



ATH Resources plc
interim report 2010

developing producing restoring



leading vision

The year to date

IFC Corporate statement

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from concept to project completion, ATH Resources develops and operates surface coal mines and land remediation projects.

one of the UK's largest coal producers, ATH builds success from strong development focus, modern surface mining equipment and a unique coal recovery process.

- **Record level of approved reserves** of 6.7 million tonnes at 30 June 2010, an increase of over a third on the 2009 year end.
- **Average selling price increased** by 5% to £44 per tonne.
- **Proposed interim dividend of 1 pence per share** (2009: deferred until payment of final dividend).
- **Turnover of £34.4 million** (2009: £35.7 million) on sales of 776,000 tonnes of coal (2009: 845,000 tonnes).
- Loss before tax of £2.9 million (2009: profit before tax £0.1 million).
- Loss per share of 5.23 pence (2009: earnings per share 0.15 pence).

Chairman's statement

Coal prices have recovered strongly in the last six months despite somewhat uncertain economic conditions, with future market indices indicating that market prices will continue to increase well ahead of inflation over the next two to three years. A record level of reserves will allow the Group to take advantage of these favourable market conditions in future years.

TRADING RESULTS

Revenue in the six months to 4 April 2010 was £34.4 million (2009: £35.7 million) on sales of 776,000 tonnes of coal (2009: 845,000 tonnes). Loss before tax was £2.9 million (2009: profit before tax £0.1 million) and cash generated from operations was £3.3 million (2009: £6.5 million). The loss per share was 5.23 pence per share (2009: earnings per share 0.15 pence per share).

The surface mining business suffered the effects of significant adverse weather during the winter and generated an operating profit of £0.1 million (2009: £3.5 million). ATH Regeneration, which is awaiting the opening up of the new Langton site, delivered a reduced operating loss of £0.7 million (2009: operating loss £1.5 million) as the cost base of the business was reduced.

Average selling prices continued to increase to over £44 per tonne (2009: £42 per tonne) although sales volumes were adversely affected by both a very wet autumn in 2009 and the worst winter frost and snowfall in 100 years at the main operational base in East Ayrshire, Scotland. The adverse weather conditions affected both the ability of the business to extract coal and logistics in delivering the coal to customers. The weather conditions increased operating costs and, together with the reduction in production volumes, contributed to an increase in unit costs.

International coal prices recovered strongly over the last six months with current spot prices in excess of \$90 per tonne with further increases evident in the future price index. The strength of the market has allowed the Group to extend and renegotiate a number of long term coal supply agreements. The new arrangements add a further 0.4 million tonnes to the Group's long term contract base resulting in a total of 3.1 million tonnes under contract. The expected average price under these contracts has increased by 6% to £36 per tonne compared to the last period end.

Production levels are now at expected levels with plans in place to maximise production from the Group's mines including the working of additional shifts and other changes to working patterns and the deployment of additional production and coal processing equipment. However, volumes for the full year are expected to be 60,000 tonnes lower than previously expected at around 1.75 million tonnes.

DEVELOPMENT – SURFACE MINING

Following the period end, planning consent was received for Netherton, a site close to the existing Skares Road site, adding Proved Reserves of 1.9 million tonnes with an additional 2.1 million tonnes estimated potential reserve at the mine subject to further investigation. In addition, as previously announced, a further 0.8 million tonnes was added to Proved Reserves following the receipt of planning consent at Duncanzimere, an extension to the Laigh Glenmuir mine. Operations at the two mines will commence during the next financial year and replace production from current mining operations.

Following the period end, an extension of 0.4 million tonnes to the Glenmuckloch mine was added to Probable Reserves and a planning application was submitted during June 2010.

DEVELOPMENT – ATH REGENERATION

ATH Regeneration received planning consent for the 0.5 million tonnes Langton project following a successful appeal against an earlier refusal by Derbyshire County Council and coal production from the site is expected to commence by August 2010. Negotiations with a major generator for the sale of the coal from the mine are well advanced.

ATH REGENERATION – AUSTRALIA

ATH Regeneration continues to pursue opportunities in Australia although progress in securing a contract to construct and operate the first project has been slower than expected. The Group is currently working with a large international mining company to assess whether the construction of a processing plant in Queensland is viable.

RESERVES

Proved Reserves at 30 June 2010 increased by over a third from the last year end to a record 6.7 million tonnes with additional planning consents received for 2.7 million tonnes in the surface mining business and 0.5 million tonnes in the ATH Regeneration business. Proved Reserves represent around 3.5 years' production at current levels.

Proved and Probable Reserves at 4 April 2010 were 7.5 million tonnes and at 30 June 2010 are 8.4 million tonnes.



FUNDING

During the six month period to 4 April 2010, bank loans and hire purchase liabilities increased by £1.9 million to £41.2 million (4 October 2009: £39.3 million). The Group agreed a new £30 million revolving credit facility ("RCF") in a club deal with HSBC and Yorkshire Bank in November 2009. Drawings under the RCF at the period end, net of cash balances, were £21.2 million (4 October 2009: Net debt excluding hire purchase liabilities £19.8 million). Hire purchase liabilities were £20.0 million (4 October 2009: £19.6 million). The changes to the financing structure of the Group led to a cash inflow during the period of £9.1 million (2009: net cash outflow £6.6 million).

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 to continue developing projects within the UK.

In addition, a net £4.5 million was raised during the period through the refinancing of hire purchase liabilities on the Group's mobile plant fleet.

DIVIDENDS

The Board is proposing to reinstate the interim dividend of 1 pence per share (2009: nil), payable on 23 July 2010, to members on the share register at 9 July 2010.

OUTLOOK

Coal prices have recovered strongly in the last six months despite somewhat uncertain economic conditions, with future market indices indicating that market prices will continue to increase well ahead of inflation over the next two to three years. A record level of reserves will allow the Group to take advantage of these favourable market conditions in future years.

DAVID PORT
NON-EXECUTIVE CHAIRMAN
30 JUNE 2010

Revenue: **£34.4 million**
(2009: £35.7 million)

Cash from operations: **£3.3 million**
(2009: £6.5 million)

Loss before tax: **£2.9 million**
(2009: profit before tax
£0.1 million)

Loss per share: **5.23 pence**
(2009: earnings per share
0.15 pence)

Sales: **776,000 tonnes**
(2009: 845,000 tonnes)

Condensed consolidated income statement
for the six months ended 4 April 2010

	Notes	Unaudited six months ended 4 April 2010 £000	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
Revenue		34,404	35,672	77,465
Cost of sales		(30,509)	(28,810)	(58,581)
Gross profit		3,895	6,862	18,884
Other operating income		16	97	109
Administrative expenses		(5,228)	(5,320)	(10,367)
Operating (loss)/profit		(1,317)	1,639	8,626
Unrealised losses on derivative financial contracts	7	(233)	—	—
Finance costs		(1,342)	(1,549)	(2,867)
(Loss)/profit before taxation		(2,892)	90	5,759
Taxation		797	(28)	(1,731)
(Loss)/profit for the period		(2,095)	62	4,028
Basic earnings per share		(5.23)p	0.15p	10.05p
Diluted earnings per share		(5.03)p	0.15p	10.05p

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

Condensed consolidated balance sheet
as at 4 April 2010

Company number: 4928463

	Unaudited 4 April 2010 £000	Audited 4 October 2009 £000	Unaudited 29 March 2009 £000
ASSETS			
Non-current assets			
Goodwill	7,657	7,657	7,657
Property, plant and equipment	72,737	78,661	79,820
	80,394	86,318	87,477
Current assets			
Inventories	21,037	19,626	20,088
Trade and other receivables	8,943	9,621	8,877
Cash and cash equivalents	3,838	370	162
	33,818	29,617	29,127
Total assets	114,212	115,935	116,604
LIABILITIES			
Current liabilities			
Trade and other payables	(12,886)	(13,668)	(16,006)
Tax liabilities	(1,137)	(2,234)	(1,470)
Financial liabilities – borrowings	(7,070)	(19,374)	(19,111)
Final void provision	(3,437)	(3,337)	(2,224)
	(24,530)	(38,613)	(38,811)
Non-current liabilities			
Financial liabilities – borrowings	(38,177)	(20,346)	(25,657)
Final void provision	(14,011)	(15,123)	(14,413)
Deferred tax liabilities	(4,334)	(4,334)	(4,208)
Other provisions	(338)	(338)	(338)
	(56,860)	(40,141)	(44,616)
Total liabilities	(81,390)	(78,754)	(83,427)
Net assets	32,822	37,181	33,177
EQUITY			
Share capital	200	200	200
Share premium	27,855	27,855	27,855
Share-based payment reserve	1,848	1,647	1,609
Retained earnings	2,919	7,479	3,513
Total equity	32,822	37,181	33,177

Condensed consolidated statement of changes in equity
for the six months ended 4 April 2010

	Called up share capital £000	Share premium account £000	Share-based payment reserve £000	Retained earnings £000	Total equity shareholders' funds £000
At 28 September 2008	200	27,855	1,682	4,509	34,246
Profit for the year	—	—	—	4,028	4,028
Dividends paid	—	—	—	(1,058)	(1,058)
Reduction in share-based payment reserve	—	—	(35)	—	(35)
At 4 October 2009	200	27,855	1,647	7,479	37,181
At 28 September 2008	200	27,855	1,682	4,509	34,246
Profit for the period	—	—	—	62	62
Dividends paid	—	—	—	(1,058)	(1,058)
Reduction in share-based payment reserve	—	—	(73)	—	(73)
At 29 March 2009	200	27,855	1,609	3,513	33,177
At 4 October 2009	200	27,855	1,647	7,479	37,181
Loss for the period	—	—	—	(2,095)	(2,095)
Dividends paid	—	—	—	(2,465)	(2,465)
Increase in share-based payment reserve	—	—	201	—	201
At 4 April 2010	200	27,855	1,848	2,919	32,822

Condensed consolidated cash flow statement for the six months ended 4 April 2010

	Notes	Unaudited six months ended 4 April 2010 £000	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
Cash flows from operating activities				
Cash generated from operations	6	3,253	6,540	17,777
Interest paid		(1,066)	(1,234)	(2,546)
Tax paid		(300)	—	(813)
Net cash from operating activities		1,887	5,306	14,418
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		350	30	20
Interest received		—	3	3
Purchases of property, plant and equipment		(1,600)	(3,407)	(7,252)
Net cash used in investing activities		(1,250)	(3,374)	(7,229)
Cash flows from financing activities				
Dividends paid		(2,465)	(1,058)	(1,058)
Repayment of borrowings		(14,533)	(2,669)	(5,344)
Payment of hire purchase liabilities		(5,447)	(5,436)	(9,938)
New asset-backed finance raised		5,865	596	2,725
New revolving credit facility drawdown		25,000	—	—
Net cash from/(used in) financing activities		8,420	(8,567)	(13,615)
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of period		(5,219)	1,207	1,207
Cash and cash equivalents at end of period		3,838	(5,428)	(5,219)

Notes to the interim report for the six months ended 4 April 2010

1 BASIS OF PREPARATION

The Group has drawn up its interim report for the 26 week period ended 4 April 2010 (2009: 26 weeks ended 29 March 2009). The interim report is unaudited and does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

The interim report has been prepared using policies that are consistent with International Financial Reporting Standards ("IFRS") as adopted by the European Union. As permitted, this report has not been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The financial information relating to the year ended 4 October 2009 is an extract from the latest published financial statements on which the auditors gave an unqualified report that did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest published annual financial statements except as described below.

In the current year the Group has adopted IFRS 8 'Operating Segments'. This standard supersedes IAS 14 'Segmental Reporting' and requires the Group to report segmental information on the basis of internal reports which are regularly reviewed by the Group Board and used to allocate resources. The Group has also implemented the changes required by IAS 1 'Presentation of Financial Statements – a Revised Presentation' which requires amongst other matters the inclusion of the condensed consolidated statement of changes in equity as a primary statement. This interim report reflects these requirements which relate to disclosure matters only.

The Group has also adopted IAS 23 'Borrowing Costs' which requires borrowing costs associated with property, plant and equipment to be capitalised with effect from 5 October 2009. The impact on the interim report is not material. The Group has taken the option allowed under the standard not to capitalise costs associated with inventories that are manufactured, or otherwise produced, on a repetitive basis.

The interim report was approved by the Board of Directors on 29 June 2010.

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 40,075,158 (29 March 2009: 40,075,158; 4 October 2009: 40,075,158) and the profit for the period. The diluted earnings per share takes account of share options outstanding to employees as set out below:

	Unaudited six months ended 4 April 2010 Number	Unaudited six months ended 29 March 2009 Number	Audited year ended 4 October 2009 Number
Weighted average number of shares in issue	40,075,158	40,075,158	40,075,158
Weighted average number of dilutive share options	1,570,276	—	—
Total number of shares for calculating diluted earnings per share	41,645,434	40,075,158	40,075,158

3 TAXATION

Taxation for the six months ended 4 April 2010 has been provided at the effective rate estimated to be applicable for the full year.

4 SEGMENTAL REPORTING

Following the adoption of IFRS 8 'Operating Segments', the Group has identified reportable segments as those upon which the Board regularly bases its opinion and assesses performance. The Group has deemed it appropriate to aggregate its operating segments into two reported segments: surface mining and regeneration. The constituent operating segments have been aggregated as they have similar economic characteristics, products and services, production processes, types of customer, methods of distribution and regulatory environment. This is consistent with previous segmental reporting by the Group.

	Unaudited six months ended 4 April 2010			Unaudited six months ended 29 March 2009			Audited year ended 4 October 2009		
	Surface Mining £000	ATH Regeneration £000	Consolidated £000	Surface Mining £000	ATH Regeneration £000	Consolidated £000	Surface Mining £000	ATH Regeneration £000	Consolidated £000
Income statement									
Revenue									
Total revenue	34,404	—	34,404	35,672	—	35,672	77,465	—	77,465
Result									
Segment result	90	(699)	(609)	3,479	(1,520)	1,959	11,764	(2,376)	9,388
Unallocated corporate expenses			(708)			(320)			(762)
Operating (loss)/profit			(1,317)			1,639			8,626

The line items in respect of interest, tax and retained profit are disclosed on the face of the income statement and are reviewed on a combined basis. Revenue arises from the sale of coal and originates from and is primarily delivered within, the UK.

Notes to the interim report continued

for the six months ended 4 April 2010

4 SEGMENTAL REPORTING CONTINUED

Balance sheet	Unaudited six months ended 4 April 2010			Unaudited six months ended 29 March 2009			Audited year ended 4 October 2009		
	Surface Mining £000	ATH Regeneration £000	Consolidated £000	Surface Mining £000	ATH Regeneration £000	Consolidated £000	Surface Mining £000	ATH Regeneration £000	Consolidated £000
Assets									
Segment assets	97,788	12,819	110,607	100,726	14,223	114,949	100,110	12,861	112,971
Unallocated corporate assets			3,605			1,655			2,964
Consolidated total assets			114,212			116,604			115,935
Liabilities									
Segment liabilities	(64,523)	(2,549)	(67,072)	(68,436)	(3,184)	(71,620)	(65,975)	(2,473)	(68,448)
Unallocated segment liabilities			(14,318)			(11,807)			(10,306)
Consolidated total liabilities			(81,390)			(83,427)			(78,754)
Other information									
Capital additions	1,473	127	1,600	2,916	719	3,635	6,437	1,043	7,480
Depreciation	7,052	122	7,174	7,135	120	7,255	15,222	242	15,464

5 DIVIDENDS

	Unaudited six months ended 4 April 2010 £000	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
Declared and paid during the financial period			
Final dividend for the year ended 28 September 2008: 2.64 pence per share	—	1,058	1,058
Final dividend for the year ended 4 October 2009: 6.15 pence per share	2,465	—	—
	2,465	1,058	1,058
Proposed after the balance sheet date and not recognised as a liability			
Final dividend for the year ended 4 October 2009: 6.15 pence per share	—	—	2,465
Interim dividend for the year ended 3 October 2010: 1.00 pence per share	401	—	—
	401	—	2,465

6 RECONCILIATION OF RESULT BEFORE TAX TO NET CASH GENERATED FROM OPERATIONS

	Unaudited six months ended 4 April 2010 £000	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
(Loss)/profit before tax	(2,892)	90	5,759
Finance costs	1,342	1,549	2,867
Depreciation of property, plant and equipment	7,174	7,255	15,464
(Profit)/loss on disposal of fixed assets	—	(12)	22
Share-based payment expense/(credit)	201	(73)	(35)
Unrealised losses on derivative financial contracts	233	—	—
Operating cash flows before movements in working capital	6,058	8,809	24,077
Increase in inventories	(1,411)	(5,121)	(4,659)
Decrease in receivables	678	2,255	1,512
(Decrease)/increase in payables and provisions	(2,072)	597	(3,153)
Net cash generated from operations	3,253	6,540	17,777

7 ANALYSIS OF NET DEBT

	Unaudited six months ended 4 April 2010 £000	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
Debt due within one year	—	(5,733)	(5,992)
Debt due beyond one year	(25,000)	(12,056)	(8,542)
Financial instrument liability	(203)	—	—
Hire purchase contracts	(2,014)	(21,389)	(19,597)
	(45,247)	(39,178)	(34,131)
Cash and cash equivalents and bank overdraft	3,838	(5,428)	(5,219)
	(41,409)	(44,606)	(39,350)

In November 2009 the Group refinanced its borrowings with HSBC Bank and Yorkshire Bank under a Revolving Credit Facility over a three year period. Maximum permitted borrowings under the facility are £30 million during the first year, £27.5 million during the second year and £22.5 million during the final year at an average rate of 3% over LIBOR. As part of the refinancing the Group was obliged to obtain interest rate swaps to fix between 50% and 30% of the debt to an average fixed rate of interest of 2.1%. In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the swaps have been fair valued and accrued on the balance sheet, and classified as due within one year, or greater than one year depending on the maturity date of the swap in question.

Notes to the interim report continued
for the six months ended 4 April 2010**8 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Unaudited six months ended 4 April 2010 £000	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
Increase/(decrease) in cash in the period	9,057	(6,635)	(6,426)
Cash outflow from reduction in debt and hire purchase financing	19,982	8,105	15,281
Change in net debt resulting from cash flow	29,039	1,470	8,855
New hire purchase contracts	—	(228)	(228)
New loans	(5,865)	(596)	(2,725)
New revolving credit facility drawdown	(25,000)	—	—
Unrealised losses on derivative financial contracts	(233)	—	—
Movement in net debt in the period	(2,059)	646	5,902
Net debt brought forward	(39,350)	(45,252)	(45,252)
Net debt carried forward	(41,409)	(44,606)	(39,350)

9 COPIES OF THE INTERIM REPORT

Copies of the interim report will be posted to shareholders in due course and are available from the Group's Head Office at Aardvark House, Sidings Court, Doncaster DN4 5NU or by visiting the Group's website www.ath.co.uk.

Corporate information and company diary 2010

DAVID PORT

NON-EXECUTIVE CHAIRMAN

TOM ALLCHURCH

CHIEF EXECUTIVE

STEVEN BEAUMONT

FINANCE DIRECTOR AND COMPANY SECRETARY

ALISTAIR BLACK

OPERATIONS DIRECTOR

VAUGHAN WILLIAMS

NON-EXECUTIVE DIRECTOR

TIM STOKELD

NON-EXECUTIVE DIRECTOR

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Half year end

Interim results declared

Financial year end

Preliminary results and dividend declared

Ordinary shares go ex-dividend

Annual General Meeting

4 April 2010

30 June 2010

3 October 2010

8 December 2010

7 January 2011

19 January 2011

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ATH Resources' commitment to environmental issues is reflected in this interim report which has been printed on Satimatt Green certified by the FSC and produced at mills with ISO 14001 environmental management systems. This document was printed by Beacon Press using **pureprint**, their environmental print technology which minimises the impact of printing on the environment. All energy used comes from renewable sources, vegetable based inks have been used and 98% of all dry waste is diverted from landfill. Beacon Press is a CarbonNeutral[®] printer.