end of the year and temporarily ceasing at Laigh Glenmuir whilst planning consent for an extension to the mine is received.

The improved performance would have been even better but high water levels at the Muir Dean mine and poor weather in the late summer during the opening up of two mine extensions at Skares Road and Glenmuckloch temporarily hampered production. Following the implementation of a continuing water management plan, the Muir Dean site is now back to a normal production profile and, although further reductions in water levels will be necessary at the mine, coal production from the site overall may exceed initial expectations. Operations at the new extensions are now proceeding to expectations.

During the year, new planning consents were received for a new mine at Rigg (1.1 million tonnes) in Dumfries and Galloway and extensions at the Skares Road (0.6 million tonnes) and Glenmuckloch (0.7 million tonnes) sites. A planning application for a 0.8 million tonnes extension to the Laigh Glenmuir site was submitted to the local planning authority in September 2009 with the result expected mid 2010. In addition, an extension to the Muir Dean mine for 0.3 million tonnes was identified during the year. Changes in engineering estimates resulted in 0.4 million tonnes of reserves being transferred into coal resources.

Following the year end, a planning application for 1.8 million tonnes of coal reserves was submitted for a new mine at Netherton, a site close to Skares Road. The Netherton site will

be important going forward with the potential for a further 1.5 million tonnes of coal reserves, subject to geological assessment.

## **Regeneration**

The business incurred a loss before interest and tax of £2.4 million (2008: profit £3.2 million) reflecting the completion of coal production at Grimethorpe in 2008 and the refusal by Derbyshire County Council to grant the Group's planning submission for the Langton site.

In November 2009, the Group received confirmation that it was successful in the appeal against the decision to refuse planning consent at Langton and plans are well advanced to commence production in 2010. The Group is negotiating coal sales agreements for the Langton coal prior to commencing plant construction.

The Group remains very positive for the longer term prospects for ATH Regeneration in the UK. With significantly reduced UK public spending and a consequent reduction in the subsidy available to clean up sites, the reclamation of former colliery spoil sites through use of the Group's unique tip washing technology becomes even more attractive, potentially releasing additional sites for washing than previously expected.

In addition, the Group continues to develop the business in Australia and, although progress has been slower than previously expected due to the current difficult economic climate, active development of the first key opportunity is ongoing at the mine with the potential client. The Board remains confident of securing regeneration contracts in Australia.

## **Reserves**

Estimated reserves of recoverable coal at the year end were 8.2 million tonnes (2008: 8.2 million tonnes). Current planning activity levels are expected to replace coal produced with new reserves securing production for the foreseeable future.

### **Coal Reserves at 4 October 2009**

<b>Site</b>	<b>Proven Tonnes 000</b>	<b>Probable Tonnes 000</b>	<b>Total Tonnes 000</b>
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Skares Road	600	-	600
Netherton	-	1,800	1,800
Laigh Glenmuir	-	800	800
Glenmuckloch	1,300	100	1,400
Muir Dean	1,700	300	2,000
Rigg	1,100	-	1,100
<b>Total Surface Mining</b>	<b>4,700</b>	<b>3,000</b>	<b>7,700</b>
Langton	-	500	500
<b>Total Regeneration</b>	<b>-</b>	<b>500</b>	<b>500</b>
<b>Group reserves</b>	<b>4,700</b>	<b>3,500</b>	<b>8,200</b>

The information in this announcement relating to exploration results, mineral resources or mineral reserves is based on information compiled by Mr Peter Morgan, a full time employee of the Group, who is a Fellow of the Institute of Materials, Minerals and Mining. Mr Morgan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration. He has reviewed and consents to the inclusion in the announcement of the matters based on his information in the form and context in which they appear. A glossary of terms is available on our website - [www.ath.co.uk](http://www.ath.co.uk).

## Market

Demand for coal in the UK is likely to reduce to less than 50 million tonnes during 2009 with indigenous coal production meeting approximately one third of total usage.

International coal prices reduced from their 2008 peak during the period but ended the year around \$70 per tonne despite difficult economic conditions. Forward price indices indicate a significant increase in prices over the next two to three years to over \$100 per tonne by 2012.

The Group held agreements at the period end with a number of major UK electricity generators covering the supply of 3.3 million tonnes of coal up to 2012. Since the period end, agreement has been reached in principle with a major UK generating company for an extension of contract volumes which will result in an increase in pricing per tonne under the current contract, subject to certain quality and other criteria being satisfied.

## **Health and safety**

The Board understands the potentially hazardous nature of the work undertaken in the Group's operations and takes very seriously its responsibilities for health and safety. Operational sites have a nominated and qualified health and safety manager and employees are regularly trained in the Group's processes which are aimed to exceed HSE best practice.

The Board was pleased that the business was awarded a Silver RoSPA award during the year reflecting a significant amount of hard work in maintaining and building upon good HSE behaviours and systems throughout the business.

## **Staff**

The Group recognises the critical importance of its employees in the continued growth and success of the business. The Group employs around 350 skilled, innovative and highly motivated people and continuous development is delivered through structured and targeted training programmes.

The business has created a training and assessment school to ensure that employees have the necessary skills and competence for their roles. This commitment to training and development has resulted in 80% of the workforce qualified to NVQ standards on their chosen piece of equipment, which together with other training initiatives, means that ATH has one of the best qualified and competent workforces within the industry.

The Board would like to join me in thanking our people for all of the efforts they have made in the past year and the commitment that they continue to demonstrate in delivering the success of the business.

## **Summary**

The absence of production at ATH Regeneration has led to a challenging year for the Group. However, the Mining business has recovered strongly and increases in proven reserves and average selling prices, together with reducing debt levels, demonstrate the underlying strength of the business. With success at the Langton appeal, the Group is well placed to return to growth in turnover and earnings over the next few years.

## **Financial review**

The results are presented for the 53 week period to 4 October 2009 against a 52 week period to 28 September 2008.

### **Revenue**

The Group's revenue for the year was £77.5 million (2008: £76.9 million) on sales of 1.8 million tonnes (2008: 2.0 million tonnes). The average coal price was £43 per tonne (2008: £38 per tonne).

Revenues from the Mining business were £77.5 million (2008: £65.7 million) and from ATH Regeneration were nil (2008: £11.2 million).

The increase in revenue from the Mining business reflects an increase in sales volumes and higher coal prices. Sales volumes benefitted from a full year contribution from the Muir Dean and Grievehill mines offset by the temporary cessation of production from the Laigh Glenmuir mine. Higher coal prices were secured on the renewal of existing supply contracts and new contracts in certain industrial markets.

Revenues from ATH Regeneration reflected the completion of production at the Grimethorpe site in 2008.

### **Profit before interest and tax**

Profit before interest and tax ("PBIT") was £8.6 million (2008: £11.9 million) and earnings before interest, tax and depreciation were £24.1 million (2008: £25.7 million).

The return on PBIT of 23% (2008: 35%) reflects the loss of lower cost production from ATH Regeneration and an increase in depreciation following the Group's investment programme offset by the increase in average selling price.

### **Finance costs**

Net finance costs of £2.9 million (2008: £2.9 million) were charged in the year. Hire purchase interest charges were £1.3 million (2008: £1.1 million) reflecting the full year impact of the previous year's investment. £0.6 million (2008: £0.4 million) was charged in respect of the unwinding of the discount on restoration provisions. Lower interest rates during the year

were the primary reason for the reduction in bank and overdraft interest charges of £0.9 million (2008: £1.3 million).

### **Taxation**

The effective rate of tax was 30% (2008: 32%) compared with a standard rate of tax of 28% (2008: 29%). The difference between the actual and standard rate is primarily due to expenses that are not allowable against tax.

### **Earnings per share**

Earnings per share were 10.1 pence (2008: 15.3 pence), a decrease of 34%. Fully diluted earnings per share, taking into account shares expected to be issued under employee share schemes, were 10.1 pence (2008: 14.9 pence).

### **Net assets**

Net assets were £37.2 million (2008: £34.2 million). The rate of capital expenditure has fallen significantly from 2008 with spend in 2009 of £7.5 million (2008: £27.9 million).

### **Cash flows**

The Group generates strong cash flows from its operations, with a net cash inflow from operations of £17.8 million (2008: £22.6 million). Cash inflow before financing grew by £2 million to £7.2 million (2008: £5.2 million). Repayment of debt was a significant feature of the year with total repayments of £15.3 million which contributed to a total net cash outflow of £6.4 million (2008: £9.3 million inflow). The cash inflow in 2008 benefitted from a significant cash inflow from a refinancing of the Group's debt.

### **Financing**

Bank loans and hire purchase liabilities reduced by £12.4 million to £34.1 million and, in the year, a working capital facility was put in place with amounts drawn during the period of £5.6 million, resulting in total debt at the period end of £39.7 million.

During the year, the Group was successful in attracting new and extending existing bonding facilities totalling £11 million to meet the requirements of local authorities and land owners to

cover the costs of final restoration of active sites in the Mining business. Further bonding cover will be required in the future to open up new sites as and when required.

Following the year end, the Group agreed a new £30 million revolving credit facility ("RCF") in a club deal with HSBC and Yorkshire Bank. The RCF extends for a three year period ending in November 2012. Maximum permitted borrowings under the RCF are £30 million during the first year of the new arrangements, £27.5 million during the second year and £22.5 million during the final year.

The new arrangements secure attractive, long term funding for the Group and provide a more appropriate capital structure and the financial resources to continue developing surface mining and coal recovery projects within the UK. The RCF replaces the Group's existing term debt arrangements, which were due to expire in February 2011, and working capital facilities. The combined outstanding balances under the previous arrangements totalled £19.8 million at 4 October 2009.

**Steven Beaumont**  
**Finance Director**  
**Consolidated Income Statement**  
**For the year ended 4 October 2009**

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Revenue</b>	<b>77,465</b>	76,851
Cost of sales	<b>(58,581)</b>	(55,429)
<b>Gross profit</b>	<b>18,884</b>	21,422
Other operating income	<b>109</b>	353
Administrative expenses	<b>(10,367)</b>	(9,872)
<b>Operating profit</b>	<b>8,626</b>	11,903
Finance costs	<b>(2,867)</b>	(2,895)
<b>Profit before taxation</b>	<b>5,759</b>	9,008
Tax expense	<b>(1,731)</b>	(2,878)
<b>Profit for the year</b>	<b>4,028</b>	6,130
<b>Basic earnings per share</b>	<b>10.1p</b>	15.3p
<b>Diluted earnings per share</b>	<b>10.1p</b>	14.9p

There are no recognised gains or losses other than as stated in the income statement.

**Consolidated Balance Sheet**  
**As at 4 October 2009**  
**Company number 4928463**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>		
Intangible assets	7,657	7,657
Property, plant and equipment	78,661	83,458
	<b>86,318</b>	<b>91,115</b>
<b>Current assets</b>		
Inventories	19,626	14,967
Trade and other receivables	9,621	11,133
Cash and cash equivalents	370	1,207
	<b>29,617</b>	<b>27,307</b>
<b>Total assets</b>	<b>115,935</b>	<b>118,422</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	(13,668)	(14,899)
Tax liabilities	(2,234)	(1,443)
Financial liabilities – borrowings	(19,374)	(14,649)
Final void provision	(3,337)	(1,811)
	<b>(38,613)</b>	<b>(32,802)</b>
<b>Non-current liabilities</b>		
Financial liabilities – borrowings	(20,346)	(31,810)
Final void provision	(15,123)	(15,018)
Deferred tax liabilities	(4,334)	(4,208)
Other provisions	(338)	(338)
	<b>(40,141)</b>	<b>(51,374)</b>
<b>Total liabilities</b>	<b>(78,754)</b>	<b>(84,176)</b>
<b>Net assets</b>	<b>37,181</b>	<b>34,246</b>

**Equity**

Share capital	200	200
Share premium	27,855	27,855
Share-based payment reserve	1,647	1,682
Retained earnings	7,479	4,509
<b>Total equity</b>	<b>37,181</b>	<b>34,246</b>

The financial statements were approved by the Board of Directors and authorised for issue on 8 December 2009 and are signed on its behalf by:

**S Beaumont**  
Group Finance Director and Company Secretary

**Consolidated Cash Flow Statement  
For the year ended 4 October 2009**

	2009 £000	2008 £000
<b>Cash flows from operating activities</b>		
Cash generated from operations	17,777	22,588
Interest paid	(2,546)	(2,558)
Tax paid	(813)	(1,542)
<b>Net cash from operating activities</b>	<b>14,418</b>	<b>18,488</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	20	197
Interest received	3	64
Government grant received	-	204
Purchases of property, plant and equipment	(7,252)	(13,624)
Acquisition of subsidiary	-	(150)
<b>Net cash used in investing activities</b>	<b>(7,229)</b>	<b>(13,309)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,058)	(4,649)
Repayment of borrowings	(5,344)	(6,323)
Payment of finance lease liabilities	(9,938)	(7,899)
Proceeds from the issue of share capital	-	293
New asset-backed finance raised	2,725	-
New bank loans raised	-	22,700
<b>Net cash (used in)/from financing activities</b>	<b>(13,615)</b>	<b>4,122</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,426)</b>	<b>9,301</b>
Cash and cash equivalents at beginning of period	1,207	(8,094)
<b>Cash and cash equivalents at end of period</b>	<b>(5,219)</b>	<b>1,207</b>

**Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore these financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments which are carried at fair value.

**Accounting period**

The Company has drawn up its accounts for the 53 week period to 4 October 2009 (52 week period to 28 September 2008).

**Notes to the Financial Statements**  
**For the year ended 4 October 2009**

**1 Finance costs**

	<b>2009</b>	2008
	<b>£000</b>	£000
Bank overdraft and loan interest	<b>947</b>	1,349
Finance leases and hire purchase contracts interest	<b>1,329</b>	1,145
Final void provision discount	<b>591</b>	401
	<b>2,867</b>	2,895

**2 Tax expense**

Tax recognised in the Income Statement

	<b>2009</b>	2008
	<b>£000</b>	£000
United Kingdom corporation tax		
On profits for the year	<b>1,663</b>	2,360
Adjustment in respect of prior periods	<b>(58)</b>	(87)
Total current tax recognised	<b>1,605</b>	2,273
Deferred taxation charge:		
- accelerated capital allowances	<b>(54)</b>	518
- on share based payments	<b>180</b>	87
Total deferred tax recognised	<b>126</b>	605
Total tax expense recognised	<b>1,731</b>	2,878

The total tax charge assessed for the year differs from the standard rate of UK tax as reconciled below:

	<b>2009</b>	2008
	<b>£000</b>	£000
Profit on ordinary activities before taxation	<b>5,759</b>	9,008

Profit before taxation multiplied by standard rate of tax for the period of 28% (2008: 29%)	<b>1,613</b>	2,612
Expenses not deductible for tax purposes	<b>85</b>	306
Depreciation not allowable for tax purposes	<b>28</b>	214
Adjustments to deferred tax relating to prior years	<b>(117)</b>	-
Tax relief on exercise of share options	<b>-</b>	(12)
Impact of deferred tax on share options	<b>180</b>	87

Effect of change in tax rates	-	(242)
Adjustment in respect of prior periods	<b>(58)</b>	(87)
Total tax expense	<b>1,731</b>	2,878
Effective tax rate	<b>30.1%</b>	32.0%

### 3 Earnings per share

Basic earnings per share is calculated on profit after tax of £4,028,000 (2008: £6,130,000) and a weighted average number of shares of 40,075,158 (2008: 40,062,310). The diluted earnings per share takes account of share options outstanding to employees as set out below:

	<b>2009</b>	2008
	<b>Number</b>	Number
Weighted average number of shares in issue	<b>40,075,158</b>	40,062,310
Weighted average number of dilutive share options	-	1,087,910
Total number of shares for calculating diluted earnings per share	<b>40,075,158</b>	41,150,220

### 4 Cash flows

	<b>2009</b>	2008
	<b>£000</b>	£000
Profit before tax	<b>5,759</b>	9,008
Adjustments for:		
Finance costs	<b>2,867</b>	2,895
Depreciation of property, plant and equipment	<b>15,464</b>	13,466
Loss/(profit) on disposal of fixed assets	<b>22</b>	(24)
Loss on disposal of investments	-	1
Share-based payment (credit)/expense	<b>(35)</b>	369
Operating cash flows before movements in working capital	<b>24,077</b>	25,715
Increase in inventories	<b>(4,659)</b>	(7,174)
Decrease in receivables	<b>1,512</b>	96
(Decrease)/increase in payables and provisions	<b>(3,153)</b>	3,951
Cash generated from operations	<b>17,777</b>	22,588