

Anglo Pacific Group PLC

Preliminary Results 2008

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Anglo Pacific Group PLC (APG), the natural resources royalties company, today announces preliminary results for the year ended 31st December 2008.

Financial Highlights

- Coal royalties for the year of £22.1 million (2007: £8.4 million)
- Realised profits from mature mining interests of £14.0 million (2007: £25.6 million)
- Earnings of 27.56p per share (2007: 28.72p)
- Proposed final dividend of 4.35p per share (2007: 4.35p)
- Total dividends for the year increased by 6% to 7.80p (2007: 7.35p)
- Profit before tax of £35,255,000 (2007: £33,768,000)
- Profit after tax of £29,261,000 (2007: £29,740,000)
- Australian coal royalty independent valuation of £93.3 million (2007: £60.9 million)
- Total strategic interests, including other royalties, valued at £53.5 million (2007: £95.8 million)
- Cash and royalty receivables of £28.7 million (2007: £20.8 million)
- Total assets of £176.4 million (2007: £178.2 million)

Operational Highlights

- Record coal royalty receipts
- Two gold royalties acquired and first new royalty payment received
- Several new royalties under negotiation
- Further progress on private Canadian coal projects
- Decline in value of quoted strategic interests in line with markets
- Increased exposure to energy and gold during the period
- Substantial cash reserves and no debt

Commenting on the Preliminary Results, Peter Boycott, Chairman of Anglo Pacific Group PLC said:

“2008 has been a challenging but satisfactory year for Anglo Pacific Group. Record royalty receipts together with profits from disposal of non-core mining interests have produced similar earnings to 2007. The Group is paying the same final dividend to shareholders as last year in the light of the uncertain outlook for the mining sector. However total dividends for the year have risen by 6%. During the year the Group acquired two new gold royalties in Spain and Brazil as well as negotiating several more subject to due diligence. The Group’s strategic quoted interests declined in value in line with mining markets generally.

The Group’s strategy remains focused on securing new royalties by acquisition and through investment in its mining interests in order to generate strong cashflows and dividends for shareholders. The Board is confident that the recent severe difficulties that mining companies are facing in raising capital will provide royalty opportunities for the Group”

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2008 Review and Results

During the first half of 2008, the outlook for the world economy started to deteriorate due to increasing fears of recession and stagflation. The commodity markets were characterised by sharp increases in the prices of energy products, particularly oil, and by the record contracted prices achieved by the major mining groups for steaming and coking coal. Despite these high energy costs the price of uranium remained subdued.

The setback in mining stock markets in the early part of the year turned into a major collapse of prices in the autumn as banking and financial problems developed into a worldwide liquidity and credit crisis. This uncertainty has kept the price of gold buoyant.

Against this background the Group has benefited from the strength of its diversified strategic interests, with a continued emphasis on energy, precious metals and coal. Critically, the Group has remained focused on securing new royalties. In this respect, during the year, the Group acquired two new gold royalties in Spain and Brazil at a cost of C\$7.5 million and A\$4 million.

Whilst the Group's strategic quoted mining investments have fallen in value in line with the mining markets as a whole, coal royalty receipts for the year have been at record levels. Furthermore, the sharp falls in the prices of junior mining stocks and collapse in metal prices has all but closed the normal sources of finance available to small mining companies. This has resulted in more opportunities for the Group to secure new royalties.

With coking coal prices trebling to nearly US\$300 per ton, the group received from the Kestrel and Crinum mines in Queensland record coal royalties of £22.1 million (A\$50 million) compared to £8.4 million in 2007. With the prospect of lower coking coal prices in 2009, the value of the Group's coal royalty interests has declined to £93.3 million from £96.8 million at 30th June 2008, but is still substantially higher than the valuation of £60.9 million as at 31st December 2007.

Due to the reduction in liquidity and sharp falls in junior mining markets, the Group realised reduced profits on the sale of mining and exploration interests of £14.0 million (2007: £25.6 million). The value of the Group's quoted and unquoted strategic interests and cash as at 31st December 2008 was £70.7 million (2007: £114.7 million). The Group remains cash generative and in a strong financial position, being well capitalised and debt free.

Earnings for the year were 27.56p per share compared to 28.72p per share in 2007.

With a background of overwhelming recessionary forces in the markets as well as uncertainty over the future pricing of coking coal, the Group has decided to keep its final dividend unchanged at 4.35p per share (2007: 4.35p). However, total dividends for the year increased by 6% to 7.80p (2007: 7.35p).

The Group's strategic interests, which include quoted and unquoted investments and other royalties, were valued at 31st December 2008 at £53.5 million compared to £95.8 million a year ago. This valuation includes all the private mining interests which remain in the financial statements at cost. In British Columbia work has continued on both the Groundhog and Trefi coalfields where drilling programmes are planned and dialogue with local interest groups continues. The Group intends to prove up a compliant resource statement for Trefi during 2009.

At 31st December 2008 the Group had no borrowings and over £17 million of cash in the bank. The Group's mining interests and royalty revenues are mainly denominated in US, Canadian and Australian dollars and its liquid resources are held in a spread of currencies and banks.

Strategy and Progress

The Group's strategy remains focused on securing new royalties by acquisition and through investment in its mining interests in order to generate strong cashflows and continue to pay dividends to its shareholders.

- In March 2008 the Group agreed a 2.5% royalty for C\$7.5 million from Kinbauri Gold Corp. on its gold deposit in northern Spain, subject to due diligence. The royalty increases to 3% in the event that the gold price exceeds US\$1,100 an ounce. This deal completed in October 2008.

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- In September 2008 the Group agreed a 2.5% gold royalty with Mundo Minerals Ltd on its producing Engenho mine in Brazil for A\$4 million, subject to due diligence. The deal completed in November 2008. The Group has been a significant shareholder in Mundo Minerals for some time and was therefore in a position to provide finance for working capital when a short term production shortfall affected cashflow. The first royalty payment from this investment has recently been received.
- In December 2008 the Group agreed, subject to due diligence, to acquire a 2% net smelter royalty for A\$5 million with Indo Mines Ltd, developer of the Jogjakarta iron sands project in Indonesia. The funds will be principally used to complete the feasibility study and to acquire additional iron sands properties. The Group has been and continues to be a significant shareholder in Indo Mines and was the first port of call to provide finance when the normal sources of capital were unavailable.
- Two further royalties are currently under negotiation and subject to due diligence processes.
- The Group's strategic interests, cash and royalty receivables were valued at 31st December 2008 at £82.2 million (2007: £116.5 million). The recent valuation of the Group's coal royalties raises the Group's total assets to £176.4 million with no debt. This does not include any excess over cost attributable to the real value of the Group's substantial private coal and other mining interests in British Columbia and Australia.

The Group's quoted equity interests disclosed on the LSE, ASX and TSX, where initial equity stake disclosure levels are 3%, 5% and 10% respectively, amount to £29 million in twenty three different holdings. The balance of quoted holdings of £5 million is made up of a further twenty one incubator investments. The split of the Group's strategic interests by commodity is now on the Group's website at www.anglo-pacificgroup.com where all the equity disclosures can also be accessed.

Subject to approval at the AGM to be held in London on 23rd April 2009, the 2008 final dividend of 4.35p per share will be paid to shareholders on 3rd July 2009. This brings the total dividends for the year to 7.80p (2007: 7.35p). Depending on the share price at the time, the Board will consider whether shareholders will again be given the opportunity to elect to receive a scrip dividend instead of cash.

Outlook

Recent months have seen many of the major mining companies closing down their marginal mines as well as cutting back on planned capital expenditure on new and existing projects. This has and will continue to reduce supply of metal to world markets. When the recovery in demand starts this should lead to higher commodity prices.

The timing of this recovery and in particular the future demand for steel products will determine the price of coking coal for the next year or two. The extent to which governments around the world promote infrastructure projects to revive their economies will also prove an important factor.

The collapse in the junior quoted mining sector has made project finance very difficult to raise from conventional lenders or through the stock market without severe dilution for shareholders. This environment has produced many opportunities and the Group is confident that, with conservative management of its cash and other resources, it can maintain its strategic focus to achieve new royalty flows and continue to pay dividends.

Finally, I would like to thank shareholders for their support and directors and staff for their hard work during a challenging year.

P.M. BOYCOTT
Chairman
25th February 2009

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £'000	2007 £'000
Royalty income	22,072	8,439
Other operating income	50	191
Finance income	957	623
	<u>23,079</u>	<u>9,253</u>
Profit on sale of mining and exploration interests	14,016	25,612
Total income	<u>37,095</u>	<u>34,865</u>
Net operating expenses	<u>(1,840)</u>	<u>(1,097)</u>
Profit before tax	35,255	33,768
Tax	<u>(5,994)</u>	<u>(4,028)</u>
Profit attributable to equity holders	<u>29,261</u>	<u>29,740</u>
Total and continuing earnings per share		
Basic earnings per share (note 1)	<u>27.56p</u>	<u>28.72p</u>
Diluted earnings per share (note 1)	<u>27.56p</u>	<u>28.72p</u>

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

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	2008	2007
	£'000	£'000
Non-current assets		
Property plant and equipment	829	832
Coal royalties	93,347	60,874
Other royalties	7,783	-
Mining and exploration interests	45,755	95,750
	<u>147,714</u>	<u>157,456</u>
Current assets		
Trade and other receivables	11,575	1,874
Cash at bank	17,136	18,904
	<u>28,711</u>	<u>20,778</u>
Total assets	<u><u>176,425</u></u>	<u><u>178,234</u></u>
Non-current liabilities		
Deferred tax	28,857	19,252
	<u>28,857</u>	<u>19,252</u>
Current liabilities		
Current taxation	877	2,538
Trade and other payables	849	262
	<u>1,726</u>	<u>2,800</u>
Total liabilities	<u><u>30,583</u></u>	<u><u>22,052</u></u>
Capital and reserves attributable to shareholders		
Share capital	2,123	2,113
Share premium	18,604	17,742
Coal royalty revaluation reserve	58,430	40,899
Investment revaluation reserve	(22,149)	33,104
Share based payment reserve	78	48
Foreign currency translation reserve	7,230	2,224
Special reserve	632	632
Retained Earnings	80,894	59,420
	<u>145,842</u>	<u>156,182</u>
Total equity and liabilities	<u><u>176,425</u></u>	<u><u>178,234</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWO YEARS ENDED 31 DECEMBER 2008

	Share capital	Share premium	Coal royalty revaluation reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st January 2007	2,032	12,112	35,403	27,078	27	(1,930)	632	36,140	111,494
<i>Changes in equity for 2007</i>									
Coal Royalties:									
Royalties valuation movement taken to equity	-	-	8,759	-	-	4,247	-	-	13,006
Deferred tax on valuation	-	-	(3,263)	-	-	(1,134)	-	-	(4,397)
Available-for-sale investments:									
Valuation movement taken to equity	-	-	-	24,778	-	937	-	-	25,715
Deferred tax on valuation	-	-	-	(319)	-	15	-	-	(304)
Transferred to income statement on disposal	-	-	-	(18,433)	-	-	-	-	(18,433)
Foreign currency translation	-	-	-	-	-	89	-	-	89
Net expense recognised direct into equity	-	-	5,496	6,026	-	4,154	-	-	15,676
Profit for the period	-	-	-	-	-	-	-	29,740	29,740
Total recognised income and expenses	-	-	5,496	6,026	-	4,154	-	29,740	45,416
Dividends paid	-	-	-	-	-	-	-	(6,460)	(6,460)
Scrip Dividend	18	1,350	-	-	-	-	-	-	1,368
Issue of share capital	63	4,280	-	-	-	-	-	-	4,343
Equity share options issued	-	-	-	-	21	-	-	-	21
Balance at 1st January 2008	2,113	17,742	40,899	33,104	48	2,224	632	59,420	156,182
<i>Changes in equity for 2008</i>									
Coal Royalties:									
Royalties valuation movement taken to equity	-	-	25,943	-	-	6,530	-	-	32,473
Deferred tax on valuation	-	-	(8,412)	-	-	(1,844)	-	-	(10,256)
Available-for-sale investments:									
Valuation movement taken to equity	-	-	-	(40,881)	-	(111)	-	-	(40,992)
Deferred tax on valuation	-	-	-	4,286	-	(325)	-	-	3,961
Transferred to income statement on disposal	-	-	-	(18,658)	-	-	-	-	(18,658)
Foreign currency translation	-	-	-	-	-	756	-	-	756
Net income recognised direct into equity	-	-	17,531	(55,253)	-	5,006	-	-	(32,716)
Profit for the period	-	-	-	-	-	-	-	29,261	29,261
Total recognised income and expenses	-	-	17,531	(55,253)	-	5,006	-	29,261	(3,455)
Dividends paid	-	-	-	-	-	-	-	(7,787)	(7,787)
Scrip Dividend	10	862	-	-	-	-	-	-	872
Issue of share capital	-	-	-	-	-	-	-	-	-
Equity share options issued	-	-	-	-	30	-	-	-	30
Balance at 31st December 2008	2,123	18,604	58,430	(22,149)	78	7,230	632	80,894	145,842

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	35,255	33,768
Adjustments for:		
Interest received	(957)	(623)
Unrealised foreign currency loss	756	89
Depreciation of property, plant and equipment	9	10
(Gain) on disposal of mining and exploration interests	(14,016)	(25,612)
(Gain) on revaluation of assets held as fair value through profit or loss	(126)	-
Share based payments	30	21
	20,951	7,653
(Increase) in trade and other receivables	(9,701)	(40)
Increase in trade and other payables	588	7
Cash generated from operations	11,838	7,620
Income taxes paid	(4,342)	(2,883)
Net cash flows from operating activities	7,496	4,737
Cash flows from investing activities		
Proceeds on disposal of mining and exploration interests	31,117	44,945
Purchase of mining and exploration interests and other royalties	(34,423)	(36,145)
Interest received	957	623
Net cash flows from investing activities	(2,349)	9,423
Cash flows from financing activities		
Dividends paid	(6,915)	(5,092)
Net cash flows from financing activities	(6,915)	(5,092)
Net (decrease) / increase in cash and cash equivalents	(1,768)	9,068
Cash and cash equivalents at beginning of period	18,904	9,836
Cash and cash equivalents at end of period	17,136	18,904

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NOTES

1. Earnings per ordinary share is calculated on the Group's profit after tax of £29,261,000 (2007: £29,740,000) and the weighted average number of shares in issue during the year of 106,172,139 (2007: 103,546,147).

The diluted earnings per ordinary share is calculated on a profit after tax of £29,261,000 (2007: £29,740,000) and 106,177,235 shares (2007: 103,565,904). The dilutive effect is due to options outstanding under the Employee Share Option Scheme at the year end.

2. The above figures do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended 31st December 2007 constitute abridged accounts extracted from the published accounts for the year which have been filed with the Registrar of Companies and on which the auditors' report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The audit opinion on the accounts for the year ended 31st December 2008 has not yet been signed.