



Press Release

5 December 2007

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 year ended 30 September 2007.

Highlights

- Turnover up 30% to £70.5 million (2006 restated: £54.1 million) on sales of 2.2 million tonnes of coal (2006: 1.8 million tonnes)
- EBITDA up 31% to £25.1 million (2006 restated: £19.2 million)
- Profit before interest and tax up 27% to £10.3 million (2006 restated: £8.1 million)
- Earnings per share up 11% to 13.1 pence per share (2006 restated: 11.8 pence per share)
- Final proposed dividend of 8.24 pence per share (2006: 7.89 pence per share)
- Proven and probable coal reserves up 9% to 8.6 million tonnes (2006: 7.9 million tonnes)

Highlights post year end

- Successful appeal for development of ATH's Muir Dean project in Fife which will enable ATH to mine 2 million tonnes of coal
- Application for a 1 million tonne extension at Grievehill was approved by the Local Planning Authority in November 2007

Commenting on the Preliminary Results, Tom Allchurch, Chief Executive of ATH Resources, said:

“We are delighted to report a year of record profitability. With production at its highest level and further opportunities identified for growth in both the UK and Australia, the Board is confident in the Group’s long term prospects”

- Ends -

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Chairman's statement

Business Progress

The Group continues to build on the strategy of growing the business organically and by acquisition. It is pleasing to report a year of record production resulting in the Group selling its ten millionth tonne of coal since commencing operations in 1998. The Surface Mining business opened two new mines in the year and commissioned the full length of its 16km conveyor network linking the new mines to the railhead.

The land regeneration and coal tip washing business, re-branded as ATH Regeneration, is fully integrated within the Group and continues to perform ahead of expectations. A number of exciting new opportunities, to exploit the business' intellectual property and market potential in both the UK and Australia, are being actively pursued.

Development

Following the year end, the Board was delighted to hear that the Group was successful in its appeal on the Muir Dean site in Fife. The planning process has been an extended one, given the appeal, and the Group is now looking forward to working with the local community in opening the site later in 2008.

Planning consents for new reserves remain a key issue for the Group. The business is awaiting final approval for an extension to the Grievehill mine from the Scottish Executive Planning Department ("SEPD"). The Board is confident that confirmation of SEPD's decision will be received within the necessary timeframe for the Group to meet its production plans in 2007/08.

Board of Directors

During the year, Steven Beaumont replaced Richard Croston as Group Finance Director. In addition, the Director nominated by The Alchemy Plan, Ivana Ridler, left Alchemy and became an Independent Non-Executive Director.

Following the year end, Group Marketing Director John Hodgson, one of the three founding directors, retired from the Board. John will continue as a Director of the Surface Mining business. His commitment and dedication to the business has been

fundamental to the success of ATH and the Board is grateful for his contribution over the last nine years.

Strategy

There is a growing recognition of the value and importance of UK produced coal in creating a balanced and secure portfolio of energy supply within the UK. With this background the Group will continue to develop the business organically and through acquisition, exploiting new opportunities especially in the Regeneration business, to build on the reserve base.

Chief Executive's statement

Review of the period

The Group delivered a year of continued growth, reporting record sales up 30% to £70.5 million (2006 restated: £54.1 million), with profit before interest, tax, depreciation and goodwill amortisation growing by over 30% to a record high of £25.1 million (2006 restated: £19.2 million). Operating cashflow of £23.6 million was generated to fund the continued expansion of the business.

Operational review

Surface Mining

The Surface Mining business continues to grow steadily in line with the Group's strategy. During the year, the Group brought two new mines at Glenmuckloch and Laigh Glenmuir into production and both mines operated ahead of expectations. In addition, 16km of overland conveyors linking the sites to the rail loading facility at Crowbandsgate were constructed with the assistance of a £2.2 million Freight Facilities Grant provided by the Scottish Executive. The conveyors, which can handle up to 500 tonnes of coal per hour, remove over 50,000 lorry loads of coal from local roads and significantly reduce the environmental impact of these sites.

The Grievehill mine finished production on existing reserves in November 2007. An application for a further one million tonne extension was approved by the Local Planning Authority in November 2007 and ratification of this decision by the SEPD is awaited, with mining expected to re-commence in February 2008.

In addition to Grievehill, a Surface Mining planning application was submitted for Rigg in Dumfries and Galloway for 1.3 million tonnes and an extension of 0.7 million tonnes to the Glenmuckloch mine was identified. During 2008, the Group expects to submit at least two further new planning applications for 2.1 million tonnes of surface mine reserves.

The Surface Mining business has an estimated 7.9 million tonnes of proven and probable reserves. Subject to the approval of the Grievehill extension these are

sufficient to satisfy production at current capacity levels for over three and a half years. This is approximately double the reserve life that the company had when it came to the Stock Market.

Regeneration

ATH Regeneration continues to operate ahead of expectations at its coal washing plant at Grimethorpe utilising its unique natural medium coal recovery techniques. Coal is being extracted from the coal tip at rates and qualities higher than anticipated at the time of acquisition in 2006. Coal recovery at Grimethorpe is expected to cease during 2008 with the site entering a period of restoration.

In March 2007, the Group acquired 12.3 acres of development land at Pinxton in Derbyshire to facilitate the access and washing of the Langton coal tip which was part of the 2006 acquisition. A planning application has been submitted and the operations are expected to commence in 2008.

Several new tip washing opportunities have been identified and negotiations with prospective partners where the necessary planning permission is in place are ongoing on two further projects. On agreement of terms with these partners, 1.3 million tonnes would be added to either the reported proven reserves or future order book. Progress is also being made on two further tip washing operations expected to commence in the UK in the next two years.

In addition, a number of projects are being actively pursued in Australia. The Directors have identified a clear opportunity to build a presence in this much larger coal production market, where the Group's successful coal recovery techniques are not presently employed.

France

The Group continues to pursue its development opportunities in France. The Administrative Court in Toulouse has found in the Group's favour on litigation brought against the French State after their refusal of applications to transfer concessions at Bertholene in 1997. The Directors hope that this ruling will have significance in progressing the French State's determination of the Group's long outstanding application for a concession at Commentry.

Reserves

The Group has a dual strategy of growing coal reserves organically from its existing portfolio whilst continuing to identify suitable complimentary acquisitions. Estimated reserves of recoverable coal (proven and probable) grew by 9% during the year to 8.6 million tonnes (2006: 7.9 million tonnes) despite a year of record production. Current planning activity levels will continue to replace mined coal with new reserves, securing production for the foreseeable future.

Coal Reserves

at 30 September 2007

Sites	Proven Tonnes 000	Probable Tonnes 000	Total Tonnes 000
Skares Road	340	—	340
Laigh Glenmuir	360	—	360
Grievehill	60	1,060	1,120
Glenmuckloch	2,510	700	3,210
Muir Dean	—	2,275	2,275
Rigg	—	600	600
Total Surface Mining	3,270	4,635	7,905
Grimethorpe	220	—	220
Langton	—	475	475
Total Regeneration	220	475	695
Group reserves	3,490	5,110	8,600

* 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

Market

Demand for coal in the UK was exceptional during 2006 and, as expected, returned to near previous normal levels in 2007. UK coal production meets approximately one third of demand, with the balance being imported predominantly from Russia, South Africa and Colombia.

International coal prices are at an all time high, largely due to soaring demand from China, India and smaller developing countries in the Far East, leading to severe logistical difficulties, particularly at Australian ports that are struggling to cope with the required throughputs. Although there is currently resistance among UK electricity generators to pay these higher international coal prices to indigenous producers, the Directors expect an outcome that will satisfy both producer and generator.

Consequently, the Directors anticipate a prolonged period of higher UK coal prices in the medium-term. These higher prices for coal are already starting to benefit the Group as long term supply contracts are renewed.

The Group holds supply agreements with a number of major UK electricity generators. These cover the supply of 3.1 million tonnes of coal up to 2011. New contract agreements have recently been secured for a further 1.3 million tonnes at a price in 2009/10 15% above the legacy contract.

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.

Each operational site has a nominated and qualified Health and Safety Manager and employees are regularly trained in the Group's processes which aim to exceed HSE best practice.

Staff

The Board recognises the critical importance of its employees in the Group's continued growth and success. The business has a skilled, innovative and highly motivated workforce approaching a total of 400 and the Group continues to deliver structured and targeted training programmes to ensure staff are competent to carry out their duties.

The Board joins me in thanking all of our employees for the efforts they have made during the past year of trading.

Summary

These strong results reflect a busy period for the Group in growing the reserve base and identifying important future opportunities, particularly for ATH Regeneration in the UK and Australia. The Board looks forward to delivering value from these opportunities and further strengthening the Group's market position.

Financial review

The results are presented for the 52 week period to 30 September 2007 against a similar period to 1 October 2006 and incorporate a full year's trading of ATH Regeneration, acquired during 2006.

Turnover

The Group's turnover for the year was £70.5 million (2006 restated: £54.1 million) on sales of 2.2 million tonnes (2006: 1.8 million). The average coal price was £32 per tonne (2006: £30 per tonne).

Turnover on Surface Mining was £57.3 million (2006 restated: £48.2 million) and on Regeneration was £13.2 million (2006 restated: £5.9 million).

The increase in turnover from Surface Mining reflects the greater resources available following the opening of the Glenmuckloch and Laigh Glenmuir mines to complement existing production and the cessation of coaling at the Garleffan site in 2006. Regeneration provided a full year of production.

The increase in average coal prices reflects a full year contribution from Regeneration and new contracts with power generators.

Profit before interest and tax

Profit before interest and tax (PBIT) was £10.3 million (2006 restated: £8.1 million) and earnings before interest, tax, depreciation and amortisation (EBITDA) was £25.1 million (2006 restated: £19.2 million).

Return on capital employed of 16% (2006 restated: 15%) reflects good cost control and careful management of capital within the business.

Interest

Net interest of £2.4 million (2006 restated: £1.0 million) was charged in the year. Following current and prior year plant acquisitions, hire purchase interest charges increased to £1.1 million (2006 restated: £0.6 million) and £0.3 million (2006 restated: £Nil) was charged in respect of the unwinding of the discount on restoration provisions. Additional investment in the asset base and the Regeneration acquisition in 2006 resulted in an increase in bank loan and overdraft interest charges of £1.0 million (2006 restated: £0.4 million).

Corporation Tax

The effective rate of tax was 35% (2006 restated: 35%) compared with a standard rate of tax of 30%. The difference between the actual and standard rate is primarily due to the amortisation of acquired goodwill which is not allowable against tax.

Dividends

The Board is recommending a final dividend of 8.24 pence per share (2006: 7.89 pence), subject to approval by the members at the Annual General Meeting to be held on 15 January 2008, to members on the share register at 21 December 2007.

On approval, the total dividend will be 11.6 pence per share, an increase of 3% on the 2006 figure of 11.25 pence. Under UK Accounting rules the proposed final dividend has not been accrued as a liability in these financial statements.

Earnings per share

Earnings per share was 13.08 pence (2006 restated: 11.77 pence), an 11% increase overall. Fully diluted earnings per share, taking into account shares expected to be issued under employee option schemes, was 12.88p (2006 restated: 11.61p).

Net Assets

Net assets were £31.4 million (2006 restated: £30.0 million). Investment in fixed assets was £12.0 million, with £5.0 million on plant and machinery, including the conveyor, £2.3 million to acquire development land at Pinxton and £4.7 million on the development of new Surface Mining assets.

Cash flows

The Group continues to generate strong cash flows from its operations with a net cash inflow on operations of £23.6 million (2006 restated: £17.6 million). Cash outflows on fixed assets, £7.1 million (2006 restated: £7.8 million) and hire purchase payments, £8.2 million (2006 restated: £5.5 million) reflect the Group's capital investment programme. A one-off corporation tax payment of £3.9 million relating to a pre-acquisition liability of Regeneration was made during the year. Overall, net cash outflow was £5.3 million (2006 restated: £1.2 million).

Net debt at 30 September 2007 was £31.6 million (2006 restated: £31.4 million). Debt repaid during the year was replaced by new hire purchase agreements and bank loans. Gearing, defined as net debt divided by capital employed, was 50% (2006 restated: 51%).

Financing

Following the year end, the Group renegotiated its banking facilities with the Royal Bank of Scotland in order to take advantage of new investment opportunities in both the Surface Mining and Regeneration businesses.

The new arrangements include three year loan facilities totalling £15 million replacing existing term loans of £3 million. Further loans have been agreed in principle to finance the capital investment required to bring future projects and mines into production.

FRS 20 Share based payment

The Group adopted "FRS 20 Share based payment" in the year which is treated as a change in accounting policy under UK accounting rules, requiring both current and prior year figures to be restated.

On implementation of this new standard, the Group's Profit Before Interest and Tax was reduced by £0.5 million in both 2007 and 2006.

International Financial Reporting Standards (IFRS)

The Group will fully implement IFRS during 2008. Both the Interim Accounts to March 2008 and full year Financial Statements to September 2008 will be prepared on this basis with full comparative information.

The Group has not quantified the full potential impact on its earnings of IFRS but the key areas identified are noted below.

IFRS 3 – Business combinations

This standard will require the goodwill arising on consolidation of the Group's results to cease being charged to profit. Instead, the goodwill balance will be subject to an annual impairment test.

IFRS 12 – Income taxes

This standard will require a deferred tax provision to be created for all differences between fair values of assets and liabilities and their tax bases which would not normally be required under current practice.

Steven Beaumont
Finance Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2007

	2007	Restated 2006
	£000	£000
Turnover	70,508	54,126
Cost of sales	(50,856)	(40,470)
Gross profit	19,652	13,656
Administrative expenses	(9,460)	(5,575)
Other operating income	129	18
Operating profit	10,321	8,099
(Loss)/profit on disposal of fixed assets	(58)	28
Profit on ordinary activities before interest	10,263	8,127
Interest receivable	23	65
Interest payable and similar charges	(2,448)	(1,049)
Profit on ordinary activities before taxation	7,838	7,143
Tax on profit on ordinary activities	(2,640)	(2,470)
Profit on ordinary activities after taxation	5,198	4,673
Basic earnings per share	13.08p	11.77p
Diluted earnings per share	12.88p	11.61p

The profit on ordinary activities before taxation arises from the Group's continuing activities. There are no recognised gains or losses other than as stated in the profit and loss account.

CONSOLIDATED BALANCE SHEET
As at 30 September 2007

		2007		Restated
	£000	£000	£000	2006
				£000
Fixed assets				
Goodwill		6,376		7,169
Tangible fixed assets		64,356		65,143
Investments		1		1
		70,733		72,313
Current assets				
Stocks	7,793		6,762	
Debtors	11,229		8,796	
Cash at bank	64		—	
	19,086		15,558	
Creditors: amounts falling due within one year	(29,216)		(28,555)	
Net current liabilities		(10,130)		(12,997)
Total assets less current liabilities		60,603		59,316
Creditors: amounts falling due after more than one year		(13,467)		(16,602)
Provisions for liabilities and charges		(15,699)		(12,692)
Net assets		31,437		30,022
Capital and reserves				
Called up share capital		199		198
Share premium account		27,563		27,341
Share based payment reserve		1,313		853
Profit and loss account		2,362		1,630
Equity shareholders' funds		31,437		30,022

The financial statements were approved by the Board of Directors and authorised for issue on 4 December 2007 and are signed on its behalf by:

S Beaumont
Finance Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2007

	2007		Restated 2006	
	£000	£000	£000	£000
Net cash flow from operating activities		23,580		17,601
Returns on investment and servicing of finance				
Interest received	23		65	
Interest paid	(1,077)		(423)	
Interest element of finance leases	(1,107)		(626)	
		(2,161)		(984)
Taxation paid		(5,234)		(640)
Capital expenditure				
Payments to acquire tangible fixed assets	(7,120)		(7,838)	
Receipts from sales of tangible fixed assets	352		376	
Acquisition				
Cash acquired with subsidiary	—		22,321	
Purchase of business	(1,000)		(25,944)	
		(7,768)		(11,085)
Equity dividends paid		(4,466)		(4,335)
Cash flow before financing		3,951		557
Financing				
Issue of ordinary shares	223		—	
New secured loan	1,602		5,500	
Repayment of secured loan	(2,784)		(1,793)	
Capital element of finance lease payments	(8,248)		(5,460)	
		(9,207)		(1,753)
Decrease in cash		(5,256)		(1,196)

Basis of accounting

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards.

Accounting period

The Company has drawn up its accounts for the 52 week period to 30 September 2007 (52 week period to 1 October 2006).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2007

1. Interest payable and similar charges

		Restated
	2007	2006
	£000	£000
Bank overdraft and loan interest	1,077	423
Finance leases and hire purchase contracts interest	1,107	626
Final void provision discount	264	—
	2,448	1,049

2. Taxation

		Restated
	2007	2006
Group	£000	£000
Corporation tax:		
Current year	1,173	1,491
Adjustment to prior year	(337)	72
Deferred taxation	1,804	907
	2,640	2,470

The tax assessed for the year is lower than the standard rate of corporation tax as explained below:

		Restated
	2007	2006
Group	£000	£000
Profit on ordinary activities before taxation	7,838	7,143
Profit on ordinary activities multiplied by standard rate of tax for the period of 30%	2,351	2,143
Effect of expenses not allowable for tax purposes	448	357
Effect of depreciation in excess of capital allowances	(1,764)	(1,135)
Effect of short term timing differences	138	126
Total current tax	1,173	1,491

3. Earnings per share

Basic earnings per share is calculated on profit after tax of £5,198,000 (2006 restated: £4,673,000) and a weighted average number of shares of 39,728,508 (2006: 39,693,568). The diluted earnings per share takes account of share options outstanding to employees as set out below:

Group	2007	Restated 2006
	No	No
Weighted average number of shares in issue	39,728,508	39,693,568
Weighted average number of dilutive share options	619,714	550,714
Total number of shares for calculating diluted earnings per share	40,348,222	40,244,282

4. Cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2007	Restated 2006
	£000	£000
Operating profit	10,263	8,127
Depreciation and amortisation	14,441	10,620
Loss/(profit) on disposal of fixed assets	58	(28)
Increase in stocks	(1,031)	(746)
(Increase)/decrease in debtors	(2,433)	2,118
Increase/(decrease) in creditors and provisions	2,282	(2,490)
Net cash flow from operating activities	23,580	17,601

5. FRS 20 Share based payment

During the year 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 FRS3 '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 values of the shares at the date the grant of shares or right to shares is made. The Group 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 £480,000 in the year 1 October 2006. Operating Profit in the year to 30 September 2007 is reduced by £460,000.

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 £255,855 for the period ended 1 October 2006 and an increase of £393,855 for the period ended 30 September 2007.

Ends