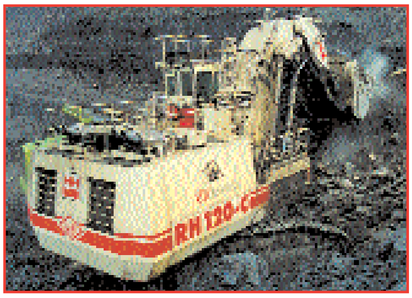
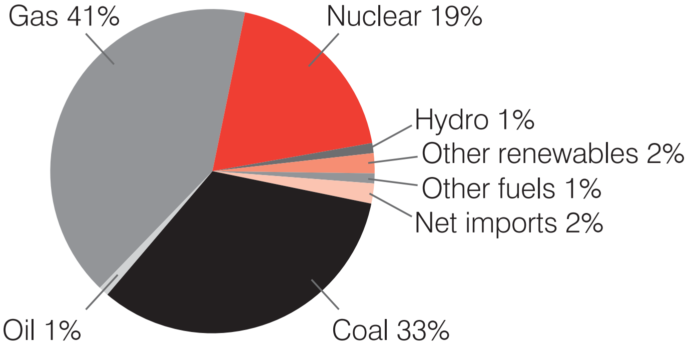
ATH Resources plc



Interim report for the six months ended 3 April 2005



Coal continues to provide the UK with a significant proportion of its electricity generating capacity. UK power stations used 51 million tonnes of coal in 2004, 42% of which was mined in the UK, and accounted for 33% of the electricity produced. ATH Resources supplied 2.5% of the total consumed in 2004.

ATH Resources plc ("ATH") is an operator of opencast coal mines and is currently the third largest producer of coal in the UK. Through its two operational sites situated in East Ayrshire in Scotland, ATH provides coal principally to the electricity supply industry and also the industrial and house coal markets.

Throughout the development and mining 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, particularly in Scotland where the Company's UK operations are presently concentrated. It will also pursue suitable complementary acquisitions which meet strict, pre determined criteria.

Highlights

- December 2005: Appointment of new Development Manager to strengthen the development team.
- January 2005: Maiden dividend of 3.36p per share paid.
- February 2005: Planning application submitted for a new 500,000 tonnes site at Laigh Glenmuir.
- April 2005: Planning application submitted for a further 350,000 tonnes extension to the Skares Road site.
- May 2005: Conditionally completed the acquisition of two new opencast coal sites with some 4.1m tonnes of reserves financed in part by a fully underwritten open offer.

Chairman's statement

"The last six months have continued the rapid pace of activity set last year. The Group has now secured additional reserves which should enable it to grow production during each of the next five years. Recent trading has shown improvement over the same period last year, however severe wet weather during December and January did limit performance."

Business progress

As reported in my last Annual Review the Group is focused upon increasing the reserves of the business to secure profitability and growth. In line with this strategy I am pleased to report that we have applied for an extension to our Skares Road site and a new site at Laigh Glenmuir, gained consent for an extension to our Garleffan site and also concluded the purchase of two new sites from Scottish Coal.

Consequently the permitted reserve base of the Group has increased from 2.4m tonnes as at 26 September 2004 to 6.6m tonnes today.

Trading results

In the six months to 3 April 2005, turnover of £17.1m was achieved on sales of 638,000 tonnes.

EBITDA was £3.8m with operating profit of £1.8m. Earnings per share were 3.39p and the Board is proposing an interim dividend of 3.36p per share payable on 22 July 2005.

The results for the six months, although better than the same period last year, were affected by three factors:

i) The exceptional wet weather over the Christmas holiday and early January, which resulted in Carlisle being flooded, also hit our sites with the excavations being inundated with water. This caused operations to be restricted as the bottom coal seams, which had been exposed prior to the Christmas holiday period ready for lifting, were under water for some weeks.

ii) The price of gas oil, which is closely aligned with crude oil, increased substantially. However wherever possible this extra cost has been passed on to those customers not under contract.

iii) Plant availabilities had suffered during the preceding year due to the poor performance of the main supplier of plant to the Group. However, new arrangements have yielded a solution which will now maintain an acceptable level of availability across the plant fleet. In addition, a significant order for new dumptrucks has been placed with an alternative supplier, which will ensure that we operate a modern and cost efficient plant fleet.

Business progress

The Group continues to pursue a number of development prospects which will lead to the submission of further planning applications during the coming six months.

In France drilling has been undertaken at Commentary and will shortly commence at Bertholene in order to assess quality and design parameters of the sites. The development of these sites is being progressed through the planning system with an environment assessment due to commence shortly at Commentary.

Staff

The period since the listing of the Group has been a very busy time and it is only through the hard work and dedication of the employees of the Group that I am able to report on the positive progress that we have achieved in the relatively short time as a plc and for which I am very grateful.

Outlook

With the purchase of the Grievehill and Glenmuckloch sites now completed, and our ongoing commitment to developing the reserve base, ATH Resources will continue to grow in what is an essential constituent of the country's electricity supply industry.

David Port
Non-executive Chairman
13 June 2005

Consolidated profit and loss account

For the six months ended 3 April 2005

	Unaudited six months ended 3 April 2005 £	Unaudited period ended 28 March 2004 £	Audited period ended 26 September 2004 £
Turnover	**17,099,741**	13,455,300	31,390,930
Cost of sales	**(13,514,538)**	(12,033,303)	(27,267,466)
Gross profit	**3,585,203**	1,421,997	4,123,464
Administrative expenses	**(1,846,727)**	(1,500,535)	(3,335,071)
Other operating income	**39,000**	92,172	578,625
Operating profit	**1,777,476**	13,634	1,367,018
Interest payable and similar charges	**(333,783)**	(558,132)	(1,115,920)
Interest receivable	**13,192**	3,347	13,535
Profit on ordinary activities before taxation	**1,456,885**	(541,151)	264,633
Tax on profit on ordinary activities	**(446,960)**	(34,252)	(174,432)
Profit on ordinary activities after taxation	**1,009,925**	(575,403)	90,201
Dividends paid	**(1,000,278)**	—	—
Retained profit for the period	**9,647**	(575,403)	90,201
Earnings per share	**3.39p**	(4.04)p	0.44p

The profit on ordinary activities before taxation arises from the Group's operations, all of which were acquired on 28 November 2003 and which are continuing.

There are no recognised gains and losses other than as stated in the profit and loss account.

Consolidated balance sheet

As at 3 April 2005

	Unaudited as at 3 April 2005 £	Unaudited as at 28 March 2004 £	Audited as at 26 September 2004 £
Fixed assets			
Goodwill	**1,709,180**	1,906,392	1,807,784
Tangible fixed assets	**15,777,187**	16,947,511	15,537,095
Investments	**2**	2	2
	17,486,369	18,853,905	17,344,881
Current assets			
Stocks	**5,777,314**	5,669,112	5,007,841
Debtors	**8,982,824**	10,292,917	8,115,563
Cash at bank	**—**	960,078	2,525,196
	14,760,138	16,922,107	15,648,600
Creditors: amounts falling due within one year	**(10,001,391)**	(24,176,448)	(11,080,880)
Net current assets/(liabilities)	**4,758,747**	(7,254,341)	4,567,720
Total assets less current liabilities	**22,245,116**	11,599,564	21,912,601
Creditors: amounts falling due after more than one year	**(4,228,627)**	(4,938,000)	(4,010,044)
Provisions for liabilities and charges	**(6,366,660)**	(7,136,967)	(6,262,090)
Net assets	**11,649,829**	(475,403)	11,640,467
Capital and reserves			
Called up share capital	**148,851**	100,000	148,851
Share premium account	**11,401,415**	—	11,401,415
Profit and loss account	**99,563**	(575,403)	90,201
Equity shareholders' funds	**11,649,829**	(475,403)	11,640,467

Consolidated cash flow statement

For the six months ended 3 April 2005

	Notes	**Unaudited six months ended 3 April 2005 £**	Unaudited period ended 28 March 2004 £	Audited period ended 26 September 2004 £
Net cash from operating activities	3	**2,163,960**	5,439,559	8,677,466
Returns on investment and servicing of finance				
Interest received		**13,192**	3,347	13,535
Interest paid		**(149,317)**	(89,563)	(655,513)
Interest element of finance leases		**(183,290)**	(90,575)	(274,182)
		(319,415)	(176,791)	(916,160)
Taxation paid		**(330,088)**	—	(668,796)
Capital expenditure				
Payments to acquire tangible fixed assets		**(357,275)**	(1,699,400)	(514,712)
Receipts from sales of tangible fixed assets		**242,000**	—	575,813
Acquisitions				
Net overdraft		**—**	(1,626,037)	(1,626,037)
Purchase of business		**(3,125,000)**	(4,035,000)	(5,835,000)
		(3,240,275)	(7,360,437)	(7,399,936)
Equity dividends paid		**(1,000,278)**	—	—
Cash flow before financing		**(2,726,096)**	(2,097,669)	(307,426)
Financing				
Issue of ordinary shares		**—**	43,750	11,494,016
New secured loan		**—**	3,000,000	3,000,000
Repayment of secured loans		**(25,000)**	(525,000)	(3,050,000)
Issue of loan notes		**—**	1,480,530	1,480,530
Repayment of loan notes		**—**	—	(7,331,280)
Capital element of finance lease payments		**(1,840,506)**	(941,533)	(2,760,644)
		(1,865,506)	3,057,747	2,832,622
(Decrease)/increase in cash	5	**(4,591,602)**	960,078	2,525,196

Notes to the interim report

For the six months ended 3 April 2005

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 26 September 2004 statutory financial statements. The interim report was approved by the Board of Directors on 13 June 2005. The figures for the period ended 26 September 2004 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 27 week period ended 3 April 2005. The prior periods are prepared from the date of incorporation of the Group on 10 October 2003 to the respective period end dates.

Fixed assets have been reclassified such that all mining related assets are now disclosed within tangible fixed assets. There have been no changes to the accounting policies of the Group, and therefore the results for the previous periods have not been altered by this reclassification.

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 29,770,176 (28 March 2004: 14,235,294, 26 September 2004: 20,302,635) and the profit after taxation. There is no difference between basic earnings per share and diluted earnings per share.

3. Reconciliation of operating profit to operating cash flows

	Unaudited six months ended 3 April 2005 £	Unaudited period ended 28 March 2004 £	Audited period ended 26 September 2004 £
Operating profit	**1,777,476**	13,634	1,367,018
Depreciation charge	**1,997,977**	2,017,144	5,076,691
Profit on disposal of fixed assets	**(20,341)**	—	(88,570)
(Increase)/decrease in stock	**(769,473)**	1,047,322	1,708,593
Increase in debtors	**(867,261)**	(6,770,327)	(3,925,856)
Decrease in creditors and provisions	**45,582**	9,131,786	4,539,590
Net cash inflow from operating activities	**2,163,960**	5,439,559	8,677,466

Notes to the interim report

For the six months ended 3 April 2005

4. Analysis of net debt

	Audited as at 26 September 2004 £	Cash flow £	Non-cash changes £	**Unaudited as at 3 April 2005 £**
Cash at bank and in hand	2,525,196	(4,591,602)	—	**(2,066,406)**
Debt due within one year	(50,000)	—	—	**(50,000)**
Debt due beyond one year	(344,500)	25,000	—	**(319,500)**
Finance leases and hire purchase contracts	(5,304,504)	1,840,506	(3,353,850)	**(6,817,848)**
		1,865,506		
	(3,173,808)	(2,726,096)	(3,353,850)	**(9,253,754)**

5. Reconciliation of net cash flow to movement in net debt

	Unaudited six months ended 3 April 2005 £	Unaudited period ended 28 March 2004 £	Audited period ended 26 September 2004 £
(Decrease)/increase in cash in the period	**(4,591,602)**	960,078	2,525,196
Cash inflow from increase in debt and lease financing	**1,865,506**	(3,013,997)	8,661,394
Change in net debt resulting from cash flow	**(2,726,096)**	(2,053,919)	11,186,590
Net debt acquired with subsidiary	**—**	(4,237,348)	(4,237,348)
New debt issued	**—**	(5,850,750)	(5,850,750)
New finance leases and hire purchase contracts	**(3,353,850)**	(1,471,243)	(4,272,300)
Movement in net debt in the period	**(6,079,946)**	(13,613,260)	(3,173,808)
Net debt brought forward	**(3,173,808)**	—	—
Net debt carried forward	**(9,253,754)**	(13,613,260)	(3,173,808)

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: Richmonds House, White Rose Way, Doncaster DN4 5JH.

Directors and company information

Directors
D C Port
Non-executive Chairman

T J Allchurch
Chief Executive

M T W Tod
Development Director

J K Hodgson
Marketing Director

R A Croston
Finance Director

A Black
Operations Director

V M F Williams
Non-executive Director

I Slade
Non-executive Director

Secretary
R A Croston

Registered office
Richmonds House
White Rose Way
Doncaster DN4 5JH

Company number
4928463

Bankers
Bank of Scotland
110 Queen Street
Glasgow G1 3BY

Solicitors
Eversheds LLP
Cloth Hall Court
Infirmary Street
Leeds LS1 2JB

Auditors
Baker Tilly
2 Whitehall Quay
Leeds LS1 4HG

Nominated adviser and broker
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Financial PR advisors
Abchurch Communications Limited
100 Cannon Street
London EC4N 6EU

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Financial calender

Shares go ex-dividend	29 June 2005
Record date	1 July 2005
Interim dividend paid	22 July 2005
Financial year end	2 October 2005
Preliminary results	7 December 2005
Annual General Meeting	9 January 2006

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www.flathillplc.com

ATH Resources plc

Richmonds House
White Rose Way
Doncaster DN4 5JH

Tel: +44 (0)1302 760462
Fax: +44 (0)1302 760463
Web: www.ath.co.uk