

Anglo Pacific Group PLC

Report and Accounts

2004

Anglo Pacific Group PLC

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Anglo Pacific Group PLC

DIRECTORS

P.M. BOYCOTT (*Chairman*)
H. MICHAELIS
J.G. WHELLOCK
B.M. WIDES (*Finance Director*)
A.H. YADGAROFF

SECRETARY

M.J. TACK

HEAD OFFICE

17 HILL STREET, LONDON W1J 5NZ

REGISTERED OFFICE

1st FLOOR, SENTINEL HOUSE, SENTINEL SQUARE,
BRENT STREET, LONDON NW4 2EP
Registered in England No. 897608

AUDITORS

BAKER TILLY
Breckenridge House, 274 Sauchiehall Street, Glasgow G2 3EH

BANKERS

BARCLAYS BANK PLC
London Corporate Banking
50 Pall Mall
P.O. Box 1516R
London SW1A 1QA

REGISTRARS

CAPITA REGISTRARS LIMITED
Northern House
Woodsome Park
Fenay Bridge, Huddersfield
Yorkshire HD8 0LA

STOCKBROKERS

BREWIN DOLPHIN SECURITIES LIMITED
48 St. Vincent Street
Glasgow G2 5TS

LISTINGS

LONDON STOCK EXCHANGE
Full Listing
Symbol APF

AUSTRALIAN STOCK EXCHANGE
Dual Listing
Symbol AGP

WEBSITE

www.anglo-pacificgroup.com

Anglo Pacific Group PLC

Annual Report 2004

CHAIRMAN'S REVIEW

The year under review produced record results for the Company due to its increased focus on coal and other energy products where global demand has seen prices improve sharply over the year. This has produced increased dividends and higher asset values for shareholders. The main features contained in these accounts can be summarised as follows:—

FINANCIAL HIGHLIGHTS

- Profit before tax increased 88% to £7,712,000 (2003—£4,109,000)
- Proposed final dividend increased by 54% to 2.00p per share (2003—1.30p)
- Total dividend for the year increased by 38% to 3.60p (2003—2.60p)
- Coal royalties for the year increased by 57% to £5.3 million (2003—£3.4 million)
- Australian coal royalty independent valuation increased by 30% to £57.6 million
- Cash and strategic investments increased by 114% to £24 million
- Earnings increased by 93% to 7.15p per share (2003—3.70p)
- £39 million of unused tax losses

OPERATIONAL HIGHLIGHTS

- The Company's interests in the Groundhog and Trefi Coal Deposits in British Columbia, Canada increased from 65% to 100%
- Acquisition of further additional new coal rights and tenancies in British Columbia at minimal cost of licence applications and registrations
- Several New Coal opportunities in Australia resulting from Core Resources joint venture
- Merritt Coal Bed Methane project in British Columbia continuing
- Record Royalty Flows from Private Ground expected in 2005
- Coking Coal prices expected to remain buoyant due to sustained Chinese, Indian, Far East and other International demand

Results

Group profits before tax for the year ended 31st December 2004 were £7,712,000 compared to £4,109,000 for the previous year. Profits after tax increased by 98% to £6,402,000 (2003—£3,240,000) with earnings per share for the year of 7.15p (2003—3.70p). The Group has realised capital gains from its mining interests of £3,507,000 (2003—£1,360,000).

I am pleased to announce a final dividend of 2.00p per share for the year ended 31st December 2004 which, with the interim dividend of 1.6p per share paid on 28th January 2005, will make a total for 2004 of 3.60p per share (2003—2.60p). The Board proposes to pay the final dividend on 5th August 2005 to shareholders on the Company's share register at the close of business on 24th June 2005. As with the interim dividend, shareholders will be given the opportunity to elect to receive a scrip dividend instead of cash. On average, since the scrip dividend was available to shareholders, over a third have chosen to take scrip instead of cash. The Board is appreciative of this vote of confidence in the Company. The Company's directors have also elected to take scrip instead of cash in respect of most of their holdings.

In October 2004 the Company took the opportunity to raise £3.5 million after expenses for further working capital by placing 4.4 million shares at 81.75p per share.

The Board has decided that, with the recent interest in coal and coal energy companies worldwide, it is in the best interests of the Company and shareholders to seek a quotation on the Toronto Stock Exchange whilst maintaining the full London quote. Shareholders will be kept informed of the progress of the application.

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CHAIRMAN'S REVIEW

Our coal royalty interests have been independently valued at £57.6 million as at 31st December 2004 which is £13.3 million more than the valuation at 31st December 2003.

The Company continued to participate in financings of various mining opportunities. Our mining interests and quoted stakes in coal, coal energy, uranium and other metal projects were valued at 31st December 2004 at £20.2 million. This included an unrealised profit over book value of £7.9 million in addition to the realised gains referred to earlier. The Company also had cash of £3.8 million at 31st December 2004.

Operational review

Coal energy interests

Coal Royalties

In Australia, coal royalty receipts from the Kestrel and Crinum mines, operated by Rio Tinto and BHP Billiton respectively, were £5,313,000 (2003—£3,376,000).

The independent valuation of these interests at the year-end was A\$141.3 million (£57.6 million) compared to A\$105.2 million (£44.3 million) at 31st December 2003, based on the net present value of the pre-tax cashflow discounted at a rate of 7%. The net royalty income is taxed in Australia at a rate of 30%. The change in the valuation compared to last year has been adjusted to revaluation reserve.

Our coal royalty is computed by reference to Queensland Government legislation which resulted in an increase in the rate of royalty from 4% to 7% in April 2000. The legislation applies to both ground owned by the Crown and certain other privately owned areas in which the Company participates. During 2004 mining output increased from the private area of the coal deposits. In 2005 this is expected to continue with record royalty flows for the Company anticipated.

During 2004 the Company has sought to take advantage of the distinct shift in sentiment away from gold and precious metals towards base metals, coal, coal energy, oil and uranium. Consequently your Company has increased substantially its exposure to coal and coal energy products with particular emphasis on coking or metallurgical coal.

The price rises achieved by suppliers of coking coal in the last twelve months have started to be reflected in the values of the Company's interests. Recent published prices of supplier contracts of coking coal have been agreed at over 120 US\$ per ton compared to prices at half that level a year ago. A major US investment bank stated in a recent report that it expected coking coal supplies to remain tight through to 2008 leading to significant upward pressure on prices.

Coal Deposits

In line with this strategy the Company has again expanded its holdings in its Canadian coal deposits in British Columbia by increasing from 65% to 100% its interests in the Groundhog and Peace River projects. Furthermore, by staking more ground near and around these projects the Company has strengthened its position in these major strategic coal fields.

The outlook for the potential joint venture development of these resources remains very encouraging due to the continuing global demand for Canadian coal products especially from China, Japan and the Far East.

The Company's decision to seek a listing on the Toronto Stock Exchange (TSX) is expected to greatly enhance the ability to take these projects forward.

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CHAIRMAN'S REVIEW

Coal Bed Methane

The Company still owns a circa 15% interest in the Merritt coal and coal bed methane project in British Columbia. Coal bed gas prices have again risen during 2004 and the Company's interests are now held through its holding in Forum Development Corporation which is quoted on the TSX Venture Exchange (TSXV). This company has also recently acquired some uranium interests.

Cambrian Mining

The Company now owns circa 6% of Cambrian Mining (listed on AIM) as well as a direct holding in Western Canadian Coal (listed on the TSXV), a new operating coal producer in British Columbia, Canada. Cambrian owns circa 43% of Western Canadian Coal and a 27% stake in Asia Energy (listed on AIM), in addition to being entitled directly to a one US\$ per ton royalty on all coal produced at Asia Energy's Phulbari coal project in Bangladesh. The Company has recently participated in placings by both Cambrian and Western Canadian Coal where the latter raised C\$115 million for working capital to ramp up coal production at Western Canadian Coal's projects in British Columbia.

Core Resources

In September 2004 the Company announced a joint venture relationship with Core Resources, a private Australian based resources group, to identify mining opportunities in Australia as well as carrying out detailed investigations into a potential new coal area in Northern Australia. This project was recently identified by Conarco Minerals Pty Ltd (Conarco), a private company which includes amongst its shareholders, John Collier, a former senior executive of Rio Tinto in Australia. Conarco retains an active interest in these tenements.

Other Metal Interests

The Company still retains substantial investments, albeit at a reduced level, in various gold, diamond and platinum projects based mostly in North America and Australia. As already indicated and in the light of the continuing global demand especially in the Far East, the Company's policy is to concentrate more on base metals and uranium.

In this respect the Company's strategy still remains to acquire projects that expect to yield dividend and royalty cashflow as well as asset appreciation in the next few years.

During 2004 the Company has taken profits on a number of its quoted gold investments whilst still retaining, inter alia, holdings in Kirkland Lake Gold, Uruguay Minerals, Starfield Resources and Muscox Minerals but at reduced levels. The Company remains a supportive and substantial shareholder in Hidefield Gold, Aquiline Resources and Alto Ventures where it has had disclosable stakes.

The Company retains a 16% interest in Platinum Australia where progress has been made on three challenging and substantial platinum projects in South Africa. The process technology associated with the Panton project in Australia remains a valuable asset for Platinum Australia in developing these recently acquired interests.

In September 2004 the Company announced a circa 9% interest in Laramide Resources which owns the Westmoreland-Lagoon Creek uranium deposit in Australia where, according to Laramide, 28% of the world's known recoverable resources of uranium exist. Uranium prices have improved substantially in the past 18 months, with spot prices rising from below US\$10 per lb to current levels of around US\$20 per lb. This holding is in line with the Company's strategy of increasing its exposure to energy products and is one of a number of uranium interests acquired in recent months.

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Information on some of these projects and our other mining interests can be found on the Group's website at www.anglo-pacificgroup.com as well as on the relevant mining company's own website.

Due to continuously altering equity holdings and important commercial and project viability considerations, the Company has decided to no longer publish its attributable underlying asset positions.

Talc

The Board continues to negotiate improvements to the leases of this project and remains committed to joint venture this interest when appropriate.

Strategy

The Company's strategy remains to pay a substantial proportion of the coal royalty as dividends to shareholders whilst pursuing an active mining participation policy.

The Board's mining operations and joint ventures are still concentrated in North America, Australia and Western Europe. Profits from these operations should be shielded from tax by the Company's tax losses.

The Company's main focus is now on coal energy and base metals including uranium. Development of the Company's Canadian and Australian coal interests is now a priority due to the continuing demand for coal energy from China, India and the Far East.

Outlook

The Board expects to receive record coal royalties this year from its interests in Queensland, Australia. With the encouraging outlook for coking coal prices for 2005, and several years further forward, the Board looks to the future with confidence.

Finally I wish to thank shareholders for their support over the last year as well as extending my thanks to our hard working directors and staff.

P.M. BOYCOTT
Chairman
28th February 2005

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2004

The directors present their report together with audited consolidated accounts of the Group for the year ended 31st December 2004.

Summary of activities

The activities of the Group, conducted mainly through its subsidiary undertakings, are summarised below:—

Gordon Resources Limited

The Group, via its wholly owned Australian subsidiary Gordon Resources Limited, owns a royalty entitlement to the output from the Kestrel and Crinum underground mines in Queensland other than Crown areas. The basis of calculation of the Group royalty is 7% of the invoiced value of the coal, without deduction for any costs pertaining to rail and road freight, or any other costs incurred in relation to the sale or disposal of the coal other than port and related charges.

Other interests

- (a) The Group owns a substantial talc deposit in Shetland.
- (b) At 31st December 2004, the Group owned a number of strategic holdings in quoted and unquoted coal energy, gold, diamond, base metals and PGM mining projects at a total cost of £12,336,000.
- (c) The Group controls 100% of its Groundhog and Peace River Coal deposits in British Columbia, Canada.
- (d) The Group owns a circa 15% interest in the Merritt coal and coal bed methane project in British Columbia, Canada through its shareholding in Forum Development Corporation.
- (e) The Group is participating in a joint venture with Core Resources to identify mining opportunities in Australia as well as carrying out detailed investigations into a potential new coal area in Northern Australia.

To assist the Board of Directors and outside consultants in evaluating these and other acquisitions, the company has the following three man panel of advisers:—

Professor M Johnson

Mike Johnson holds a Personal Professorship (Chair) in Environmental Science at Liverpool University, where he is also Research Director of the University Botanic Gardens. He holds environmental advisory positions with Rio Tinto, Outokumpu, the World Bank, AMEC and BAT. He is also Chairman of Glebe Mines Ltd and a director of Minmet plc and LRM Group Ltd. He is the author of several books and over 150 technical papers on the environmental aspects of mining including land reclamation and environmental monitoring, toxicology and waste management.

Mr J Prochnau

John Prochnau is a mining engineer and geologist with degrees from the University of Washington, Seattle, U.S.A., and McGill University, Montreal, Canada. He has held management positions with the Selection Trust Group and Billiton International Metals B. V. of the Netherlands. He formed his consulting company in 1984 and subsequently managed a number of private exploration syndicates and publicly listed mineral companies responsible for a number of gold and base metal discoveries and mine developments. He was founder of Brancote Holdings plc of which he was managing director until 1999 and is currently Executive Chairman of Hidefield Gold plc.

Mr L Hansen

Lex Hansen, BSc (Geology and Metallurgy), MBA, FAusIMM, FAICD, has more than 35 years experience in senior positions in the mining industry. His career has spanned

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2004

exploration, mine operations and development, corporate finance, stockbroking, fund management and investment banking. His most recent position was Executive Director of Corporate Finance (Mining) at HSBC Bank Australia with regional responsibility for resources finance, equity investment appraisals and underwriting transactions. He has also been a director of a public listed gold exploration and development company.

Group results for the year

The consolidated profit and loss account is set out on page 18 of the accounts.

The profit after tax was £6,402,000 (2003—£3,240,000). The retained profit for the year of £2,997,000 was transferred to the profit and loss account.

Dividends

The directors recommend a final dividend of 2.00p per ordinary share to be paid on 5th August 2005 to shareholders on the register at close of business on 24th June 2005. This gives a total dividend for the year (including the interim dividend paid on 28th January 2005) of 3.60p per ordinary share (2003—2.60p).

Directors and their interests

The names of the directors who held office during the year under review are shown below:—

P.M. Boycott
H. Michaelis
J.G. Whellock
B.M. Wides
A.H. Yadgaroff

The directors who are due to retire by rotation at the next Annual General Meeting are H. Michaelis and J.G. Whellock, who, being eligible, offer themselves for re-election. The biographical details of Mr Michaelis and Mr Whellock are as follows:

H. Michaelis is a Chartered Accountant (SA) and was appointed as a director on 2nd May 1997. He is a non-broking member of the Johannesburg Stock Exchange having been a member since 1975. He is now resident in Australia running a family investment company that has involvement in the transport and wholesaling industry as well as stock market investments.

Dr. Whellock, a Ph.D. in Chemical Engineering, was appointed as a director on 3rd March 2003. He has 30 years of experience in the development and implementation of extractive metallurgy, mineral and chemical plants and projects for major international mining groups. His firm, JW Technologies, has been responsible for the implementation of several innovative furnace designs and processes. Applications include alternative power, treatment of various hazardous wastes, cement industry by-products and production of nano-materials

The Group maintains insurance for its directors and officers against certain liabilities in relation to the Group.

The beneficial interests of the directors in office at 31st December 2004 in the issued share capital of the Company are as follows:—

Director	Number of Ordinary Shares		
	18th February 2005	31st December 2004	31st December 2003
P.M. Boycott	2,865,376	2,820,361	2,687,810
H. Michaelis	1,411,738	1,406,738	1,570,000
J.G. Whellock	7,444	7,444	4,444
B.M. Wides	3,396,414	3,342,325	3,198,895
A.H. Yadgaroff	127,663	125,600	119,684

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2004

No director had any other interest in the issued share capital of the Company at the end of the year. No director was interested in any shares of subsidiary companies at any time during the year. There have been no changes in directors or directors' interests in shares of the Company and its subsidiaries between the 18th February 2005 and the date of this report.

Substantial interests

The Company has been notified of the following interests of 3% or more in the Share Capital of the Company at 18th February 2005.

	Ordinary Shares of 2p each	Representing
Ransomes Dock Ltd	9,608,219	10.11%
Invesco English and International Trust plc	3,379,166	3.55%

Re-appointment of Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of Messrs Baker Tilly as auditors of the Company and to authorise the directors to fix their remuneration.

Implementation of International Financial Reporting Standards

The Group is required to adopt International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) from 1st January 2005. The audit committee have developed an implementation plan, which adequately addresses all areas of divergence between IFRS and UK GAAP. The committee have identified the following three areas which are likely to have the most significant impact on the financial statements:

- No accrual for dividends declared after the balance sheet date
- Accounting for deferred taxation on revaluations
- Accounting for share based payments.

The Group's first IFRS results will be its half year interim results for the six months to 30 June 2005.

Donations

No donations were made to charities during the year (2003—nil).

No political donations were made during the year (2003—nil).

Supplier Payment Policy

The Group's policy with regard to the payment of suppliers is to:—

- agree terms of payment at the start of business with each supplier; ensure that suppliers are made aware of the terms of payment;
- pay suppliers in accordance with our contractual and legal obligations.

During the year to 31st December 2004 the Group took an average of 24 days to settle its bills with suppliers.

Income and Corporation Taxes Act 1988

So far as the directors are aware, the Company is not, and was not at the end of the financial year, a close company in terms of the Income and Corporation Taxes Act 1988.

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2004

The Environment

The Group remains committed to an Environmental Policy of collaborating fully with statutory authorities, local communities and special interest groups to minimise effects of its activities on the natural and human environment associated with its operations, where appropriate.

Statement of directors' responsibilities

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31st December 2004. The directors also confirm that applicable accounting standards have been followed and the accounts have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual General Meeting

The notice of the Annual General Meeting (refer to page 33) contains some special business.

Scrip Dividend Authority

Resolution 7 seeks to renew the authority taken at last year's Annual General Meeting to offer the shareholders the option to take dividends in ordinary shares instead of cash.

Partial Disapplication of Pre-emption Rights

Resolution 8 seeks a waiver of the pre-emption rights of existing shareholders, but only for new securities or shares (if any) held in treasury up to a maximum aggregate nominal value of £95,073 (5% of the issued share capital at the date of this report) or, if less, 5% of the Company's issued share capital from time to time. The directors also seek authority to make appropriate exclusions from any rights issue, because it may not be possible to issue new shares to some shareholders (for example, those resident in foreign jurisdictions where regulatory difficulties might arise). The directors will be able to use this authority, if granted, to allot new securities or issue shares held in treasury without further reference to shareholders. However, the directors have no plans at present to make such an allotment and the proposed authority, if granted, will expire at the earlier of the next annual general meeting of the Company or fifteen months from the date of passing of the resolution.

Authority to purchase own shares

Resolution 9 gives authority for the Company to purchase its own shares and specifies the maximum number of shares which may be acquired (9,507,307, approximately 10% of the Company's issued ordinary share capital as at the date of this report) and the maximum (105% of the 5 day average middle market price) and minimum (the nominal value) prices at which shares may be bought. The directors intend to exercise this power only if, in the light of market conditions prevailing at the time, they believe that the effect

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2004

of such purchases will be to increase earnings per share. They will also have regard to whether, at the time, this represents the best use of the Company's resources and is in the best interests of the shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way will either be cancelled and the number of shares in issue be reduced accordingly, or else held in treasury. In total there are options outstanding over 936,923 ordinary shares; they represent 0.99% of the current issued share capital and would represent 1.09% of the issued share capital if the full buy back authority was used and the shares so acquired cancelled. The proposed authority, if granted, will expire at the earlier of the next annual general meeting of the Company or 18 months from the date of passing of the resolution.

Registered Office:
1st Floor
Sentinel House
Sentinel Square
Brent Street
London NW4 2EP

By Order of the Board
M.J. Tack C.A.
Company Secretary

28th February 2005

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

Compliance

The Board confirms that the Company complies with the provision of section 1 of the Combined Code appended to the listing rules of the Financial Service Authority, other than in respect of the areas disclosed in the following report:—

The Board of Directors

The Board currently comprises an executive Chairman and Finance Director. In addition there are three non-executive directors. New director appointments are considered formally by the Board. All directors are subject to election by shareholders at the first opportunity after their appointment. The directors do not consider that a separate nomination committee would be beneficial in a group of this size. Directors are able to take both independent professional advice and appropriate training in furtherance of their duties at the Company's expense. Individual directors, in conjunction with other Board members, may take training tailored to their own requirements. At this stage due to the size of the Group the Board does not pursue a detailed schedule of areas for training its directors.

The current non-executive directors do not have specific terms of appointment. The Board regularly considers whether these terms should be put in place and may introduce them in the future. Under the terms of the company's Memorandum and Articles of Association, all directors retire by rotation on the basis of one-third of their number each year, and require to be re-appointed by the shareholders at an Annual General Meeting.

The day to day management of the Group is delegated to the executive directors including the Chairman, save for certain matters reserved for consideration by the Board. There is no specific list of matters for the Board's consideration but the executive directors report and refer to the Board at regular intervals on all matters relating to the running of the Company. All of the non-executive directors are considered by the Board to be independent. Given the size of the Group it is not considered necessary to appoint a separate Chief Executive Officer or senior independent non-executive director.

The Board meets at least six times a year. Prior to each meeting, directors are sent an agenda and backup papers on individual agenda items. Directors may request additional Board papers on any topic.

Audit Committee

The Company has one executive director and two non-executive directors constituting the audit committee as opposed to the recommended three non-executive directors. Whilst this does not comply with recommended practice the board believes it is neither practicable nor desirable for the audit committee to include more than two non-executive directors given the size of the Group. The audit committee's terms of reference are consistent with those recommended under the Combined Code.

The audit committee comprised P.M. Boycott, executive Chairman and two non-executive directors H. Michaelis and A.H. Yadgaroff. The committee meets as required, in particular, prior to the release of the Group's annual audited financial statements.

Remuneration Committee

The remuneration committee comprised B.M. Wides, Finance Director, and two non-executive directors H. Michaelis and J.G. Whellock. The principal function of the committee is to determine the policy on remuneration for its executive directors, senior management and company secretary, including their service contracts, salaries, benefits

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CORPORATE GOVERNANCE STATEMENT

in kind, performance related awards and compensation or termination payments. In exercising its responsibilities, the committee has access to professional advice.

The remuneration committee does not consist exclusively of non-executive directors with no personal financial interest and no day-to-day involvement in running the business. Given the fact that the majority of the committee is made up of non-executives, the Board does not believe there are any conflicts of interest.

Relations with Shareholders

The Annual General Meeting (AGM) is used as a forum to communicate with private investors and the Board encourages their participation. Shareholders may ask questions on resolutions proposed at the meeting and about the business in general. The Chairmen of the audit and remuneration committees are available to answer questions. Where appropriate, the Board maintains ongoing contact with institutional shareholders including regular meetings.

Internal Control

The directors are responsible for ensuring that the Group maintains a system of internal controls, including suitable monitoring procedures. Any system of internal control can only provide reasonable, but not absolute assurance, against misstatement or loss.

The internal financial control system is designed to ensure the maintenance of proper accounting records and the reliability of financial information used internally and externally. During the year the Group's internal financial control and monitoring procedures included:

- clear responsibilities on the part of operating and financial management for the maintenance of financial controls and the production of accurate and timely financial information;
- the control of key financial risks through clear authorisation levels and proper segregation of duties and
- detailed budgeting and reporting of results, balance sheets and cash flows, with regular review by management of variances from budgets.

The management and executive directors meet on a regular basis to evaluate operational and compliance issues and major business risks and confirm they have reviewed the effectiveness of the system of internal financial controls in place during the year. The executive directors also confirm that the Group's internal control procedures comply with those recommended in the Turnbull report except that management and executive director meetings consider internal control matters under each agenda heading rather than as a single agenda item. The executive directors consider this treatment to be more appropriate to a Group of this size.

Due to the close involvement of the executive directors in operational, financial and risk management and control, and also in view of the Group's size, there is no formal internal audit function. The Board, however, periodically considers whether such a function should be established.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Anglo Pacific Group PLC

DIRECTORS' REMUNERATION REPORT

The remuneration committee comprised:—

H. Michaelis (Chairman)
J.G. Whellock
B.M. Wides

H. Michaelis is the senior non-executive director of the company. J.G. Whellock, non-executive director and B.M. Wides, Finance Director, were the other members of the committee.

The policy and objectives

The committee's policy is to attract, retain and motivate quality senior management with a competitive salary package. The principal components of the package are salary and performance related bonus awards for individuals annually at the discretion of the committee.

The committee confirms that it complies with section 1 of the Combined Code in determining the Company's policy on remuneration of its executive directors, including service contracts and compensation.

Executive directors' remuneration

(i) Basic salary and benefits

Basic salaries and benefits in kind are reviewed within the policy on an annual basis.

(ii) Share schemes

The Executive Share Option Scheme is an unapproved scheme and in accordance with its terms senior employees including executive directors, have received options at current market value to be exercised, in normal circumstances, between three and ten years after grant.

(iii) Elements of remuneration

The components of remuneration are:—

Salary—Fixed sum paid monthly. The committee reviews salaries annually in line with directors of comparable companies.

Pension—Executive directors are eligible to participate in the Executive Pension Scheme, described below.

Bonus—A scheme has been established which creates a bonus pool divisible between all directors in proportions to be determined by the Committee. The Committee believes that it is fairest to all concerned for the scheme to be based on enhancement in shareholder value, measured by the Company's share price performance.

Share schemes—Executive directors are eligible to participate in all executive share schemes.

(iv) Pension rights

The Company operates a Money Purchase Group Personal Pension Scheme which all employees and executive directors are eligible to join. Pension scheme assets are held by Standard Life.

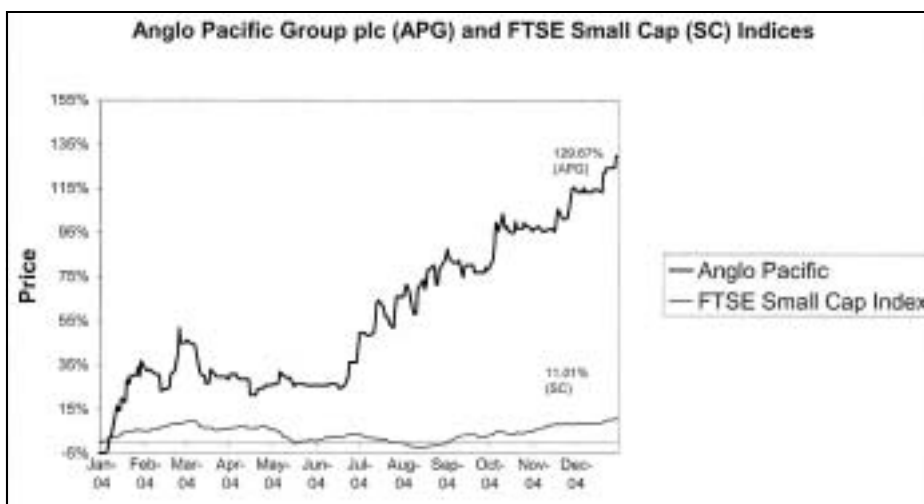
(v) Service contracts

Service contracts remain in force for P.M. Boycott, H. Michaelis and B.M. Wides. They provide for a period of notice of twelve months. The Board considers that this provision is appropriate in a competitive market place. Directors are required to give three months notice of termination.

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DIRECTORS' REMUNERATION REPORT

(vi) Share Price Performance



The above graph plots the movement of the ordinary share price of Anglo Pacific Group plc against the FTSE Small Cap Index. This has been selected as a comparable index because it is the nearest relevant index appropriate to the Company. The Company was admitted to this index in December 2004.

(vii) Directors' emoluments and compensation

	2004	2003
	£	£
Salaries and benefits	122,030	126,124
Bonus	525,000	237,000
Pension contributions	4,875	5,743
Fees	20,337	18,062
	<u>672,242</u>	<u>386,929</u>

The remuneration of the directors was as follows:—

	P.M. Boycott	M. Chanarin	H. Michaelis	J.G. Whellock	B.M. Wides	A.H. Yadgaroff
	£	£	£	£	£	£
Salary	47,088	—	26,454	—	48,488	—
Bonus	198,000	—	99,000	15,000	198,000	15,000
Pension contributions	1,400	—	3,475	—	—	—
Fees	—	—	—	10,387	—	9,950
12 months to 31st December 2004	<u>246,488</u>	<u>—</u>	<u>128,929</u>	<u>25,387</u>	<u>246,488</u>	<u>24,950</u>
12 months to 31st December 2003	<u>135,113</u>	<u>2,000</u>	<u>88,641</u>	<u>12,728</u>	<u>135,113</u>	<u>13,334</u>

Anglo Pacific Group PLC

DIRECTORS' REMUNERATION REPORT

(viii) Share Option Scheme

The options of the directors at 31st December 2004 over the ordinary share capital of the company were as undernoted for which nil has been paid.

	No. of Shares		Exercisable between	Exercise price
	2004	2003		
P.M. Boycott	420,000	420,000	13/10/02–13/10/06	23.5p
	30,000	30,000	13/10/04–13/10/06	23.5p
	—	500,000	10/12/02–10/12/04	18p
H. Michaelis	—	500,000	10/12/02–10/12/04	18p
B.M. Wides	420,000	420,000	13/10/02–13/10/06	23.5p
	30,000	30,000	13/10/04–13/10/06	23.5p
	—	500,000	10/12/02–10/12/04	18p

Options with an exercise price of 23.5p were granted on 13th October 1999. H. Michaelis exercised his options with a purchase price of 18p on 23rd January 2004 when the market price was 57p. P.M. Boycott and B.M. Wides each exercised 500,000 options with a purchase price of 18p on 26th November 2004 when the market price was 91.475p.

There was no difference in the market price and the exercise price on the date the share options were granted.

The market price of the shares at 31st December 2004 was 104.5p and the range during the year was 43.25p to 104.5p.

(ix) Non-executive directors' remuneration

The remuneration of non-executive directors is determined by the board as a whole having regard to the commitment of time required and the level of remuneration in similar companies.

Under Part 3 of Schedule 7A of the Companies Act 1985 items (ii), (iv), (vii) and (viii) of the executive directors' remuneration section are subject to audit.

On behalf of the Board,
M.J. Tack C.A.
Company Secretary
28th February 2005

Anglo Pacific Group PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANGLO PACIFIC GROUP PLC

We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 as described in the Directors' Remuneration Report.

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 auditor's 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, the Directors' Remuneration 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 and the auditable part of the Directors' Remuneration Report 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 whether the financial statements and the auditable part of the Directors' Remuneration Report have been 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 and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. 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 audit opinion

We conducted our audit in accordance with United Kingdom 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 and the auditable part of the Directors' Remuneration Report. 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 and the auditable part of the Directors' Remuneration Report 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 and the auditable part of the Directors' Remuneration Report.

Opinion

In our opinion:—

- the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 2004 and of the group profit for the year then ended; and
- the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Registered Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH
28th February 2005

Anglo Pacific Group PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2004

	Notes	2004 £000's	2003 £000's
Turnover	2	5,313	3,376
Cost of sales		—	—
Gross profit		5,313	3,376
Administrative expenses	3	(1,316)	(849)
Other operating income	3	122	106
Operating profit		4,119	2,633
Profit on sale of fixed asset investments		3,507	1,360
Interest received	5	86	116
Profit on ordinary activities before tax	2, 3	7,712	4,109
Taxation on ordinary activities	6	(1,310)	(869)
Profit for the financial year		6,402	3,240
Dividends: Interim		(1,513)	(1,137)
Final		(1,892)	(1,146)
Retained profit for the financial year		2,997	957
Earnings per ordinary share	7	7.15p	3.70p
Diluted earnings per ordinary share	7	7.10p	3.66p
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		2004 £000's	2003 £000's
Retained profit for the financial year		2,997	957
Unrealised revaluation of Australian royalty interests	10	13,353	15,582
Currency translation surplus on foreign currency investments		16	22
		16,366	16,561

Turnover and operating profit are derived from the Group's continuing operations.

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET AT 31st DECEMBER 2004

	Notes	Group		Company	
		2004	2003	2004	2003
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	9	852	846	852	846
Investment in subsidiary undertakings	10	—	—	57,634	43,956
Investments	10	69,984	50,342	9,335	4,759
		<u>70,836</u>	<u>51,188</u>	<u>67,821</u>	<u>49,561</u>
Current assets					
Debtors	11	2,580	1,052	577	297
Cash at bank and in hand	14	3,763	1,642	1,533	743
		<u>6,343</u>	<u>2,694</u>	<u>2,110</u>	<u>1,040</u>
Current liabilities					
Creditors—amounts falling due within one year	12	(4,984)	(2,662)	(4,564)	(2,389)
Net current assets/(liabilities)		<u>1,359</u>	<u>32</u>	<u>(2,454)</u>	<u>(1,349)</u>
Total assets less current liabilities		<u>72,195</u>	<u>51,220</u>	<u>65,367</u>	<u>48,212</u>
Long term liabilities					
Provisions for liabilities and charges	13	(370)	(224)	—	—
		<u>71,825</u>	<u>50,996</u>	<u>65,367</u>	<u>48,212</u>
Capital and reserves					
Called up share capital	15	1,891	1,749	1,891	1,749
Share premium account	15	4,741	420	4,741	420
Revaluation reserve	16	55,935	42,582	55,990	42,637
Foreign currency translation reserve	16	119	103	82	82
Special reserve	17	632	632	632	632
Profit and loss account surplus	18	8,507	5,510	2,031	2,692
Equity shareholders' funds	19	<u>71,825</u>	<u>50,996</u>	<u>65,367</u>	<u>48,212</u>

Approved at a Board Meeting held on 28th February 2005.

B.M. Wides Director
P.M. Boycott Director

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2004

	Notes	2004		2003	
		£000's	£000's	£000's	£000's
Net cash inflow from operating activities	22(i)		3,678		2,690
Returns on investments and servicing of finance					
Interest received		86		116	
Net cash inflow from returns on investments and servicing of finance			86		116
Taxation					
Overseas tax paid		(1,027)		(1,614)	
UK income tax		—		—	
			(1,027)		(1,614)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(15)		(14)	
Receipts from sales of tangible fixed assets		—		—	
Sale of equity investments		8,647		3,613	
Purchase of equity investments		(11,429)		(5,390)	
Net cash (outflow) from capital expenditure and financial investment			(2,797)		(1,791)
Net cash (outflow) before financing			(60)		(599)
Financing					
Issue of ordinary share capital		3,760		—	
Dividends paid		(1,579)		(1,525)	
Net cash inflow/(outflow) from financing			2,181		(1,525)
Increase/(decrease) in cash	22(ii)		2,121		(2,124)

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

1. Accounting policies and convention

The accounts have been prepared under the historical cost convention adjusted for revaluations of certain fixed assets and in accordance with applicable accounting standards in the United Kingdom. A summary of significant accounting policies is set out below.

Basis of consolidation

The Group profit and loss account and balance sheet combine the accounts of the Company and its subsidiaries.

Turnover

The turnover of the Group comprises royalty income from the Kestrel and Crinum mines and amounts receivable from external customers for goods sold excluding value added tax.

Exploration and development expenditure

Costs of exploring and developing mineral reserves are expensed to the profit and loss account except where a project is ongoing and is considered viable. These costs are considered part of the development of the Group's assets and are capitalised as fixed assets and depreciated on a unit of production basis once commercial production commences.

Fixed asset investments

Investments disclosed as fixed assets in the consolidated balance sheet of the Group comprise interests in producing assets held by a subsidiary company and equity, debt and direct investments in a number of mining companies.

Investments in subsidiary companies are classified as fixed assets and included in the balance sheet of the Company.

Investments are included at cost or valuation. If an investment is regarded as permanently impaired, it is included at the lower of cost or valuation. The Group's policy for its coal royalty interests is to obtain an independent valuation each financial year end and incorporate this in the accounts. Any valuation movements since the previous year end are taken to the revaluation reserve.

Advances to subsidiary undertakings are included under fixed asset investments in the Company's accounts.

Tangible fixed assets

Tangible fixed assets are included at cost except that producing assets are included at valuation. Assets are depreciated over their estimated useful economic lives. Depreciation rates and methods are set out below:—

Producing assets, including land	Unit of production
Fixtures and fittings	4 to 10 years straight line

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

1. Accounting policies and convention (continued)

Taxation

The tax charge is based on the profit for the year adjusted for disallowable items and timing differences to the extent that they are unlikely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expenditure in a different accounting period from that in which they are recognised in the accounts. The corporation tax effect of timing differences as reduced by the tax benefit of any accumulated losses is treated as a deferred tax liability.

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.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

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.

Foreign currency

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at exchange rates ruling at the date of transaction. Exchange movements arising from the retranslation of the opening net investment in foreign subsidiaries at the year end rate are taken directly to the foreign currency translation reserve.

Leased assets

Fixed assets acquired under finance leases are capitalised and the related leasing obligations included in creditors.

Rentals receivable under operating leases are credited to income on a straight-line basis over the term of the lease and are recognised in the profit and loss account as and when they fall due.

Rentals payable under operating leases where substantially all of the benefit and risks of ownership remain with the lessor are charged against profits on a straight line basis over the terms of the lease.

Pension costs

The Group operates a money purchase group personal pension scheme. Under this scheme the Group makes contributions to personal pension plans of individual employees. The pension cost charge represents contributions payable by the Group to the fund in respect of the year.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

2. Turnover, profit before tax and net operating assets

The directors consider that the Group's main activities with regard to turnover, profit and net assets at the current time are the exploration, mining and development of metals and minerals and the receipt of royalties. Accordingly all turnover, profit before tax and net assets are attributable to this activity.

Geographical Analysis

	2004		2003	
	Turnover £000's	Profit before tax £000's	Turnover £000's	Profit before tax £000's
United Kingdom	—	2,749	—	1,213
Australia (royalty income)	5,313	4,963	3,376	2,896
	<u>5,313</u>	<u>7,712</u>	<u>3,376</u>	<u>4,109</u>

Net assets

	2004 £000's	2003 £000's
United Kingdom	2,698	(138)
N. America	5,847	3,607
Australia	63,280	47,527
	<u>71,825</u>	<u>50,996</u>

3. Profit on ordinary activities

	2004 £000's	2003 £000's
Profit on ordinary activities is stated after charging:—		
Depreciation of tangible fixed assets (note 9)	8	7
Auditors' remuneration—audit fees (Company—£31,000)	35	20
—non-audit services	4	25
	<u>47</u>	<u>52</u>

Other operating income and administrative expenses include £94,000 (2003—£93,000) which is a recharge of rent paid.

4. Staff

	2004 £000's	2003 £000's
Wages and salaries	688	382
Social security costs	21	14
Other pension costs	5	6
	<u>714</u>	<u>402</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

4. Staff (continued)

The average number of persons (including executive directors) employed by the Group during the year was:—

	2004	2003
	Number	Number
Administration	<u>4</u>	<u>3</u>

Pensions

The Group contributes to a money purchase group personal pension scheme for UK-based employees of the Group. The assets of each personal pension plan are held separately from those of the company in independently administered funds. The Group had no accrued pension contributions at 31st December 2004 (2003—£nil).

5. Interest receivable

	2004	2003
	£000's	£000's
On bank deposits and other loans	<u>86</u>	<u>116</u>

6. Taxation on profit on ordinary activities

	2004	2003
	£000's	£000's
<i>UK corporation tax</i>		
Current corporation tax on income for the year	—	—
Adjustments in respect of prior years	<u>—</u>	<u>—</u>
Foreign tax	<u>1,164</u>	<u>1,056</u>
Total current tax	1,164	1,056
Overseas deferred tax — current year (note 13)	146	(187)
Tax on profit on ordinary activities	<u>1,310</u>	<u>869</u>
Factors affecting the tax charge for the year:—		
Profit on activities before tax	<u>7,712</u>	<u>4,109</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003—30%)	2,314	1,233
<i>Effects of:—</i>		
Losses	<u>(1,150)</u>	<u>(177)</u>
Current corporation tax charge	<u>1,164</u>	<u>1,056</u>

No mainstream corporation tax was payable in the United Kingdom in 2004 or 2003 due to losses incurred in prior years.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

7. Earnings per share

Earnings per ordinary share is calculated on the Group's profit after tax of £6,402,000 (2003—£3,240,000) and the weighted average number of shares in issue during the year of 89,575,628 (2003—87,462,955).

The diluted earnings per ordinary share is calculated on a profit after tax of £6,402,000 and 90,189,475 shares. The numbers used in calculating basic and diluted earnings per share are restated below:—

Net profit attributable to shareholders	2004
	£000's
Earnings—basic	6,402
Earnings—diluted	6,402
Weighted average number of shares in issue	Number
Ordinary shares in issue	89,575,628
Executive Share Option Scheme	613,847
	<u>90,189,475</u>

8. Results of Anglo Pacific Group PLC

Included in the consolidated profit attributable to the shareholders of Anglo Pacific Group PLC is a profit of £2,742,768 (2003—£1,840,451), which has been dealt with in the accounts of the holding company. Anglo Pacific Group PLC has taken advantage of the Companies Act dispensation allowing it not to publish a separate profit and loss account.

9. Tangible assets

Group and Company

	Producing assets	Fixtures and fittings	Total
	£000's	£000's	£000's
Cost or Valuation:			
At 1st January 2004	813	129	942
Additions	8	6	14
At 31st December 2004	<u>821</u>	<u>135</u>	<u>956</u>
Depreciation:			
At 1st January 2004	—	96	96
Charge for the year	—	8	8
At 31st December 2004	<u>—</u>	<u>104</u>	<u>104</u>
Net book value:			
At 31st December 2004	<u>821</u>	<u>31</u>	<u>852</u>
At 31st December 2003	<u>813</u>	<u>33</u>	<u>846</u>

The Group's tangible fixed assets are carried at cost less depreciation with the exception of leases relating to the talc deposit on Shetland held by the parent company. The producing asset on Shetland is included at a directors' valuation of £0.8 million (2003—£0.8 million).

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

10. Fixed asset investments

(a) Coal Royalty Investment	Group	Company
	£000's	£000's
At 1st January 2004	44,295	—
Revaluation adjustment	13,353	—
	<u>57,648</u>	<u>—</u>
At 31st December 2004	<u>57,648</u>	<u>—</u>

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

The coal royalty was valued during December 2004 at £57.6 million (A\$141.3 million) by Minarco Asia Pacific PTY Limited, coal industry advisors, on a net present value of the pre-tax cash flow discounted at a rate of 7%. The net royalty income from this investment is currently taxed in Australia at a rate of 30%. This valuation is incorporated in the accounts and the above revaluation amount represents the difference between the opening carrying value and the external valuation. Were the coal royalty to be realised at the revalued amount there are £12.7 million (A\$31.2 million) of capital losses potentially available to offset against taxable gains.

(b) Other investments	Group	Company
	£000's	£000's
At 1st January 2004	6,047	4,759
Additions	11,429	8,905
Disposals	(5,140)	(4,329)
	<u>12,336</u>	<u>9,335</u>
At 31st December 2004	<u>12,336</u>	<u>9,335</u>
Quoted investments	11,489	8,892
Unquoted investments	847	443
	<u>12,336</u>	<u>9,335</u>

The market value of the quoted investments at 31st December 2004 was Group: £19,347,000 (2003—£9,440,000) and Company: £15,597,000 (2003—£8,182,000). The directors' valuation of the unquoted investments was £866,000 (2003—£137,000).

	2004		2003	
	Group	Company	Group	Company
	£000's	£000's	£000's	£000's
Total royalty and other investments	<u>69,984</u>	<u>9,335</u>	<u>50,342</u>	<u>4,759</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

10. Fixed asset investments (continued)

(c) Investment in subsidiary undertakings

	Shares in subsidiary undertakings	Net advances with subsidiary undertakings	Total
	£000's	£000's	£000's
Cost or Valuation:			
At 1st January 2004	44,295	(41)	44,254
Revaluation	13,353	—	13,353
Net additions	—	379	379
	<u>57,648</u>	<u>338</u>	<u>57,986</u>
Provisions:			
At 1st January 2004	345	(47)	298
Net provisions made during the year	—	54	54
	<u>345</u>	<u>7</u>	<u>352</u>
Net book value:			
At 31st December 2004	<u>57,303</u>	<u>331</u>	<u>57,634</u>
At 31st December 2003	<u>43,950</u>	<u>6</u>	<u>43,956</u>

The subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the operations of the Group are shown below. All shareholdings are ordinary shares.

	Country of registration and operation	Principal activity	Proportion of shares held at 31st December 2004
Starmont Holdings Pty Ltd	Australia	Intermediate holding company	100%
Indian Ocean Resources Ltd	Australia	Investments	100%†
Alkormy Pty Ltd	Australia	Investments	100%†
Gordon Resources Ltd	Australia	Owner of coal royalty	100%†
Jandale Pty Ltd	Australia	Joint venture company	100%†
Shetland Talc Ltd	Scotland	Mineral exploration	100%

†Denotes held by a subsidiary company.

11. Debtors

	2004		2003	
	Group £000's	Company £000's	Group £000's	Company £000's
Trade debtors	5	2	7	7
Other debtors				
(including royalty debtors)*	2,532	543	1,008	255
Prepayments and accrued income	43	32	37	35
	<u>2,580</u>	<u>577</u>	<u>1,052</u>	<u>297</u>

* Includes £42,000 (2003—£83,000) repayable in over 1 year.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

12. Creditors—amounts falling due within one year

	2004		2003	
	Group £000's	Company £000's	Group £000's	Company £000's
Trade creditors	31	20	5	5
Other taxation and social security payable	720	320	265	—
Other creditors	794	785	39	32
Accruals and deferred income	34	34	70	69
Dividends payable	3,405	3,405	2,283	2,283
	<u>4,984</u>	<u>4,564</u>	<u>2,662</u>	<u>2,389</u>

13. Provision for liabilities and charges

	Group £000's
Deferred taxation	
At 1st January 2004	224
Transferred from the profit and loss account (note 6)	146
	<u>370</u>
At 31st December 2004	<u>370</u>

This provision represents the Group's full potential liability to deferred taxation with the exception of any potential liability arising from the revaluation of the Australian coal royalty and consists principally of timing differences in Australia. The Company has no potential liability to deferred tax.

The Group has UK capital tax losses in the region of £26 million available for offset against capital gains. Australian capital losses are disclosed in note 10.

14. Financial Instruments

The disclosures detailed below are as required by FRS 13 "Derivatives and Other Financial Instruments: Disclosures". As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures. The Company's principal treasury objective is to provide sufficient liquidity to meet operational cash flows whilst maximising shareholder value. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they evolve. The impact of the risks required to be discussed in accordance with FRS 13 are detailed below:—

Liquidity and Funding Risk

The objective of the Company in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. At the year end there was no debt outstanding. The Company has a strong credit rating and has good access to capital markets, if required.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

14. Financial Instruments (continued)

Foreign Exchange Risk

The Company's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. As each material commitment is made, the risk in relation to currency fluctuations is assessed by the Board and regularly reviewed.

Financial Assets

The Group and Company held the following investments in financial assets:—

	2004		2003	
	Group £000's	Company £000's	Group £000's	Company £000's
Cash at bank and in hand	3,763	1,533	1,642	743

15. Called up share capital and share premium

	2004 £000's
Authorised share capital	
At 1st January 2004 and 31st December 2004— 500,000,000 ordinary shares of 2p each	10,000
Allotted, called up and fully paid share capital	
At 1st January 2004 — 87,462,955 ordinary shares of 2p each	1,749
At 31st December 2004 — 94,569,545 ordinary shares of 2p each	1,891
Share premium	
At 1st January 2004	420
Exercise of options	240
Scrip dividends	679
Placings	3,402
At 31st December 2004	4,741

Share option schemes

Shares under option to directors in office at 31st December 2004 within the Anglo Pacific Group PLC Unapproved Executive Share Option Scheme are disclosed within the Directors' Remuneration Report. No other shares were under option within this scheme at the year end.

The Group operates a further employee share option scheme, The Anglo Pacific Company Share Option Plan, which is open to all Group employees. Options were first granted under this scheme during 1999. During the year 36,923 options were granted to an employee and these options remain outstanding at 31st December 2004.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

16. Reserves

Revaluation reserve	Group	Company
	£000's	£000's
At 1st January 2004	42,582	42,637
Unrealised revaluation of Australian royalty interests	13,353	13,353
At 31st December 2004	<u>55,935</u>	<u>55,990</u>
Foreign currency translation reserve	Group	Company
	£000's	£000's
At 1st January 2004	103	82
Arising from retranslation of opening investment in foreign subsidiaries	16	—
At 31st December 2004	<u>119</u>	<u>82</u>

17. Special reserve

As part of the capital reduction in 2002, a special reserve was created which represents the level of profit attributable to the Group for the period ended 30th June 2002. At 31st December 2004, this reserve remains unavailable for distribution.

	Group	Company
	£000's	£000's
At 1st January 2004 and 31st December 2004	<u>632</u>	<u>632</u>

18. Profit and loss account

	2004		2003	
	Group	Company	Group	Company
	£000's	£000's	£000's	£000's
At 1st January	5,510	2,692	4,553	852
Retained profit for the financial year	2,997	(661)	957	1,840
At 31st December	<u>8,507</u>	<u>2,031</u>	<u>5,510</u>	<u>2,692</u>

19. Reconciliation of movements in equity shareholders' funds

	2004	2003
	£000's	£000's
Profit for the financial year	6,402	3,240
Dividends	(3,405)	(2,283)
Movement in foreign exchange reserve	16	22
Net increase in revaluation reserve	13,353	15,582
Share issue	4,463	—
Net increase in shareholders' funds	<u>20,829</u>	<u>16,561</u>
At 1st January	50,996	34,435
At 31st December	<u>71,825</u>	<u>50,996</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

20. Financial commitments

Obligations for repayments under operating leases comprise:—

	2004	2003
	£000's	£000's
Annual commitments in respect of leases which expire:—		
Over five years	112	112
	<u>112</u>	<u>112</u>

Capital commitments

At the year end the Group had capital commitments of £nil (2003—£460,000) in respect of purchases of quoted investments.

Subsidiary undertakings have commitments as detailed below:—

Shetland Talc Limited

A bond was granted to Shetland Islands Council for £10,000 in respect of the installation of a Talc processing plant at Broonies Taing, Sandwick and the extraction of talc magnesite rock at Catpund, Cunningsburgh.

21. Related parties

Related party transactions in the year ended 31st December 2004 were payments of £16,500 to Allenbridge Group plc, a company in which Mr A.H. Yadgaroff, a non-executive director, is both a director and shareholder, for the provision of office accommodation (2003—£3,500).

22. Cash flow notes

(i) Reconciliation of operating profit to net cash inflow from operating activities

	2004	2003
	£000's	£000's
Operating profit	4,119	2,633
Depreciation (note 3)	8	7
(Increase)/decrease in debtors	(1,528)	39
Increase in creditors	1,079	11
Net cash inflow from operating activities	<u>3,678</u>	<u>2,690</u>

(ii) Reconciliation of net cash flow to movement in net funds

	2004	2003
	£000's	£000's
Increase/(decrease) in cash in the period	2,121	(2,124)
Net cash at 1st January	1,642	3,766
Net cash at 31st December	<u>3,763</u>	<u>1,642</u>

(iii) Analysis of net funds

	At 1st	Cash	At 31st
	January	Flows	December
	2004	2004	2004
	£000's	£000's	£000's
Cash at bank and in hand	1,642	2,121	3,763
	<u>1,642</u>	<u>2,121</u>	<u>3,763</u>

Anglo Pacific Group PLC

SHAREHOLDER STATISTICS

(a) Size of Holding (at 18th February 2005)

Category UK and Australia	Number of Shareholders	%	Number of Shares	%
1– 1,000	639	31.16	382,684	0.40
1,001– 5,000	744	36.27	1,746,568	1.84
5,001–10,000	232	11.31	1,823,348	1.92
10,001–and over	436	21.26	91,120,476	95.84
	<u>2,051</u>	<u>100.00</u>	<u>95,073,076</u>	<u>100.00</u>

(b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 18th February 2005 was 58.23%.

Anglo Pacific Group PLC

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 12 Suffolk Street, London SW1Y 4HQ on Wednesday 13th April 2005 at 9.30 am for the following purposes:—

As ordinary business:—

1. To receive the Accounts for the year ended 31st December 2004 together with the Directors' and Auditors' Reports thereon.
2. To approve the Directors' Remuneration Report for the year ended 31st December 2004.
3. To declare a final dividend of 2.0p per ordinary share of the Company.
4. To re-elect H.Michaelis who retires by rotation in accordance with the Company's Articles of Association.
5. To re-elect J.G.Whellock who retires by rotation in accordance with the Company's Articles of Association.
6. To re-appoint Messrs Baker Tilly as auditors of the Company and to authorise the directors to fix their remuneration.

As special business:—

To consider and, if thought fit, approve the following Resolutions 7, 8 and 9; Resolution 7 is to be proposed as an Ordinary Resolution of the Company and Resolutions 8 and 9 are to be proposed as Special Resolutions of the Company:—

7. THAT the Board of Directors of the Company be and they are hereby authorised to offer the holders of Ordinary Shares of 2p each in the capital of the Company ("Ordinary Shares") (subject to such exclusions or other arrangements as the Board may consider necessary or expedient in relation to any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange) the right to elect to receive new Ordinary Shares instead of cash in respect of all or part of the final dividend for the year ended 31st December 2004 and all other dividends declared up to the beginning of the next Annual General Meeting of the Company.
8. THAT the Board of Directors of the Company ("the Directors") be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash (a) by selling equity securities held by the Company as treasury shares, or (b) by allotting new equity securities pursuant to the general authority conferred on them for the purposes of Section 80 of the Act, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:—
 - (a) to the allotment of equity securities in connection with or pursuant to a rights issue or any other offer in favour of the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the respective numbers of equity securities then held by them (or, as appropriate, the number of such securities which such other persons are for those purposes deemed to hold), but subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with any fractional entitlements or legal or practical difficulties which may arise under the laws of any overseas territory or the requirements of any regulatory body or any other stock exchange in any territory;
 - (b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £95,073 or, if less, 5% of the issued share capital from time to time;

and this power shall (unless renewed, varied or revoked by the Company) expire on the date being fifteen months from the passing of this resolution or, if earlier, at the

Anglo Pacific Group PLC

NOTICE OF MEETING

conclusion of the annual general meeting of the Company next following the passing of this resolution 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 offer or agreement as if this power had not expired.

9. THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares in the capital of the Company (“Ordinary Shares”) subject to the following restrictions and provisions:—
- (a) The aggregate maximum number of Ordinary Shares hereby authorised to be purchased is 9,507,307.
 - (b) The maximum price which may be paid for an Ordinary Share is an amount being not more than 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from the Stock Exchange Daily Official List of the five business days immediately preceding the day on which the Ordinary Share is purchased, and the minimum price which may be paid for any Ordinary Share is its nominal value, (in each case exclusive of any expenses).
 - (c) Unless previously revoked or varied, this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2006 or eighteen months from the date of passing of this resolution, whichever shall be the earlier.
 - (d) The Company may enter into a contract to purchase Ordinary Shares under this authority before the expiry of such authority, and may make a purchase of Ordinary Shares pursuant to any such contract which purchase would or might be executed wholly or partly after the expiration of such authority; and
 - (e) Any Ordinary Shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of any statutory instruments relating to treasury shares and any applicable regulations of the United Kingdom Listing Authority, held as treasury shares.

Registered Office
1st Floor
Sentinel House
Sentinel Square
Brent Street
London NW4 2EP

By Order of the Board
M.J. Tack C.A.
Company Secretary

28th February 2005

Notes:

A member entitled to attend and vote at the above meeting may appoint one or more persons to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed with this Notice. Completion and return of this form of proxy will not prevent a member from attending the meeting and voting if he so wishes. A member personally present shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder.

In order to be valid, forms of proxy for the meeting and the power of attorney or other authority (if any) under which it is executed or a notarially certified copy of such power or authority must be received, not later than 48 hours before the time fixed for the meeting, at the office of the Company's Registrars: Capita Registrars, Registration Services, P.O. Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4TU, U.K.

The directors' service contracts, the letters of appointment of non-executive directors and register of directors' interests will be available for inspection at 12 Suffolk Street, London SW1Y 4HQ fifteen minutes prior to the meeting and will remain open during the continuance of the meeting.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company or in the Company's overseas branch register as at 9.30 am on 11th April 2005 shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 9.30 am on 11th April 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

ANGLO PACIFIC GROUP PLC
FORM OF PROXY

I/We

of

being (a) member(s) of Anglo Pacific Group PLC hereby appoint the Chairman of the meeting, failing whom,

.....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 9.30 a.m. on 13th April 2005 at 12 Suffolk Street, London SW1Y 4HQ and any adjournment thereof.

Date Signature(s)

Resolution	For	Against
1. Ordinary Resolution to receive the 2004 Accounts.		
2. Ordinary Resolution to approve the Directors' Remuneration Report.		
3. Ordinary Resolution to declare a final dividend of 2.0p per Ordinary Share.		
4. Ordinary Resolution to re-elect H. Michaelis as a director.		
5. Ordinary Resolution to re-elect J.G. Whellock as a director.		
6. Ordinary Resolution to re-appoint Messrs. Baker Tilly as auditors and authorise the directors to fix their remuneration.		
7. Ordinary Resolution to authorise scrip dividends.		
8. Special Resolution that the directors be and are hereby authorised to allot from treasury or new equity securities for cash up to an aggregate nominal amount of £95,073.		
9. Special Resolution that the Company be generally and unconditionally authorised to make one or more market purchases of up to 9,507,307 Ordinary Shares in the capital of the Company, subject to certain restrictions and provisions, including the maximum and minimum price at which such shares may be purchased.		

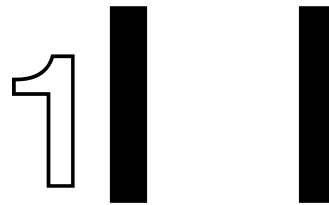
Please indicate with an "X" how you wish your vote to be cast.

Notes

1. To be effective this proxy, duly completed, must be lodged at the Company's Registrars, Capita Registrars Limited, Registration Services, P O Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4TU, UK not later than 9.30 am on 11th April 2005.
2. If the appointer is a body corporate this proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.
3. If you do not indicate how you wish your proxy to use your vote, the proxy will exercise his discretion both as to how he votes and whether or not he abstains from voting.
4. A proxy need not be a member of the Company but must attend the meeting in person to represent you.
5. In the case of joint registered holders, any of those holders may appoint a proxy. If more than one proxy is appointed, then only the proxy of the first named joint holder in the register shall be entitled to vote.
6. If it is desired to appoint as proxy any person other than the Chairman of the Meeting, his name and address should be inserted in the relevant place and reference to the Chairman deleted and the alteration initialled.
7. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.



BUSINESS REPLY SERVICE
Licence No. MB 122



CAPITA REGISTRARS LIMITED
REGISTRATION SERVICES
PO BOX 25
34 BECKENHAM ROAD
BECKENHAM
KENT, UNITED KINGDOM
BR3 4BR

SECOND FOLD

FIRST FOLD

THIRD FOLD AND TUCK IN

