

Anglo Pacific Group PLC

INTERIM REPORT FOR THE SIX MONTHS ENDED 30th JUNE 2003

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that our coal royalty interests are now valued at £38.8 million as of June 2003 which is over £10 million more than the valuation at 31st December 2002.

Our cash and mining operational interests and quoted stakes in gold, diamond and PGM projects were valued at 30th June 2003 at circa £7.6 million and currently show a healthy unrealised profit over book value.

We will announce our interim dividend in November 2003.

Following reduced royalty receipts from our Australian coal mining interests, Group profits before tax for the six months ended 30th June 2003 were £1,738,000 compared to £2,900,000 for the same period last year. Profits after tax were £1,245,000 compared to £1,979,000 with earnings per share for the half year of 1.42p compared to 2.27p.

Our coal royalty is shared with the Queensland Government and recent output has been mainly from the Crown's area of the coal deposit rather than the privately owned area. This accounts for the drop in our coal royalty receipts over the last six months. Mining will be more from the privately owned ground later this year.

OPERATIONAL REVIEW

COAL ENERGY INTERESTS

Coal royalties from the two mines in Queensland, Australia, were £1.88 million, (2002: £3.3 million).

The independent valuation of the coal royalty in June 2003, based on a net present value of the pre-tax cashflow discounted at a rate of 7%, was £38.8 million (A\$95.4 million) compared to £28.7 million (A\$81.4 million) at 31st December 2002. At present the net royalty income is taxed in Australia at 30%.

We have increased our holdings of Canadian coal deposits and coal bed methane interests.

GOLD, DIAMOND AND PLATINUM GROUP METALS

Amongst other mining interests, the Company still has substantial stakes in Kirkland Lake Gold and Platinum Australia.

Kirkland Lake is now in production which has been reflected in a sharp rise in its market capitalisation.

Platinum Australia recently announced the postponement of the start of mining at its Panton project in Western Australia due to lower palladium prices and the strong Australian dollar. Despite this setback, we continue to be positive about this project and have been increasing our holding at the lower levels.

More information on these projects and our other mining interests can be found on the Group's website at www.anglopacifigroup.com.

OUTLOOK

Output from Queensland's coal deposits is at record levels and the outlook for prices for coking and steaming coal remains encouraging after recent rises. This is reflected in the increased valuation of our coal royalty and the continued high output from the two mines operated by BHP Billiton and Rio Tinto.

With the recent strong dollar and higher gold price, the Board remains confident in its strategy of acquiring further stakes in gold, diamond and PGM projects that can lead to capital appreciation and increased royalty flows for the Group.

The Board's strategy is to pay a proportion of its royalty cashflow as dividends to shareholders whilst endeavouring to make full use of its substantial tax losses.

Peter Boycott
Chairman

12th September 2003

Anglo Pacific Group PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30th JUNE 2003

	Six months ended 30th June 2003 £000	Six months ended 30th June 2002 £000	Year ended 31st December 2002 £000
Turnover			
Continuing operations	1,874	3,284	5,802
Discontinued operations	—	123	142
	<u>1,874</u>	<u>3,407</u>	<u>5,944</u>
Cost of sales			
Discontinued operations	—	(144)	(169)
	<u>—</u>	<u>(144)</u>	<u>(169)</u>
Gross profit	<u>1,874</u>	<u>3,263</u>	<u>5,775</u>
Continuing operations			
Administrative expenses	(419)	(419)	(733)
Profit on disposal of investments	158	—	7
Other operating income	56	46	120
Operating profit from continuing operations	<u>1,669</u>	<u>2,911</u>	<u>5,196</u>
Discontinued operations			
Administrative expenses	—	(47)	(57)
Operating loss from discontinued operations	<u>—</u>	<u>(68)</u>	<u>(84)</u>
Total operating profit	<u>1,669</u>	<u>2,843</u>	<u>5,112</u>
Profit on disposal of subsidiaries	—	—	75
Net interest received	69	57	148
Write down of assets	—	—	(144)
Profit on ordinary activities before tax	<u>1,738</u>	<u>2,900</u>	<u>5,191</u>
Taxation on ordinary activities	(493)	(921)	(1,631)
Profit for the financial period	<u>1,245</u>	<u>1,979</u>	<u>3,560</u>
Dividends	—	—	(1,525)
Retained profit for the financial period	<u>1,245</u>	<u>1,979</u>	<u>2,035</u>
Earnings per share	1.42p	2.27p	4.09p
Fully diluted earnings per share	1.42p	2.22p	4.03p

STATEMENT OF CONSOLIDATED RETAINED PROFITS

	Six months ended 30th June 2003 £000	Six months ended 30th June 2002 £000	Year ended 31st December 2002 £000
At 1st January—Balance brought forward	4,553	(6,170)	(6,170)
Capital reconstruction	—	—	9,320
Transfer to Special Reserve	—	—	(632)
Profit for the period	<u>1,245</u>	<u>1,979</u>	<u>2,035</u>
Balance carried forward	<u>5,798</u>	<u>(4,191)</u>	<u>4,553</u>

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET

AS AT 30th JUNE 2003

	30th June 2003		31st December 2003	
	£000	£000	£000	£000
Fixed assets				
Tangible assets		838		839
Coal royalties (at valuation)		28,713		28,713
Other investments (at cost)		4,013		2,910
Current assets		33,564		32,462
Debtors	1,094		1,091	
Cash at bank and in hand	2,458		3,766	
	3,552		4,857	
Current liabilities				
Taxation	(495)		(823)	
Creditors—amounts falling due within one year	(248)		(125)	
Dividends payable	(569)		(1,525)	
	(1,312)		(2,473)	
Net current assets		2,240		2,384
Total assets less current liabilities		35,804		34,846
Creditors—amounts falling due after more than one year				
Deferred tax	(114)		(411)	
		(114)		(411)
		35,690		34,435
Capital and reserves				
Share capital		1,749		1,749
Share premium		420		420
Revaluation reserve		27,000		27,000
Foreign currency translation reserve		91		81
Special reserve		632		632
Profit and loss account balance		5,798		4,553
Equity shareholders' funds		35,690		34,435

Notes

1. Fixed asset investments

(a) Coal Royalty Investments

At 1st January 2003 and 30th June 2003

£000's

28,713

The Group's coal royalty investments comprise the Kestrel and Crinum coal royalties.

The Company commissioned a valuation of the coal royalties in June 2003, based on a net present value of the pre-tax cashflow discounted at a rate of 7%, which produced a valuation of £38.8 million (A\$95.4 million), a surplus of £10.1 million over the book amount. At present the net royalty income is taxed in Australia at a rate of 30%. Were the coal royalties to be realised at the revalued amount there are £12.3 million (A\$30.4 million) of capital losses potentially available to offset against taxable gains.

Neither the revalued amounts nor the related potential tax liabilities are incorporated in the accounts.

(b) Other investments

At 1st January 2003

Additions

Disposals

At 30th June 2003

£000's

2,910

1,594

(491)

4,013

Quoted investments

Unquoted investments

3,941

72

4,013

The market value of the quoted investments at 30th June 2003 was £5,223,000. The directors' valuation of the unquoted investments was £72,000.

2. Basis of preparation

These unaudited accounts, which do not constitute statutory accounts, have been prepared using accounting policies set out in the Group's 2002 statutory accounts. The financial statements have been subject to a review by the Group's auditors. The 2002 accounts received an unqualified auditors' report and have been delivered to the Registrar of Companies.

3. Earnings per ordinary share

The earnings per ordinary share is calculated on the Group's profit after tax of £1,245,000 and 87,462,955 shares. Fully diluted earnings is calculated on a profit after tax of £1,261,000 and 88,873,944 shares.

4. This statement will be sent to shareholders and will be available at the Company's registered office at 29 Albemarle Street, London W1S 4JB.

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30th JUNE 2003

	Six months ended 30th June 2003 £000	Six months ended 30th June 2002 £000	Year ended 31st December 2002 £000
Net cash inflow from operating activities	1,644	1,821	5,029
Interest received (less paid)	69	57	148
Overseas tax paid	(1,118)	(477)	(995)
Capital expenditure and financial investment	(947)	(649)	(2,986)
Disposal of a subsidiary	—	—	268
Equity dividends paid	(956)	—	—
Net cash inflow before financing	(1,308)	752	1,464
Net cash inflow from financing	—	—	90
(Decrease)/increase in cash	(1,308)	752	1,554

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	Six months ended 30th June 2003 £000	Six months ended 30th June 2002 £000	Year ended 31st December 2002 £000
Operating profit	1,669	2,843	5,112
Depreciation	3	22	30
(Gain) on sale of tangible fixed assets	(158)	(13)	(7)
Net decrease/(increase) in working capital	130	(1,031)	(106)
	1,644	1,821	5,029

INDEPENDENT REVIEW REPORT TO ANGLO PACIFIC GROUP PLC

Introduction

We have been instructed by the Company to review the financial information set out on pages 2 to 4 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2003.

Baker Tilly
Chartered Accountants
12th September 2003

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