



**Press Release**

**30 June 2010**

**ATH Resources plc**

("ATH" or "the Group")

**Interim Results**

ATH Resources plc, one of the UK's largest coal producers, reports its Interim Results for the six months ended 4 April 2010.

**Highlights**

- Turnover reduced by 4% to £34.4 million reflecting weather affected sales volumes down by 8% to 776,000 tonnes
- Production volumes for the full year are expected to be 60,000 tonnes lower than previously expected at around 1.75 million tonnes
- Average selling prices increased by 5% to £44 per tonne
- Operating profit from core Surface Mining business of £0.1 million reflects weather affected sales volumes (2009: £3.5 million)
- No contribution from ATH Regeneration business due to delays in obtaining planning permission for Langton
- Loss before tax of £2.9 million (2009: Profit before tax £0.1 million)
- New long term sales contracts agreed which, together with an improving coal market, increases expected average prices by 6% to £36 per tonne from long term contracts
- Record level of Proved Reserves of 6.7 million tonnes at 30 June 2010, an increase of over a third on the 2009 year end, following recent planning successes at the Netherton site (1.9 million tonnes) and Duncanziemere, an extension to the Laigh Glenmuir mine (0.8 million tonnes)
- Reinstatement of the interim dividend with proposed dividend of 1 pence per share (2009: nil)

The Board also announces that it has received an approach to purchase ATH Regeneration, the part of the Group which focuses on coal recovery, land remediation and regeneration. The Board is reviewing the approach and considering its merits and will make a further announcement in due course.

Commenting on the Interim Results, Tom Allchurch, Chief Executive of ATH, said: “The business has taken longer than expected to recover following the unprecedented adverse weather over the autumn and winter period. However, the Group is now operating at expected levels of production and efficiency. Despite the difficulties over this last winter, the Group has significantly advanced its reserve base to its highest ever levels with planning successes at Netherton, Duncanziemere and Langton.

“As the Group works through its newly improved contract base it will be able to access a rapidly improving coal market leading to significant improvements in future profitability.”

**- Ends -**

**For further information:**

**ATH Resources plc**

Tom Allchurch, Chief Executive

Tel: +44 (0) 1302 760 462

[www.ath.co.uk](http://www.ath.co.uk)

**Seymour Pierce Ltd**

Tel :+44 (0) 20 7107 8036

John Cowie

[www.seymourpierce.com](http://www.seymourpierce.com)

**Media enquiries:**

**Abchurch**

Sarah Hollins / Mark Dixon

Tel: +44 (0) 20 7398 7729

[mark.dixon@abchurch-group.com](mailto:mark.dixon@abchurch-group.com)

[www.abchurch-group.com](http://www.abchurch-group.com)

## **CHAIRMAN'S STATEMENT**

### **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 Duncanziemere, 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**

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 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 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](http://www.ath.co.uk).

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

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

	Unaudited 4 April 2010 £000	Audited 4 October 2009 £000	Unaudited 29 March 2009 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	7,657	7,657	7,657
Property, plant and equipment	72,737	78,661	79,820
	<b>80,394</b>	86,318	87,477
<b>Current assets</b>			
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
	<b>33,818</b>	29,617	29,127
<b>Total assets</b>	<b>114,212</b>	115,935	116,604
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
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)
	<b>(24,530)</b>	(38,613)	(38,811)
<b>Non-current liabilities</b>			
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)
	<b>(56,860)</b>	(40,141)	(44,616)
<b>Total liabilities</b>	<b>(81,390)</b>	(78,754)	(83,427)
<b>Net assets</b>	<b>32,822</b>	37,181	33,177
<b>EQUITY</b>			
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
<b>Total equity</b>	<b>32,822</b>	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 shareholders' 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
<b>At 4 April 2010</b>	<b>200</b>	<b>27,855</b>	<b>1,848</b>	<b>2,919</b>	<b>32,822</b>

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

		<b>Unaudited six months ended 4 April 2010 £000</b>	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
	Notes			
<b>Cash flows from operating activities</b>				
Cash generated from operations	6	<b>3,253</b>	6,540	17,777
Interest paid		<b>(1,066)</b>	(1,234)	(2,546)
Tax paid		<b>(300)</b>	—	(813)
<b>Net cash from operating activities</b>		<b>1,887</b>	5,306	14,418
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		<b>350</b>	30	20
Interest received		—	3	3
Purchases of property, plant and equipment		<b>(1,600)</b>	(3,407)	(7,252)
<b>Net cash used in investing activities</b>		<b>(1,250)</b>	(3,374)	(7,229)
<b>Cash flows from financing activities</b>				
Dividends paid		<b>(2,465)</b>	(1,058)	(1,058)
Repayment of borrowings		<b>(14,533)</b>	(2,669)	(5,344)
Payment of hire purchase liabilities		<b>(5,447)</b>	(5,436)	(9,938)
New asset-backed finance raised		<b>5,865</b>	596	2,725
New revolving credit facility drawdown		<b>25,000</b>	—	—
<b>Net cash from/(used in) financing activities</b>		<b>8,420</b>	(8,567)	(13,615)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,057</b>	(6,635)	(6,426)
Cash and cash equivalents at beginning of period		<b>(5,219)</b>	1,207	1,207
<b>Cash and cash equivalents at end of period</b>		<b>3,838</b>	(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 12 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:

	<b>Unaudited six months ended 4 April 2010</b>	Unaudited six months ended 29 March 2009	Audited year ended 4 October 2009
Weighted average number of shares in issue	<b>40,075,158</b>	40,075,158	40,075,158
Weighted average number of dilutive share options	<b>1,570,276</b>	—	—
Total number of shares for calculating diluted earnings per share	<b>41,645,434</b>	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	ATH		Surface	ATH		Surface	ATH	
	Mining	Regeneration	Consolidated	Mining	Regeneration	Consolidated	Mining	Regeneration	Consolidated
Income statement	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Revenue</b>									
Total revenue	34,404	—	34,404	35,672	—	35,672	77,465	—	77,465
<b>Result</b>									
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.

	Unaudited six months ended 4 April 2010			Unaudited six months ended 29 March 2009			Audited year ended 4 October 2009		
	Surface	ATH		Surface	ATH		Surface	ATH	
	Mining	Regeneration	Consolidated	Mining	Regeneration	Consolidated	Mining	Regeneration	Consolidated
Balance sheet	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Assets</b>									
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
<b>Liabilities</b>									
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)
<b>Other information</b>									
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

	<b>Unaudited six months ended 4 April 2010 £000</b>	Unaudited six months ended 29 March 2009 £000	Audited year ended 4 October 2009 £000
<b>Declared and paid during the financial period</b>			
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	<b>2,465</b>	—	—
	<b>2,465</b>	1,058	1,058
<b>Proposed after the balance sheet date and not recognised as a liability</b>			
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	<b>401</b>	—	—
	<b>401</b>	—	2,465

## 6 RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH GENERATED FROM OPERATIONS

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

## 7 ANALYSIS OF NET DEBT

	<b>Unaudited six months ended 4 April 2010 £000</b>	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	<b>(25,000)</b>	(12,056)	(8,542)
Financial instrument liability	<b>(233)</b>	—	—
Hire purchase contracts	<b>(20,014)</b>	(21,389)	(19,597)
	<b>(45,247)</b>	(39,178)	(34,131)
Cash and cash equivalents and bank overdraft	<b>3,838</b>	(5,428)	(5,219)
	<b>(41,409)</b>	(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 3 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.

## 8 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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