

Anglo Pacific Group PLC

Report and Accounts

2005

Anglo Pacific Group PLC

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Anglo Pacific Group PLC

DIRECTORS

Executive

P.M. BOYCOTT (*Chairman*)

B.M. WIDES (*Finance Director*)

Non-Executive

M.H. ATKINSON

J.G. WHELLOCK

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
Business Banking Larger Business
27th Floor
Churchill Place
London E14 5HP

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

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CHAIRMAN'S REVIEW

The year under review has produced record results for the Group due to higher coal royalty receipts and increased asset values in the Group's other investment projects. This has resulted in the doubling of earnings and an increase of over fifty percent in dividends to shareholders. The main features contained in these accounts can be summarised as follows:—

FINANCIAL HIGHLIGHTS

- Profit before tax increased 120% to £16,944,000 (2004: £7,710,000)
- Proposed final dividend increased by 63% to 3.25p per share (2004: 2.00p)
- Total dividend for the year increased by 53% to 5.50p (2004: 3.60p)
- Coal royalties for the year increased by 117% to £11.5 million (2004: £5.3 million)
- Australian coal royalty independent valuation at £56.7 million
- Cash and strategic investments increase by 69% to £39.9 million (2004: £23.6 million)
- Earnings increased by 101% to 14.31p per share (2004: 7.11p)
- £33 million of unused tax losses.

OPERATIONAL HIGHLIGHTS

- Announcement of joint venture with West Hawk Development Corporation to drill part of the Groundhog Coal Deposit in British Columbia, Canada
- Acquisition of other new coal rights and tenancies in British Columbia
- Substantial progress in Australia with Core Resources Pty Ltd in the search for new coal resources
- Several new uranium projects
- Strong coal royalty cashflows expected in 2006
- Sustained international demand for steel expected to keep coking coal prices high.

Chairman's Review

The last six months of 2005 have seen a sharp recovery in both commodity prices and mining markets after the weakness in prices in the first half of the year.

Despite continued expectation of a setback in Chinese industrial activity, recent figures have confirmed that the demand for raw materials within China continues to increase, their economy is still expanding at nearly 10% per annum and is now the fourth largest in the world.

Together with the recovery of the Japanese market and strong evidence of continuing demand in India, Brazil, the Far East and Eastern Europe, the outlook for commodity prices worldwide for the next few years seems sustainable at the higher levels.

The industrialisation of China and India has led to an ever increasing demand for energy products such as gas, oil, coal and uranium. Energy prices have further tightened due to political worries about Iran, Iraq and the Middle East as well as supply problems in some major producers. A harsher winter than usual has further exacerbated the situation.

Furthermore, the price of gold has risen steadily in the last few months reflecting concern about the US dollar and the international political situation as well as buying by Central Bankers.

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It is against this background that the Group has increased its interests in coal and uranium projects in Australia and North America as well as maintaining substantial exposure to gold, diamond and platinum projects.

During the year under review profits have been realised on some of the Group's quoted investments whilst the receipt of record coal royalties has enabled the Group to pay out higher dividends to shareholders.

In addition to its royalty and other private coal interests, the Group now has nearly £40 million of cash and investments compared to £11 million two years ago and borrowings of £1 million five years ago. These investment results reflect buoyant commodity and mining markets during the year as well as the Group's active management strategy over this period.

The Group's policy is to maintain an active, merchant banking approach to each project by providing specific business and financial support to management. This creates more opportunities within projects whilst at the same time reducing the risks associated with these mining ventures.

Financial Review

Group profits before tax for the year ended 31st December 2005 were £16,944,000 compared to £7,710,000 for the previous year. Profits after tax increased by 117% to £13,866,000 (2004: £6,400,000) with earnings per share for the year of 14.31p (2004: 7.11p). The Group has realised capital gains of £6,626,000 (2004: £3,507,000) from its various mining interests.

I am pleased to announce a final dividend of 3.25p per share for the year ended 31st December 2005 which with the interim dividend of 2.25p per share paid on 27th January 2006 will make a total for 2005 of 5.50p per share (2004: 3.60p). The Board proposes to pay the final dividend on 4th August 2006 to shareholders on the Company's share register at the close of business on 23rd June 2006. As with the interim dividend, shareholders will be given the opportunity to elect to receive a scrip dividend instead of cash.

In September 2005 the Group raised £5.7 million after expenses by placing 4.7 million shares at 126p per share for further working capital and to take advantage of some strategic opportunities.

With the further development during the year of the Group's private coal interests in Australia, the Board has decided that it is still in the best interests of the Company and shareholders to maintain its listing on the Australian Stock Exchange (ASX). The Board has therefore decided not to list on the Toronto Stock Exchange at this stage.

The Group's Australian coal royalty interests have been independently valued at £56.7 million as at 31st December 2005 (2004: £57.6 million). The change in the valuation compared to last year has been debited to the revaluation reserve.

The Group's private mining operational interests and quoted stakes in mining projects were valued at 31st December 2005 at £34.1 million after having realised profits of £6.6 million over the year. This valuation included an additional unrealised profit over book value of £5.7 million. The Group had cash of £5.8 million at 31st December 2005 (2004: £3.5 million) with no borrowings. The Group still has unused capital losses of £33 million to potentially offset against gains.

All comparatives used are the restated 2004 balances after adjusting for International Financial Reporting Standards (IFRS).

International Financial Reporting Standards (IFRS)

The European Commission published an EU Regulation in 2002 that requires the adoption of International Financial Reporting Standards (IFRSs) in member states for the preparation of the consolidated financial statements of listed entities. The Regulation applies to financial periods, beginning on or after 1st January 2005 for entities whose securities are traded on a regulated market.

As of 1st January 2005 the Group implemented IFRS for the preparation of its financial statements. The Group made the relevant adjustments to the Interim Accounts for the six months ended 30th June 2005 published in

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September 2005. The standards have required an adjustment for deferred tax on revaluation of the coal royalty. At 31st December 2005 this adjustment was £13.0 million. Quoted mining investments are now shown at market value with the difference from cost being credited to investment revaluation reserve. An adjustment for employee stock options issued during the year has also been made. A reconciliation between the accounts prepared under UK GAAP and IFRS is shown on pages 45 to 49.

Operational review

Coal energy interests

Coal Royalties

In Australia, coal royalty receipts from the Kestrel and Crinum mines, operated by Rio Tinto Limited and BHP Billiton Limited respectively, were £11,479,000 (2004: £5,313,000).

The independent valuation of these interests at the year-end was A\$133.4 million (£56.7 million) compared to A\$141.3 million (£57.6 million) at 31st December 2004 and is 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 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 Group participates. During 2005 the Group received record royalties as mining output increased from the private area of the coal deposits. In 2006 further strong cashflows are anticipated.

BHP Billiton recently announced forward contracts for coking coal at around US\$115 per ton, despite expectations that prices would be 15 to 20% lower than the peaks of US\$120 to US\$125 achieved in 2005.

The strength of the covenants from Rio Tinto and BHP Billiton make the Group's coal royalty interests a world class source of revenue for shareholders.

For this reason the Board's strategy remains to develop its private coal interests in British Columbia and Australia with a view to creating future coal royalties or carried interests and dividend flow by similar associations.

Coal Deposits

In January 2006 the Group announced, via a Memorandum of Understanding, a proposed joint venture with West Hawk Development Corporation, (WHD-TSX.V), to explore and develop the Upper and Lower Discovery deposits at Groundhog in British Columbia, Canada. The coal seams outcrop on both properties and are believed to be stratigraphically and structurally related according to the results of previous drilling. In total, twenty five individual seams have been documented in the area grading from anthracite to meta-anthracite in quality. These deposits are only part of a number of licences and tenancies that the Group owns in the strategically important Groundhog coal field. As part of the agreement the Group has taken down a 40 cent placing in West Hawk and now owns a circa 13% strategic stake. Amongst other interests West Hawk has ambitions to develop and build electricity power plants using the environmentally clean gasification of coal technology.

The Group still retains its licences and tenancies of the Peace River deposit and is looking to expand and similarly joint venture this project.

Core Resources

The Group retains a 19.8% direct interest in Core Resources Pty Limited, a private Australian based resource group, involved in the Vasse coal project in Western Australia and owner of the Albion process, a technology for use in recovery of base and precious metals from complex or refractory ores. In addition, the Group has a joint venture with Core Resources to explore for new coal deposits in the Northern Territory, Queensland and New South Wales. The Group is awaiting results from field work done in areas where outcrops of coal exist and drill cores show visible coal. Further exploration work will be needed before the economic viability of the deposits is determined.

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Cambrian Mining

The Group recently announced an increased stake of 8% in Cambrian Mining. Cambrian has disposed of its stake in Asia Energy and is now a mining house for a range of interests, mostly in iron ore and coal. Cambrian still retains a one US dollar per ton royalty on all coal produced at Asia Energy's Phulbari coal project in Bangladesh, where new management has recently taken over. The Group still also retains direct interests in both Western Canadian Coal and Coal International both companies in which Cambrian holds a controlling interest. Cambrian's market capitalisation is at a substantial discount to its underlying assets enabling the Group to obtain exposure to a wide range of commodities at reduced risk.

Other Metal Interests

Uranium Interests

Whilst still retaining an interest in Laramide Resources, the Group has realised substantial profits after the dramatic rise in the share price due to investors' appreciating the value of the Westmoreland-Lagoon Creek uranium deposit in Australia.

Forum Development Corporation, in which the Group has a 14% stake, now has extensive uranium interests in the Athabasca Basin in eastern Canada as well as still retaining its coal bed methane project at Merritt, British Columbia.

The Group has a number of other interests in quoted uranium companies including a 10% stake in Quincy Energy Corporation which is the subject of an agreed takeover by Energy Metals Corporation, an American company with substantial uranium deposits within the USA.

Precious Metals

The Group still retains an 18% stake in Platinum Australia where 2005 was a year of great progress on its three main projects. Platinum Australia is now quoted on the Alternative Investment Market (AIM) and is well funded for its immediate plans. Platinum and palladium prices have risen substantially in recent months bringing the prospect of viability for the Pantom project in Australia as well as making the South African projects potentially more profitable.

The Group has a number of stakes in diamond exploration and producing companies including an 8% stake in North Australian Diamonds, owners of the Merlin diamond project in the Northern Territories in Australia.

The Group is still a major shareholder in Hidefield Gold, Alto Ventures and Piper Capital as well as in a number of other gold companies operating in Nevada, USA.

The Group has also recently announced a 5% stake in Tritton Resources, a copper producer in Australia, as well as a 12% stake in Goldminco Corporation, an Australian gold explorer. Both companies benefit from being managed and controlled by Straits Resources, an Australian holding company with major coal, copper and gold interests.

These projects give the Group exposure to the precious and base metal markets whilst at the same time maintaining the possibility of creating new royalty streams from closer involvement with management.

Talc

New improved leases have been signed during the year covering a larger area of the deposit. Other land issues remain to be negotiated.

Strategy

The Group will continue to pay a substantial proportion of the coal royalties as dividends to shareholders.

The Board is resolved to continue its policy of pursuing other mining interests by adopting an active, merchant banking approach to each project to achieve better returns at reduced risk. The Board will still concentrate its activities in Australia, Canada and the USA.

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CHAIRMAN'S REVIEW

Outlook

The Board expects continued strong coal royalty cashflows in 2006 and is confident that its exposure to energy and precious and base metal markets will yield further asset appreciation.

Shareholders were informed that Mr Henry Michaelis resigned for health reasons on 20th June 2005. The Directors wish to thank Mr Michaelis for his hard work and substantial contribution to the development of the Group since he was appointed in May 1997. The Board wishes him well in his retirement.

The Company has recently appointed Mr Michael Atkinson as a non-executive director and welcomes him to the Board. His lifelong experience of the coal mining industry and other energy related businesses should prove invaluable to the Group.

Finally I wish to thank shareholders for their continued support and also our hard working directors and staff for all their efforts in making this another positive year of growth for the Group.

P.M. BOYCOTT
Chairman
8th March 2006

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2005

The directors submit their report and the group financial statements of Anglo Pacific Group PLC for the year ended 31st December 2005.

Anglo Pacific Group PLC is a public limited company, incorporated in England, and quoted on the London Stock Exchange and the Australian Stock Exchange.

Principal activities

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

Australian royalties

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.

Mining and exploration interests

- (a) At 31st December 2005, the Group owned a number of strategic interests in quoted and unquoted coal, energy, gold, diamond, base metals and PGM mining projects.
- (b) The Group owns mineral licences in the Groundhog and Peace River Coal deposits in British Columbia, Canada.
- (c) The Group is participating in a joint venture with West Hawk Development to identify opportunities for some of the Group's licences in the Groundhog deposits in British Columbia, Canada.
- (d) 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 Australia.
- (e) The Group owns a substantial talc deposit in Shetland.

Advisory board

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

Prof. Mike Johnson is an Emeritus Professor at Liverpool University. He is also Chairman of Glebe Mines Ltd., Land Regeneration Management and Ettrick Holdings Ltd., companies connected with land management or mineral extraction. He is on the Board of Directors of Minmet plc. Professor Johnson holds a number of advisory positions with professional institutes, national governments, and international agencies. He is also an external advisor on environmental matters to Rio Tinto plc., New Boliden-Outokumpu SA and KimCor Diamonds plc. He is particularly experienced in the scoping and management of environmental assessments and audits, the implementation of environmental management strategies in the mining industry and the development of programmes for the restoration and revegetation of decommissioned mine sites.

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 several 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 exploration, mine operations and development,

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2005

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.

Results and dividends

The consolidated income statement is set out on page 22 of the accounts.

The Group profit after tax was £13,866,000 (2004: £6,400,000).

The directors recommend a final dividend of 3.25p per ordinary share to be paid on 4th August 2006 to shareholders on the register at close of business on 23rd June 2006. This will make a total dividend for the year (including the interim dividend paid on 27th January 2006) of 5.50p per ordinary share (2004: 3.60p).

Review of the business

The Group's business is a going concern as interpreted by the Guidance on Going Concern and Financial Reporting for directors of listed companies registered in the United Kingdom, published in November 1994.

A review of the financial and operational activities is included in the Chairman's Review.

Future developments

The directors consider that the current strategy of the Group will continue to provide positive returns for shareholders and that the joint ventures undertaken by the Group are essential to the development of the Group's private interests. Management policies will continue to be reviewed in the light of changing commodity markets and macroeconomic conditions.

Directors

The following directors have held office since 1st January 2005:—

P.M. Boycott	(Executive Chairman)
B.M. Wides	(Finance Director)
M.H. Atkinson	(Non-Executive Director) (appointed 9th February 2006)
J.G. Whellock	(Non-Executive Director)
A.H. Yadgaroff	(Non-Executive Director)
H. Michaelis	(Non-Executive Director) (resigned 20th June 2005)

The director who is due to retire by rotation at the next Annual General Meeting is Mr A.H. Yadgaroff, who, being eligible, offers himself for re-election. Mr M.H. Atkinson, having been appointed on 9th February 2006, retires and offers himself for election at the Annual General Meeting in accordance with the Company's articles of association. The biographical details of Mr Yadgaroff and Mr Atkinson are as follows:—

Anthony Yadgaroff (Non-Executive Director) is a former equity analyst and manager of small pension funds and was appointed as a director on 3rd March 2003. In 1984 he founded Allenbridge Group plc, a FSA regulated company which researches fund managers' performance and provides a rating service of hedge funds for institutional clients. As a result, he has considerable experience of the interests of shareholders and related compliance issues.

Mike Atkinson (Non-Executive Director) is a qualified management accountant and was appointed as a director on 9th February, 2006. He worked for 10 years for the National Coal Board as a capital investment analyst before joining the UK Department of Energy (later DTI). He was a senior civil servant for nearly 20 years until his retirement in 2004, and held a range of financial, management and policy posts including Director of Coal and later Chairman of British Coal.

Biographies for all directors are available at www.anglo-pacificgroup.com.

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

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2005

The posts of Chairman and Chief Executive have been combined to allow the Group to continue to function as efficiently as possible. The Board believe that, with five directors (three of whom are non-executive) and a total of two staff, the appointment of a separate Chairman would not enhance either the performance or the effectiveness of the Group in creating value for shareholders. The Board feel that, with a majority of independent non-executive directors on the Board, the Corporate Governance of the Group is not adversely affected by the combination of these roles.

Directors' interests

The beneficial interests of the directors in office at 1st January 2005 and 31st December 2005 in the issued share capital of the Company are as follows:—

Director	Ordinary Shares of £0.02 each		
	23rd February 2006	31st December 2005	1st January 2005
P.M. Boycott	2,936,875	2,919,540	2,820,361
B.M. Wides	3,473,739	3,460,618	3,342,325
H. Michaelis *	N/A	N/A	1,406,738
J.G. Whellock	10,084	10,084	7,444
A.H. Yadgaroff	138,645	136,296	125,600

* Mr H. Michaelis resigned from the Board on 20th June 2005.

Corporate governance

A report on corporate governance and compliance with the Combined Code on Corporate Governance as appended to the Listing Rules of the Financial Services Authority is set out on pages 13 to 15. The directors' remuneration report, as set out on pages 16 to 18, will be proposed for approval at the AGM to be held on 26th April 2006. In accordance with the Directors' Remuneration Report Regulations 2002, the vote on such resolution is advisory and no director's remuneration is conditional upon the passing of the resolution.

Substantial interests

The Company has been notified of the following interests of 3% or more in the Share Capital of the Company at 23rd February 2006.

	Ordinary Shares of 2p each	Representing
Ransomes Dock Ltd	8,841,552	8.80%
Legal and General Group PLC	4,280,695	4.26%

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.

Donations

It is a continuing policy of the Group not to make political or charitable donations. However, employees are encouraged to support their chosen charities utilising the Give As You Earn payroll contribution scheme.

No donations were made to charities during the year (2004: nil).

No political donations were made during the year (2004: nil).

Policy on payment of creditors

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

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2005

- 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 2005 the Group took an average of 26 days to settle its bills with suppliers (2004: 24 days). The Group acknowledges the importance of paying invoices promptly, especially those of small businesses.

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.

The Group acknowledges that, while its activities have little direct environmental impact, it does have the ability to positively influence the environmental practices and policies of companies it conducts business with. Management discussions necessarily address common environmental policy ideals, and the Board remain committed to working with its fellow mining companies to ensure that the environmental impact of mineral exploration and development activities is minimised as much as possible. The Board have access to consultants with requisite mining and environmental expertise to ensure the Group's partners meet their covenants in this regard.

Internal Monitoring

The Group has a policy whereby any employee may contact the Chairman or the members of the Audit Committee at any time in relation to any concerns regarding conduct that is contrary to the values of the Group. Such matters may include unethical practices in accounting, internal accounting controls, financial reporting or auditing matters, or any other legal or ethical concern. By virtue of the size of the Group all employees are in regular contact with the members of the Board, and any concerns are treated in the strictest confidence.

Financial instruments

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 IAS 32 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.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its other receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. There are no doubtful receivables in this period.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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

Anglo Pacific Group PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 2005

fluctuations is assessed by the Board and regularly reviewed. The Group does not have a hedging programme in place at this time.

Annual General Meeting

The notice of the Annual General Meeting (refer to page 51) contains ordinary and special resolutions detailed below.

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.

Authority to Allot Shares and Partial Disapplication of Pre-emption Rights

Resolution 8 seeks a new authority, to replace the present authority and be effective until the earlier of 25th April 2011 and the conclusion of the annual general meeting held in 2011, to authorise the Directors to allot relevant securities up to a maximum nominal amount of £669,441 representing about 33.33% of the issued ordinary share capital at the date of this report. The Directors have no present intention of exercising this authority.

Resolution 9 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 £100,416 (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. No shares are currently held in treasury by the Company.

Authority to purchase own shares

Resolution 10 gives authority for the Company to purchase its own shares and specifies the maximum number of shares which may be acquired (10,041,620, approximately 10% of the Company's issued ordinary share capital as at the date of this report) and the maximum (the higher of 105% of the 5 day average middle market price and the last independent trade or bid) 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 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 0.93% of the current issued share capital and would represent 1.04% 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. At 31st December 2005 the Company still had authority to acquire 9,507,307 shares under Resolution 9 passed at the last Annual General Meeting.

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

8th March 2006

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

Principles of Corporate Governance

The Group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether the Group has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles (including those set out in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") published by the Financial Services Authority) in a sensible and pragmatic fashion having regard to the individual circumstances of the Group's business. The key objective is to enhance and protect shareholder value.

Board Structure

The Board currently comprises the Executive Chairman, the Finance Director and three independent non-executive directors. A statement of directors' responsibilities in respect of the financial statements is set out on page 19. Directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. 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 a specific list of matters for the Board's consideration which is provided to the Board as guidance. However, it is the policy of the Group for the executive directors to report and refer to the Board at regular intervals on all matters relating to the running of the Group. 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 where applicable. Directors may request additional Board papers on any topic.

The Group's directors have a wide range of expertise as well as experience in financial, commercial and mining activities. Individual directors, in conjunction with other Board members, may take training tailored to their own requirements. During the year directors attended, inter alia, workshops and briefings on: the new OFR proposals; mining industry developments; IFRS and corporate social responsibility. To enable the Board to discharge its duties, directors are able to take both independent professional advice and appropriate training at the Group's expense.

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 Group does not have a separate nomination committee as it is not considered to be beneficial in a group of this size. All directors may make recommendations to the Board on the appointment of new executive and non-executive directors, having regard to the balance and structure of the Board. External consultants may be engaged where necessary to identify appropriate candidates.

Under the terms of the Company's Memorandum and Articles of Association, all directors retire by rotation on the basis of one-third their number each year, and require to be re-appointed by the shareholders at an Annual General Meeting. In effect this means that all directors are subject to re-election by shareholders at least every 3 years. Biographies of all directors are available at www.anglopacifigroup.com.

Committees of the Board

The following committees, which have written terms of reference, deal with specific aspects of the Group's affairs.

Remuneration Committee

The Remuneration Committee, comprising solely the independent non-executive directors, is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation payments. It is chaired by A.H. Yadgaroff and has access to recruitment consultants when required. The Board itself determines the remuneration of the non-executive directors. The report on Directors' remuneration is set out on pages 16 to 18.

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The Audit Committee comprises solely the independent non-executive directors and is chaired by J.G. Whellock. Its prime tasks are to review the scope of internal and external audit, to receive regular reports from Baker Tilly and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes. The committee also considers whether a need for an internal audit function is present. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

The committee, which meets at least twice a year, provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Executive Chairman, the Finance Director and the Company Secretary.

The Audit Committee has considered the Group's circumstances and due to the close involvement of the executive directors in operational, financial and risk management and control, and in view of the Group's size, it believes that shareholders would not benefit from the implementation of an internal audit function at this time. This will continue to be reviewed annually.

Internal Control

The directors are responsible for the Group's system of internal control and reviewing its effectiveness.

The Board has designed the Group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:—

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- There are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts;
- The Group Financial Controller is required annually to undertake a full assessment process to identify and quantify the risks that face the Group's businesses and functions, and assess the adequacy of the prevention, monitoring and modification practices in place for those risks. In addition, regular reports about significant risks and associated control and monitoring procedures are made to the Audit Committee. They are responsible for reviewing the risk assessment for completeness and accuracy. The consolidated results of these reviews are reported to the Board to enable the directors to review the effectiveness of the system of internal control. The process adopted by the Group accords with the guidance contained in the document "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

The Audit Committee receives reports from external auditors on a regular basis and from the executive directors of the Group. During the period, the Audit Committee has reviewed the effectiveness of the system of internal control as described above. The Board receives periodic reports from all committees.

There are no significant issues disclosed in the report and financial statements for the year ended 31st December 2005 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

Anglo Pacific Group PLC

CORPORATE GOVERNANCE STATEMENT

The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

Relations with Shareholders

The Group values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the year the directors had a number of meetings with institutional investors whose combined shareholdings represented over 40% of the total issued share capital of the Company.

Private investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on current business activity. The Chairmen of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer any shareholder questions.

This year's Annual General Meeting will be held on 26th April 2006. The notice of the Annual General Meeting may be found on page 51.

Going Concern

The directors confirm that they are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement by the directors on compliance with the provisions of the Combined Code

Except where disclosed above, the Company confirms that it complies with the provisions set out in Section 1 of the Combined Code.

Anglo Pacific Group PLC

DIRECTORS' REMUNERATION REPORT

The Remuneration Committee comprises:—

A.H. Yadgaroff (Chairman)
M.H. Atkinson
J.G. Whellock

The Remuneration Committee is constituted in accordance with the recommendations of the Combined Code. The members of the committee are all independent non-executive directors and the committee is chaired by A.H. Yadgaroff.

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 Group'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 seven 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 executive directors in proportions to be determined by the Committee from time-to-time. 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 and B.M. Wides. It is the Company's policy that executive directors should have contracts with an indefinite term providing for a period of notice of twelve months. In the event of early termination, the directors' contracts provide for compensation for this period. The Board considers that this provision is appropriate in a competitive market place.

Anglo Pacific Group PLC

DIRECTORS' REMUNERATION REPORT

(vi) Share Price Performance



The above graph plots the movement for 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

	2005	2004
	£	£
Salaries and benefits	124,817	122,030
Bonus	450,000	525,000
Pension contributions	1,400	4,875
Termination payment	125,635	—
Fees	60,050	20,337
	<u>761,902</u>	<u>672,242</u>

The remuneration of the directors was as follows:—

	P.M. Boycott £	H. Michaelis £	J.G. Whellock £	B.M. Wides £	A.H. Yadgaroff £	Total £
Salary	56,500	10,417	—	57,900	—	124,817
Bonus	225,000	—	—	225,000	—	450,000
Pension contribution	1,400	—	—	—	—	1,400
Termination payment	—	125,635	—	—	—	125,635
Fees	—	—	30,000	—	30,050	60,050
12 months to 31st December 2005	<u>282,900</u>	<u>136,052</u>	<u>30,000</u>	<u>282,900</u>	<u>30,050</u>	<u>761,902</u>
12 months to 31st December 2004	<u>246,488</u>	<u>128,929</u>	<u>25,387</u>	<u>246,488</u>	<u>24,950</u>	<u>672,242</u>

Anglo Pacific Group PLC

DIRECTORS' REMUNERATION REPORT

(viii) Executive Share Option Scheme

No executive share options have been granted to directors since 1999.

The options of the directors at 31st December 2005 over the ordinary share capital of the company were as undernoted for which nil has been paid.

	No. of Shares		Exercisable between	Exercise price
	2005	2004		
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
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

Options with an exercise price of 23.5p were granted on 13th October 1999. No options were exercised during the year.

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

The vesting period for the option scheme is either 3 or 5 years. In any event, if an option under the scheme remains unexercised after a period of 7 years from the date of grant, the option will lapse. The exercise condition of the option scheme stipulates that the Group's Earnings per Share (EPS) must grow at a rate of 2% in excess of the UK Retail Price Index (RPI) over the vesting period if it is 3 years or 4% in excess of the RPI over the vesting period if it is 5 years.

The market price of the shares at 31st December 2005 was 118p and the range during the year was 87p to 139p.

Non-executive directors' remuneration

The fees of non-executive directors are determined by the Board as a whole having regard to the commitment of time required and the level of fees in similar companies. Non-executive directors are not eligible to participate in the Company's bonus plan, share option schemes or pension scheme.

The Group's non-executive directors are employed on rolling contracts with a 30 day notice period by either party.

Audit

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.

By Order of the Board,
M.J. Tack C.A.
Company Secretary
8th March 2006

Anglo Pacific Group PLC

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

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

The directors are also responsible for the maintenance and integrity of the Anglo Pacific Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Anglo Pacific Group PLC

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

We have audited the group and parent company financial statements on pages 22 to 49. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 those International Financial Reporting Standards (IFRSs) adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's 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 International Standards on Auditing (UK and Ireland) 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 part of the Directors' Remuneration Report to be audited. 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 group's and 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 part of the Directors' Remuneration Report to be audited 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 part of the Directors' Remuneration Report to be audited.

Anglo Pacific Group PLC

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

Opinion

In our opinion:—

- the group financial statements give a true and fair view, in accordance with those IFRSs adopted for use in the European Union, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with those IFRSs adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2005; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Baker Tilly
Registered Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH
8th March 2006

Anglo Pacific Group PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2005

	Notes	2005 £'000	Restated 2004 £'000
Royalty income	4	11,479	5,313
Other operating income	4	91	122
Profit on sale of mining and exploration interests	4	6,626	3,507
Finance income	4, 7	188	86
		<u>18,384</u>	<u>9,028</u>
Net operating expenses	5	<u>(1,440)</u>	<u>(1,318)</u>
Profit before tax	5	16,944	7,710
Tax	8	<u>(3,078)</u>	<u>(1,310)</u>
Profit attributable to equity holders	23	<u><u>13,866</u></u>	<u><u>6,400</u></u>
Basic earnings per share	10	<u>14.31p</u>	<u>7.11p</u>
Fully diluted earnings per share	10	<u>14.21p</u>	<u>7.06p</u>

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET AT 31st DECEMBER 2005

	Notes	2005 £'000	Group Restated 2004 £'000	Company 2005 £'000	Company Restated 2004 £'000
Non-current assets					
Property plant and equipment	12	847	852	847	852
Coal royalties (at valuation)	15	56,715	57,648	—	—
Investments in subsidiary undertakings	13	—	—	56,554	57,634
Mining and exploration interests	15	34,135	20,186	27,955	16,039
		<u>91,697</u>	<u>78,686</u>	<u>85,356</u>	<u>74,525</u>
Current assets					
Trade and other receivables	16	2,548	2,142	77	139
Cash at bank	19	5,797	3,452	1,527	1,222
		<u>8,345</u>	<u>5,594</u>	<u>1,604</u>	<u>1,361</u>
Total assets		<u>100,042</u>	<u>84,280</u>	<u>86,960</u>	<u>75,886</u>
Current liabilities					
Taxation	17	1,386	401	5	320
Trade and other payables	17	595	429	98	90
		<u>1,981</u>	<u>830</u>	<u>103</u>	<u>410</u>
Non-current liabilities					
Deferred tax	18	13,713	13,341	16,501	16,781
		<u>13,713</u>	<u>13,341</u>	<u>16,501</u>	<u>16,781</u>
Total liabilities		<u>15,694</u>	<u>14,171</u>	<u>16,604</u>	<u>17,191</u>
Capital and reserves attributable to shareholders					
Share capital	20	2,005	1,891	2,005	1,891
Share premium	20	11,338	4,741	11,338	4,741
Coal royalty revaluation reserve	21	42,017	42,964	38,557	39,209
Investment revaluation reserve	21	5,704	7,850	4,546	6,704
Share based payment reserve	21	12	2	12	2
Foreign currency translation reserve	21	279	119	82	82
Special reserve	22	632	632	632	632
Retained Earnings	23	22,361	11,910	13,184	5,434
		<u>84,348</u>	<u>70,109</u>	<u>70,356</u>	<u>58,695</u>
Total equity and liabilities		<u>100,042</u>	<u>84,280</u>	<u>86,960</u>	<u>75,886</u>

The financial statements on pages 22 to 49 were approved by the board of directors and authorised for issue on 8th March 2006 and are signed on its behalf by:—

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

Anglo Pacific Group PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWO YEARS ENDED 31st DECEMBER 2005

	Share capital £'000	Share premium £'000	Coal royalty revaluation reserve £'000	Investment revaluation reserve £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2004	1,749	420	33,647	3,530	—	103	632	7,793	47,874
Gain on Royalties revaluation	—	—	9,317	—	—	—	—	—	9,317
Gain on Investments revaluation	—	—	—	4,320	—	—	—	—	4,320
Foreign currency translation	—	—	—	—	—	16	—	—	16
Net income recognised direct into equity	1,749	420	42,964	7,850	—	119	632	7,793	61,527
Profit for the period	—	—	—	—	—	—	—	4,117	4,117
Total recognised income and expenses	1,749	420	42,964	7,850	—	119	632	11,910	65,644
Issue of share capital	88	3,402	—	—	—	—	—	—	3,490
Scrip Dividend	24	679	—	—	—	—	—	—	703
Issue of share capital on exercise of options	30	240	—	—	—	—	—	—	270
Equity share options issued	—	—	—	—	2	—	—	—	2
Balance at 1st January 2005	1,891	4,741	42,964	7,850	2	119	632	11,910	70,109
(Loss) on Royalties revaluation	—	—	(947)	—	—	—	—	—	(947)
(Loss) on Investments revaluation	—	—	—	(2,146)	—	—	—	—	(2,146)
Foreign currency translation	—	—	—	—	—	160	—	—	160
Net income recognised direct into equity	1,891	4,741	42,017	5,704	2	279	632	11,910	67,176
Profit for the period	—	—	—	—	—	—	—	10,451	10,451
Total recognised income and expenses	1,891	4,741	42,017	5,704	2	279	632	22,361	77,627
Issue of share capital	94	5,640	—	—	—	—	—	—	5,734
Scrip Dividend	20	957	—	—	—	—	—	—	977
Equity share options issued	—	—	—	—	10	—	—	—	10
Balance at 31st December 2005	2,005	11,338	42,017	5,704	12	279	632	22,361	84,348

Anglo Pacific Group PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE TWO YEARS ENDED 31st DECEMBER 2005

	Share capital £'000	Share premium £'000	Coal royalty revaluation reserve £'000	Investment revaluation reserve £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2004	1,749	420	29,862	3,560	—	82	632	4,974	41,279
Gain on Royalties revaluation	—	—	9,347	—	—	—	—	—	9,347
Gain on Investments revaluation	—	—	—	3,144	—	—	—	—	3,144
Foreign currency translation	—	—	—	—	—	—	—	—	—
Net income recognised direct into equity	1,749	420	39,209	6,704	—	82	632	4,974	53,770
Profit for the period	—	—	—	—	—	—	—	460	460
Total recognised income and expenses	1,749	420	39,209	6,704	—	82	632	5,434	54,230
Issue of share capital	88	3,402	—	—	—	—	—	—	3,490
Scrip Dividend	24	679	—	—	—	—	—	—	703
Issue of share capital on exercise of options	30	240	—	—	—	—	—	—	270
Equity share options issued	—	—	—	—	2	—	—	—	2
Balance at 1st January 2005	1,891	4,741	39,209	6,704	2	82	632	5,434	58,695
(Loss) on Royalties revaluation	—	—	(652)	—	—	—	—	—	(652)
(Loss) on Investments revaluation	—	—	—	(2,158)	—	—	—	—	(2,158)
Foreign currency translation	—	—	—	—	—	—	—	—	—
Net income recognised direct into equity	1,891	4,741	38,557	4,546	2	82	632	5,434	55,885
Profit for the period	—	—	—	—	—	—	—	7,750	7,750
Total recognised income and expenses	1,891	4,741	38,557	4,546	2	82	632	13,184	63,635
Issue of share capital	94	5,640	—	—	—	—	—	—	5,734
Scrip Dividend	20	957	—	—	—	—	—	—	977
Equity share options issued	—	—	—	—	10	—	—	—	10
Balance at 31st December 2005	2,005	11,338	38,557	4,546	12	82	632	13,184	70,356

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2005

	Notes	2005 £'000	Restated 2004 £'000
Cashflows from operating activities			
Profit before taxation		16,944	7,710
Adjustments for:			
Interest received	7	(188)	(86)
Foreign exchange losses	5	160	16
Depreciation of property, plant and equipment	5	9	8
(Gain) on disposal of mining and exploration interests		(6,626)	(3,507)
Share based payments	21	10	2
		<u>10,309</u>	<u>4,143</u>
(Increase) in trade and other receivables		(406)	(1,207)
Increase in trade and other payables		166	315
		<u>10,069</u>	<u>3,251</u>
Cash generated from operations		(1,738)	(1,027)
Net cash from operating activities		<u>8,331</u>	<u>2,224</u>
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests		11,276	8,647
Purchase of mining and exploration interests		(20,744)	(11,444)
Interest received	7	188	86
Net cash used in investing activities		<u>(9,280)</u>	<u>(2,711)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		5,734	3,760
Dividends paid		(2,440)	(1,579)
Net cash used in financing activities		<u>3,294</u>	<u>2,181</u>
Net increase in cash and cash equivalents		2,345	1,694
Cash and cash equivalents at beginning of period	19	<u>3,452</u>	<u>1,758</u>
Cash and cash equivalents at end of period	19	<u><u>5,797</u></u>	<u><u>3,452</u></u>

Explanation of material adjustments to the cash flow statement

Income taxes paid in the relevant period are now classified as operating cash flows under IFRS, but were included as a separate category of tax cash flows under UK GAAP. This was £1,738,000 for the year to 31st December 2005 and £1,027,000 for the year to 31st December 2004. Under IFRS credit cash balances held by stockbrokers are treated as cash. Under UK GAAP, these were treated as accounts receivable. This was £261,000 at 31st December 2005 and £311,000 at 31st December 2004.

There are no other material differences in the cash flow statements presented under IFRS and previously presented under UK GAAP.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

1. Accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of the royalties and certain financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31st December each year.

In the accounts of Anglo Pacific Group PLC investments in subsidiaries are shown at cost less provision for impairment. The results of subsidiaries are included in the consolidated income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in joint ventures

A joint venture is an entity in which Anglo Pacific Group PLC holds an interest on a long-term basis and which is jointly controlled by Anglo Pacific Group PLC and one or more other partners under a contractual arrangement.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the proportionate consolidation method of accounting. The Group's share of the assets, liabilities, income and expenses of the joint ventures are incorporated with the similar items, line by line, in its financial statements.

Where a group company transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Revenue recognition

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 and other sales related taxes. It is measured at the fair value of the consideration received or receivable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax attributable to current profits. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:—

Producing assets, including land	Unit of production
Fixtures and equipment	4 to 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Leased assets

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 income statement 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 term of the lease.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

Investments are classified as available-for-sale and are measured at subsequent reporting dates at their fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7th November 2002 that were unvested as of 1st January 2004.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements. It has concluded that there is no significant risk of these estimates and assumptions causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

2. **Presentation of financial statements**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 28.

These financial statements are presented in Sterling since that is the currency in which the majority of the Group’s transactions are denominated.

3. **Adoption of international accounting standards**

In the current year, the Group has adopted IFRS for the first time.

The effects can be summarised as follows:—

IFRS 2 Share Based Payment and Revaluation Reserve

In accordance with IFRS 2 Share Based Payment and Revaluation Reserve an expense was incurred in both the 2004 and 2005 years relating to options granted in the year ended 31st December 2004.

IAS 39 Financial Instruments: Recognition and Measurement

This standard required the revaluation of the Group’s investment in listed mining and exploration interests to market value. This resulted in the creation of an Investment revaluation reserve. Additionally, cash balances held at brokers were treated as cash as opposed to receivables.

IAS 12 Income Tax

In order to comply with this standard an adjustment was made to deferred tax for the Group’s revaluation of the Australian coal royalty.

IAS 10 Events after Balance Sheet Date

Under this standard dividends proposed but not approved at an AGM at the end of the year were removed from payables.

A reconciliation between UK GAAP and IFRS is provided in note 28.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

4. Business and geographical segments

For reporting purposes the Group is currently organised into two primary operating segments — royalty and mining and exploration interests.

The royalty segment encompasses all Group activities relating directly to the royalties received from mining operations. The mining and exploration interests segment encompasses all Group activities relating directly to the acquisition, disposition and continuing monitoring of the Group's investments in listed and unlisted entities operating in mining and mineral exploration. Any revenue, overheads, assets or liabilities that cannot be directly allocated to these segments is reported under "Unallocated".

For the purposes of segment reporting the Group does not have separate geographical reporting segments.

Segment information is presented below.

	Year ended 31st December 2005			
	Royalty £'000	Mining Interests £'000	Un- allocated £'000	Total £'000
Revenue	11,479	—	91	11,570
Operating profit	11,479	—	(1,349)	10,130
Profit on sale of mining and exploration interests	—	6,626	—	6,626
Interest received	—	—	188	188
Tax	—	—	(3,078)	(3,078)
Segment Result	11,479	6,626	(4,239)	13,866
Segment Assets	56,715	34,135	9,192	100,042
Segment Liabilities	(13,713)	—	(1,981)	(15,694)
Net Segment Assets	43,002	34,135	7,211	84,348

	Year ended 31st December 2004			
	Royalty £'000	Mining Interests £'000	Un- allocated £'000	Total £'000
Revenue	5,313	10	112	5,435
Operating profit	5,313	10	(1,206)	4,117
Profit on sale of mining and exploration interests	—	3,507	—	3,507
Interest received	—	—	86	86
Tax	—	—	(1,310)	(1,310)
Segment Result	5,313	3,517	(2,430)	6,400
Segment Assets	57,648	20,186	6,446	84,280
Segment Liabilities	(13,341)	—	(830)	(14,171)
Net Segment Assets	44,307	20,186	5,616	70,109

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

5. Profit from operations	2005	2004
	£'000	£'000
Profit before tax is stated after charging:—		
Net foreign exchange losses	160	16
Depreciation of property plant and equipment (note 12)	9	8
Staff costs (note 6)	862	714
Auditors' remuneration — audit fees (Company: £26,000)	34	35
— IFRS consulting	10	—
— general taxation consulting	—	4
	<u> </u>	<u> </u>
6. Staff costs	2005	2004
	£'000	£'000
Wages and salaries	829	688
Social security costs	29	21
Other pension costs	4	5
	<u> </u>	<u> </u>
	862	714
	<u> </u>	<u> </u>
	2005	2004
	Number	Number
Executive directors	2	2
Administration	2	2
	<u> </u>	<u> </u>
	4	4
	<u> </u>	<u> </u>
7. Finance Income	2005	2004
	£'000	£'000
On bank deposits and other loans	188	86
	<u> </u>	<u> </u>
8. Income tax expense	2005	2004
	£'000	£'000
Total current tax	2,720	1,164
Deferred tax charged to income — current year (note 18)	358	146
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	3,078	1,310
	<u> </u>	<u> </u>
Factors affecting the tax charge for the year:—		
Profit on activities before tax	16,944	7,710
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	5,083	2,313
<i>Effects of:—</i>		
Losses	(2,363)	(1,149)
	<u> </u>	<u> </u>
Current corporation tax charge	2,720	1,164
	<u> </u>	<u> </u>

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

9. Dividends

On 28th January 2005, an interim dividend of 1.60 pence per share in respect of the year ended 31st December 2004 was paid to shareholders (2003: 1.30 pence). On 5th August 2005, a final dividend of 2.00 pence per share in respect of the year ended 31st December 2004 was paid to shareholders (2003: 1.30 pence). The total dividend paid for the year ended 31st December 2004 was 3.60 pence per share.

On 27th January 2006 an interim dividend of 2.25 pence per share was paid to shareholders in respect of the year ended 31st December 2005. This dividend has not been included as a liability in these financial statements. The directors propose that a final dividend of 3.25 pence per share be paid to shareholders on 4th August 2006, to make a total dividend for the year of 5.50 pence per share. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed final dividend for 2005 is payable to all shareholders on the Register of Members on 23rd June 2006. The total estimated dividend to be paid is £3.26 million. This will be reduced to the extent that shareholders elect to receive scrip instead of cash under the Company's scrip dividend alternative.

10. Earnings per share

Earnings per ordinary share is calculated on the Group's profit after tax of £13,866,000 (2004: £6,400,000) and the weighted average number of shares in issue during the year of 96,892,627 (2004: 90,020,365).

The diluted earnings per ordinary share is calculated on a profit after tax of £13,866,000 and 97,612,472 shares. The numbers used in calculating basic and diluted earnings per share are restated below:—

Net profit attributable to shareholders	2005	2004
	£'000	£'000
Earnings—basic	13,866	6,400
Earnings—diluted	13,866	6,400
Weighted average number of shares in issue	Number	Number
Ordinary shares in issue	96,892,627	90,020,365
Executive Share Option Scheme	709,888	617,057
Employee Share Option Scheme	9,957	(3,211)
	97,612,472	90,634,211

11. Results of Anglo Pacific Group PLC

Included in the consolidated profit attributable to the shareholders of Anglo Pacific Group PLC is a profit of £11,165,510 (2004: £2,742,768), 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.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

12. Property plant and equipment Group and Company

	Producing assets £'000	Equipment and fixtures £'000	Total £'000
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>
Cost or Valuation:			
At 1st January 2005	821	135	956
Additions	—	4	4
At 31st December 2005	<u>821</u>	<u>139</u>	<u>960</u>
Depreciation:			
At 1st January 2005	—	104	104
Charge for the year	1	8	9
At 31st December 2005	<u>1</u>	<u>112</u>	<u>113</u>
Net book value:			
At 31st December 2005	<u>820</u>	<u>27</u>	<u>847</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 (2004: £0.8 million) plus additions which are carried at cost. This valuation was carried out on 26th March 2001.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

13. Investments in subsidiary undertakings

	Shares in subsidiary undertakings £'000	Net advances with subsidiary undertakings £'000	Total £'000
Cost or Valuation:			
At 1st January 2005	57,648	338	57,986
Revaluation	(932)	—	(932)
Net additions	—	(98)	(98)
At 31st December 2005	<u>56,716</u>	<u>240</u>	<u>56,956</u>
Provisions:			
At 1st January 2005	345	7	352
Net provisions made during the year	—	50	50
At 31st December 2005	<u>345</u>	<u>57</u>	<u>402</u>
Net book value:			
At 31st December 2005	<u>56,371</u>	<u>183</u>	<u>56,554</u>
At 31st December 2004	<u>57,303</u>	<u>331</u>	<u>57,634</u>

	Country of registration and operation	Principal activity	Proportion of shares held at 31st December 2005
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.

14. Joint ventures

The Group has a 50% equity shareholding (and voting rights) in a joint venture established in Australia between Jandale Pty Ltd (a wholly owned subsidiary of the Company) and Core Resources Pty Ltd for the purpose of exploration and development.

The following amounts are included in the Group's financial statements using proportionate consolidation:—

	2005 £'000	2004 £'000
Current assets	27	—
Long-term assets	1	—
Current liabilities	40	—
Long-term liabilities	—	—
Income	—	—
Expenses	<u>144</u>	<u>—</u>

The Group has no contingent liabilities under this joint venture nor any capital commitments beyond those disclosed and included under current liabilities.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

15. Investments

(a) Coal Royalty Investment

	Group £'000	Company £'000
At 1st January 2005	57,648	—
Revaluation adjustment	(933)	—
At 31st December 2005	<u>56,715</u>	<u>—</u>

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

The coal royalty was valued during December 2005 at £56.7 million (A\$133.4 million) by Resource Management International 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 £11.7 million (A\$27.5 million) of capital losses potentially available to offset against taxable gains.

(b) Mining and Exploration Interests

	Group £'000	Company £'000
At 1st January 2005		
— as originally stated (cost)	12,336	9,335
— prior period adjustment to reflect adoption of IAS 39 (see note 28)	7,850	6,704
As restated — fair value at 1st January 2005	<u>20,186</u>	<u>16,039</u>
Additions	19,975	16,755
Disposals	(7,058)	(5,479)
Increase in fair value	1,032	640
Fair value at 31st December 2005	<u>34,135</u>	<u>27,955</u>
Quoted investments	33,134	27,440
Unquoted investments	1,001	515
	<u>34,135</u>	<u>27,955</u>

The investments in securities included above represent investments in listed and unlisted equity securities which present the Group with opportunity for returns through dividends and gains on sale. These investments are acquired as part of the Group strategy to acquire new royalties and are not held for the purpose of trading. Gains may be realised where it is deemed appropriate by the Investment Committee. The fair values of these securities are based on quoted market prices for listed securities and cost for unlisted securities.

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Total royalty and mining and exploration interests	<u>90,850</u>	<u>27,955</u>	<u>77,834</u>	<u>16,039</u>

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

16. Trade and other receivables

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade receivables	17	—	5	2
Other receivables (including royalties receivable) *	2,488	45	2,094	105
Prepayments and accrued income	43	32	43	32
	<u>2,548</u>	<u>77</u>	<u>2,142</u>	<u>139</u>

* Includes £3,000 (2004: £42,000) repayable in over 1 year.

Trade and other receivables principally comprise amounts receivable from royalty debtors for the quarter 1st October to 31st December 2005. The directors consider that the carrying amount of trade and other receivables is approximately their fair value.

17. Trade and other payables

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade payables	57	25	31	20
Other taxation and social security payable	1,386	5	720	320
Other payables	509	44	45	36
Accruals and deferred income	29	29	34	34
	<u>1,981</u>	<u>103</u>	<u>830</u>	<u>410</u>

Trade and other payables principally comprise amounts outstanding for investment purchases and ongoing costs. The average credit period taken for trade purchases is 26 days. The directors consider that the carrying amount of trade and other payables is approximately their fair value.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

18. Deferred tax

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
Analysis for financial reporting purposes:				
Deferred tax liabilities	17,228	16,501	17,151	16,781
Deferred tax assets	(3,515)	—	(3,810)	—
Net position at 31st December	<u>13,713</u>	<u>16,501</u>	<u>13,341</u>	<u>16,781</u>

The movement in the year in the Group's net deferred tax position was as follows:

	2005		2004	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1st January	13,341	16,781	9,159	12,775
Charge to income for the year	358	—	146	—
Charge to equity for the year	14	(280)	4,036	4,006
At 31st December	<u>13,713</u>	<u>16,501</u>	<u>13,341</u>	<u>16,781</u>

The following are the major deferred tax liabilities recognised by the Group and the movements thereon during the period:

	Accrual of royalty receivable £'000	Revaluation of coal royalty investment £'000	Total £'000
At 1st January 2005	370	12,971	13,341
Charge to income for the year (note 8)	358	—	358
Charge to equity for the year	—	14	14
At 31st December 2005	<u>728</u>	<u>12,985</u>	<u>13,713</u>

This provision represents the Group's full potential liability to deferred taxation. This may be reduced by tax losses available to the Group.

The Group has UK capital tax losses in the region of £21.5 million available for offset against capital gains. Australian capital losses are disclosed in note 15.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

19. Other financial assets

The disclosures detailed below are as required by IAS 32 “Financial Instruments: Disclosures and Presentation”. As permitted by IAS 32, short term receivables and payables 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 IAS 32 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.

Credit risk

The Group’s principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group’s maximum exposure to credit risk in relation to financial assets.

The Group’s credit risk is primarily attributable to its other receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group’s management based on prior experience and the current economic environment. There are no doubtful receivables this period.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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. The Group does not have a hedging programme in place at this time.

Financial Assets

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

	2005		2004	
	Group £’000	Company £’000	Group £’000	Company £’000
Cash at bank and in hand	<u>5,797</u>	<u>1,527</u>	<u>3,452</u>	<u>1,222</u>

Cash at bank and in hand comprise cash and short-term deposits held by the group treasury function. The carrying amount of these assets is approximately their fair value.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

20. Called up share capital and share premium

	£'000
Authorised share capital	
At 1st January 2005 and 31st December 2005 — 500,000,000 ordinary shares of 2p each	10,000
Allotted, called up and fully paid share capital	
At 1st January 2005 — 94,569,545 ordinary shares of 2p each	1,891
Scrip dividends	20
Placings	94
At 31st December 2005 — 100,231,425 ordinary shares of 2p each	2,005
Share premium	
At 1st January 2005	4,741
Scrip dividends	956
Placings	5,641
At 31st December 2005	11,338

Share option schemes

Shares under option to directors in office at 31st December 2005 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 plan, 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 no options were granted under this scheme and a total of 36,923 options remain outstanding at 31st December 2005.

21. Reserves

Coal royalty revaluation reserve	Group	Company
	£'000	£'000
Balance at 1st January 2004		
— as originally stated	42,582	42,637
— prior period adjustment (see note 28)	(8,935)	(12,775)
— as restated	33,647	29,862
Revaluation increase on coal royalty investment	13,353	13,353
Balance at 1st January 2005	47,000	43,215
— prior period adjustment (see note 28)	(4,036)	(4,006)
— as restated	42,964	39,209
Revaluation decrease on coal royalty investment	(933)	(932)
Deferred tax liability on revaluation of coal royalty investment	(14)	280
Balance at 31st December 2005	42,017	38,557

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

21. Reserves (continued)

Investment revaluation reserve	Group	Company
	£'000	£'000
Balance at 1st January 2004	—	—
— as originally stated	—	—
— prior period adjustment (see note 28)	3,530	3,560
— as restated	3,530	3,560
Revaluation increase on mining and exploration interests	4,320	3,144
Balance at 1st January 2005	7,850	6,704
Revaluation (decrease) on mining and exploration interests	(2,146)	(2,158)
Balance at 31st December 2005	<u>5,704</u>	<u>4,546</u>
Share based payment reserve	Group	Company
	£'000	£'000
At 1st January 2005	2	2
Arising from expensing employee options	10	10
At 31st December 2005	<u>12</u>	<u>12</u>
Foreign currency translation reserve	Group	Company
	£'000	£'000
At 1st January 2005	119	82
Arising from retranslation of opening investment in foreign subsidiaries	160	—
At 31st December 2005	<u>279</u>	<u>82</u>

22. 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 2005, this reserve remains unavailable for distribution.

	Group	Company
	£'000	£'000
At 1st January 2005 and 31st December 2005	<u>632</u>	<u>632</u>

23. Accumulated profits

	Group	Company
	£'000	£'000
At 1st January 2004	—	—
As originally stated	5,510	2,692
— prior period adjustment (see note 28)	2,283	2,283
— as restated	7,793	4,975
Dividends paid	(3,405)	(3,405)
Retained profit for the financial year	6,400	2,742
At 1st January 2005	10,788	4,312
— prior period adjustment (see note 28)	1,122	1,122
— as restated	11,910	5,434
Dividends paid	(3,415)	(3,415)
Retained profit for the financial year	13,866	11,165
At 31st December 2005	<u>22,361</u>	<u>13,184</u>

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

24. Financial commitments

Operating leases

At the balance sheet date, the Group had outstanding annual commitments under non-cancellable operating leases, which fall due as follows:

	2005	2004
	£'000	£'000
Within one year	145	145
In the second to fifth years inclusive	366	438
After five years	38	73
	<u>549</u>	<u>656</u>

Capital commitments

At the year end the Group had capital commitments of £374,000 (2004: nil) in respect of purchases of quoted investments.

The Group's share of capital commitments of joint ventures at the balance sheet date amounted to nil (2004: nil).

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.

25. Retirement benefits plans

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 these plans in respect of the year.

The total cost charged to income of £4,000 (2004: £5,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31st December 2005, contributions of £400 (2004: nil) due in respect of the current reporting period had not been paid over to the schemes.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

26. Share based payments

The Group has an unapproved Executive Share Option Scheme and an Inland Revenue approved Company Share Option Plan. Both the option scheme and the option plan provide for a grant price equal to the quoted market price of the Group's shares on the date of grant.

The vesting period for the option plan is 3 years and, if an option remains unexercised after a period of 10 years from the date of grant, the option will lapse. The exercise condition of the option plan stipulates that the Group's Earnings per Share (EPS) must grow at a rate of 2% in excess of the UK Retail Price Index (RPI) over the vesting period.

The vesting period for the option scheme is either 3 or 5 years. In any event, if an option under the scheme remains unexercised after a period of 7 years from the date of grant, the option will lapse. The exercise condition of the option scheme stipulates that the Group's Earnings per Share (EPS) must grow at a rate of 2% in excess of the UK Retail Price Index (RPI) over the vesting period if it is 3 years or 4% in excess of the RPI over the vesting period if it is 5 years.

	2005		2004	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at 1st January	936,923	0.2578	2,400,000	0.2006
Granted during the year	—	—	36,923	0.8125
Exercised during the year	—	—	1,500,000	0.1800
Expired during the year	—	—	—	—
Outstanding at 31st December	<u>936,923</u>	<u>0.2578</u>	<u>936,923</u>	<u>0.2578</u>
Exercisable at 31st December	<u>900,000</u>	<u>0.2350</u>	<u>900,000</u>	<u>0.2350</u>

The options outstanding at 31st December 2005 had a weighted average exercise price of £0.2578, and a weighted average remaining contractual life of 1.2 years.

The Group recognised total expenses of £9,600 (2004: £1,800) relating to equity-settled share-based payment transactions.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

27. Related party transactions

During the year, group companies entered into the following transactions with subsidiaries:

	Subsidiaries	
	2005	2004
	£'000	£'000
Funding transactions	6,715	20
Management fee	(465)	(343)
Amounts owed by related parties at year end	184	331
	<u>184</u>	<u>331</u>

All transactions were made in the course of funding the Group's continuing activities.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 16 to 18.

	2005	2004
	£'000	£'000
Short-term employee benefits	732	709
Post-employment benefits	4	5
Other long-term benefits	—	—
Termination benefits	126	—
Share-based payment	10	2
	<u>872</u>	<u>716</u>

Directors' transactions

Related party transactions in the year ended 31st December 2005 were payments of £20,500 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 (2004: £16,500). No monies were owed to Allenbridge Group plc at 31st December 2005 (2004: nil). No guarantees have been given or received in relation to payment.

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

28. Explanation of transition to IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31st December 2004 and the date of transition to IFRS was therefore 1st January 2004.

A separate cash flow reconciliation has not been provided in the notes as all information relevant to understanding the cash flow statement has been included on the face of the statement.

Reconciliation of profit at 31st December 2004

	UK GAAP £'000	IFRS2 Share based payment £'000	IAS 33 Earnings per share £'000	Total effect of transition to IFRS £'000	Restated under IFRS £'000
Royalty income	5,313	—	—	—	5,313
Other operating income	122	—	—	—	122
Profit on sale of mining and exploration interests	3,507	—	—	—	3,507
Finance income	86	—	—	—	86
	9,028	—	—	—	9,028
Net operating expenses	(1,316)	(2)	—	(2)	(1,318)
Profit before tax	7,712	(2)	—	(2)	7,710
Tax	(1,310)	—	—	—	(1,310)
Profit attributable to equity holders	<u>6,402</u>	<u>(2)</u>	<u>—</u>	<u>(2)</u>	<u>6,400</u>
Basic earnings per share	7.15	—	(0.04)	(0.04)	7.11
Diluted earnings per share	7.10	—	(0.04)	(0.04)	7.06

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

28. Explanation of transition to IFRS (continued)

Reconciliation of equity at 1st January 2004

	UK GAAP £'000	IFRS 1 Opening balance sheet adjustment £'000	IFRS2 Share based payment £'000	IAS 32/39 Financial instruments £'000	IAS 12 Income tax £'000	Other £'000	Total effect of transition to IFRS £'000	Restated under IFRS £'000
Non-current assets								
Property plant and equipment	846	—	—	—	—	—	—	846
Coal royalties (at valuation)	44,295	—	—	—	—	—	—	44,295
Investments in subsidiary undertakings	—	—	—	—	—	—	—	—
Mining and exploration interests	6,047	—	—	3,530	—	—	3,530	9,577
	<u>51,188</u>	<u>—</u>	<u>—</u>	<u>3,530</u>	<u>—</u>	<u>—</u>	<u>3,530</u>	<u>54,718</u>
Current assets								
Trade and other receivables	1,052	—	—	—	—	(117)	(117)	935
Cash at bank	1,642	—	—	—	—	117	117	1,759
	<u>2,694</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,694</u>
Total assets	<u><u>53,882</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,530</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,530</u></u>	<u><u>57,412</u></u>

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

28. Explanation of transition to IFRS (continued)

Reconciliation of equity at 1st January 2004 (continued)

	UK GAAP £'000	IFRS 1 Opening balance sheet adjustment £'000	IFRS2 Share based payment £'000	IAS 32/39 Financial instruments £'000	IAS 12 Income tax £'000	Other £'000	Total effect of transition to IFRS £'000	Restated under IFRS £'000
Current liabilities								
Taxation	265	—	—	—	—	—	—	265
Trade and other payables	114	—	—	—	—	—	—	114
Dividends payable	2,283	—	—	—	—	(2,283)	(2,283)	—
	<u>2,662</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,283)</u>	<u>(2,283)</u>	<u>379</u>
Non-current liabilities								
Deferred tax	224	8,935	—	—	—	—	8,935	9,159
	<u>224</u>	<u>8,935</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,935</u>	<u>9,159</u>
Total liabilities	<u>2,886</u>	<u>8,935</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,283)</u>	<u>6,652</u>	<u>9,538</u>
Capital and reserves attributable to shareholders								
Share capital	1,749	—	—	—	—	—	—	1,749
Share premium	420	—	—	—	—	—	—	420
Coal royalty revaluation reserve	42,582	(8,935)	—	—	—	—	(8,935)	33,647
Investment revaluation reserve	—	—	—	3,530	—	—	3,530	3,530
Share based payment reserve	—	—	—	—	—	—	—	—
Foreign currency translation reserve	103	—	—	—	—	—	—	103
Special reserve	632	—	—	—	—	—	—	632
Retained Earnings	5,510	—	—	—	—	2,283	2,283	7,793
	<u>50,996</u>	<u>(8,935)</u>	<u>—</u>	<u>3,530</u>	<u>—</u>	<u>2,283</u>	<u>(3,122)</u>	<u>47,874</u>
Total equity and liabilities	<u><u>53,882</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,530</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,530</u></u>	<u><u>57,412</u></u>

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

28. Explanation of transition to IFRS (continued)

Reconciliation of equity at 31st December 2004

	UK GAAP £'000	IFRS 1 Opening balance sheet adjustment £'000	IFRS2 Share based payment £'000	IAS 32/39 Financial instruments £'000	IAS 12 Income tax £'000	Other £'000	Total effect of transition to IFRS £'000	Restated under IFRS £'000
Non-current assets								
Property plant and equipment	852	—	—	—	—	—	—	852
Coal royalties (at valuation)	57,648	—	—	—	—	—	—	57,648
Investments in subsidiary undertakings	—	—	—	—	—	—	—	—
Mining and exploration interests	12,336	—	—	7,850	—	—	7,850	20,186
	<u>70,836</u>	<u>—</u>	<u>—</u>	<u>7,850</u>	<u>—</u>	<u>—</u>	<u>7,850</u>	<u>78,686</u>
Current assets								
Trade and other receivables	2,580	—	—	—	—	(438)	(438)	2,142
Cash at bank	3,763	—	—	—	—	(311)	(311)	3,452
	<u>6,343</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(749)</u>	<u>(749)</u>	<u>5,594</u>
Total assets	<u><u>77,179</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>7,850</u></u>	<u><u>—</u></u>	<u><u>(749)</u></u>	<u><u>7,101</u></u>	<u><u>84,280</u></u>

Anglo Pacific Group PLC

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

28. Explanation of transition to IFRS (continued)

Reconciliation of equity at 31st December 2004 (continued)

	UK GAAP £'000	IFRS 1 Opening balance sheet adjustment £'000	IFRS2 Share based payment £'000	IAS 32/39 Financial instruments £'000	IAS 12 Income tax £'000	Other £'000	Total effect of transition to IFRS £'000	Restated under IFRS £'000
Current liabilities								
Taxation	401	—	—	—	—	—	—	401
Trade and other payables	1,178	—	—	—	—	(749)	(749)	429
Dividends payable	3,405	—	—	—	—	(3,405)	(3,405)	—
	<u>4,984</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,154)</u>	<u>(4,154)</u>	<u>830</u>
Non-current liabilities								
Deferred tax	370	8,935	—	—	4,036	—	12,971	13,341
	<u>370</u>	<u>8,935</u>	<u>—</u>	<u>—</u>	<u>4,036</u>	<u>—</u>	<u>12,971</u>	<u>13,341</u>
Total liabilities	<u>5,354</u>	<u>8,935</u>	<u>—</u>	<u>—</u>	<u>4,036</u>	<u>(4,154)</u>	<u>8,817</u>	<u>14,171</u>
Capital and reserves attributable to shareholders								
Share capital	1,891	—	—	—	—	—	—	1,891
Share premium	4,741	—	—	—	—	—	—	4,741
Coal royalty revaluation reserve	55,935	(8,935)	—	—	(4,036)	—	(12,971)	42,964
Investment revaluation reserve	—	—	—	7,850	—	—	7,850	7,850
Share based payment reserve	—	—	2	—	—	—	2	2
Foreign currency translation reserve	119	—	—	—	—	—	—	119
Special reserve	632	—	—	—	—	—	—	632
Retained Earnings	8,507	—	(2)	—	—	3,405	3,403	11,910
	<u>71,825</u>	<u>(8,935)</u>	<u>—</u>	<u>7,850</u>	<u>(4,036)</u>	<u>3,405</u>	<u>(1,716)</u>	<u>70,109</u>
Total equity and liabilities	<u>77,179</u>	<u>—</u>	<u>—</u>	<u>7,850</u>	<u>—</u>	<u>(749)</u>	<u>7,101</u>	<u>84,280</u>

Anglo Pacific Group PLC

SHAREHOLDER STATISTICS

(a) Size of Holding (at 23rd February 2006)

Category UK and Australia	Number of Shareholders	%	Number of Shares	%
1 – 1,000	646	31.67	374,202	0.37
1,001 – 5,000	737	36.13	1,751,602	1.75
5,001 – 10,000	243	11.91	1,878,820	1.87
10,001 and over	414	20.29	96,411,576	96.01
	<u>2,040</u>	<u>100.00</u>	<u>100,416,200</u>	<u>100.00</u>

(b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 23rd February 2006 was 58.16%.

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 26th April 2006 at 9.30 am for the following purposes:—

1. To receive the Accounts for the year ended 31st December 2005 together with the Directors' and Auditors' Reports thereon.
2. To approve the Directors' Remuneration Report for the year ended 31st December 2005.
3. To declare a final dividend of 3.25p per ordinary share of the Company.
4. To re-elect A.H. Yadgaroff who retires by rotation in accordance with the Company's Articles of Association.
5. To elect M.H. Atkinson who was appointed on 9th February 2006 and who retires and offers himself for election 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.

To consider and, if thought fit, approve the following Resolutions 7, 8, 9 and 10; Resolutions 7 and 8 are to be proposed as Ordinary Resolutions of the Company and Resolutions 9 and 10 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 2005 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 generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £669,441 provided that this authority (unless previously revoked or renewed) shall expire on the earlier of 25th April 2011 and the conclusion of the annual general meeting of the Company held in 2011, save that the Company may before such expiry or the expiry of any renewal of this authority make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired, and provided further that the authority shall be in substitution for the authority conferred by a resolution dated 4th July 2003 to the extent unused and shall supersede and revoke any other earlier authorities.
9. 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 £100,416 or, if less, 5% of the issued share capital from time to time;

Anglo Pacific Group PLC

NOTICE OF MEETING

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 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.

10. 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 10,041,620.
- (b) The maximum price which may be paid for an Ordinary Share is an amount being not more than the higher of:
 - (i) 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
 - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out.

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 2007 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

8th March 2006

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 24th April 2006 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 24th April 2006 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 26th April 2006 at 12 Suffolk Street, London SW1Y 4HQ and any adjournment thereof.

Date Signature(s)

Resolution	For	Against
Ordinary 1. Resolution to receive the 2005 Accounts.		
Ordinary 2. Resolution to approve the Directors' Remuneration Report.		
Ordinary 3. Resolution to declare a final dividend of 3.25p per Ordinary Share.		
Ordinary 4. Resolution to re-elect A.H. Yadgaroff as a director.		
Ordinary 5. Resolution to elect M.H. Atkinson as a director.		
Ordinary 6. Resolution to re-appoint Messrs. Baker Tilly as auditors and authorise the directors to fix their remuneration.		
Ordinary 7. Resolution to authorise scrip dividends.		
Ordinary 8. Resolution that the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £669,441.		
Special 9. 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 £100,416.		
Special 10. Resolution that the Company be generally and unconditionally authorised to make one or more market purchases of up to 10,041,620 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.		

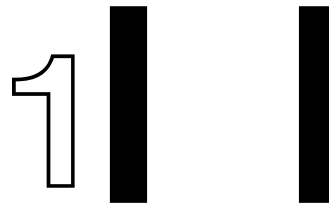
Please indicate with an "X" how you wish your vote to be cast.

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 24th April 2006.
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

