



Press Release

3 December 2008

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 52 week period ended 28 September 2008.

Highlights

- Turnover up 9% to £76.9 million (2007: £70.5 million) on sales of 2.0 million tonnes of coal (2007: 2.2 million tonnes)
- Average selling price increased by 21% to £38 per tonne
- Profit before interest and tax up 8% to £11.9 million (2007: £11.1 million)
- Earnings per share up 4% to 15.3 pence per share (2007: 14.8 pence per share)
- Dividend rebased to 6.0 pence per share for full year (2007: 11.6 pence per share), with final dividend of 2.64 pence per share (2007: 8.24 pence per share), enabling a greater proportion of investment in new, high growth, opportunities to be funded from existing cash resources
- Planning consent recently received from Nottinghamshire County Council for a 0.5 million tonne regeneration project at Langton - consent from Derbyshire County Council expected in early 2009
- Proven coal reserves up 29% to 4.5 million tonnes (2007: 3.5 million tonnes) with total reserves at 8.2 million tonnes (2007: 8.6 million tonnes)
- Further 1.8 million tonnes increase in Proven coal reserves post year end following recent planning successes

Commenting on the preliminary results, Tom Allchurch, Chief Executive of ATH Resources, said:

“I am extremely pleased to be reporting on another year of solid profits growth. The business is starting to benefit from higher coal prices and is continuing to build upon an already healthy base of reserves and long term supply agreements. The exciting opportunities for significant growth in our regeneration business are gathering momentum and, for this reason, we have decided to rebase our dividend to allow a greater proportion of the investment required for these projects to be funded from our existing cash resources. I am confident that the Group will continue to deliver significant value to shareholders in the years ahead.”

- Ends -

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Chairman's Statement

Business progress

The Group continues to develop the two core businesses of surface mining and coal tip recovery and regeneration. Coal production in the second six months of the year increased significantly compared to the first half with the opening up of the Muir Dean mine and the latest extension to the Grievehill site. Overall coal sales for the year are in excess of 2 million tonnes.

The land regeneration and coal tip washing business, ATH Regeneration, continues the development of new sites and markets. The board was delighted to hear that the Group was recently successful in receiving planning consent from Nottinghamshire County Council to recover 0.5 million tonnes of coal at the Langton site. Planning approval is required from Derbyshire County Council and this is expected to be received in early 2009. The project, which is expected to commence in the first half of 2009, will be the first new project under the Group's ownership and the board is confident that a number of other sites currently in development will also be forthcoming.

In addition to the opportunities in the UK, there is a growing momentum in the progression of a number of projects in Australia to deploy the Group's unique coal tip washing technology. Negotiations are well advanced with two potential clients and operations in Australia are expected to commence in 2009.

Development

The Group has had another very successful year in the development of its reserve base with new proven reserves of over 3 million tonnes. In addition, planning consent has been received, following the year end, for a further 1.8 million tonnes.

Proven and Probable coal reserves at 28 September 2008 are 8.2 million tonnes (2007: 8.6 million tonnes).

Dividends

The board is recommending a final dividend of 2.64 pence per share (2007: 8.24 pence per share), payable on 16 January 2009, subject to approval by the members at the Annual General Meeting to be held on 13 January 2009, to members on the share register at 19 December 2008. This brings the total dividend for the year to 6.0 pence per share (2007: 11.6 pence per share).

The Group is progressing a number of attractive opportunities in Australia for ATH Regeneration which have relatively short pay back periods and the potential to significantly boost earnings. The Group continues to be highly cash generative and, therefore, the board has decided to retain a greater proportion of earnings within the business to fund the initial investment phase of these opportunities. This will allow the Group to continue to pay an attractive dividend and is consistent with the high growth opportunities available to the Group.

Going forward, the board intends to grow dividends from the rebased level as earnings increase.

Chief Executive's Statement

Review of the period

The Group delivered another year of continued growth, reporting sales up 9% to £76.9 million (2007: £70.5 million) with profit before tax and earnings per share growing by 4%. The business benefitted from increasing coal prices and achieved growth in profitability despite a reduction in volumes arising from a planning delay to the Grievehill site and record oil prices leading to an increase in operating costs. Operating cash flow remained a strong feature of the Group's results at £22.6 million (2007: £23.6 million).

Operational review

Surface mining

Profit before interest and tax grew by around a quarter during the year to £9.8 million (2007: £7.9 million). The new mine at Muir Dean and the extension to the Grievehill site were opened successfully in the second half of the year and, with a full year contribution from these sites, overall production volumes are expected to increase by more than 10% in 2009.

During the year, new planning consents were received for the Muir Dean (2.2 million tonnes) and Grievehill (1.0 million tonnes) sites. Local planning consent was received for two extensions to the Glenmuckloch mine (0.7 million tonnes) and a new mine at Rigg (1.1 million tonnes) in Dumfries and Galloway with full approval received after the period end. Following the year end, a planning application for 0.6 million tonnes was submitted for a further extension to the Skares Road mine and a 0.4 million tonnes extension to another mine was added to Probable Reserves. During 2009, the Group expects to submit at least two further planning applications for an additional 3 million tonnes of reserves.

Regeneration

Profit before interest and tax was £3.2m (2007: £4.5 million) reflecting the completion, as planned, of coal production at the Grimethorpe site in July 2008 when the site entered into a short period of restoration.

Operations at Grimethorpe have been extremely successful and returns from this project alone have more than justified the original purchase price of the business. The technology is unique to ATH Resources and patents to protect the Group's intellectual property rights internationally are pending.

A number of new tip washing opportunities have been developed in the UK during the year where the estimated coal content is in excess of 2 million tonnes. The first of these, at Langton in Nottinghamshire, is expected to commence operations in the first half of 2009.

Interest in the deployment of the Group's technology in Australia has increased during the year. The Group is preferred bidder on a project to wash 11 million tonnes of coal rejects at an operational mine in Queensland. Although this project has not moved forward as quickly as initially expected, the potential client appears committed to an ATH Regeneration plant and is also reviewing strategic options for wider deployment on a number of other mines. In addition, the Group has, under contract, sampled and analysed tips for another party in Queensland and is currently in negotiation for a three to five year tip washing project, to commence in 2009.

Tip washing projects in Australia are a major opportunity for growth of the business given the number, sizes and coal content of rejects tips, especially in Queensland, where the State

Government has indicated in excess of 200 million tonnes of rejects on the surface which could be suitable for processing.

Reserves

The Group has a dual strategy of growing coal reserves organically from its existing portfolio of sites and making suitable complementary acquisitions. Estimated reserves of recoverable coal were 8.2 million tonnes (2007: 8.6 million tonnes) at the year end. Current planning activity levels are expected to replace coal produced with new reserves securing production for the foreseeable future.

Coal Reserves at 28 September 2008

Site	Proven Tonnes 000	Probable Tonnes 000	Total Tonnes 000
Skares Road	100	600	700
Laigh Glenmuir	-	800	800
Grievehill	600	-	600
Glenmuckloch	1,700	700	2,400
Muir Dean	2,100	-	2,100
Rigg	-	1,100	1,100
Total Surface Mining	4,500	3,200	7,700
Langton	-	500	500
Total Regeneration	-	500	500
Group reserves	4,500	3,700	8,200

The information in this announcement 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 announcement of the matters based on his information in the form and context in which they appear. A glossary of terms is available on our website - www.ath.co.uk.

Market

Demand for coal in the UK was largely unchanged at around 60 million tonnes during 2008 with indigenous coal production meeting approximately one third of total usage.

International coal prices during the year rose to an unprecedented level, peaking at over \$220 per tonne, in line with the increase in oil prices. Prices have fallen since the summer and returned to below the \$100 per tonne level. Although this is less than half of the price at its peak, the price remains higher than twelve months ago and, assisted by the strength of the US dollar, is approximately £15 per tonne higher than the average selling price in 2008.

The Group holds agreements at September 2008 with a number of major UK electricity generators covering the supply of 3.6 million tonnes of coal up to 2012. These agreements were negotiated at a time of lower coal prices and are at an average of around £32 per tonne.

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.

Operational sites have a nominated and qualified health and safety manager and employees are regularly trained in the Group's processes which are aimed to exceed HSE best practice. In order to further strengthen the Group's capability, a dedicated HSE manager has been recruited during the year to oversee the creation and adoption of best practice policies and procedures and to further strengthen the Group's commitment to continuous improvement in health and safety performance.

Staff

The Group recognises the critical importance of its employees in the continued growth and success of the business. The Group employs over 400 skilled, innovative and highly motivated people and continuous development is delivered through structured and targeted training programmes.

The board would like to join me in thanking our people for all of the efforts they have made in the past year and the commitment that they continue to demonstrate in delivering the success of the business.

Summary

The Group has delivered another set of strong results reflecting the underlying strength of the business with average prices and Proven reserves showing significant steps forward. With a healthy market for coal, and exciting growth plans, the board is confident that the business is well placed to deliver the next phase of value creating growth.

Financial review

The results are presented for the 52 week period to 28 September 2008 against a similar period to 30 September 2007.

Revenue

The Group's revenue for the year was £76.9 million (2007: £70.5 million) on sales of 2.0 million tonnes (2007: 2.2 million). The average coal price was £38 per tonne (2007: £32 per tonne).

Revenues from surface mining were £65.7 million (2007: £57.3 million) and from ATH Regeneration were £11.2 million (2007: £13.2 million).

The increase in turnover from surface mining reflects higher coal prices secured on the renewal of existing supply contracts and new contracts in certain industrial markets. Coal production commenced at the new Muir Dean mine adding to that from the existing mines in Ayrshire and Dumfries and Galloway.

Revenues from ATH Regeneration reflected the completion of production at the Grimethorpe site.

Profit before interest and tax

Profit before interest and tax ("PBIT") was £11.9 million (2007: £11.1 million) and earnings before interest, tax and depreciation were £25.7 million (2007: £25.2 million).

The return on PBIT of 35% (2007: 34%) reflects the increase in average selling price offset by increases in the Group's cost base, particularly on gas oil.

Finance costs

Net finance costs of £2.9 million (2007: £2.4 million) were charged in the year. Continuing levels of significant fixed asset acquisition means hire purchase interest charges remained at £1.1 million (2007: £1.1 million). £0.4 million (2007: £0.3 million) was charged in respect of the unwinding of the discount on restoration provisions. The Group's acquisition of mine assets at Muir Dean and additional investment in the asset base resulted in an increase in bank loan and overdraft interest charges to £1.4 million (2007: £1.1 million).

Taxation

The effective rate of tax was 32% (2007: 32%) compared with a standard rate of tax of 29% (2007: 30%). The difference between the actual and standard rate is primarily due to expenses that are not allowable against tax.

Earnings per share

Earnings per share were 15.30 pence (2007: 14.76 pence), an increase of 4%. Fully diluted earnings per share, taking into account shares expected to be issued under employee option schemes, were 14.90 pence (2007: 14.53 pence).

Net assets

Net assets were £34.2 million (2007: £32.1 million). The Group has continued to invest in fixed assets to expand the surface mining operations. Total additions of plant, property and equipment were £27.9 million, with £15.8 million on plant and machinery and £12.1 million on new surface mining sites and land acquisitions, including £8.6 million at Muir Dean to facilitate the start of coal production.

Cash flows

The Group continues to generate strong cash flows from its operations, with a net cash inflow from operations of £22.6 million (2007: £23.6 million). Cash outflows on fixed assets, £13.6 million (2007: £9.0 million), and hire purchase payments, £7.9 million (2007: £8.2 million), reflect the Group's capital investment programme. Overall, net cash inflow is £9.3 million (2007: £5.3 million outflow).

Net debt at 28 September 2008 increased to £45.3 million (2007: £31.6 million) as a result of new debt and hire purchase borrowings to fund the Group's capital investment. Debt repaid during the year was replaced by new hire purchase agreements and bank loans.

Financing

During the year, the Group entered into new financing arrangements to take advantage of investment opportunities within the business. A new loan of £15 million replaced existing facilities of £3 million to reflect the long term nature of the business and an additional £7.7 million of debt was raised to finance the opening of the new Muir Dean surface mine in Fife. After the year end, the Group renewed and extended its overdraft facilities with Royal Bank of Scotland following the annual review.

International Financial Reporting Standards (IFRS)

The Group has adopted IFRS for the first time during 2008 and comparative results for 2007 have been restated.

The adoption of IFRS has a significant impact on the results through the treatment of goodwill which is not amortised, but is subject to an annual impairment review.

Acquisition

On 30 June 2008 the Group acquired Pacific West Coal Pty Limited (“PWC”), a company incorporated in Australia to facilitate the expansion of the Regeneration business into this much larger coal producing market.

Steven Beaumont
Finance Director

Consolidated Income Statement
For the year ended 28 September 2008

	2008	2007
	£000	£000
Revenue	76,851	70,508
Cost of sales	(55,429)	(50,856)
Gross profit	21,422	19,652
Other operating income	353	129
Administrative expenses	(9,872)	(8,725)
Operating profit	11,903	11,056
Finance costs	(2,895)	(2,425)
Profit before taxation	9,008	8,631
Tax expense	(2,878)	(2,767)
Profit for the period	6,130	5,864
Basic earnings per share	15.30p	14.76p
Diluted earnings per share	14.90p	14.53p

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

Consolidated Balance Sheet
As at 28 September 2008

ASSETS	2008	2007
	£000	£000
Non-current assets		
Intangible assets	7,657	7,169
Property, plant and equipment	83,458	64,356
Investments	-	1
	91,115	71,526
Current assets		
Inventories	14,967	7,793
Trade and other receivables	11,133	11,229
Cash and cash equivalents	1,207	64
	27,307	19,086
Total assets	118,422	90,612
LIABILITIES		
Current liabilities		
Trade and other payables	(14,899)	(10,181)
Tax liabilities	(1,443)	(712)
Financial liabilities – borrowings	(14,649)	(18,323)

Final void provision	(1,811)	-
	(32,802)	(29,216)
Non-current liabilities		
Trade and other payables	-	(175)
Financial liabilities – borrowings	(31,810)	(13,292)
Final void provision	(15,018)	(12,223)
Deferred tax liabilities	(4,208)	(3,603)
Other provisions	(338)	-
	(51,374)	(29,293)
Total liabilities	(84,176)	(58,509)
Net assets	34,246	32,103

Equity

Share capital	200	199
Share premium	27,855	27,563
Share-based payment reserve	1,682	1,313
Retained earnings	4,509	3,028
Total equity	34,246	32,103

The financial statements were approved by the Board of Directors and authorised for issue on 2 December 2008 and are signed on its behalf by:

S Beaumont

Group Finance Director and Company Secretary

Consolidated Cash Flow Statement For the year ended 28 September 2008

	2008	2007
	£000	£000
Cash flows from operating activities		
Cash generated from operations	22,588	23,580
Interest paid	(2,558)	(2,184)
Tax paid	(1,542)	(5,234)
Net cash from operating activities	18,488	16,162
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	197	352
Interest received	64	23
Government grant received	204	1,847
Purchases of property, plant and equipment	(13,624)	(8,967)

Acquisition of subsidiary	(150)	(1,000)
Net cash used in investing activities	(13,309)	(7,745)
Cash flows from financing activities		
Dividends paid	(4,649)	(4,466)
Repayment of borrowings	(6,323)	(2,784)
Payment of finance lease liabilities	(7,899)	(8,248)
Proceeds from the issue of share capital	293	223
New bank loans raised	22,700	1,602
Net cash from/(used in) financing activities	4,122	(13,673)
Net increase/(decrease) in cash and cash equivalents	9,301	(5,256)
Cash and cash equivalents at beginning of period	(8,094)	(2,838)
Cash and cash equivalents at end of period	1,207	(8,094)

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore these financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments which are carried at fair value.

Accounting period

The Company has drawn up its accounts for the 52 week period to 28 September 2008 (52 week period to 30 September 2007)

Notes to the Financial Statements
For the year ended 28 September 2008

1 Finance costs

	2008	2007
	£000	£000
Bank overdraft and loan interest	1,349	1,054
Finance leases and hire purchase contracts interest	1,145	1,107
Final void provision discount	401	264
	2,895	2,425

2 Tax expense

Tax recognised in the Income Statement

	2008	2007
	£000	£000
United Kingdom corporation tax		
On profits for the year	2,360	1,173
Adjustment in respect of prior periods	(87)	(337)
Total current tax recognised	2,273	836

Deferred taxation charge:

- accelerated capital allowances	518	1,942
- on share based payments	87	(11)
Total deferred tax recognised	605	1,931

Total tax expense recognised	2,878	2,767
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The total tax charge assessed for the year differs from the standard rate of UK tax as reconciled below:

	2008	2007
	£000	£000
Profit on ordinary activities before taxation	9,008	8,631

Profit before taxation multiplied by standard rate of tax for the period of 29% (2007: 30%)

Expenses not deductible for tax purposes	306	348
Depreciation not allowable for tax purposes	214	167
Tax relief on exercise of share options	(12)	-

Impact of deferred tax on share options	87	-
Effect of change in tax rates	(242)	-
Adjustment in respect of prior periods	(87)	(337)
Total tax expense	<u>2,878</u>	<u>2,767</u>
Effective tax rate	<u>32.0%</u>	<u>32.1%</u>

3 Earnings per share

Basic earnings per share is calculated on profit after tax of £6,130,000 (2007: £5,864,000) and a weighted average number of shares of 40,062,310 (2007: 39,728,508). The diluted earnings per share takes account of share options outstanding to employees as set out below:

	2008	2007
	No.	No.
Weighted average number of shares in issue	40,062,310	39,728,508
Weighted average number of dilutive share options	1,087,910	619,714
Total number of shares for calculating diluted earnings per share	<u>41,150,220</u>	<u>40,348,222</u>

4 Cash flows

	2008	2007
	£000	£000
Operating profit from continuing operations	11,903	11,056
Adjustments for:		
Depreciation of property, plant and equipment	13,466	13,648
(Profit)/loss on disposal of fixed assets	(24)	58
Loss on disposal of investments	1	-
Share-based payment expense	369	460
Operating cash flows before movements in working capital	<u>25,715</u>	<u>25,222</u>
Increase in inventories	(7,174)	(1,031)
Decrease/(increase) in receivables	96	(2,433)
Increase/(decrease) in payables and provisions	3,951	1,822
Cash generated from operations	<u>22,588</u>	<u>23,580</u>