



ATH Resources plc



Interim report 2007

Corporate statement

ATH Resources plc ("ATH") operates surface coal mines and a coal recovery, land remediation and regeneration business. ATH is the third largest coal producer in the UK and supplies coal to the electricity supply, industrial and house coal markets.

Throughout the development, mining and reclamation 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 Resources plc became a public company in June 2004 when the Company was listed on AIM. The Company intends to grow organically and through suitable complementary acquisitions.

IFC	Corporate statement
01	Highlights
02	Chairman's statement
04	Consolidated profit and loss account
05	Consolidated balance sheet
06	Consolidated cash flow statement
07	Notes to the interim report
IBC	Corporate information
	Company diary 2007

Highlights

December 2006: Planning application submitted for extension to the Grievehill mine for 970,000 tonnes.

March 2007: Inauguration of the longest overland conveyor in Europe linking Glenmuckloch, the Company's largest mine, to the railhead at Crowbandsgate.

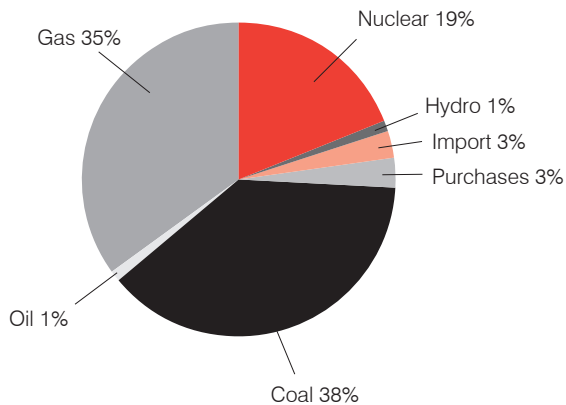
Fully commissioned additional 4km leg of the conveyor linking in the new mine at Laih Glenmuir.

Acquired £2.3m development property at Pinxton, Derbyshire to facilitate the Langton tip washing project for ATH Regeneration.

Additional 600,000 tonnes of reserves added, with potential for up to a further 800,000 tonnes, at Rigg located close to the existing mine at Glenmuckloch.

UK electricity supply 2006 by fuel source

Coal's contribution to the nations energy mix continued to increase, up by 4% in 2006.



Chairman's statement



“These results continue the trend of recent years reflecting another period of strong growth over the past six months. Turnover is up by more than a third with operating cash flow nearly doubling and reserves added in the period of more than 1.6 times production. This was achieved in a period which saw the opening up of new mines and the commissioning of the Group’s new conveyor, the longest of its kind in Europe.”

Trading results

In the six months to 1 April 2007, turnover grew by 35% to £31.2 million (2006: £23.1 million) with sales of 973,000 tonnes (2006: 790,000 tonnes).

Profit before tax is £2.3 million (2006: restated £1.9 million) with cash from operations of £10.1 million (2006: £5.3 million). Earnings per share is 3.9p (2006: restated 3.3p) and the Board is proposing an unchanged interim dividend of 3.36p per share, payable to members on the register as at 29 June 2007 on 20 July 2007.

Performance of the five operational mines including the opening of the new sites at Glenmuckloch and Laigh Glenmuir was satisfactory despite two to three months of exceptionally wet weather at the end of 2006. Good cost control and the efficiency of the relatively new plant fleet contributed to the delivery of a solid result.

During the period, the Group commissioned the full length of its 12km conveyor linking the site at

Summary of Chairman's statement

Turnover: £31.2m (2006: £23.1m).

Cash from operations: £10.1m (2006: £5.3m).

PBT: £2.3m (2006: restated £1.9m).

Interim dividend: 3.36p (2006: 3.36p).

EPS: 3.9p (2006: restated 3.3p).

Glenmuckloch to the railhead at Crowbandsgate, along with a further 4km from Laigh Glenmuir.

The land regeneration and coal tip washing business, rebranded as ATH Regeneration, continues to perform ahead of expectations and is now fully integrated within the wider organisation. In March 2007, a development site at Pinxton in Derbyshire was acquired to facilitate the washing of the proposed site at Langton. The preparation of relevant planning proposals is now underway. Significant growth in ATH Regeneration is planned and the number of prospective new projects is growing.

Development

Investment last year in the Group's development team continues to produce a longer term sustainable business. An additional 1.6 million tonnes, subject to planning consent, was added to coal reserves through a further extension at our Grievehill site (970,000 tonnes) and at Rigg (600,000 tonnes) close to the site at Glenmuckloch.

This means, after allowing for production, our current reserves now stand at 8.5 million tonnes*, an increase of 8% over the six month period. The appeal process for the Muir Dean project has progressed satisfactorily with confidence in the outcome remaining high. The decision is expected towards the end of 2007.

Outlook

The Group's strategy continues to be one of growing both organically and by acquisition to achieve a leading position in ATH's chosen areas of activity. The Group is already the market leader in the washing and regeneration of coal sites and is the second largest surface mining business in the UK – a position which the Group hopes to build on.

The market for coal remains strong – 2006 was the highest coal burn for electricity generation in the UK since 1995 with record levels of imports. Volumes of coal burn and imports are likely to fall back in 2007 due to milder weather and lower gas prices but the international price for coal has continued to be robust.

There is an overwhelming case for the production of indigenous coal for electricity and confidence is high that the Group can play a key role in the future development of the industry.



David Port
Non-executive Chairman
14 June 2007

*The information in this report relating to exploration results, mineral resources or mineral reserves is based on information compiled by Mr Peter Morgan a full time employee of the Company, 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 report of the matters based on his information in the form and context in which it appears. A glossary of terms is available on our website – www.ath.co.uk.

Consolidated profit and loss account

for the six months ended 1 April 2007

	Notes	Unaudited six months ended 1 April 2007 £	Unaudited six months ended 2 April 2006 Restated £	Unaudited year ended 1 October 2006 Restated £
Turnover		31,231,271	23,123,864	54,126,092
Cost of sales		(23,441,965)	(18,587,943)	(40,470,375)
Gross profit		7,789,306	4,535,921	13,655,717
Administrative expenses		(4,582,292)	(2,321,211)	(5,575,005)
Other operating income		22,195	13,854	18,109
Operating profit		3,229,209	2,228,564	8,098,821
Profit on disposal of fixed assets		10,959	54,264	28,151
Profit on ordinary activities before interest		3,240,168	2,282,828	8,126,972
Interest receivable		14,760	—	65,424
Interest payable and similar charges		(993,893)	(380,255)	(1,049,563)
Profit on ordinary activities before taxation		2,261,035	1,902,573	7,142,833
Taxation on profit on ordinary activities		(723,531)	(600,653)	(2,470,378)
Profit on ordinary activities after taxation		1,537,504	1,301,920	4,672,455
Dividends paid		(3,131,843)	(3,000,834)	(4,334,538)
Retained (loss)/profit for the period		(1,594,339)	(1,698,914)	337,917
Basic earnings per share	2	3.87p	3.28p	11.77p
Diluted earnings per share	2	3.82p	3.28p	11.61p

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 1 April 2007

	Unaudited six months ended 1 April 2007 £	Unaudited six months ended 2 April 2006 Restated £	Unaudited year ended 1 October 2006 Restated £
Fixed assets			
Goodwill	6,970,688	1,511,972	7,169,554
Tangible fixed assets	69,170,779	47,866,036	65,143,153
Investments	501	1	501
	76,141,968	49,378,009	72,313,208
Current assets			
Stocks	7,620,958	8,533,864	6,762,206
Debtors	9,331,194	9,035,779	8,795,546
	16,952,152	17,569,643	15,557,752
Creditors: amounts falling due within one year	(33,193,434)	(16,753,200)	(28,554,586)
Net current (liabilities)/assets	(16,241,282)	816,443	(12,996,834)
Total assets less current liabilities	59,900,686	50,194,452	59,316,374
Creditors: amounts falling due after more than one year	(17,666,257)	(12,934,331)	(16,601,748)
Provisions for liabilities and charges	(13,591,167)	(9,514,051)	(12,692,025)
Net assets	28,643,262	27,746,070	30,022,601
Capital and reserves			
Called up share capital	198,468	198,468	198,468
Share premium account	27,341,084	27,341,084	27,341,084
Profit and loss account	35,859	(406,333)	1,630,198
FRS 20 reserve	1,067,851	612,851	852,851
Equity shareholders' funds	28,643,262	27,746,070	30,022,601

Consolidated cash flow statement

for the six months ended 1 April 2007

	Notes	Unaudited six months ended 1 April 2007 £	Unaudited six months ended 2 April 2006 £	Unaudited year ended 1 October 2006 £
Net cash from operating activities	3	10,058,980	5,324,613	17,601,108
Returns on investment and servicing of finance				
Interest received		14,760	—	65,424
Interest paid		(431,389)	(82,763)	(423,332)
Interest element of finance leases		(562,504)	(297,492)	(626,231)
		(979,133)	(380,255)	(984,139)
Taxation paid		(4,226,610)	—	(640,781)
Capital expenditure				
Payments to acquire tangible fixed assets		(4,983,936)	(839,233)	(7,838,182)
Receipts from sales of tangible fixed assets		350,201	192,000	376,286
Acquisition				
Cash acquired with subsidiary		—	—	22,321,143
Purchase of business		(707,862)	—	(25,944,052)
		(5,341,597)	(647,233)	(11,084,805)
Equity dividends paid		(3,131,843)	(3,000,834)	(4,334,538)
Cash flow before financing		(3,620,203)	1,296,291	556,845
Financing				
New secured loan		1,602,090	—	5,500,000
Repayment of secured loans		(724,031)	(57,455)	(1,793,239)
Capital element of finance lease payments		(4,567,652)	(2,393,226)	(5,459,931)
		(3,689,593)	(2,450,681)	(1,753,170)
Decrease in cash	5	(7,309,796)	(1,154,390)	(1,196,325)

Notes to the interim report

for the six months ended 1 April 2007

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 1 October 2006 statutory financial statements other than the adoption of FRS 20 'Share-based Payment' as set out below. The interim report was approved by the Board of Directors on 13 June 2007. The figures for the period ended 1 October 2006 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 1 April 2007 (2006: 26 weeks to 2 April 2006).

During the period the Group adopted FRS 20 'Share-based Payment'. The adoption of this standard constitutes a change in accounting policy and therefore the impact has been reflected as a prior year adjustment in accordance with FRS 3 'Reporting Financial Performance'.

The standard requires that where shares or rights to shares are granted to third parties, including employees, a charge should be recognised in the profit and loss account based on the fair value of the shares at the date the grant of shares or right to shares is made. The Company operates share option schemes for senior executives which are required under the standard to be valued and charged against profit before tax.

The effect of the adoption of FRS 20 on prior year comparatives is to reduce Operating profit by £240,000 in the six months to 2 April 2006 and £480,000 in the year to 1 October 2006. Operating profit in the six months to 1 April 2007 is reduced by £215,000.

A corresponding reserve is created in the balance sheet – FRS 20 'Reserve' – which is a distributable reserve. In addition, a deferred tax credit is recognised in the profit and loss account to reflect tax relief available when the options are exercised. The impact on net assets is an increase of £320,355, £183,855 and £255,855 for the periods ended 1 April 2007, 2 April 2006 and 1 October 2006 respectively.

The restatement for the year ended 1 October 2006 is unaudited and the six months results for both years are unaudited.

No provision has been made in the accounts to date for any change relating to the two Long Term Investment Plans (LTIPs) which certain Directors participate in. If the performance and other criteria are satisfied under the LTIPs the maximum charge, in aggregate, against profit over the periods to vesting of the awards in 2009 and 2010 is £2.2million.

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 (2 April 2006: 39,693,568; 1 October 2006: 39,693,568) and the profit after taxation. The diluted earnings per share takes account of share options outstanding to employees as set out below:

	Unaudited six months ended 1 April 2007 Number	Unaudited six months ended 2 April 2006 Restated Number	Unaudited year ended 1 October 2006 Restated Number
Weighted average number of shares in issue	39,693,568	39,693,568	39,693,568
Weighted average number of dilutive share options	550,714	—	550,714
Total number of shares for calculating diluted earnings per share	40,244,282	39,693,568	40,244,282

Notes to the interim report continued

for the six months ended 1 April 2007

3 Reconciliation of operating profit to operating cash flows

	Unaudited six months ended 1 April 2007 £	Unaudited six months ended 2 April 2006 Restated £	Unaudited year ended 1 October 2006 Restated £
Operating profit	3,229,209	2,228,564	8,098,821
Depreciation charge	6,929,396	5,663,714	10,620,179
Charge for share-based payments	215,000	240,000	480,000
Increase in stock	(858,752)	(3,262,270)	(746,290)
Decrease/(increase) in debtors	(1,025,648)	(864,662)	2,118,021
(Decrease)/increase in creditors and provisions	1,569,775	1,319,267	(2,969,623)
Net cash inflow from operating activities	10,058,980	5,324,613	17,601,108

4 Analysis of net debt

	Unaudited as at 1 October 2006 £	Cash flow £	Non-cash changes £	Unaudited as at 1 April 2007 £
Cash at bank and in hand	(2,837,555)	(7,309,796)		(10,147,351)
Debt due within one year	(4,172,000)	(112,038)		(4,284,038)
Debt due beyond one year	(510,485)	(766,021)		(1,276,506)
Finance leases and hire purchase contracts	(23,928,807)	4,567,652	(4,630,600)	(23,991,755)
	(31,448,847)	(3,620,203)	(4,630,600)	(39,699,650)

5 Reconciliation of net cash flow to movement in net debt

	Unaudited six months ended 1 April 2007 £	Unaudited six months ended 2 April 2006 £	Unaudited year ended 1 October 2006 £
Decrease in cash in the period	(7,309,796)	(1,154,390)	(1,196,325)
Cash inflow from increase in debt and lease financing	3,689,593	2,450,681	1,753,170
Change in net debt resulting from cash flow	(3,620,203)	1,296,291	556,845
New finance leases and hire purchase contracts	(4,630,600)	(8,388,229)	(17,705,074)
Movement in net debt in the period	(8,250,803)	(7,091,938)	(17,148,229)
Net debt brought forward	(31,448,847)	(14,300,618)	(14,300,618)
Net debt carried forward	(39,699,650)	(21,392,556)	(31,448,847)

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 or by visiting the Company's website www.ath.co.uk.

Corporate information

Registered office

Aardvark House
Sidings Court
Doncaster DN4 5NU

Company number

4928463

Directors

DC Port

Non-executive Chairman

TJ Allchurch

Chief Executive

S Beaumont

Group Finance Director
and Company Secretary

JK Hodgson

Marketing Director

A Black

Operations Director

VMF Williams

Non-executive Director

I Ridler

Non-executive Director

Bankers

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Leeds LS1 4HR

Solicitors

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Leeds LS1 2JB

Auditors

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Nominated adviser and broker

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Financial PR advisors

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London EC4N 6EU

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company diary 2007

1 April 2007	Half year end
14 June 2007	Interim results and dividend declared
27 June 2007	Ordinary shares go ex-dividend
20 July 2007	Interim dividend paid
30 September 2007	Financial year end
5 December 2007	Preliminary results and dividend declared
21 December 2007	Ordinary shares go ex-dividend
14 January 2008	Annual General Meeting



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ATH's commitment to environmental issues is reflected in this interim report which has been printed on Revive Silk, a recycled paper stock. It contains 75% de-inked post consumer waste and 25% combination mill broke and virgin fibres.

This document was printed by Beacon Press using 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 85% of all waste associated with this production has been recycled. The printer is a Carbon Neutral[®] company.

Both the printer and the paper mill are registered to ISO 14001.