

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action is to be taken, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other investment adviser authorised under the Financial Services and Markets Act 2000.

IF YOU HAVE SOLD OR TRANSFERRED all your shares in Anglo Pacific Group PLC, you should hand this document with the accompanying form of election to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

IF YOU WISH TO RECEIVE THE INTERIM DIVIDEND WHOLLY IN CASH, YOU NEED TO TAKE NO ACTION TO DO SO.

ANGLO PACIFIC GROUP PLC

Interim dividend for the year ending 31st December 2009 Scrip Dividend Alternative

The interim dividend is at a rate of 3.70p per 2p ordinary share
1 new ordinary share at 213.7p for every 57.7568 ordinary shares held

Timetable

Ex-dividend date in Australia	9 th November 2009
Ex-dividend date in UK	11 th November 2009
Record date for dividend	13 th November 2009
Forms of election posted to shareholders	20 th November 2009
Forms of election to be returned to registrar before 3 p.m. on	23 rd December 2009
Certificates for new shares and dividend warrants dispatched	13 th January 2010
Dividend payment date and first day of listing and dealings for new shares	13 th January 2010

Summary

At the AGM on 23rd April 2009, shareholders authorised the Board to offer shareholders the right to elect to receive new shares instead of cash in respect of the interim dividend; a scrip dividend alternative has been declared and a form of election is enclosed.

Under the scrip dividend offer shareholders will be able to elect to receive new shares instead of cash for the interim dividend, to be paid on 13th January 2010 in respect of shares held at the close of business on 13th November 2009.

IF THERE ARE LESS THAN 58 ORDINARY SHARES REGISTERED IN YOUR NAME ON 13th NOVEMBER 2009, YOU CANNOT MAKE A VALID ELECTION ON THIS OCCASION. IN ANY SUCH CASE, THIS LETTER IS FOR INFORMATION ONLY AND YOU WILL RECEIVE YOUR CASH DIVIDEND AS USUAL.

ANGLO PACIFIC GROUP PLC

(Registered in England No. 897608)

Directors:

P.M. Boycott (Chairman)
M.H. Atkinson
M.J. Tack
J.G. Whellock
B.M. Wides
A.H. Yadgaroff

Registered Office:

17 Hill Street
London
W1J 5NZ

20th November 2009

To the holders of ordinary shares

Dear Sir or Madam

At the AGM held on 23rd April 2009, shareholders authorised the Board to offer shareholders the option to take the interim dividend for the financial year ending 31st December 2009 in shares instead of cash.

Shareholders who elect to take dividends in the form of new ordinary shares would increase their holdings in a simple manner without incurring dealing expenses or stamp duty. The Company would benefit from the retention of cash.

You have the choice of either:

- (a) receiving your dividend of 3.70p per share in cash, which will be paid on 13th January 2010, in which case no further action is necessary; or
- (b) receiving one new ordinary share credited as fully paid for every 57.7568 ordinary shares you currently hold, in which case you should read the notes appended to this letter and complete the enclosed form of election (the "Form of Election"), if you have not already completed a standing instruction to do so.

If you would like to receive new ordinary shares instead of the cash dividend both on this occasion and automatically on each occasion a scrip dividend offer is made in the future, and you have not already done so, you should also complete box (5) of the Form of Election to put in place a standing instruction to elect for a scrip dividend alternative for future dividends. Further details of this option are set out in paragraph 4 below.

A shareholder who elects to take up some or all of his entitlement will have both the benefits and the risks of an increased shareholding. This circular allows shareholders to exercise their choice whether or not to take up this entitlement.

This offer relates to the interim dividend for the financial year ending 31st December 2009, and is made on the basis of a price of 213.7p being the average mid-market closing price of the ordinary shares for the five business days commencing 11th November 2009. Before returning the Form of Election you should take into account movements in the share price.

To be effective, the enclosed Form of Election must be completed and returned using the reply paid envelope provided, by 3p.m. 23rd December 2009. An election to receive new ordinary shares instead of the interim cash dividend is irrevocable and cannot under any circumstances be cancelled.

However, the offer is subject to the condition that, if on 23rd December 2009 (the final date for return of the Form of Election) the ordinary share price is equal to or less than 182p (being the price which is approximately 15 per cent below 213.7p), the scrip dividend offer will automatically be cancelled and a cash dividend paid as if the offer and any elections pursuant to it had not been made. Full details of the scrip dividend offer are set out in the notes to this letter.

Yours faithfully,

Peter Boycott
CHAIRMAN

NOTES

1. Terms of the Offer

Shareholders who were on the register at the close of business on 13th November 2009 may elect to receive, for every 57.7568 ordinary shares of 2p each registered in their names on that date, one new ordinary share of 2p credited as fully paid, in place of the interim dividend of 3.70p per share in cash (the “cash dividend”). All elections will be subject to fulfilment of any conditions specified in the Form of Election and this document.

This election may be made by shareholders in respect of all or part of their holding of ordinary shares.

The election should be in respect of multiples of 57.7568 ordinary shares rounded up to the next whole number. No fraction of a new share will be allotted. The cash dividend of 3.70p per share will be paid on any whole number of shares for which an election is not made. No dividend will be paid on a fraction of a share.

2. How to make the election

If you hold 58 or more ordinary shares and you wish to receive new ordinary shares instead of the cash dividend in respect of all or any part of your holding, you should complete the enclosed Form of Election and send it to the company’s registrar, Equiniti Limited, so as to reach them no later than 23rd December 2009. If the Form of Election is not received by 3p.m. on that date the cash dividend will be paid in respect of all the ordinary shares that you hold. All forms sent to and from the shareholders are sent at the shareholders’ risk.

If on the Form of Election you do not specify in box (4) the number of ordinary shares in respect of which you are making your election, or if you make the election with respect to a greater number of ordinary shares than shown in box (1) on the form, your election will be deemed to be in respect of all the ordinary shares shown in box (1).

An election should only be made in respect of multiples of 57.7568 ordinary shares rounded up to the nearest whole number. If box (4) is completed for an amount of ordinary shares which is not in accordance with the above the registrar will automatically amend box (4) to the nearest multiple of 57.7568 rounded up to the nearest whole number of ordinary shares.

3. CREST Shareholders

This paragraph only applies to shareholders who hold their ordinary shares in CREST. You can only elect to receive your dividend in the form of the scrip dividend alternative by means of CREST procedures to effect such an election. No other form of election will be permitted and if received will be rejected and returned to you. If you are a CREST Personal Member, or other CREST Sponsored Member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf.

The CREST procedures require the use of the Dividend Election Input Message in accordance with the CREST Manual. The Dividend Election Input Message submitted must contain the number of ordinary shares on which the election is being made, whether this is all or part of your holding at the Record date. **An election for a scrip dividend standing instruction is not possible for CREST shareholders.**

4. Details of the scrip dividend standing instruction

The following paragraphs only apply if you decide to give a standing instruction to receive any future dividend as new ordinary shares rather than in cash.

Your future entitlement to new ordinary shares will be calculated by taking the amount of cash dividend to which you are entitled (and any fractional entitlements carried forward from the preceding periods) in that particular period and dividing it by the relevant value. The Company's articles of association provide that the relevant value will be calculated by reference to the average of the middle market quotations for ordinary shares as derived from the Daily Official List of the London Stock Exchange on the day on which the ordinary shares are first quoted 'ex' the relevant dividend and the four successive dealing days. The relevant value will be published on the Company's website and sent to each Shareholder.

No fractions of new ordinary shares will be allotted in future periods and any cash balance will be carried forward (without accruing any interest) and included in the calculation of the cash dividend you are entitled to in respect of the next period.

All new ordinary shares issued as part of a scrip dividend in future periods will automatically increase your shareholding on which the next entitlement to any future dividend will be calculated.

Dealings in new ordinary shares issued as part of the scrip dividend are expected to begin on the dividend payment date. In the unlikely event that the UK Listing Authority and/ or the London Stock Exchange does not agree before the dividend payment date to admit the new ordinary shares to the Official List and to trading any standing instruction you have made will be ignored and the dividend for that period will be paid in cash as soon as reasonable practicable.

If you hold ordinary shares in certificated form, you will receive a share certificate in respect of the new ordinary shares allotted to you. If you hold your ordinary shares in CREST, your CREST account will be credited electronically with the number of new ordinary shares allotted to you.

In respect of any period where a scrip dividend alternative is offered by the Company and the ordinary share price is equal to or less than 15 per cent below the relevant value on the last date on which the form of election in respect of the relevant scrip dividend election must be returned to Equiniti Limited, the relevant dividend will be paid in cash.

Any standing instruction given must be in respect of your entire holding of ordinary shares from time to time and cannot be in respect of only part of your holding.

Any new ordinary shares will have the same rights as the ordinary shares which are in issue at the time of the allotment of new ordinary shares.

Any standing instruction will continue to be effective until it is revoked by a Shareholder. Details of how a standing instruction can be revoked are set out in paragraph 5 below.

Where a scrip dividend alternative is payable in any future period, the expected timetable of events in relation to that scrip dividend alternative will be published on the Company's website and sent to each Shareholder.

5. Revocation of scrip dividend standing instruction

A Shareholder may revoke the standing instruction at any time by giving valid notice in writing to Equiniti Limited. To be valid, a notice to revoke a standing instruction must be received by Equiniti Limited no later than seven days before the last date on which the form of election in respect of the relevant scrip dividend election must be returned to Equiniti Limited.

The cancellation of the standing instruction will take place immediately on receipt of a valid notice by Equiniti Limited.

A standing instruction will be revoked immediately on notice of death, bankruptcy or insanity of a Shareholder being received by the Company unless that Shareholder was a joint Shareholder and the joint Shareholder is not similarly affected, in which case it will continue.

Completion of a standing instruction will not revoke any existing order under which cash dividends are paid direct to a bank. Such an order will ordinarily take effect again automatically if the standing instruction is revoked.

6. Delivery and listing of the new shares

Application will be made to the UK Listing Authority and to the London Stock Exchange for admission of the new shares to the Official List and to trading, and to the Australian Stock Exchange. The new shares will on issue rank *pari passu* in all respects with the existing issued ordinary shares and will rank for all future dividends.

No acknowledgement of receipt of the Form of Election will be issued. Subject to the UK Listing Authority agreeing to admit the new shares to the Official List and the London Stock Exchange agreeing to admit them to trading, definitive share certificates for the new shares will be posted, at the risk of the persons entitled to them, on 13th January 2010 (in the case of members holding their shares in certificated form) or credited to the relevant CREST accounts on that date. Dealings in the new shares are expected to begin on 13th January 2010. In the unlikely event that any conditions have not been met by 20th January 2010, Forms of Election will be disregarded and the full cash dividend will be paid in the usual way.

7. Overseas Shareholders

In view of the securities laws applicable in the United States of America and Canada, the election to take new shares instead of the interim dividend in cash will not be available to shareholders whose registered addresses are in the United States of America or its territories or possessions or in Canada.

Shareholders who are residents, citizens or nationals of any overseas countries may be affected by the laws of the relevant jurisdictions. Such shareholders should inform themselves about and observe any applicable legal requirements, including the obtaining of any governmental or other consents which may be required and compliance with other necessary formalities.

8. General

If all shareholders elected to receive shares as an alternative to the cash dividend in respect of their entire holding, then 1,850,809 shares would be issued representing an increase of approximately 1.73 per cent in the issued ordinary share capital of the company. The company holds no shares in treasury. If all shareholders wish to receive the interim dividend in cash, the cost to the company would be £3,955,179.09 and there would be an aggregate tax credit of £439,464.35.

TAXATION

Your directors have been advised that, under UK legislation, the taxation consequences for UK resident shareholders of electing to receive new shares instead of a cash dividend will broadly be as outlined below. Shareholders who elect to receive shares will receive information in connection with their tax return with their new share certificate.

1. Individuals

Where individuals elect to take new shares instead of a cash dividend, they will be treated as having received gross payments of an amount which, when reduced by income tax at the rate of 10 per cent, is equal to the cash dividend foregone, the “cash equivalent”. In other words, if an individual received new shares worth £90 he will be treated as receiving gross income of £100 and as having paid tax of £10 on that grossed up amount.

Individuals who (after taking account of their receipt of new shares or dividend) have no exposure to higher rate tax will have no further liability on the receipt of new shares.

Where individuals receive a dividend in cash or new shares, and their income tax liability is less than the tax credit attached to the dividend they are not entitled to make a repayment claim in respect of the amount by which the tax credit exceeds their tax liability.

Individuals taking new shares who are liable to higher rate income tax are subject to a tax rate of 32.5 per cent on the gross dividend income. They will be treated on the basis that they have received gross dividend income calculated as shown in the first paragraph above. Thus, a higher rate tax payer’s overall tax liability in the above example would be £32.50 (£100 at 32.5 per cent) and therefore after the deduction of the tax credit on the dividend of £10, the additional tax payable would be £22.50.

In all these cases, if an election to take new shares is made, the net amount of income deemed to have been received (£90 in the above example) will be treated for capital gains tax purposes as being the consideration for the new shares.

2. Trustees

Trustees of discretionary trusts are from 6th April 2004 liable to 32.5 per cent tax on dividend income. Those who elect to receive new shares will thus have the same grossing up procedure as outlined above for individuals liable to higher rate tax. For capital gains tax purposes, the amount of the cash dividend will be treated as being the consideration given for the new shares.

3. UK resident corporate shareholders

For a corporate shareholder who is resident in the UK, new shares will not be treated as franked investment income for corporation tax purposes. Corporation tax will not be chargeable on the cash equivalent of the new shares issued. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the new shares.

4. Gross funds

As the allotment of the new shares will not be treated as a qualifying distribution, no tax credit will attach to the new shares and no repayment claim can be made in respect thereof.

This summary of the taxation treatment is not exhaustive nor does it consider the position of any shareholder not resident in the UK. If you are not sure how you will be affected, you should consult your financial adviser before deciding whether or not to make an election.

If the amount of cash dividend foregone is substantially less than the value of the new shares on the first day of dealings on the London Stock Exchange, HM Revenue & Customs may substitute that market value as the cash equivalent. A difference of 15 per cent or more would be regarded as substantial.