ATH Resources plc

Annual report and financial statements 2005

Group operations: Scotland

- **Skares Road**
  Location: Cumnock, East Ayrshire

  The Skares Road site was the Group's first opencast coal site and was acquired as a project buyout by the current management team in 1998.

  Covering some 600ha the site has produced over 4.5 million tonnes and is anticipated to continue in production until 2009.

  The site has been worked in a number of areas and has been progressively restored to mixed grazing and woodlands. To date some 25,000 trees have been planted.

- **Garleffan**
  Location: New Cumnock, East Ayrshire

  Garleffan was acquired as an operational site in November 2003 and required a turnaround in the site design and plant fleet. This was achieved during 2004 and the site is planned to continue in production until early 2006 when it will be returned to the land owners following the completion of restoration.

- **Grievehill**
  Location: Adjacent to Garleffan

  The Grievehill site was acquired, together with Glenmuckloch, from Scottish Coal as a fully permitted site. The site lies adjacent to the Garleffan site and will utilise the infrastructure already established for processing and transporting coal to market via the Group's railhead at Crowbandsgate, New Cumnock.

  The site entered production in September 2005 and will produce some 1.3 million tonnes of coal.

- **Glenmuckloch**
  Location: 5 miles east of New Cumnock, East Ayrshire

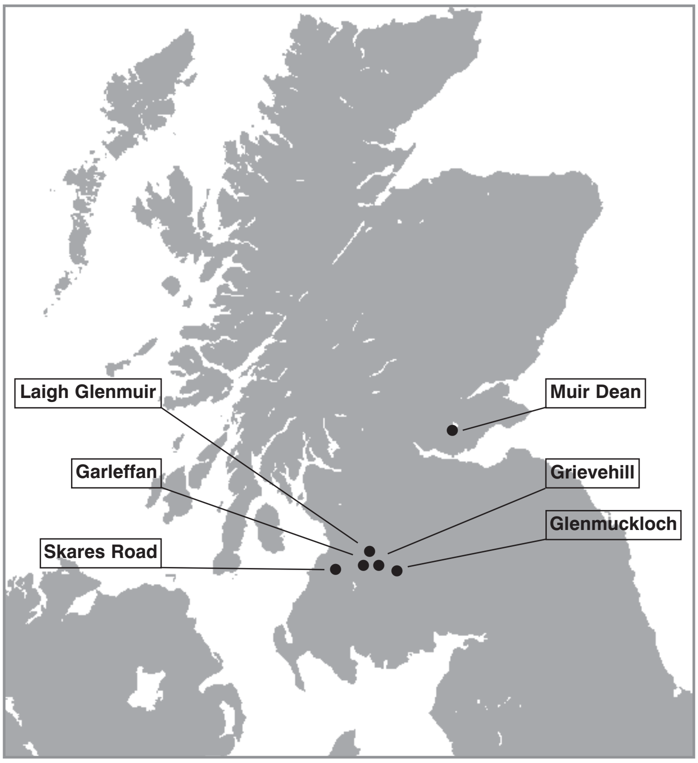
  Glenmuckloch was acquired in June 2004, along with the Grievehill site, from Scottish Coal. This is a fully permitted site and is due to enter production in mid 2006 with a four and a half year production life. There are some 2.8 million tonnes of coal reserves at Glenmuckloch.

- **Laigh Glenmuir**
  Location: 1 mile north of Garleffan

  This site, which is subject to the granting of planning consent, contains some 0.5 million tonnes of coal which will be transported to market via the Garleffan site. It is planned to enter production in 2006 for two years.

- **Muir Dean**
  Location: Crossgates, Fife

  The Muir Dean site, which is subject to the granting of planning consent, lies in some 180ha of mixed farming and woodland. The proposed site will produce some 2.0 million tonnes of coal over four and a half years with production due to commence in 2007.



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 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

- November 2004: Acquisition of the Bertholene coal concession in France
- February 2005: Planning application submitted for a new 500,000 tonne site at Laigh Glenmuir
- April 2005: Planning application, and subsequently determined, to permit a 350,000 tonne extension to the Skares Road site
- May 2005: Acquisition of the Grievehill and Glenmuckloch opencast coal sites agreed
- June 2005: 1 for 3 open offer successfully raised £16.8m to fund the acquisition of Grievehill and Glenmuckloch
- August 2005: £25.3m order placed for the supply of new Caterpillar equipment to work the newly acquired sites

Chairman's statement

"The year to 2 October 2005 demonstrated continued significant progress in growing the reserve base of the business and improving trading results, thus reinforcing the Board's strategy outlined at the time of the open offer."

Business progress
A year on from listing on AIM a successful 1 for 3 open offer was completed in order to fund the purchase of two new sites. This effectively increased the Group's reserve base by a further 4.1 million tonnes. One of these sites, Grievehill, has already been opened up with the first coal lifted and dispatched in September.

This, together with the ongoing development of the Group through both the two existing operational sites and further organic development of new sites, has positioned the Group to deliver a continuing strong trading performance and improving dividend cover.

Board of Directors
There have been no changes to the Board of Directors during the year. The Executive Board members have all been in office since the business was founded in 1998 reinforcing the team spirit, strength and depth of experience built up over the last seven years.

Strategy
The Group continues to pursue the strategy laid out at the time of the IPO of maintaining a relatively small but stable share of the coal market, supplying some 2.5% of the coal consumed in the UK. The Group also continues to focus on the higher margin domestic or house coal sector. Although this sector has declined over recent years it remains a sizeable market and one in which ATH is well known and respected for the quality of product supplied.

The recent announcement by Drax Power, one of our key customers, to seek a listing on the London Stock Exchange suggests an appetite for coal generation remains within the business and financial communities.

In the context of the supply of electricity the Group and the power industry at large believe that the Government must amend the view of meeting its commitments to Kyoto by relying solely on renewables and gas. This view ignores the geopolitical risk of sourcing the country's gas from the former Soviet Union states, the Middle East, South America and North Africa and the misconception that it is possible to supply electricity to the National Grid, on a reliable basis and to meet peak winter demands, through wind farms. Coal still supplies a third of the UK's electricity and it is difficult to see how this situation can be changed materially without a more radical review of this country's energy strategy.

The Group continues individually and through trade associations to press the Government on the subject of Energy Policy. The UK will only ever have secure, reliable and competitive energy supplies when it achieves a balanced portfolio of generating capacity from numerous sources. This requires significant quantities of electricity generation from coal, gas, nuclear and renewables. Letting the market decide the strategy and mix will lead to an over priced and vulnerable electricity supply industry. If carbon is the main cause of global warming then the UK must renew its nuclear generating capability and the already available technology for carbon capture and storage must be utilised for a new generation of clean coal power stations generating electricity with near zero emissions.

Although the coal industry faces a number of challenges ATH is ideally placed to take advantage of the many opportunities that will present themselves over the coming years. The Group has made good progress since its listing and believes that its strategy will deliver good and consistent returns to its shareholders.

David Port
Non-executive Chairman

"Following the purchase of Grievehill and Glenmuckloch sites the Group now has the coal reserves sufficient for the next five years. This provides the Group with the necessary platform to develop its reserve base organically over the coming years."

Operational review

The Skares Road mine continued to perform well throughout the year and came to the end of what was originally the final phase of production for the site in September. However, with the rise in coal prices, two areas of the site which had originally not been economical to work due to the high stripping ratio are now commercially viable. With a successful planning application being submitted and determined during the year for 350,000 tonnes of coal, Skares Road is now planned to continue in production until Spring 2009.

The Garleffan site is now in the final phase of production and will cease coaling in spring 2006 with restoration being undertaken to return the site to nature conservation and mixed agricultural use thereafter. However, the site infrastructure; access road, plant repair yard and processing area will continue to be used for some years to come by both the Grievehill and Laigh Glenmuir sites.

Grievehill, which was acquired in June, was successfully started prior to the winter and dispatched its first coal in September. Early indications are that this geologically complex site is meeting the Directors' expectations.

Overburden is removed from above the coal seams by 265 tonne excavators which load 100 tonnes of earth in four passes.

Chief executive's statement continued

12.0m

tonnes of coal were produced by the UK opencast coal industry in 2004 which accounted for 48% of UK production.

Operational review continued

The Glenmuckloch site is due to enter production in summer 2006 and internal planning is proceeding to ensure that this target is met. Although originally conceived with its own railhead, due to Network Rail issues, it is now intended to convey the coal from this site to the Group's existing processing and dispatch point at Garleffan.

At the year end the Group had reserves with planning consent amounting to 5.5 million tonnes (2004: 2.5 million tonnes).

As announced during the summer the Group placed the largest ever order with Finning, the UK distributor of Caterpillar equipment, to replace some existing coal lifting and processing equipment as well as to secure delivery of the plant necessary to work the Grievehill and Glenmuckloch sites. Due to the worldwide boom in mining activities, the lead time for large earthmoving equipment has become a major issue for the extractive industries. However, the Group has secured delivery of all the plant which it requires to maintain forecast production for at least the next three years.

At the same time, worldwide tyre availability has become critical due to the lack of production capacity for large earthmoving equipment. The Group has been working closely with the major tyre suppliers to ensure that it has commitment for the majority of its tyre requirements whilst ensuring that the tyre management regimes on site are as good as possible to ensure that the maximum life possible is obtained from the limited supply.

Development projects

Development of new sites continues to be the main focus of the business. The Group submitted an application to East Ayrshire Council for a 500,000 tonne coal site at Laigh Glenmuir and subsequent to the year end an application was submitted for a 2.0 million tonne site at Muir Dean in Fife.

At the same time, the development team has been pursuing a number of other proposals to ensure that the organic development of the reserve base of the Group grows over the coming years.

In France progress has been made in developing the Group's projects. An application for a new mining concession from the French Government has been processed and presently awaits determination by the General Council of Mines. At Bertholene, where the Group already has a concession, the reserve is currently being drilled. Applications for authorisation with full environmental impact assessments are planned for both projects next year.

Market

The world coal market has been extremely bullish during the past year, with international coal prices delivered into North West Europe at high prices, in excess of $70/tonne. These prices eased in the second half of the year with reductions in freight costs and some over supply. The key driver remains China. There seems to have been a fundamental uplift in commodity prices including coal. As a consequence we look forward to a period of better pricing and stability in the coal market for some years to come.

The acquisition of Grievehill and Glenmuckloch, combined with the uplift in world coal prices, presented an opportunity to renegotiate some of the Group's coal supply agreements. This has been achieved with three customers and overall the Group anticipates a 20% uplift in the income from sales to generators next year, which is in line with our expectations at the time of the Grievehill and Glenmuckloch acquisition.

As at the year end the Group had Electricity Supply Industry ("ESI") sales cover for five million tonnes running out to 2008.

Staff

It is pleasing to note the longevity of service of the Group's senior management and staff. The Group prizes its key employees highly and ensures that they are suitably rewarded. At the same time, with the decline in the size of the coal industry, there is a shortage of skilled operators developing. The Group

32.7%

of the UK's electricity was generated from coal in 2004 and amounted to a burn of 50.5 million tonnes.

is able to offer new employees a progression from dump truck driver to excavator operator and foreman, for those with the aptitude and skills to develop, which ensures the Group has the right skill sets to meet the operational needs of the business.

Health and safety is a critical issue for the Group with it being reported upon at every Board meeting. From the Group's selection and training procedures to the day to day supervision of the operations, health and safety of the workforce is placed above any other consideration.

During the year three accidents which required more than three days off sick occurred. All three employees have subsequently returned to normal duties.

Without the hard work and dedication of our employees, the Group would not be in the position it is today to enable it to develop the business over the coming years, for which I am very grateful and offer my thanks to them.

Tom Allchurch
Chief Executive

Plant maintenance is undertaken by a team of manufacturer supplied and our own in house fitters.

Financial review

"A successful first full year of trading subsequent to listing on AIM with earnings per share sufficient to cover the total dividend proposed at 105%. Set against the rise in world oil prices this is considered to be a good result for the Group."

The results are presented for the 53 week year to 2 October 2005 compared against an effective 44 week trading period to 26 September 2004. The Group draws up its financial statements on a 52 week annual basis. However, with 2004 being a leap year the financial year to 2 October 2005 has an additional week's trading.

Turnover

Turnover for the year was £39.1m on sales of 1.5 million tonnes, with an average price of £27 per tonne. Sales by product comprised:

	t'm	£'m
Electricity Supply Industry ("ESI")	1.2	25.7
Domestic	0.1	7.0
Industrial	0.2	6.4
Total	1.5	39.1

ESI customers supplied in the year were E.On, Drax Power, EDF Energy and British Energy.

With the increases in world coal prices the Group has been able to conclude renegotiation of three of the four ESI supply contracts at prices which reflect the new long term average for UK produced coal and which will underwrite the earnings of the Group for the coming year.

Profit before interest and tax

Profit before interest and tax was £6.4m whilst earnings before interest, tax, depreciation and amortisation was £11.4m.

This is considered to be a satisfactory result as, although slightly below expectations, it reflects both the increase in world oil prices which have caused gas oil prices to rise by 34% during the year and the earlier than planned entry into the Grievehill site in order to ensure this site was established prior to the onset of the winter which resulted in coal production being slightly below expectation for the year.

The Directors are pleased to report that Grievehill has been successfully opened up, dispatched its first coal during September and has so far proved to be as anticipated.

Interest

Interest charges of £0.7m were incurred in the year. Of these charges £0.4m were in respect of finance leases and hire purchase agreements, £0.2m was in respect of the unwinding of the discount of the final void provision (which is not a cash flow item) and the remaining £0.1m related to bank interest.

The Group manages its exposure to interest rates by acquiring all plant on fixed rate hire purchase contracts.

Tax

The effective rate of tax was 34% compared with a standard rate of tax of 30%. The primary cause for this difference in tax rates was due to the capital expenditure incurred in the year and the interaction between capital allowances claimed for tax purposes and the depreciation charged within the accounts.

Dividends and earnings per share

The Board is recommending a final dividend of 7.56p per share, subject to members' approval at the Annual General Meeting ("AGM") payable on 13 January 2006 to members on the share register as at 23 December 2005. As there was not an obligation to pay the proposed dividend at 2 October 2005 it has not been accrued for in the financial statements.

Earnings per share for the year were 11.49p.

Balance sheet

The Group continues to invest to ensure that we operate a modern and cost effective plant fleet. As previously announced the Group placed a substantial order for new Caterpillar equipment during the year which amounted to some 83 units with a combined value of £25.3m. As at the year end some £20.8m of this package was left to be delivered over the next 18 months.

Summary

- Turnover: £39.1m (2004: £31.4m)
- EBITDA: £11.4m (2004: £7.4m)
- PBT: £5.7m (2004: £0.3m)
- Final dividend: 7.56p (2004: 3.36p)
- Total dividend: 10.92p (2004: 3.36p)
- EPS: 11.49p (2004: 0.44p)

In addition the Group traded in some older excavators and dump trucks for new machines as part of its ongoing plant renewal policy. Consequently fixed asset additions amounted to £9.8m in the year whilst profit on disposal of plant was £1.0m.

Cash flow

Net cash inflow from operating activities was £8.6m and the Group was overdrawn by £1.6m as at 2 October 2005 as a result of the difference between the purchase consideration for Grievehill and Glenmuckloch of £18.0m and the net proceeds of the open offer of £15.9m, whilst net debt was £14.3m represented by £11.7m of outstanding finance lease and hire purchase contracts in respect of the plant fleet with the remaining £1.0m being commercial property mortgages.

The Board considers the gearing level of 9% (excluding finance leases and hire purchase contracts) to be low and provides the Group with the ability to utilise the debt markets should smaller acquisition opportunities arise.

Coal for the domestic market is processed at Skares Road, where quality control is maintained by careful supervision of the operation.

1.5m

tonnes of coal produced by the Group to 2 October 2005 represented 2.5% of the UK coal market.

Coal is loaded onto trains at our railhead. Each train can carry 1,400 tonnes of coal in 20 wagons and upwards of 30 trains per week are dispatched.

International Financial Reporting Standards ("IFRS")

Although the Group's IFRS implementation programme is at an early stage, as compliance with IFRS is not required until the year ending September 2008, with comparative information for 2007, at this stage it is not possible to say what the impact upon earnings will be.

However, the key areas of potential impact identified so far are noted below:

IFRS 2 – Share based payments

Under this standard, which becomes applicable in the UK for the year ending September 2007, the Group is required to recognise a cost for share based payments (share options) based upon the fair value of the award at the time of granting and this cost is recognised over the vesting period of the awards. The fair value is to be measured using an option pricing model.

IFRS 3 – Business combinations

This standard will require the goodwill arising upon consolidation of the Group to cease to be charged to profit. Instead the goodwill balance will be subject to annual impairment test.

Richard Croston
Finance Director

Board of directors

David Port
Non-executive Chairman
David Port qualified as a chartered management accountant whilst with National Freight Company Limited (now Exel plc) where he rose to become Group Chief Accountant. Following three years at Northern Foods Plc as Finance Director of the dairy division he joined British Fuels Limited as Finance Director and rose to Chief Executive and Chairman leading the management buyout from British Coal during the privatisation process and disposing profitably of the business in a trade sale in 1997. From 1997 to 2001 David was Executive Chairman of Sylvan International Limited, a £200m turnover timber business with operations in France. David is currently Chairman of Petrol Express Limited, Non-executive Director of Global Natural Gas Limited and Non-executive Director of Global Natural Energy Plc. David has been Non-executive Chairman of the Group since its establishment in 1998.

Tom Allchurch
Chief Executive
Tom Allchurch is a graduate mining engineer and has spent his entire career in the development and operation of opencast coal mines. Tom initially trained as a Site Engineer with Shand Mining Limited, a contractor to British Coal, before joining Bayford Mining Limited, a smaller private mining company, in 1986. In 1991 Tom joined Rackwood Colliery Company Limited as Projects Manager and was responsible for the development of a number of UK and French projects including Skares Road. Tom left Rackwood in 1998 leading the management team in acquiring the rights to operate (and subsequently acquire) the Skares Road mine. Tom was Chairman of the coal industry trade association, the Confederation of UK Coal Producers, in 2001 and 2002. Since 1998 Tom was Managing Director of the Group and became Chief Executive when the Company listed on AIM.

Mike Tod
Development Director
Mike Tod is a chartered minerals surveyor and commenced his career gold mining with Gencor in South Africa and subsequently moved to uranium mining in Namibia with RTZ. In 1990, Mike returned to the UK to work as a consultant for Wardell Armstrong, a leading UK mining and minerals consultancy firm. Mike joined Tom Allchurch's project team in 1995 and was instrumental in the development of and subsequent acquisition by the management team of Skares Road and its management buyout in 1998. Mike has been the Development Director of the Group since 1998.

John Hodgson
Marketing Director
John Hodgson commenced his career with the National Coal Board in 1964 as a chemist in the scientific department from where he progressed to assistant regional marketing and preparation officer in 1975. In 1981 John joined Burnett & Hallamshire Fuels plc as Production Director responsible for the production and marketing of coal from twelve coal washing operations. In 1984 John transferred to Rushcliffe Fuels Limited and was Managing Director from 1989 to 1993. John joined British Fuels in 1993 as General Manager of the International and Sourcing Division, responsible for sourcing the entire company's solid fuel requirements. John joined the Group in 1998 as its Marketing Director.

Richard Croston
Finance Director
Richard Croston qualified as a chartered accountant in 1992 with Price Waterhouse and worked in their audit department. Richard had periods of secondment to clients including British Gas Energy Centres Limited and Debenhams plc as a Financial Accountant and Beverley Building Society as Financial Controller. Richard joined the Group in 1998 as Financial Controller and has been Finance Director of the Group since 2000.

Alistair Black
Operations Director
Alistair commenced his training as a Site Engineer with Coal Contractors Limited in 1986, progressing to Site Manager of the Roughcastle North site in 1994. In 1996 Alistair joined Rackwood as Regional Production Manager responsible for two opencast and one underground mine in Scotland. Alistair joined the Group in 1998 as Operations Manager for the Skares Road mine and became Operations Director in 2000. Alistair gained his MBA from Heriot Watt University in 1999. He is also the Health and Safety Director for the Group.

Vaughan Williams
Non-executive Director
Vaughan Williams has a degree in politics from Exeter University. Vaughan spent four years at British Steel from 1968 to 1972 before joining a predecessor company of BHP Minerals Europe Limited as Coal Sales Manager, later promoted to Director responsible for coal sales in Europe, CIS, the Middle East and Africa. Vaughan then moved to BHP Coal Australia Pty Limited in 1986 as manager of their marketing operations. After returning from Australia, Vaughan became Deputy Managing Director at BHP Minerals Europe Limited in 1988 and subsequently Managing Director in 1990. Vaughan then became Vice President Marketing at BHP Billiton Diamonds Inc in 2000 where he remained until 2003. He joined the Group in 2004.

Ivana Slade
Non-executive Director
Ivana Slade is the representative of The Alchemy Plan on the Board. Ivana has been an Investment Executive at Alchemy Partners since 2001. Previously with Bear Stearns in London and New York, Ivana worked in the mergers and acquisitions team. She holds a masters degree in Business Administration and Economics from the University of St Gallen, Switzerland. The Alchemy Plan is entitled to appoint a director to the Board for as long as it retains an interest in 10% or more of the Company's issued share capital.

Directors' report

The Directors submit their report and the audited financial statements of ATH Resources plc for the year ended 2 October 2005.

Principal activities

The principal activity of the Company is that of a holding company. The principal activity of the Group is the operation of opencast coal sites and subsequent sale to UK electricity generators, industrial and domestic customers. The Group operates under the title of ATH Resources.

Review of developments and future prospects

On 3 June 2005 the Company issued 9,923,392 ordinary shares to the general public via a 1 for 3 open offer at 170p per share in order to fund the purchase of the Grievehill and Glenmuckloch sites.

The Group's trading performance for the year was in line with Directors' expectations which was influenced by the early entry into the Grievehill site prior to the onset of the winter and the recent rise in the cost of gas oil, this being offset by improved pricing achieved on both contracted and non contracted sales.

The Directors are pleased with the progress made in opening up the Grievehill site and of the future trading prospects of the Group.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The Directors in office during the period under review and their interests in the ordinary shares of the Company were:

	2005 Number	2004 Number
D C Port	**338,076**	334,400
T J Allchurch	**2,112,296**	2,089,600
M T W Tod	**1,408,312**	1,393,000
J K Hodgson	**621,356**	614,600
R A Croston	**422,595**	418,000
A Black	**507,316**	501,800
V M F Williams	**1,866**	1,400
I Slade	**—**	—

At 2 October 2005, I Slade had a beneficial interest in 7,546,059 (2004: 7,791,059) ordinary shares of the Company through the Alchemy Investment Plan Co-investment Scheme.

Substantial shareholdings

The Company has been informed that on 1 December 2005 the following shareholders held substantial holdings in the issued ordinary shares of the Company:

	Number of ordinary shares	Holding %
Alchemy Partners Nominees Limited	7,546,059	19
Artemis Income Fund	3,649,050	9
Framlington Extra Income Fund	3,400,000	9
Rathbone Income Fund	2,544,999	6
T J Allchurch	2,112,296	5
ABN Amro High Income Fund	1,824,335	5
M T W Tod	1,408,312	4
Shires Income plc	1,250,000	3
Gartmore UK Equity Income Fund	1,225,014	3

Payment policy

It is the Group's policy to pay suppliers in accordance with agreed terms, provided the supplier has also complied with agreed terms and conditions. At 2 October 2005, the trade creditors of the Group represented 51 days (2004: 52 days) of purchases.

Auditors

A resolution to re-appoint Baker Tilly as auditors will be proposed at the Annual General Meeting ("AGM").

By order of the Board

R A Croston
Secretary
6 December 2005

Corporate governance report

Introduction

Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ("the Code"), the Company fully supports the principles set out in the Code and will attempt to comply wherever possible, given both the size and resources available to the Company. Details are provided below of how the Company applies the Code.

The Board

The Board of Directors comprises five Executive Directors, two independent Non-executive Directors, one of whom is the Chairman, and an Alchemy Plan nominated Non-executive Director.

The Board generally meets each month and receives a Board pack comprising individual reports from each of the Executive Directors together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of expenditure and acquisitions.

During the year to 2 October 2005 the Board met a total of eleven times.

Board Committees

The Board has established three committees; Audit, Remuneration and Nominations, all having written terms of delegated responsibilities.

Audit Committee

The Audit Committee comprises the three Non-executive Directors and is scheduled to meet twice a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control requirements of the Code, whilst maintaining an appropriate relationship with the independent auditors of the Group. In order to comply with the requirement of the Code that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee.

During the year to 2 October 2005 the Audit Committee met on two occasions.

Remuneration Committee

The Remuneration Committee comprises the three Non-executive Directors and the Chief Executive, and meets at least once a year, normally in June. It is the Remuneration Committee's role to establish a formal and transparent policy on Executive remuneration and to set remuneration packages for individual Directors.

During the year to 2 October 2005 the Remuneration Committee met on three occasions.

Nominations Committee

The Nominations Committee comprises the three Non-executive Directors and the Chief Executive, and meets as required to consider and make recommendations on the appointment of Directors to the Board.

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the AGM. In addition, the Company uses the annual report and accounts, interim statement and web site (www.ath.co.uk) to provide further information to shareholders.

The Board considers Vaughan Williams to be the Senior Independent Director.

Internal control and risk management

The Board is responsible for the system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and discussions with the external auditors.

The Group does not currently have an internal audit function due to the small size of the administrative function, which amounts to six people, and the high level of Director review and authorisation of transactions.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, as compared against budget, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

The Group maintains appropriate insurance cover in respect of legal actions against the Directors as well as against material loss or claims against the Group and reviews the adequacy of the cover regularly.

Remuneration committee report

Introduction

Companies trading on AIM are not required to provide a formal remuneration report. However, in line with current best practice this report provides information to enable a greater level of understanding as to how Directors' remuneration is determined.

The Remuneration Committee of the Board is responsible for considering Directors' remuneration packages and makes its recommendations to the Board. The Committee comprises the three Non-executive Directors and meets at least once a year, normally in June.

Remuneration policy

Remuneration packages are designed to be competitive and to reward above average performance. Executive Directors receive salary, fully financed Company car, death in service benefit, critical illness and medical cover, pension contribution, annual bonuses and share options.

Service contracts

The Executive Directors have service agreements with the Company dated 28 November 2003 for an initial twelve months, thereafter subject to termination upon twelve months' notice being given by either party.

Pensions

The Group does not have a pension scheme, instead makes contributions to Executive Directors' personal pension schemes of 12.5% of annual salary.

Non-executive Directors

The Non-executive Directors entered into Letters of Appointment dated 12 May 2004. Both D C Port and V M F Williams were appointed for an initial three year term, which can be terminated upon six months' notice being given by either party. They receive a fee of £50,000 and £20,000 respectively. I Slade is The Alchemy Plan nominated Non-executive Director. The Group pays an annual fee of £20,000 to Alchemy Partners in respect of this appointment. Fees and expenses of £23,077 (2004: £55,180) were paid to Alchemy Partners in the year. If the Alchemy Plan's shareholding in the Company falls below 10% of the issued share capital the right to appoint ceases.

Directors' remuneration

Details of Directors' remuneration are set out below:

	Salary £	Benefits £	Bonus £	Sub-total emoluments £	Pension £	**2005 Total £**	2004 Total £
Executive Directors							
T J Allchurch	151,125	13,250	19,000	183,375	18,891	**202,266**	157,334
M T W Tod	100,750	7,087	14,600	122,437	12,594	**135,031**	105,451
J K Hodgson	70,525	9,596	15,000	95,121	8,816	**103,937**	83,651
R A Croston	70,525	11,674	9,800	91,999	8,816	**100,815**	155,799
A Black	70,525	8,594	13,250	92,369	8,816	**101,185**	137,697
Non-executive Directors							
D C Port	50,375	—	—	50,375	—	**50,375**	134,208
V M F Williams	20,150	—	—	20,150	—	**20,150**	7,500
I Slade	—	—	—	—	—	**—**	—
Total	**533,975**	**50,201**	**71,650**	**655,826**	**57,933**	**713,759**	**781,640**

Performance incentives

The Group operates an annual cash bonus scheme and grants share options.

The annual bonus scheme provides for a maximum bonus of 30% of salary to be paid by reference to: achievement of a Group earnings target (10%); surpassing the earnings target (10%) and individual personal targets (10%).

The Company has the following share incentive arrangements:

- an Inland Revenue Approved Executive Share Option Scheme ("Approved Scheme");
- an Unapproved Executive Share Option Scheme ("Unapproved Scheme"); and
- a Long Term Incentive Plan ("LTIP") (together "the Schemes").

None of the option shares or LTIP require payment to be made by participants to receive the benefit of an option.

Remuneration committee report continued

Directors' interests in share options

The options and awards have been granted pursuant to the Schemes to the following Directors:

		Number of share options			Performance period				Exercisable	
	Exercise price	26 September 2004	Granted	**2 October 2005**	from	to	Performance target	from	to
T J Allchurch									
Approved	£1.49	20,134	—	**20,134**	1 Oct 03	30 Sep 06	38.68	2 Nov 07	31 Oct 14
Unapproved	£1.36	335,000	—	**335,000**	1 Oct 03	30 Sep 06	38.68	12 Jun 07	10 Jun 14
Unapproved	£1.85	—	88,003	**88,003**	1 Oct 04	30 Sep 07	44.20	12 Jun 07	10 Jun 14
LTIP	£0.00	335,000	—	**335,000**	1 Oct 03	30 Sep 07	64.42	12 Jun 09	10 Jun 14
LTIP	£1.70	—	88,003	**88,003**	1 Oct 04	30 Sep 08	59.80	30 Sep 10	28 Sep 15
Total		**690,134**	**176,006**	**866,140**					
M T W Tod									
Approved	£1.49	20,134	—	**20,134**	1 Oct 03	30 Sep 06	38.68	2 Nov 07	31 Oct 14
Unapproved	£1.36	220,000	—	**220,000**	1 Oct 03	30 Sep 06	38.68	12 Jun 07	10 Jun 14
Unapproved	£1.85	—	58,669	**58,669**	1 Oct 04	30 Sep 07	44.20	12 Jun 07	10 Jun 14
LTIP	£0.00	240,000	—	**240,000**	1 Oct 03	30 Sep 07	64.42	12 Jun 09	10 Jun 14
LTIP	£1.70	—	58,669	**58,669**	1 Oct 04	30 Sep 08	59.80	30 Sep 10	28 Sep 15
Total		**480,134**	**117,338**	**597,472**					
J K Hodgson									
Approved	£1.49	20,134	—	**20,134**	1 Oct 03	30 Sep 06	38.68	2 Nov 07	31 Oct 14
Unapproved	£1.36	150,000	—	**150,000**	1 Oct 03	30 Sep 06	38.68	12 Jun 07	10 Jun 14
Unapproved	£1.85	—	41,068	**41,068**	1 Oct 04	30 Sep 07	44.20	12 Jun 07	10 Jun 14
LTIP	£0.00	170,000	—	**170,000**	1 Oct 03	30 Sep 07	64.42	12 Jun 09	10 Jun 14
LTIP	£1.70	—	41,068	**41,068**	1 Oct 04	30 Sep 08	59.80	30 Sep 10	28 Sep 15
Total		**340,134**	**82,136**	**422,270**					
R A Croston									
Approved	£1.49	20,134	—	**20,134**	1 Oct 03	30 Sep 06	38.68	2 Nov 07	31 Oct 14
Unapproved	£1.36	150,000	—	**150,000**	1 Oct 03	30 Sep 06	38.68	12 Jun 07	10 Jun 14
Unapproved	£1.85	—	41,068	**41,068**	1 Oct 04	30 Sep 07	44.20	12 Jun 07	10 Jun 14
LTIP	£0.00	170,000	—	**170,000**	1 Oct 03	30 Sep 07	64.42	12 Jun 09	10 Jun 14
LTIP	£1.70	—	41,068	**41,068**	1 Oct 04	30 Sep 08	59.80	30 Sep 10	28 Sep 15
Total		**340,134**	**82,136**	**422,270**					
A Black									
Approved	£1.49	20,134	—	**20,134**	1 Oct 03	30 Sep 06	38.68	2 Nov 07	31 Oct 14
Unapproved	£1.36	150,000	—	**150,000**	1 Oct 03	30 Sep 06	38.68	12 Jun 07	10 Jun 14
Unapproved	£1.85	—	41,068	**41,068**	1 Oct 04	30 Sep 07	44.20	12 Jun 07	10 Jun 14
LTIP	£0.00	170,000	—	**170,000**	1 Oct 03	30 Sep 07	64.42	12 Jun 09	10 Jun 14
LTIP	£1.70	—	41,068	**41,068**	1 Oct 04	30 Sep 08	59.80	30 Sep 10	28 Sep 15
Total		**340,134**	**82,136**	**422,270**					

The performance target is cumulative pre tax earnings per share.

Independent auditors' report

To the members of ATH Resources plc

We have audited the financial statements on pages 16 to 30.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Chief Executive's Statement, the Financial Review, the Corporate Governance Report, the Remuneration Committee Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company and Group's affairs at 2 October 2005 and of the Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditor
Chartered Accountants
2 Whitehall Quay
Leeds LS1 4HG
6 December 2005

Consolidated profit and loss account

For the year ended 2 October 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Turnover	1		**39,102,920**		31,390,930
Cost of sales			**(30,076,981)**		(27,267,466)
Gross profit			**9,025,939**		4,123,464
Administrative expenses		**(3,575,507)**		(2,976,607)	
Exceptional legal and professional costs		**—**		(358,464)	
Other operating income		**7,018**		65,055	
			(3,568,489)		(3,270,016)
Operating profit	2		**5,457,450**		853,448
Profit on disposal of fixed assets			**968,327**		513,570
Profit on ordinary activities before interest			**6,425,777**		1,367,018
Interest receivable	3	**14,445**		13,535	
Interest payable and similar charges	4	**(712,927)**		(1,115,920)	
			(698,482)		(1,102,385)
Profit on ordinary activities before taxation			**5,727,295**		264,633
Tax on profit on ordinary activities	6		**(1,930,222)**		(174,432)
Profit on ordinary activities after taxation			**3,797,073**		90,201
Dividends paid			**(2,333,997)**		—
Retained profit for the year	19		**1,463,076**		90,201
Basic and diluted earnings per share	7		**11.49p**		0.44p

The profit on ordinary activities before taxation arises from the Group's continuing operations.

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

Consolidated balance sheet

As at 2 October 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Goodwill	8		**1,610,576**		6,148,116
Tangible fixed assets	9		**44,341,421**		13,974,389
Investments	10		**1**		2
			45,951,998		20,122,507
Current assets					
Stocks	11	**5,271,594**		5,007,841	
Debtors	12	**8,171,118**		5,337,937	
Cash at bank		**—**		2,525,196	
		13,442,712		12,870,974	
Creditors: amounts falling due within one year	13	**(12,524,624)**		(11,080,880)	
Net current assets			**918,088**		1,790,094
Total assets less current liabilities			**46,870,086**		21,912,601
Creditors: amounts falling due after more than one year	14		**(8,339,464)**		(4,010,044)
Provisions for liabilities and charges	16		**(9,437,793)**		(6,262,090)
Net assets			**29,092,829**		11,640,467
Capital and reserves					
Called up share capital	17		**198,468**		148,851
Share premium account	18		**27,341,084**		11,401,415
Profit and loss account	19		**1,553,277**		90,201
Equity shareholders' funds	20		**29,092,829**		11,640,467

Approved by the Board on 6 December 2005

T J Allchurch
Director

Company balance sheet

As at 2 October 2005

		2005		2004	
	Notes	**£**	**£**	£	£
Fixed assets					
Investments	10		**5,907,002**		5,907,001
Current assets					
Debtors	12	**20,718,650**		5,170,492	
Cash at bank		**914,030**		92,734	
Net current assets			**21,632,680**		5,263,226
Total assets less current liabilities			**27,539,682**		11,170,227
Net assets			**27,539,682**		11,170,227
Capital and reserves					
Called up share capital	17		**198,468**		148,851
Share premium account	18		**27,341,084**		11,401,415
Profit and loss account	19		**130**		(380,039)
Equity shareholders' funds	20		**27,539,682**		11,170,227

Approved by the Board on 6 December 2005

T J Allchurch
Director

Consolidated cash flow statement

For the year ended 2 October 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Net cash flow from operating activities	23a		**8,611,996**		8,252,466
Returns on investment and servicing of finance					
Interest received		**14,445**		13,535	
Interest paid		**(389,385)**		(655,513)	
Interest element of finance leases		**(323,542)**		(274,182)	
			(698,482)		(916,160)
Taxation paid			**(665,460)**		(668,796)
Capital expenditure					
Payments to acquire tangible fixed assets		**(21,220,773)**		(514,712)	
Receipts from sales of tangible fixed assets		**2,119,550**		1,000,813	
Acquisitions					
Net overdrafts acquired with subsidiary		**—**		(1,626,037)	
Purchase of business		**(3,125,000)**		(5,835,000)	
			(22,226,223)		(6,974,936)
Equity dividends paid			**(2,333,997)**		—
Cash flow before financing			**(17,312,166)**		(307,426)
Financing					
Issue of ordinary shares		**15,989,286**		11,494,016	
New secured loan		**625,724**		3,000,000	
Repayment of secured loan		**(44,500)**		(3,050,000)	
Issue of loan notes		**—**		1,480,530	
Repayment of loan notes		**—**		(7,331,280)	
Capital element of finance lease payments		**(3,424,770)**		(2,760,644)	
			13,145,740		2,832,622
(Decrease)/increase in cash	23c		**(4,166,426)**		2,525,196

Accounting policies

Basis of accounting

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

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.

Accounting period

The Company has drawn up its accounts for the 53 week year to 2 October 2005 (2004: from incorporation on 10 October 2003 to 26 September 2004).

Consolidation

The accounts consolidate the accounts of the Company and all of its subsidiary undertakings other than as stated below.

The accounts do not consolidate the results of the French subsidiary, Société des Ressources Minières du Massif Central ("SRMMC"), as it is not material for the purposes of giving a true and fair view (note 10).

Aardvark TMC Limited ("Aardvark") has 20,000 'B' ordinary shares, subscribed at nominal value of 1p each, in addition to the ordinary shares wholly owned by ATH Resources plc.

The 'B' ordinary shares only carry the rights to receive a one off dividend in the event that Aardvark TFC Limited or SRMMC (Aardvark's subsidiary and sub-subsidiary) are awarded damages in respect of existing and future litigation against the French State. The 'B' ordinary shares carry no voting rights or rights to receive any other dividend. As a result the 'B' ordinary shares are not accounted for as a minority interest as it is not material for the purposes of giving a true and fair view.

The Company has not presented its own profit and loss account, as permitted by Section 230(4) of the Companies Act 1985.

Mine development costs

The costs of prospecting and identifying new sites are expensed until such time that a prospective site is considered by the Board to be economically viable and that there is a high degree of probability and commitment that the site will be worked. Costs then incurred in preparing and developing sites are capitalised up to the start of production. Upon commencement of production, depreciation is charged on a tonnage basis.

Goodwill

Consolidated goodwill, being the excess consideration over the fair values of the assets acquired on the purchase of subsidiary undertakings, is capitalised and charged to profit over ten years.

Tangible fixed assets

Depreciation is provided on cost in annual instalments over the estimated useful life of assets which are reviewed annually. The rates of depreciation are as follows:

Freehold land	Not depreciated
Freehold buildings	Depreciated to their estimated residual value over their estimated remaining economic lives
Mine purchase and development	Tonnage basis over the estimated total recoverable reserve
Plant and machinery	20 – 50%

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

Finance leases and hire purchase contracts

Tangible assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension contributions

The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the profit and loss account.

Capital instruments

Capital instruments are accounted for and classified as equity or non-equity share capital according to their form.

Final void provisions

Following the conclusion of coal extraction the final working void of an opencast coal site must be back filled. The total cost of this operation is recognised as a provision on site commissioning when the obligation arises. The amount provided represents the present value of the expected costs. Costs are charged to the provision as incurred and the unwinding of the discount, being the difference between the present value and the total cost of the provision, is included in the interest charge for the period. An asset is created for an amount equivalent to the initial provision. This is charged to the profit and loss account on a tonnage basis over the estimated life of the recoverable reserves.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold to customers.

Employee share schemes

The Company operates a number of share based incentives as outlined in the Remuneration Committee's Report. The cost of awards to employees, being the difference between the market price at the date of award and the amount of consideration due, is recognised over the period of the employee's related performance where there is a reasonable expectation that the performance criteria will be met.

Financial instruments

Income and expenditure arising on financial instruments are recognised on an accruals basis and credited or charged to the profit and loss account in the financial period to which they relate.

Notes to the financial statements

For the year ended 2 October 2005

1 Turnover and segmental reporting

The Group's turnover was derived from its principal activity undertaken wholly within the UK.

2 Operating profit

		2005 £	2004 £
Operating profit is stated after charging:			
Depreciation of tangible assets			
Owned assets		**2,651,746**	2,551,360
Leased assets		**2,091,908**	1,584,631
Amortisation of goodwill arising on consolidation		**197,208**	164,344
Amortisation of goodwill arising on purchase of Garleffan (2005: included in depreciation of tangible owned assets)		**—**	1,708,462
Rentals under operating leases			
Plant and machinery		**625,720**	909,756
Land and buildings		**17,600**	16,084
Auditors' remuneration	– audit	**20,000**	20,000
	– tax	**10,000**	8,425
	– corporate finance	**17,800**	62,375
2005	– Open offer (£41,857 debited to share premium)		
2004	– AIM listing (£91,743 debited to share premium)		

3 Interest receivable

	2005 £	2004 £
Other interest receivable	**14,445**	13,535

4 Interest payable and similar charges

	2005 £	2004 £
Loan stock interest	**—**	488,526
Bank overdraft and loan interest	**129,745**	166,987
Finance leases and hire purchase contracts interest	**363,517**	274,182
Final void provision discount	**219,665**	186,225
	712,927	1,115,920

5 Employees

Staff costs during the year (including Directors)	2005 £	2004 £
Wages and salaries	**6,631,630**	4,914,979
Redundancy costs	**—**	74,885
Social security costs	**694,710**	515,034
Pension costs	**87,059**	37,248
	7,413,399	5,542,146

5 Employees continued

Average number of employees	2005 No.	2004 No.
Office and management	**24**	22
Production	**173**	152
	197	174

Directors' emoluments	2005 £	2004 £
Directors' emoluments	**655,826**	742,908
Pension contributions	**57,933**	38,732
	713,759	781,640

Highest paid Director	2005 £	2004 £
Emoluments	**183,375**	145,433
Pension contributions	**18,891**	11,901
	202,266	157,334

During the year, fees and expenses of £23,077 (2004: £55,108) were paid to Alchemy Partners LLP for the services of I Slade.

6 Taxation

Group	2005 £	2004 £
Corporation tax:		
Current year	**641,060**	407,894
Prior year	**(91,309)**	—
Deferred taxation	**1,380,471**	(233,462)
	1,930,222	174,432

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

Group	2005 £	2004 £
Profit on ordinary activities before taxation	**5,727,295**	264,633
Profit on ordinary activities multiplied by standard rate of tax for the period of 30%	**1,718,189**	79,390
Effect of expenses not allowable for tax purposes	**117,220**	76,883
Effect of depreciation in excess of capital allowances	**(1,182,208)**	218,195
Effect of short term timing differences	**(12,141)**	33,426
Total current tax	**641,060**	407,894

7 Earnings per share

Basic and diluted earnings per share is calculated on profit after tax of £3,797,073 (2004: £90,201) and a weighted average number of shares of 33,033,394 (2004: 20,302,635). The diluted earnings per share takes account of share options outstanding. However, as the performance criteria for the share options had not been met, there is no adjustment to the weighted average number of shares.

8 Goodwill

Group	£
26 September 2004	8,020,922
Reclassified to tangible fixed assets	(6,048,794)
2 October 2005	**1,972,128**
Amortisation	
26 September 2004	1,872,806
Reclassified to tangible fixed assets	(1,708,462)
Charge in the year	197,208
2 October 2005	**361,552**
Net book value	
2 October 2005	**1,610,576**
26 September 2004	6,148,116

9 Tangible fixed assets

Group	Freehold land and buildings £	Mine purchase and development £	Plant and machinery £	Total £
Cost				
26 September 2004	1,232,300	6,741,289	10,437,063	18,410,652
Reclassified from goodwill	—	6,048,794	—	6,048,794
Additions	1,050,259	22,371,719	9,849,600	33,271,578
Reduction in deferred consideration	—	(1,350,000)	—	(1,350,000)
Disposals	—	—	(3,263,669)	(3,263,669)
2 October 2005	**2,282,559**	**33,811,802**	**17,022,994**	**53,117,355**
Depreciation				
26 September 2004	—	2,452,637	1,983,626	4,436,263
Reclassified from goodwill	—	1,708,462	—	1,708,462
Charge in the year	—	2,164,686	2,578,968	4,743,654
Disposals	—	—	(2,112,445)	(2,112,445)
2 October 2005	**—**	**6,325,785**	**2,450,149**	**8,775,934**
Net book value				
2 October 2005	**2,282,559**	**27,486,017**	**14,572,845**	**44,341,421**
26 September 2004	1,232,300	4,288,652	8,453,437	13,974,389
Finance leases and hire purchase contracts				
Depreciation charge	—	—	2,091,908	2,091,908
Net book value	—	—	13,640,746	13,640,746

10 Investments

Investments in subsidiary undertakings	Group £	Company £
Cost		
26 September 2004	2	5,907,001
Additions	—	1
Disposals	(1)	—
2 October 2005	**1**	**5,907,002**

	Country of registration	Type of shares	Proportion of voting rights held	Proportion of shareholding	Nature of business
Name of company directly owned					
Aardvark TMC Limited	England	Ordinary	100%	100%	Opencast coal mining
ATH Garleffan Limited	England	Ordinary	100%	100%	Opencast coal mining
ATH Facilities Limited	England	Ordinary	100%	100%	Dormant
Held by subsidiary					
Aardvark TFC Limited	England	Ordinary	100%	100%	Intermediate holding company
Société des Ressources Minières du Massif Central ("SRMMC")	France	Ordinary	100%	100%	Coal prospecting

Aardvark TMC Limited has 20,000 'B' ordinary shares, subscribed at nominal value of 1p each, in addition to the ordinary shares wholly owned by ATH Resources Limited.

The 'B' ordinary shares carry the rights only to receive a one off dividend in the event that its subsidiary, Aardvark TFC Limited or its subsidiary, is awarded damages in respect of the existing and future litigation against the French State. The 'B' ordinary shares carry no voting rights or rights to receive any other dividend. As a result the 'B' ordinary shares are not accounted for as a minority interest.

Aardvark TFC Limited had share capital and reserves at 2 October 2005 of £1 (2004: £1).

SRMMC share capital and reserves at 31 December 2004 were £16,495 and the Company incurred a loss of £48,839 during that year. The Group provided funding to the Company of £122,646 (2004: £24,000) during the year to 2 October 2005, which has been charged to profit. There were no balances owing at the balance sheet date.

Aardvark TFC Limited and SRMMC are not consolidated in the accounts as they are not considered material for the purposes of giving a true and fair view.

11 Stocks

	2005		2004	
	Group £	**Company £**	Group £	Company £
Coal stocks	**1,737,945**	**—**	838,246	—
Work in progress	**3,447,969**	**—**	4,123,347	—
Other stocks	**85,680**	**—**	46,248	—
	5,271,594	**—**	5,007,841	—

12 Debtors

	2005		2004	
	Group £	**Company £**	Group £	Company £
Amounts due from subsidiary undertakings	**—**	**20,718,650**	—	5,170,492
Trade debtors	**7,864,483**	**—**	4,483,175	—
Prepayments and accrued income	**296,872**	**—**	174,254	—
Other debtors	**9,763**	**—**	9,200	—
Deferred taxation asset	**—**	**—**	671,308	—
	8,171,118	**20,718,650**	5,337,937	5,170,492

13 Creditors: amounts falling due within one year

	2005		2004	
	Group £	**Company £**	Group £	Company £
Bank loan (note 14)	**122,000**	**—**	50,000	—
Bank overdraft	**1,641,230**	**—**	—	—
Finance leases and hire purchase contracts (note 14)	**4,197,924**	**—**	2,963,960	—
Trade creditors	**4,635,343**	**—**	3,032,136	—
Corporation tax	**219,435**	**—**	335,144	—
Other taxation and social security	**564,168**	**—**	860,558	—
Other creditors	**121,354**	**—**	143,277	—
Deferred consideration	**—**	**—**	3,150,000	—
Accruals and deferred income	**1,023,170**	**—**	545,805	—
	12,524,624	**—**	11,080,880	—

The outstanding deferred consideration was settled during the year.

14 Creditors: amounts falling due after more than one year

	2005		2004	
	Group £	**Company £**	Group £	Company £
Bank loan	**853,724**	**—**	344,500	—
Finance leases and hire purchase contracts	**7,485,740**	**—**	2,340,544	—
Deferred consideration	**—**	**—**	1,325,000	—
	8,339,464	**—**	4,010,044	—

Amounts included above are repayable over varying periods by monthly instalments as follows:

	Bank loan		Finance leases and hire purchase contracts	
	2005 £	2004 £	**2005 £**	2004 £
Within one year	**122,000**	50,000	**4,197,924**	2,963,960
More than one year but not more than two years	**122,000**	50,000	**2,568,024**	1,460,132
More than two years but not more than five years	**366,000**	150,000	**4,917,716**	880,412
Five years or more	**365,724**	144,500	**—**	—
	975,724	394,500	**11,683,664**	5,304,504

The bank loan is secured by a fixed charge over certain assets of the Group. The Company is party to a cross guarantee with its subsidiary undertakings in respect of bank loans and overdrafts held by Group companies which are secured by debentures over the assets of the Group. Obligations under finance leases and hire purchase contracts are secured on the related assets.

15 Financial instruments

The Group's financial instruments comprise bank loans, cash and finance leases and hire purchase contracts. The purpose of these financial instruments is to finance the Group's operations. All are considered to be stated at fair value. Short term debtors and creditors have been omitted from all disclosures.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is interest rate risk.

The bank loan is secured by a fixed charge over certain assets of the Group. The bank loan is repayable over eight years and bears interest based on the bank's base rate plus 1%.

Finance leases and hire purchase contracts are secured on the specific asset to which the agreement relates and are on fund rate terms.
The weighted average interest rate is 5%.

Notes to the financial statements continued

For the year ended 2 October 2005

16 Provisions for liabilities and charges

	Group			
	Final void provision £	Deferred tax £	Total £	Company £
26 September 2004	6,262,090	—	6,262,090	—
– asset	—	(671,308)	(671,308)	—
Created in the year	2,246,875	—	2,246,875	—
Charged to profit and loss	219,665	1,380,471	1,600,136	—
2 October 2005	**8,728,630**	**709,163**	**9,437,793**	**—**

Deferred tax comprises:	**2005 £**	2004 £
Capital allowances in excess of depreciation	**691,384**	(637,882)
Other timing differences	**17,779**	(33,426)
	709,163	(671,308)

17 Called up share capital

	2005		2004	
Ordinary shares of 0.5p each	**Number**	**£**	Number	£
Authorised	**200,000,000**	**1,000,000**	200,000,000	1,000,000
Called up and fully paid	**39,693,568**	**198,468**	29,770,176	148,851

On 3 June 2005 the Company issued 9,923,392 ordinary shares to the general public via a 1:3 open offer at 170p per share in order to fund the purchase of the Grievehill and Glenmuckloch sites.

18 Share premium account

	Group £	Company £
26 September 2004	11,401,415	11,401,415
Issue of ordinary shares	16,820,149	16,820,149
Expenses of issue	(880,480)	(880,480)
2 October 2005	**27,341,084**	**27,341,084**

19 Profit and loss account

	Group £	Company £
26 September 2004	90,201	(380,039)
Retained profit for the year	1,463,076	380,169
2 October 2005	**1,553,277**	**130**

20 Reconciliation of movement in shareholders' funds

	2005		2004	
	Group £	**Company £**	Group £	Company £
Issue of ordinary shares	**15,989,286**	**15,989,286**	11,550,266	11,550,266
Profit/(loss) for the year	**3,797,073**	**2,714,166**	90,201	(380,039)
Dividends paid	**(2,333,997)**	**(2,333,997)**	—	—
Net increase in shareholders' funds	**17,452,362**	**16,369,455**	11,640,467	11,170,227
Opening shareholders' funds	**11,640,467**	**11,170,227**	—	—
Closing shareholders' funds	**29,092,829**	**27,539,682**	11,640,467	11,170,227

21 Operating lease commitments

At 2 October 2005 the Group was committed to making the following payments during the next year in respect of operating leases:

	2005 £	2004 £
Plant and machinery:		
Leases which expire within one year	**34,232**	261,422
Leases which expire between two and five years	**72,283**	339,960
Land and buildings:		
Leases which expire between two and five years	**—**	20,500

22 Capital commitments

At 2 October 2005 the Group was committed to acquiring plant and machinery:

	2005 £	2004 £
Contracted but not provided	**20,816,658**	2,529,000

23 Cash flows

a Reconciliation of operating profit to net cash inflow from operating activities	**2005 £**	2004 £
Operating profit	**5,457,450**	853,448
Depreciation and amortisation	**4,940,862**	6,008,797
Other movements in fixed assets	**(2,246,874)**	(3,111,402)
(Increase)/decrease in stocks	**(263,753)**	1,708,593
Increase in debtors	**(3,504,489)**	(1,746,560)
Increase in creditors and provisions	**4,228,800**	4,539,590
Net cash flow from operating activities	**8,611,996**	8,252,466

23 Cash flows continued

b Analysis of net debt	26 September 2004 £	Cash flow £	Other movements £	**2 October 2005 £**
Cash at bank	2,525,196	(4,166,426)	—	**(1,641,230)**
Debt due within one year	(50,000)	50,000	(122,000)	**(122,000)**
Debt due beyond one year	(344,500)	(631,224)	122,000	**(853,724)**
Finance leases and hire purchase contracts	(5,304,504)	3,424,770	(9,803,930)	**(11,683,664)**
		2,843,546		
	(3,173,808)	(1,322,880)	(9,803,930)	**(14,300,618)**

c Reconciliation of net cash inflow to movement in net debt	**2005 £**	2004 £
(Decrease)/increase in cash	**(4,166,426)**	2,525,196
Cash flow from changes in debt	**2,843,546**	8,661,394
Change in net debt resulting from cash flows	**(1,322,880)**	11,186,590
Net debt acquired with subsidiary	**—**	(4,237,348)
New debt issued	**—**	(5,850,750)
New finance leases and hire purchase contracts	**(9,803,930)**	(4,272,300)
Movement in net debt in year	**(11,126,810)**	(3,173,808)
Net debt at 26 September 2004	**(3,173,808)**	—
Net debt at 2 October 2005	**(14,300,618)**	(3,173,808)

d Other movements in net debt

During the year the Group entered into finance leases and hire purchase contracts arrangements in respect of assets with a total capital value at the inception of the agreements of £9,803,930 (2004: £4,272,300).

24 Related party transactions

During the year, the Group paid Alchemy Partners LLP £23,077 (2004: £55,180) for the services of I Slade, Non-executive Director of the Company. No balances were owed to Alchemy Partners LLP at 2 October 2005.

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting ("AGM") of ATH Resources plc (the "Company") will be held on Monday 9 January 2006, at 11.00 am at the offices of Eversheds LLP Solicitors, Cloth Hall Court, Infirmary Street, Leeds LS1 2JB for the following purposes:

Ordinary business
To consider and, if thought fit, pass the following ordinary resolutions.

1. To receive and adopt the financial statements of the Company for the year ended 2 October 2005, together with the Directors' Report.

2. To declare a final dividend for the year ended 2 October 2005 of 7.56p per ordinary share of 0.5p each in the capital of the Company to be paid on 13 January 2006 to members whose names appear on the register of members at the close of business on 23 December 2005.

3. To re-elect M T W Tod as a Director who retires by rotation in accordance with Article 111 of the Company's Articles of Association and, being eligible, offers himself for re-election.

4. To re-elect R A Croston as a Director who retires by rotation in accordance with Article 111 of the Company's Articles of Association and, being eligible, offers himself for re-election.

5. To re-elect V M F Williams as a Director who retires by rotation in accordance with Article 111 of the Company's Articles of Association and, being eligible, offers himself for re-election.

6. To re-appoint Baker Tilly as auditors of the Company to hold office until the conclusion of the next AGM at which finance statements are laid before the Company and to authorise the Directors to fix their remuneration.

7. To receive and approve the Remuneration Committee Report.

Special business
To consider and, if thought fit, pass the following resolutions which will be proposed as to Resolutions 8 and 11 as an Ordinary Resolution and as to Resolutions 9 and 10 as Special Resolutions:

8. THAT, subject to and in accordance with Article 16 of the Articles of Association of the Company, the Directors be and they hereby are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") (in substitution for any existing authority to allot relevant securities (within the meaning of section 80 of the Act)) to exercise all powers of the Company to allot, grant options over offer or otherwise deal with or dispose of relevant securities up to an aggregate nominal value of £66,156, being approximately one third of the current issued share capital of the Company, provided that this authority shall expire 15 months from the date of this resolution or at the conclusion of the next AGM of the Company in 2007 whichever is earlier unless previously renewed, varied or revoked by the Company in General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities of the Company to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired.

9. THAT, subject to the passing of Resolution 8 as set out in this Notice of AGM and in accordance with Article 17 of the Articles of Association of the Company the Directors be and hereby are generally empowered pursuant to section 95 of the Act to allot equity securities (in substitution for any existing authority to allot equity securities (within the meaning of section 94 of the Act)) for cash, pursuant to the authority conferred by Resolution 8 as set out in this Notice of AGM, as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities.

   (a) in connection with or pursuant to an offer by way of a rights issue, open offer or other pre-emptive offer in favour of ordinary shareholders in proportion as nearly as practicable (but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in, any territory) to the respective number of ordinary shares held by them; and

   (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £9,923

and such power shall expire 15 months from the date of this Resolution or at the conclusion of the AGM of the Company to be held in 2007, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

10. THAT, the Company be generally and unconditionally authorised pursuant to Article 9 of the Articles of Association of the Company and pursuant to section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 0.5p each in the capital of the Company provided that:

    10.1 the maximum number of shares hereby authorised to be purchased is 1,984,678 (being approximately 5% of the current issued ordinary share capital of the Company);

    10.2 the minimum price which may be paid for such shares is 0.5p per ordinary share being the nominal value thereof;

Notice of annual general meeting continued

Special business continued

10.3 the maximum price (exclusive of expenses) which may be paid for such shares shall not be more than 105% of the average of the middle market quotation for ordinary shares of 0.5p each in the capital of the Company for these shares taken from the listing of AIM of the London Stock Exchange plc over the five business days immediately preceding the day on which the contract for purchase is made; and

10.4 the authority shall expire 15 months from the date of this resolution or at the conclusion of the next AGM of the Company in 2007 whichever is earlier provided that the Company may before such expiry make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry and the Company may make a purchase of its own shares in pursuance of such contract as if the authority conferred hereby had not expired.

11. THAT, the performance target for options granted on 11 June 2004 under the ATH Resources plc Unapproved Executive Share Option Scheme and on 1 November 2004 in respect of options granted under the ATH Resources plc Approved Executive Share Option Scheme is that for the three financial periods of the Company commencing 1 October 2003 and ending 30 September 2006 the aggregate profit before tax (as determined from the audited accounts of the Company) for such period divided by the weighted average of ordinary shares in issue in this period must be equal to or greater than 38.68p per ordinary share and that the performance target for awards granted under the ATH Resources plc Long Term Incentive Plan on 11 June 2004 is that for the four financial periods of the Company commencing 1 October 2003 and ending 30 September 2008 the aggregate profit before tax (as determined by the audited accounts of the Company) for such period divided by the weighted average of ordinary shares in issue in this period must be equal to or greater than 64.42p per ordinary share be and is hereby approved and that the Directors are authorised to issue revised option and award documentation subject to the approval of HM Revenue and Customs in respect of options granted under the ATH Resources plc Inland Revenue Approved Executive Share Option Scheme.

By order of the Board

R A Croston
Company Secretary
6 December 2005

Notes

1. Any member entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2. In order to be valid, any form of proxy, power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.

3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 11.00 am on 6 January 2006 in order to be entitled to attend and vote at the AGM. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Copies of the service contracts of each of the Directors, and the register of Directors' interests in shares of the Company kept pursuant to section 325 of the Act will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the AGM and at the place of the AGM from at least 15 minutes prior to and until the conclusion of the AGM.

5 CREST users should note that they can lodge their proxy vote for the meeting through the CREST Proxy Voting System. For further instructions, users should refer to the CREST User Manual. Any CREST sponsored Member should contact their CREST Sponsor.

6. The Company is proposing Ordinary Resolution 11 to clarify the performance targets which apply to options and awards granted on 11 June 2004 under the ATH Resources plc Unapproved Executive Share Option Scheme and the ATH Resources plc Long Term Incentive Plan on 1 November 2004 under the ATH Resources plc Inland Revenue Approved Executive Share Option Scheme (together "the Schemes"). The clarification of performance targets is to ensure the performance targets are consistent with the Company's business plan and projections. The performance target for options granted on 1 November 2004 under the ATH Resources plc Inland Revenue Approved Executive Share Option Scheme and granted on 11 June 2004 under the ATH Resources plc Inland Revenue Unapproved Executive Share Option Scheme is for the three financial periods of the Company commencing on 1 October 2003 and ending on 30 September 2006 the aggregate profits before tax (as determined from the audited accounts of the Company) for such period divided by the weighted average of all ordinary shares in issue in this period must be equal to or greater than 38.68p per ordinary share. The performance target for options granted on 11 June 2004 under the ATH Resources plc Long Term Incentive Plan is up for the four financial periods of the Company commencing on 1 October 2003 and ending 30 September 2008 the aggregate profits before tax (as determined by the audited accounts of the Company) for such period divided by the weighted average of ordinary shares in issue in this period must be equal or greater than 64.42p per ordinary share. The Company proposes to issue revised option and award documentation to reflect both the adjustment of options and awards under the Scheme to take into account the Company's rights issue on 3 June 2005 and also restating the performance targets as set out above. In the case of options granted under the ATH Resources plc Inland Revenue Approved Executive Share Option Scheme approval of the HM Revenue and Customs will be required.

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Abchurch Communications Limited
100 Cannon Street
London EC4N 6EU

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company diary 2006

9 January 2006	Annual General Meeting
13 January 2006	Final dividend paid
2 April 2006	Half year end
13 June 2006	Interim results and dividend declared
28 June 2006	Ordinary shares go ex-dividend
21 July 2006	Interim dividend paid
1 October 2006	Financial year end
6 December 2006	Preliminary results and dividend declared
20 December 2006	Ordinary shares go ex-dividend

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