SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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ISG RESOURCES INC

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SIC: **3312** Steel works, blast furnaces & rolling mills (coke ovens)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

or

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File Number: ___________

ISG Resources, Inc.
(Exact name of registrant as specified in its charter)

Utah	87-0619697
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

136 East South Temple, Suite 1300, Salt Lake City, Utah 84111
(Address of principal executive offices) (Zip Code)

(801) 236-9700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) [X] Yes [ ] No, and (2) has been subject to such filing requirements for the past 90 days [X] Yes [ ] No.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of July 30, 2001:

Classes of Common Stock	Number of shares outstanding
Common Stock, no par value	100

ISG Resources, Inc.

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ISG Resources, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

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<S>	June 30, 2001 (Unaudited) <C>	December 31, 2000 <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 7,542,347	$ 6,986,725
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $555,000 and $501,000, respectively	34,172,653	24,321,302
Retainage	229,713	146,000
Other	608,899	686,684
Income tax receivable	-	2,196,988
Deferred tax asset	655,335	851,325
Inventories	6,800,931	6,663,633
Other current assets	1,203,852	1,057,890
Total current assets	51,213,730	42,910,547
Property, plant and equipment, net of accumulated depreciation of		

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$15,516,761 and $12,777,609, respectively	40,882,364	37,760,556
Intangible assets, net	161,993,647	167,076,486
Debt issuance costs, net	4,139,490	4,524,473
Other assets	111,718	62,313
Total assets	$ 258,340,949	$ 252,334,375
Liabilities and shareholder's equity Current liabilities:		
Accounts payable	$ 19,450,872	$10,704,637
Accrued liabilities:		
Payroll	2,121,723	2,406,172
Interest	2,515,975	2,849,902
Other	2,369,905	1,826,232
Other current liabilities	1,772,138	996,153
Income taxes payable	201,746	-
Total current liabilities	28,432,359	18,783,096
Long-term debt	164,917,823	165,000,000
Deferred tax liability	36,376,587	37,702,524
Payable to Industrial Services Group	2,244,022	2,244,022
Other liabilities	2,230,256	1,482,848
Shareholder's equity:		
Common stock, no par value; 100 shares authorized, issued and outstanding	34,745,050	34,745,050
Cumulative foreign currency translation adjustment	(4,543)	(29,904)
Retained deficit	(10,600,605)	(7,593,261)
Total shareholder's equity	24,139,902	27,121,885
Total liabilities and shareholder's equity	$258,340,949	$252,334,375

See accompanying notes.
</TABLE>

ISG Resources, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended June 30,	
	2001	2000
Revenues:		
Product revenues	$ 51,442,426	$ 39,030,534
Service revenues	8,674,633	7,662,029
	60,117,059	46,692,563
Costs and expenses:		
Cost of product revenues, excluding depreciation	38,357,167	27,494,928
Cost of service revenues, excluding depreciation	5,599,821	5,486,319
Depreciation and amortization	3,873,482	3,579,052
New product development	569,600	465,433
Selling, general and administrative expenses	6,029,539	6,735,458
	54,429,609	43,761,190
Operating income	5,687,450	2,931,373
Interest income	94,377	14,049
Interest expense	(4,007,377)	(3,862,582)
Other income (expense)	(24,103)	164,512
Income (loss) before income taxes	1,750,347	(752,648)
Income tax expense	(1,046,774)	(74,649)

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Net income (loss)	$ 703,573	$ (827,297)

See accompanying notes.

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ISG Resources, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations

	Six Months Ended June 30,	
	2001	2000
<S>	<C>	<C>
Revenues:		
Product revenues	$ 85,185,827	$ 63,497,790
Service revenues	16,616,619	15,712,977
	101,802,446	79,210,767
Costs and expenses:		
Cost of product revenues, excluding depreciation	65,371,460	46,616,008
Cost of service revenues, excluding depreciation	11,006,878	11,102,731
Depreciation and amortization	8,018,269	6,866,098
New product development	1,164,818	1,077,122
Selling, general and administrative expenses	11,881,941	11,536,727
	97,443,366	77,198,686
Operating income	4,359,080	2,012,081
Interest income	242,190	21,574
Interest expense	(8,374,291)	(7,401,086)
Other income	9,891	205,602
Loss before income taxes	(3,763,130)	(5,161,829)
Income tax benefit	755,786	1,174,116
Net loss	$ (3,007,344)	$ (3,987,713)

</TABLE>

See accompanying notes.

ISG Resources, Inc. and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income

	Three months ended June 30	
	2001	2000
Net income (loss)	$703,573	$(827,297)
Other comprehensive loss net of tax:		
Foreign currency translation adjustment	13,230	(5,612)
Comprehensive income loss	$716,803	$(832,909)

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See accompanying notes

ISG Resources, Inc. and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income

	Six months ended June 30 2001	2000
Net loss	$(3,007,344)	$(3,987,713)
Other comprehensive loss net of tax:		
Foreign currency translation adjustment	25,361	(5,612)
Comprehensive (loss)	$(2,981,983)	$(3,993,325)

See accompanying notes

<TABLE>
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ISG Resources, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2001	2000
<S>	<C>	<C>
Operating activities		
Net loss	$ (3,007,344)	$ (3,987,713)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,018,269	6,866,098
Amortization of debt issuance costs	474,983	370,867
Loss on disposal of fixed assets	29,983	7,090
Deferred income taxes	(1,129,947)	(1,113,757)
Changes in operating assets and liabilities:		
Receivables	(9,857,279)	(5,125,275)
Inventory	(137,298)	156,865
Other current and non-current assets	(195,367)	(506,479)
Accounts payable and accrued expenses	8,671,532	(309,700)
Other current and non-current liabilities	2,822,127	(1,763,657)
Net cash provided by (used in) operating activities	5,689,659	(5,405,661)
Investing activities		
Purchases of property, plant and equipment	(5,068,561)	(4,542,960)
Proceeds on sale of property, plant and equipment	81,340	199,344
Acquisitions of businesses, net of cash acquired		(23,031,686)
Purchase of intangible assets		(119,442)
Net cash used in investing activities	(4,987,221)	(27,494,744)
Financing activities		
Cash contribution from Parent		9,745,000
Proceeds from long-term debt		120,000,000
Payments on notes payable and long-term debt	(82,177)	(96,500,000)
Debt issuance costs incurred	(90,000)	(338,983)
Net cash (used in) provided by financing activities	(172,177)	32,906,017
Effect of exchange rate changes on cash and cash equivalents	25,361	(5,612)

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Net increase in cash and cash equivalents	555,622	-
Cash and cash equivalents at beginning of period	6,986,725	-
Cash and cash equivalents at end of period	$ 7,542,347	$ -
Cash paid for interest	$ 8,167,467	$ 6,879,256
Cash paid (received) for income taxes	$(2,028,047)	$ 1,235,409

</TABLE>

See accompanying notes.

ISG RESOURCES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

ISG Resources, Inc., a Utah corporation (the "Company"), is a wholly owned subsidiary of Industrial Services Group, Inc. ("ISG"). ISG was formed in September 1997 and acquired the stock of JTM Industries, Inc. ("JTM") on October 14, 1997. In 1998, JTM acquired the stock of Pozzolanic Resources, Inc. ("Pozzolanic"), Power Plant Aggregates of Iowa, Inc. ("PPA"), Michigan Ash Sales Company, d.b.a. U. S. Ash Company, together with two affiliated companies, U.S. Stabilization, Inc. and Flo Fil Company, Inc., (collectively, "U.S. Ash"), and Fly Ash Products, Inc. ("Fly Ash Products") (collectively, the "1998 Acquisitions"). Effective January 1, 1999, JTM, Pozzolanic, PPA, U.S. Ash, Fly Ash Products and their wholly owned subsidiaries merged with and into the Company (the "Merger"). Pneumatic Trucking, Inc., a wholly owned subsidiary of Michigan Ash Sales Company, was not merged into the Company. Consequently, Pneumatic became a wholly owned subsidiary of the Company.

In 1999, the Company acquired the stock of Best Masonry & Tool Supply ("Best"), Mineral Specialties, Inc. ("Specialties"), Irvine Fly Ash, Inc. ("Irvine"), Lewis W. Osborne, Inc. ("Osborne"), United Terrazzo Supply Co., Inc. ("Terrazzo"), and Magna Wall, Inc. ("Magna Wall") and sold all of the outstanding stock of Pneumatic.

In 2000, ISG Canada Limited, Inc. ("ISG Canada") was formed and became a wholly owned foreign subsidiary of the Company, with fly ash operations beginning in the second half of 2000.

In March 2000, the Company acquired directly and indirectly through ISG Manufactured Products, Inc., all of the partnership interest of Don's Building Supply L.L.P. ("Don's). In May 2000, the Company acquired the stock of Palestine Concrete Tile Company, Inc. and certain associated real property (collectively, "Palestine"). In September 2000, the Company acquired certain fixed and intangible assets from Hanson Aggregates West, Inc. ("Hanson").

Each of the above acquisitions was accounted for under the purchase method of accounting and, accordingly, the results of operations of each acquired company have been included in the consolidated financial statements since the respective date of acquisition.

These financial statements reflect the consolidated financial position and results of operations of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of the Company, for the respective periods presented. The results of operations for an interim period are not necessarily indicative of the results, which may be expected for any other interim period or for the year as a whole.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions

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that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes in the Company's Form 10-K for the fiscal year ended December 31, 2000.

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 "Accounting for Derivative Financial Instruments and Hedging Activities- Deferral of the Effective Date of SFAS No. 133" and SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, is effective for all fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 in the first quarter of 2001. As expected, the adoption did not have a material impact on the Company's financial condition or results of operations.

The consolidated balance sheet at December 31, 2000 was derived from audited consolidated financial statements, but does not include all disclosures required under generally accepted accounting principles. Certain amounts have been reclassified to conform to the June 30, 2001 presentation.

2. Description of Business

The Company operates two principal business segments: coal combustion product (CCP) management and building materials manufacturing and distribution. The CCP division purchases, removes and sells fly ash and other by-products of coal combustion to producers and consumers of building materials and construction related products throughout the United States. The building materials division manufactures and distributes masonry construction materials to residential and commercial contractors primarily in Texas, California, Georgia and Florida.

3. New Product Development Costs

New product development costs consist of scientific research and development and market development expenditures. Expenditures of $510,883 and $357,476 for the three months ended June 30, 2001 and June 30, 2000, respectively, and expenditures of $1,027,518 and $867,612 for the six months ended June 30, 2001 and June 30, 2000, respectively, were made for research and development activities covering basic scientific research and application of scientific advances to the development of new and improved products and processes.

Expenditures of $58,717 and $107,957 for the three months ended June 30, 2001 and June 30, 2000, respectively, and expenditures of $137,300 and $209,510 for the six months ended June 30, 2001 and June 30, 2000, respectively, were made for market development activities related to promising new and improved products and processes identified during research and development activities. The Company expenses all new product development costs as they are incurred.

4. Inventories

The Company accounts for inventory balances using the lower of cost or market method on a first-in, first-out basis. Inventories consist of:

	June 30, 2001	December 31, 2000
Raw Materials	$ 1,231,885	$1,062,436

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Finished Goods	5,569,046	5,601,197
	$6,800,931	$6,663,633

5. Intangible Assets

Intangible assets consist of the following:

	June 30, 2001	December 31, 2000
Goodwill	$ 83,610,925	$83,610,925
Contracts	100,227,490	100,227,490
Patents and licenses	3,787,431	3,787,431
Assembled work force	2,815,233	2,815,233
	190,441,079	190,441,079
Less accumulated amortization	(28,447,432)	(23,364,593)
	$161,993,647	$167,076,486

Amortization is provided over the estimated period of benefit, using the straight-line method, ranging from 8 to 25 years.

6. Long-term Debt

Long-term debt consists of the following:

	June 30, 2001	December 31, 2000
10% Senior Subordinated Notes due 2008	$100,000,000	$ 100,000,000
Secured Credit Facility	64,917,823	65,000,000
	$164,917,823	$ 165,000,000

At June 30, 2001, $64.9 million of the Secured Credit Facility was outstanding, with no amount, as a result of financing covenants, available for additional borrowing under the facility.

7. Other Obligations

In connection with the purchase of land for total consideration of $1.5 million during the second quarter of 2001, the Company incurred a purchase money obligation of $1.1 million. The obligation is to be repaid in payments due October 31, 2001 of $300,000, due April 30, 2002 of $400,000 and due October 31, 2002 of $400,000. The obligation accrues interest at 8% annually. The current portion of $700,000 is classified in other current liabilities and the long term portion of $400,000 is classified in other liabilities on the combined balance sheet at June 30, 2001. The $1.1 million is treated as a non-cash item on the statement of cash flows.

During the second quarter of 2001, an agreement was reached to terminate a license contract. The termination agreement relieves the Company of future obligations under the license agreement of $300,000 in 2002, $400,000 in 2003 and $500,000 in 2004 and each succeeding year until 2012.

8. Reportable Segments

As discussed in note 2, the Company operates in two reportable segments: the CCP division and the building materials division. The CCP division consists primarily of three operating units that manage and market CCPs in North America. The building materials division consists of six legal entities, Best, Osborne, Terrazzo, Magna Wall, Palestine, and Don's. The Company's two reportable segments are managed separately based on fundamental differences in their operations.

The Company evaluates financial performance based on earnings from operations before interest expense, income taxes, depreciation, and amortization (EBITDA).

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The Company derives a majority of its revenues from CCP sales and the chief operating decision makers rely on EBITDA to assess the performance of the segments and make decisions about resources to be allocated to the segments. Accordingly, EBITDA is included in the information reported below. Certain expenses are maintained at the Company's corporate headquarters and are not allocated to the segments. Such expenses primarily include interest expense, corporate overhead costs, certain non-recurring gains and losses and intangible asset amortization. Inter-segment sales are generally accounted for at cost and are eliminated in consolidation.

The building materials division includes financial data for the six legal entities from their respective dates of acquisition through December 31, 2000. Thus, the building materials division segment information is not comparable for the 2001 and 2000 periods. Don's financial data is included from March 2, 2000, Palestine from May 31, 2000, and Hanson from September 15, 2000.

Amounts included in the "Other" column include financial information for the Company's corporate, R&D and other administrative business units.

Information about reportable segments, and reconciliation of such information to the consolidated totals as of and for the three months and six months ended June 30, 2001 and June 30, 2000, is as follows:
<TABLE>
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	CCP	Building Materials	Other	Consolidated Total
<S>	<C>	<C>	<C>	<C>
Three months ended 6/30/01:				
Revenue	$ 46,697,505	$ 13,360,252	$ 59,302	$ 60,117,059
EBITDA	10,371,545	1,576,359	(2,316,698)	9,631,206
Total Assets	62,833,988	48,963,708	146,543,253	258,340,949
Expenditures for PP&E	1,402,516	1,097,633	66,851	2,567,000
Three months ended 6/30/00:				
Revenue	$ 36,106,233	$ 10,501,268	$ 85,062	$ 46,692,563
EBITDA	8,624,602	1,472,074	(3,407,690)	6,688,986
Total Assets	53,930,444	47,190,860	149,291,745	250,413,049
Expenditures for PP&E	1,433,176	794,112	79,765	2,307,053
Six months ended 6/30/01:				
Revenue	$ 76,802,042	$ 24,877,799	$ 122,605	$ 101,802,446
EBITDA	15,253,285	2,405,590	(5,029,445)	12,629,430
Total Assets	62,833,988	48,963,708	146,543,253	258,340,949
Expenditures for PP&E	3,504,406	1,421,844	142,311	5,068,561
Six months ended 6/30/00:				
Revenue	$ 61,052,222	$ 17,963,171	$ 195,374	$ 79,210,767
EBITDA	12,778,754	2,294,243	(5,967,642)	9,105,355
Total Assets	53,930,444	47,190,860	149,291,745	250,413,049
Expenditures for PP&E	3,393,602	882,822	266,536	4,542,960

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and Notes thereto included elsewhere herein.

General

ISG Resources, Inc., a Utah corporation (the "Company"), is a wholly owned subsidiary of Industrial Services Group, Inc. ("ISG"). ISG was formed in September 1997 and acquired the stock of JTM Industries, Inc. ("JTM") on October

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14, 1997. In 1998, JTM acquired the stock of Pozzolanic Resources, Inc. ("Pozzolanic"), Power Plant Aggregates of Iowa, Inc. ("PPA"), Michigan Ash Sales Company d.b.a. U.S. Ash Company, together with two affiliated companies, U.S. Stabilization, Inc., and Flo Fil Company, Inc., (collectively, "U.S. Ash"), and Fly Ash Products Inc. ("Fly Ash Products"). Effective January 1, 1999, JTM, Pozzolanic, PPA, U.S. Ash, Fly Ash Products and their wholly owned subsidiaries merged with and into the Company. Pneumatic Trucking, Inc. ("Pneumatic"), a wholly owned subsidiary of Michigan Ash Sales Company, was not merged into ISG Resources, Inc. Consequently, Pneumatic became a wholly owned subsidiary of the Company.

In 1999, the Company acquired the stock of Best Masonry & Tool Supply ("Best"), Mineral Specialties, Inc. ("Specialties"), Irvine Fly Ash, Inc. ("Irvine"), Lewis W. Osborne, Inc. ("Osborne"), United Terrazzo Supply Co., Inc. ("Terrazzo"), and Magna Wall, Inc. ("Magna Wall") (collectively, the "Acquisitions") and sold all of the outstanding stock of Pneumatic.

In 2000, ISG Canada Limited, Inc. ("ISG Canada") was formed and became a wholly owned foreign subsidiary of the Company, with fly ash operations beginning in the second half of 2000.

In March 2000, the Company acquired directly and indirectly through ISG Manufactured Products, Inc., all of the partnership interest of Don's Building Supply L.L.P. ("Don's). In May 2000, the Company acquired the stock of Palestine Concrete Tile Company, Inc. and certain associated real property (collectively, "Palestine"). In September 2000, the Company acquired certain fixed and intangible assets from Hanson Aggregates West, Inc. ("Hanson"), collectively the "2000 Acquisitions."

The Acquisitions were accounted for under the purchase method of accounting and, accordingly, the results of operations of the respective companies have been included in the consolidated financial statements since the respective acquisition dates. Accordingly, the financial condition and results of operations of the Company after the Acquisitions are not directly comparable to the historical financial condition or results of operations.

The Company operates two principal business segments: coal combustion product (CCP) management and building materials manufacturing and distribution. The CCP division purchases, removes and sells fly ash and other by-products of coal combustion to producers and consumers of building materials and construction related products throughout the United States. The building materials division manufactures and distributes masonry construction materials to residential and commercial contractors primarily in Texas, California, Georgia and Florida.

The Company's revenues are subject to a pattern of seasonal fluctuation, concurrent with the construction industry. Because the Company's products are used as raw materials in other products, the amount of revenue generated during the year generally depends upon a number of factors, including the level of road and other construction using concrete, weather conditions affecting the level of construction, general economic conditions, and other factors beyond the Company's control.

Results of Operations

Three Months Ended June 30, 2001 compared to Three Months Ended June 30, 2000

Revenues. Revenues were $60.1 million in the second quarter of 2001, representing an increase of $13.4 million or 28.7%, as compared to revenues of $46.7 million in the second quarter of 2000. Product revenues increased to $51.4 million in the second quarter of 2001 from $39.0 million in the second quarter of 2000, representing an increase of $12.4 million or 31.8%. Service revenues increased to $ 8.7 million in the second quarter of 2001 from $7.7 million in the second quarter of 2000, representing a increase of $1.0 million or 13.2%. The increase in product revenues in the second quarter of 2001 is both due to the 2000 Acquisitions of building materials entities and to an increase in fly ash revenues. The increase in service revenues is due primarily to a increase in disposal revenue during the second quarter of 2001 as compared to the second quarter of 2000.

Cost of Product Revenues, Excluding Depreciation. Cost of product revenues, excluding depreciation, was $38.4 million in the second quarter of 2001, representing an increase of $ 10.9 million or 39.5%, as compared to cost of product revenues, excluding depreciation, of $27.5 million in the second quarter of 2000. This increase is due primarily to the increasing price of materials procured for sale and increases from the 2000 Acquisitions. As a percentage of

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product revenues, cost of product revenues, excluding depreciation, increased to 74.5% in the second quarter of 2001 from 70.4% in the second quarter of 2000. This decrease in product margins is primarily due to lower margins related to the building material product revenues derived from the 2000 Acquisitions and to a higher cost of materials for fly ash.

Cost of Service Revenues, Excluding Depreciation. Cost of service revenues, excluding depreciation was $5.6 million in the second quarter of 2001, representing an increase of $0.1 million or 2.1%, as compared to cost of service revenues, excluding depreciation, of $5.5 million in the second quarter of 2000. This increase is due primarily to increased revenue. As a percentage of service revenues, cost of service revenues, excluding depreciation, decreased to 64.6% in the second quarter of 2001 from 71.6% in the second quarter of 2000. This improvement in margin was primarily due to an increase in margins associated with disposal revenues in the second quarter of 2001 as compared to the second quarter of 2000.

Depreciation and Amortization. Depreciation and amortization was $3.9 million in the second quarter of 2001, representing an increase of $0.3 million or 8.2%, as compared to depreciation and amortization of $3.6 million in the second quarter of 2000. This increase resulted primarily from the depreciation of fixed assets acquired by the Company in 2000, and amortization of goodwill and other intangible assets recorded as a result of the 2000 Acquisitions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") were $6.0 million in the second quarter of 2001, representing an decrease of $0.7 million or 10.5%, as compared to SG&A expenses of $6.7 million in the second quarter of 2000. This decrease in SG&A is primarily due to decreased management expenses resulting from the elimination of a regional management group and tighter expense control in salaries and wages.

New Product Development. New product development costs consist of scientific research and development and market development expenditures. Expenditures for scientific research and development in the second quarter of 2001 as compared to the second quarter of 2000 increased to $510,883. Expenditures for new market development in the second quarter of 2001 as compared to the second quarter of 2000 decreased to $58,716. The continuation of new product development costs demonstrates the Company's commitment to developing and marketing value added products that utilize CCPs and related materials.

Interest Expense. Interest expense increased to $4.0 million in the second quarter of 2001 from $3.9 million in the second quarter of 2000, primarily as a result of an increase in outstanding indebtedness related to the 2000 Acquisitions.

Income Taxes. Income tax expense was $1.0 million in the second quarter of 2001, representing an increase of $0.9 million as compared to income tax expense of $0.1 million in the second quarter of 2000. This increase in income tax expense is a result of higher taxable income as compared to the prior year.

Net Income. As a result of the factors discussed above, net income was $0.7 million in the second quarter of 2001 compared to a net loss of $0.8 million in the second quarter of 2000.

Six Months Ended June 30, 2001 compared to Six Months Ended June 30, 2000

Revenues. Revenues were $101.8 million in the first six months of 2001, representing an increase of $ 22.6 million or 28.5%, as compared to revenues of $79.2 million in the first six months of 2000. Product revenues increased to $85.2 million in the first six months of 2001 from $63.5 million in the first six months of 2000, representing an increase of $21.7 million or 34.2 %. Service revenues increased to $16.6 million in the first six months of 2001 from $15.7 million in the first six months of 2000, representing a increase of $0.9 million or 5.8%. The increase in product revenues in the first six months of 2001 is due primarily to the addition of product revenue related to the 2000 Acquisitions and increasing revenue in fly ash operations. The increase in service revenues reflects an increase in disposal revenues.

Cost of Product Revenues, Excluding Depreciation. Cost of product revenues, excluding depreciation, was $65.4 million in the first six months of 2001, representing an increase of $18.8 million or 40.2%, as compared to cost of product revenues, excluding depreciation, of $46.6 million in the first six months of 2000. This increase is due primarily to two factors: 1) the inclusion of cost of product revenues of 2000 Acquisitions since their respective dates of acquisition; and 2) the increased cost of material in the CCP division. As a

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percentage of product revenues, cost of product revenues, excluding depreciation, increased to 76.7% in the first six months of 2001 from 73.4% in the first six months of 2000. This increase was primarily due to lower margins on product revenues derived from the 2000 Acquisitions and lower margins in the CCP division due to the increase in the cost of materials.

Cost of Service Revenues, Excluding Depreciation. Cost of service revenues, excluding depreciation, remained relatively constant at $11.0 million in the first six months of 2001 as compared to cost of service revenues, excluding depreciation, of $11.1 million in the first six months of 2000. As a percentage of service revenues, cost of service revenues, excluding depreciation, decreased to 66.2% in the first six months of 2001 as compared to 70.7% in the first six months of 2000. This decrease was due to continued process efficiencies in disposal techniques.

Depreciation and Amortization. Depreciation and amortization was $8.0 million in the first six months of 2001, representing an increase of $1.2 million or 16.8%, as compared to depreciation and amortization of $6.9 million in the first six months of 2000. This increase resulted primarily from increased depreciation of fixed assets and amortization of goodwill and other intangible assets recorded as a result of the 2000 Acquisitions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") were $11.9 million in the first six months of 2001, representing an increase of $0.4 million or 3.0%, as compared to SG&A expenses of $11.5 million in the first six months of 2000. This increase in SG&A expenses reflects incremental SG&A costs resulting from the operation of the 2000 Acquisitions as well as an increase in sales and marketing efforts.

New Product Development. New product development costs consist of scientific research and development and market development expenditures. Expenditures of $1,027,518 were made for scientific research and development during the first six months of 2001 as compared to $867,612 during the first half of 2000. Expenditures of $137,300 were made for market development during the first six months of 2001, as compared to $209,510 during the first six months of 2000. The increase in new product development costs demonstrates the Company's commitment to developing and marketing value added products that utilize CCPs and related materials.

Interest Expense. Interest expense increased to $8.4 million in the first six months of 2001 from $7.4 million in the first six months of 2000, primarily as a result of an increase in outstanding indebtedness due to the 2000 acquisitions

Income Taxes. Income tax benefit was $0.8 million for the first six months of 2001, as compared to the income tax benefit of $1.2 million in the first six months of 2000. This change reflects an increase in taxable income in the first half of 2001. Taxable income is calculated considering non-deductible amortization expense related to most of the Company's acquisitions.

Net Income. As a result of the factors discussed above, the net loss was $3.0 million in the first six months of 2001 as compared to a net loss of $4.0 million in the first six months of 2000.

Liquidity and Capital Resources

The Company financed the 1998 and 1999 Acquisitions through the issuance of $100.0 million, 10% Senior Subordinated Notes due 2008 and borrowings on its Secured Credit Facility (as subsequently amended and restated). The Company financed the acquisition of Palestine by obtaining a $15.0 increase in the Secured Credit Facility on May 26, 2000 (discussed below) and receiving an equity contribution of approximately $9.7 million from ISG on April 19, 2000. Operating and capital expenditures have been financed primarily through cash flow from operations and borrowings under the Secured Credit Facility.

The Secured Credit Facility has been amended a number of times. On May 26, 2000, the Secured Credit Facility was amended and restated to, among other things, increase the borrowings available to the Company from $50.0 million to $65.0 million.

On August 8, 2000, the amended and restated secured credit agreement dated May 26, 2000 was amended in order to modify certain debt covenants contained in the credit agreement. Primarily, a minimum consolidated Earnings Before Interest Expense, Income Tax Expense, Depreciation Expense, and Amortization Expense (EBITDA) debt covenant was added. The minimum consolidated EBITDA covenant requires the Company to maintain a minimum EBITDA amount as of the last day of

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every fiscal quarter through June 30, 2003 at levels set forth in the agreement.

On March 30, 2001, the amended and restated secured credit agreement dated May 26, 2000 and subsequently amended on August 8, 2000, was amended in order to modify certain debt covenants contained in the agreement. The amended and restated secured credit facility continues to require the Company to not exceed a maximum leverage ratio, to not drop below a minimum interest coverage ratio, to not drop below a minimum consolidated EBITDA level, and to comply with certain other financial and non-financial covenants.

At June 30, 2001, the Company had $7.5 million in cash and cash equivalents and $64.9 million of the Secured Credit Facility was outstanding, with no amount available for additional borrowing under the facility. The Company had working capital of approximately $23.1 million, a decrease of $1.0 million from December 31, 2000, due to an increase in trade accounts payable and other current liabilities, offset in part by increases in inventory and trade accounts receivable.

The Company intends to make capital expenditures over the next several years principally to construct storage, loading and processing facilities for CCPs and to replace existing capital equipment. During the six months ended June 30, 2001, capital expenditures amounted to approximately $5.1 million. The Company expects that capital expenditures made in the ordinary course of business will be funded by cash flow from operations.

The Company anticipates that its principal use of cash will be for working capital requirements, debt service requirements and capital expenditures. Based upon current and anticipated levels of operations, the Company believes that its cash flow from operations will be adequate to meet its anticipated requirements for working capital, capital expenditures and interest payments for the next several years. There can be no assurance, however, that cash flow from operations will be sufficient to service the Company's debt and the Company may be required to refinance all or a portion of its existing debt or to obtain additional financing. These increased borrowings may result in higher interest payments. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained. The inability to obtain additional financing could have a material adverse effect on the Company.

Other Events

On February 24, 1999, the Company entered into an option agreement to acquire the stock of Tatum Industries, Inc. (Tatum). As part of that agreement, the Company agreed to loan Tatum approximately $50,000 per month for operating expenses and loan servicing. In November 2000, the note payable to the Company was approximately $1.1 million. In December 2000, Tatum advised the Company that they would not be able to repay the note and the Company's attempt to purchase the outstanding stock of Tatum was unsuccessful. As a result, the Company expensed the $1.1 million note payable in the fourth quarter of 2000.

In addition to the option agreement, the Company continued to lease the building and equipment under a month-to-month lease and made expenditures of approximately $1.1 million in leasehold improvements and equipment purchases. The Company is currently in the process of negotiating the sale of its $1.1 million investment in leasehold improvements and equipment to a third party. The Company believes that they will be successful in negotiating the sale of the leasehold improvements and equipment with no significant resulting gain or loss; however, there is a risk that management will be unable to sell the assets for an amount greater than or equal to the net book value of the assets.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

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None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Item No.	Item Title	Exhibit No.
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession: Not Applicable	
(3)	Articles of Incorporation and By-Laws: Not Applicable	
(4)	Instruments defining the rights of security holders, including indentures: Not Applicable	
(10)	Material Contracts: Not Applicable	
(11)	Statement regarding computation of per share earnings is not required because the relevant computations can be clearly determined from the material contained in the Financial Statements included herein.	
(15)	Letter re unaudited interim financial information: Not Applicable	
(18)	Letter re change in accounting principles: Not Applicable	
(19)	Report furnished to security holders: Not Applicable	
(22)	Published report regarding matters submitted to vote of security holders: Not Applicable	
(23)	Consents of expert and counsel: Not Applicable	
(99)	Additional Exhibits: Not Applicable	

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 3, 2001 ISG RESOURCES, INC.

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/s/ J.I. Everest

J. I. Everest, II
Chief Financial Officer and Treasurer

(As both a duly authorized officer of the Company and as principal financial officer of the Company)

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