

# Anglo Pacific Group PLC

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

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Anglo Pacific Group PLC, the natural resources royalties company, today announces its interim results for the six months ended 30<sup>th</sup> June 2010 which demonstrate further progress in the development and diversification of its royalties portfolio. The Group has received increased royalty income from its existing assets and announces an increase in the interim dividend.

### **Financial Highlights**

#### Royalties

- Total value of royalties excluding coal increased to £46.5 million (31<sup>st</sup> December 2009: £27.3 million).
- Royalty income for the period increased to £15.7 million (2009: £11.7 million).
- Australian coal royalties independent valuation of £158 million (31<sup>st</sup> December 2009: £149.9 million).

#### Assets

- Total assets of £325 million (31<sup>st</sup> December 2009: £312 million).
- Total quoted and unquoted strategic interests valued at £87.8 million (31<sup>st</sup> December 2009: £113.5 million).
- Cash and royalty receivables at 30<sup>th</sup> June 2010 of £29.5 million (31<sup>st</sup> December 2009: £17.9 million).
- The Group remains debt free.

#### Earnings

- Profit before tax increased to £31.7 million (2009: £12.3 million).
- Earnings per share of 22.91p (2009: 8.24p).
- Realised profits for the period from disposal of mining interests of £17.4 million (2009: £2.1 million).

#### Dividends

- Interim dividend increased by 6.8% to 3.95p per share (2009: 3.70p) in line with progressive dividend policy.

### **Operational Highlights**

- Further diversification of the Group's royalties portfolio, by commodity and geography.
- New royalties agreed in iron ore, gold, chromite and nickel.
- Initial NI 43-101 and JORC compliant resource announced for the Panorama Coal Project in British Columbia, Canada.
- Group's ordinary shares listed on the Toronto Stock Exchange (TSX) from 9<sup>th</sup> July 2010 under symbol APY.
- Market demand for mining finance remains strong.

# Anglo Pacific Group PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

## CHAIRMAN'S STATEMENT

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### **Review and Results for six months ended 30<sup>th</sup> June 2010**

Despite sharp equity market fluctuations and economic uncertainties the Group has made further progress during the first six months of 2010. The Group has agreed to acquire several new royalties and the value of the Group's total assets has increased. Furthermore, the Group obtained a secondary listing for its ordinary shares on the TSX and received record coking coal royalties during the period.

The Group's royalty revenues were £15.7 million for the first half of 2010 compared to £11.7 million during the same period last year. Prices of both thermal and metallurgical coal from Australia have continued to benefit from increasing demand from India, China and the Far East with contracted prices in excess of US\$100 and US\$220 per ton respectively being achieved. The Group's Australian coal royalty interests were independently valued at 30<sup>th</sup> June 2010 at £158 million compared to £149.9 million at 31<sup>st</sup> December 2009 and £113 million at 30<sup>th</sup> June 2009.

The Group realised capital gains of £17.4 million during the period from the sale of mining interests, compared to £2.1 million during the corresponding period in 2009. Including royalty revenues, the Group achieved earnings of 22.91p per share for the half year compared to 8.24p for the first six months of 2009.

During the half year the Group agreed the acquisition of four new royalties. At the period end the total of the Group's royalty entitlements shown in the financial statements at valuation, excluding the value of the Group's coal royalty, was £28.2 million compared to £22 million at 31<sup>st</sup> December 2009. In addition the total of the Group's royalty entitlements treated as intangibles and carried in the financial statements at cost was £18.3 million compared to £5.3 million at 31<sup>st</sup> December 2009. These bring the total value of non-coal royalties to £46.5 million, compared to £27.3 million at 31<sup>st</sup> December 2009.

The value of the Group's private mining interests and quoted stakes in mining companies reduced to £87.8 million at 30<sup>th</sup> June 2010 compared to £113.5 million at 31<sup>st</sup> December 2009. This was mainly as a result of the disposal of a number of mining interests.

At 30<sup>th</sup> June 2010 the Group had cash and royalty receivables of £29.5 million with no borrowings.

These earnings and balance sheet valuations show steady progress during a period of continued uncertainty for the world economy. The Group remains committed to a conservative approach to the management of the assets under its control.

The Board is increasing the interim dividend for the year ending 31<sup>st</sup> December 2010 by 6.8% to 3.95p per share.

### **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. The Group remains committed to a progressive dividend policy and to further expanding its other mining interests and royalty flows in pursuit of this objective.

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### Royalties

The Group has continued to expand its portfolio by agreeing to acquire four new royalties during the half year. These iron ore, gold, chromite and nickel royalties further broaden and diversify the Group's royalty portfolio.

- **Iron Ore (Australia):** in May 2010 the Group announced that it had agreed to purchase the DFD Rhodes Group iron ore royalty, covering three exploration licences in the central Pilbara region of Western Australia (the "Pilbara Deposits"), for a sum of A\$23 million in cash. The tenements, covering 263 square kilometres, are owned by a wholly owned subsidiary of BHP Billiton ("BHPB") and are subject to a 1.5% royalty on total gross revenue. The royalty tenements host a number of known iron occurrences, the most significant being the Railway deposit. The tenements are supported by extensive rail infrastructure including the rail lines from Rio Tinto's West Angelas and Yandicoogina mines and BHPB's rail line serving its current operations at Mining Area C, which lies immediately to the east of the Railway deposit. The transaction completed on 30<sup>th</sup> June 2010. The Group is pleased to have acquired such a high quality royalty and anticipates that these iron ore deposits will be mined by BHPB in years to come as part of its planned expansion of iron ore output in the Pilbara.
- **Gold (Tanzania):** in May 2010 the Group announced that it had agreed with Shanta Gold PLC, subject to contract and due diligence, a royalty financing of US\$5 million. Shanta Gold has agreed to pay the Group a 3% Net Smelter Royalty ("NSR") on all of the mined product from its Chunya Gold Project in south west Tanzania as well as a further 2% NSR on its Singida Gold Project in central northern Tanzania.
- **Chromite (Albania):** in May 2010 the Group announced that, subject to contract and due diligence, it had agreed with Empire Mining Corporation to acquire for C\$3.1 million a 3% gross royalty (GR) on the Bulquiza –Batra chromite project in Albania. These funds will enable Empire Mining to advance project exploration and development with the aim of moving towards production as early as 2011.
- **Nickel (Brazil):** in May 2010 the Group agreed, subject to contract and due diligence, to pay to Horizonte Minerals PLC the sum of US\$500,000 in exchange for an option to acquire for US\$12.5 million a 1.5% NSR on all revenue from the Araguaia nickel project in Brazil. This nickel laterite project was acquired from Teck Resources Limited of Canada in exchange for a 50% equity stake in Horizonte Minerals.

### Assets

At 30<sup>th</sup> June 2010 the Group's cash, receivables and strategic investments were £118.3 million (31<sup>st</sup> December 2009: £132.7 million). Together with the Group's coal and other royalties worth £204.5 million and fixed assets and capitalised exploration costs of £2.7 million, the Group's total assets at 30<sup>th</sup> June 2010 were £325 million (31<sup>st</sup> December 2009: £312 million).

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

## CHAIRMAN'S STATEMENT

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The Group remains debt free and its liquid resources are held in a spread of currencies and banks. The Group's mining interests, royalty revenues and cash holdings are mainly denominated in Australian and Canadian dollars.

### Private Coal Projects

On 16<sup>th</sup> February 2010 the Group released an initial resource statement on the wholly owned Panorama Coal Project in the Groundhog Coalfield in Northwest British Columbia. This showed a NI 43-101 and JORC compliant Indicated Resource of 13.7 million tonnes and an Inferred Resource of 24.1 million tonnes of semi-anthracite to anthracite coal.

Work continues on the scoping study at the Group's Trefi Coal Project in British Columbia.

### Quoted Equity Interests

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, amounted to £71 million in eighteen different holdings. The balance of quoted holdings of £7 million is made up of a further sixteen incubator investments. The split of the Group's strategic interests by commodity can be seen on the Group's website at [www.anglopacifigroup.com](http://www.anglopacifigroup.com) where links to all the equity disclosures can be accessed.

### Dividends

On 7<sup>th</sup> July 2010 a final dividend of 4.65p per share for the year ended 31<sup>st</sup> December 2009 was paid. Shareholders representing 24% of the issued share capital elected to take scrip instead of cash. The interim dividend announced today of 3.95p per share for the year ending 31<sup>st</sup> December 2010 will be paid on 12<sup>th</sup> January 2011. A scrip dividend alternative will again be available to eligible shareholders subject to market conditions.

### Overseas Listings

On 28<sup>th</sup> May 2010 at Anglo Pacific's request its shares were de-listed from the Australian Stock Exchange due to a lack of liquidity, negligible volumes and less than two percent of the Group's share capital being held on the Australian share register.

Reflecting the continued development of the Group and its royalty asset base, the listing of the Group's ordinary shares on the TSX was completed on 9<sup>th</sup> July 2010 under the symbol APY. As a substantial number of the Group's private and quoted mining interests are in Canada, it is the Group's medium term strategy to broaden the shareholder base to embrace North American investors. The Canadian listing also increases the profile of the Group more broadly within the industry and in a market where royalty financing is well established and has a higher profile with investors.

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## CHAIRMAN'S STATEMENT

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### Outlook

Conditions in the equity markets for mining development companies improved in the earlier part of the year. More recently, however, with the decline in commodity prices and fears of a double dip recession, the raising of mining finance from conventional lenders or through equity issues has once again become more challenging.

Within this environment Anglo Pacific, with its cash resources and strong royalty revenues, remains well positioned to work with companies to meet their financing requirements and thereby increase its own royalty portfolio. This remains the Group's dominant strategic focus. The Group is continuing to evaluate several new royalty opportunities.

P. M. Boycott  
Chairman  
26<sup>th</sup> August 2010

### DISCLOSURE UNDER DISCLOSURE AND TRANSPARENCY RULES

In accordance with Disclosure and Transparency Rules (DTRs), Periodic Financial Reporting DTR 4.2.7R, the Group confirms that the principal risks and uncertainties that could affect the Group's performance have not changed. These are: a prolonged, world-wide economic recession; sustained low commodity prices; a fall in precious metal prices; further deterioration in the banking system; and currency volatility. For more information regarding these risks and uncertainties please refer to page 13 of the 2009 Annual Report.

No related party transactions occurred in the first six months of the year that would require disclosure in accordance with DTR 4.2.8R.

We confirm to the best of our knowledge:

- i The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of assets and liabilities, financial position and profit and loss;
- ii the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- iii the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and changes therein).

By order of the Board

M. J. Tack  
Finance Director  
26<sup>th</sup> August 2010

# Anglo Pacific Group PLC

## CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

	Six months ended 30th June 2010 £'000	Six months ended 30th June 2009 £'000	Year ended 31st December 2009 £'000
Royalty income	15,679	11,713	20,334
Other operating income	18	2	13
Finance income	570	313	796
	<u>16,267</u>	<u>12,028</u>	<u>21,143</u>
Profit on sale of mining and exploration interests	17,372	2,113	6,367
<b>Total income</b>	<u>33,639</u>	<u>14,141</u>	<u>27,510</u>
Share of profit of associates	262	-	515
Net operating expenses	<u>(2,189)</u>	<u>(1,883)</u>	<u>(2,142)</u>
<b>Profit before tax</b>	31,712	12,258	25,883
Tax	<u>(6,981)</u>	<u>(3,465)</u>	<u>(5,252)</u>
<b>Profit attributable to equity holders</b>	<u><u>24,731</u></u>	<u><u>8,793</u></u>	<u><u>20,631</u></u>
Basic earnings per share	<u>22.91p</u>	<u>8.24p</u>	<u>19.11p</u>
Fully diluted earnings per share	<u>22.91p</u>	<u>8.24p</u>	<u>19.11p</u>

# Anglo Pacific Group PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

	<b>Six months ended 30th June 2010 £'000</b>	<b>Six months ended 30th June 2009 £'000</b>	<b>Year ended 31st December 2009 £'000</b>
<b>Profit for the financial period</b>	24,731	8,793	20,631
<b>Other comprehensive income</b>			
Net gain/(loss) on revaluation to coal royalties	6,362	18,567	42,916
Net (loss)/gain on revaluation of available for sale investments	(2,946)	31,833	63,737
Net exchange gain/(loss) on translation of foreign operations	1,651	1,636	15,585
Share of other comprehensive income of associates	103	-	(65)
Deferred tax	(1,635)	(8,879)	(21,770)
<b>Net income/(expense) recognised directly in equity</b>	<u>28,266</u>	<u>51,950</u>	<u>121,034</u>
Transferred to income statement disposal of available for sale investments	(16,238)	1,080	322
<b>Total transferred (to)/from equity</b>	<u>(16,238)</u>	<u>1,080</u>	<u>322</u>
<b>Total comprehensive income for the financial period</b>	<u><u>12,028</u></u>	<u><u>53,030</u></u>	<u><u>121,356</u></u>

Anglo Pacific Group PLC  
CONSOLIDATED BALANCE SHEET  
AS AT 30<sup>th</sup> JUNE 2010

	<b>30th June 2010 £'000</b>	<b>30th June 2009 £'000</b>	<b>31st December 2009 £'000</b>
<b>Non-current assets</b>			
Property plant and equipment	2,077	827	1,742
Coal royalties	157,977	113,023	149,896
Royalty instruments	28,159	11,319	21,979
Intangibles	18,921	3,030	6,095
Mining and exploration interests	84,494	81,963	109,695
Investments in associates	3,324	-	3,771
	<u>294,952</u>	<u>210,162</u>	<u>293,178</u>
<b>Current assets</b>			
Trade and other receivables	11,679	6,214	5,082
Cash at bank	18,841	14,364	14,195
	<u>30,520</u>	<u>20,578</u>	<u>19,277</u>
<b>Total assets</b>	<u><u>325,472</u></u>	<u><u>230,740</u></u>	<u><u>312,455</u></u>
<b>Non-current liabilities</b>			
Deferred tax	51,594	35,925	47,883
	<u>51,594</u>	<u>35,925</u>	<u>47,883</u>
<b>Current liabilities</b>			
Taxation	4,323	1,970	4,146
Trade and other payables	429	309	390
Dividends payable	3,788	1,947	-
	<u>8,540</u>	<u>4,226</u>	<u>4,536</u>
<b>Total liabilities</b>	<u><u>60,134</u></u>	<u><u>40,151</u></u>	<u><u>52,419</u></u>
<b>Capital and reserves attributable to shareholders</b>			
Share capital	2,171	2,123	2,149
Share premium	23,262	18,604	20,718
Coal royalty revaluation reserve	92,929	71,549	88,582
Investment revaluation reserve	18,566	7,642	36,850
Share based payment reserve	2	78	78
Foreign currency translation reserve	20,038	8,557	18,804
Special reserve	632	632	632
Investment in own shares	(1,295)	-	-
Retained earnings	109,033	81,404	92,223
<b>Total equity</b>	<u><u>265,338</u></u>	<u><u>190,589</u></u>	<u><u>260,036</u></u>
<b>Total equity and liabilities</b>	<u><u>325,472</u></u>	<u><u>230,740</u></u>	<u><u>312,455</u></u>

# Anglo Pacific Group PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2009

	Share capital	Share premium	Coal royalty revaluation reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Investment In Own Shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st January 2009</b>	<b>2,123</b>	<b>18,604</b>	<b>58,430</b>	<b>(22,149 )</b>	<b>78</b>	<b>7,230</b>	<b>632</b>	<b>-</b>	<b>80,894</b>	<b>145,842</b>
Profit for the period	-	-	-	-	-	-	-	-	8,793	8,793
Other comprehensive income:										
Coal royalties:										
Royalties valuation movement taken to equity	-	-	18,567	-	-	1,108	-	-	-	19,675
Deferred tax on valuation	-	-	(5,448)	-	-	(326)	-	-	-	(5,774)
Available-for-sale investments:										
Valuation movement taken to equity	-	-	-	31,833	-	22	-	-	-	31,855
Deferred tax on valuation	-	-	-	(3,122)	-	17	-	-	-	(3,105)
Transferred to income statement on disposal	-	-	-	1,080	-	-	-	-	-	1,080
Reclassification as investment in associate	-	-	-	-	-	-	-	-	-	-
Share of comprehensive income of associates	-	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	506	-	-	-	506
Total comprehensive income	-	-	13,119	29,791	-	1,327	-	-	8,793	53,030
Dividends paid	-	-	-	-	-	-	-	-	(8,283)	(8,283)
Scrip dividend	-	-	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Issue of share capital under share-based payment	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,283)</b>	<b>(8,283)</b>
<b>Balance at 30th June 2009</b>	<b>2,123</b>	<b>18,604</b>	<b>71,549</b>	<b>7,642</b>	<b>78</b>	<b>8,557</b>	<b>632</b>	<b>-</b>	<b>81,404</b>	<b>190,589</b>

# Anglo Pacific Group PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31<sup>st</sup> DECEMBER 2009

	Share capital	Share premium	Coal royalty revaluation reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Investment in Own Shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 30th June 2009</b>	2,123	18,604	71,549	7,642	78	8,557	632	-	81,404	190,589
Profit for the period	-	-	-	-	-	-	-	-	11,838	11,838
Other comprehensive income:										
Coal royalties:										
Royalties valuation movement taken to equity	-	-	24,349	-	-	12,525	-	-	-	36,874
Deferred tax on valuation	-	-	(7,316)	-	-	(3,681)	-	-	-	(10,997)
Available-for-sale investments:										
Valuation movement taken to equity	-	-	-	31,958	-	(14)	-	-	-	31,944
Deferred tax on valuation	-	-	-	(1,938)	-	44	-	-	-	(1,894)
Transferred to income statement on disposal	-	-	-	(758)	-	-	-	-	-	(758)
Reclassification as investment in associate	-	-	-	(54)	-	-	-	-	-	(54)
Share of comprehensive income of associates	-	-	-	-	-	(65)	-	-	-	(65)
Foreign currency translation	-	-	-	-	-	1,438	-	-	-	1,438
<b>Total comprehensive income</b>	-	-	17,033	29,208	-	10,247	-	-	11,838	68,326
Dividends paid	-	-	-	-	-	-	-	-	(1,019)	(1,019)
Scrip dividend	24	1,966	-	-	-	-	-	-	-	1,990
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Issue of share capital under share-based payment	2	148	-	-	-	-	-	-	-	150
<b>Transactions with owners</b>	26	2,114	-	-	-	-	-	-	(1,019)	1,121
<b>Balance at 31st December 2009</b>	<b>2,149</b>	<b>20,718</b>	<b>88,582</b>	<b>36,850</b>	<b>78</b>	<b>18,804</b>	<b>632</b>	<b>-</b>	<b>92,223</b>	<b>260,036</b>

# Anglo Pacific Group PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

	Share capital	Share premium	Coal royalty revaluation reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Investment in Own Shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1st January 2010</b>	<b>2,149</b>	<b>20,718</b>	<b>88,582</b>	<b>36,850</b>	<b>78</b>	<b>18,804</b>	<b>632</b>	<b>-</b>	<b>92,223</b>	<b>260,036</b>
Profit for the period	-	-	-	-	-	-	-	-	24,731	24,731
Other comprehensive income:										
Coal royalties:										
Royalties valuation movement taken to equity	-	-	6,362	-	-	1,719	-	-	-	8,081
Deferred tax on valuation	-	-	(2,015)	-	-	(507)	-	-	-	(2,522)
Available-for-sale investments:										
Valuation movement taken to equity	-	-	-	(2,946)	-	(53)	-	-	-	(2,999)
Deferred tax on valuation	-	-	-	900	-	(13)	-	-	-	887
Transferred to income statement on disposal	-	-	-	(16,238)	-	-	-	-	-	(16,238)
Reclassification as investment in associate	-	-	-	-	-	-	-	-	-	-
Share of comprehensive income of associates	-	-	-	-	-	103	-	-	-	103
Foreign currency translation	-	-	-	-	-	(15)	-	-	-	(15)
Total comprehensive income	-	-	4,347	(18,284)	-	1,234	-	-	24,731	12,028
Dividends paid	-	-	-	-	-	-	-	-	(7,934)	(7,934)
Scrip dividend	11	1,199	-	-	-	-	-	-	-	1,210
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Issue of share capital under share-based payment	11	1,345	-	-	(76)	-	-	(1,295)	13	(2)
<b>Transactions with owners</b>	<b>22</b>	<b>2,544</b>	<b>-</b>	<b>-</b>	<b>(76)</b>	<b>-</b>	<b>-</b>	<b>(1,295)</b>	<b>(7,921)</b>	<b>(6,726)</b>
<b>Balance at 30th June 2010</b>	<b>2,171</b>	<b>23,262</b>	<b>92,929</b>	<b>18,566</b>	<b>2</b>	<b>20,038</b>	<b>632</b>	<b>(1,295)</b>	<b>109,033</b>	<b>265,338</b>

# Anglo Pacific Group PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

	Six months ended 30th June 2010 £'000	Six months ended 30th June 2009 £'000	Year ended 31st December 2009 £'000
<b>Cashflows from operating activities</b>			
Profit before taxation	31,712	12,258	25,883
Adjustments for:			
Interest received	(570)	(313)	(796)
Unrealised foreign currency loss	(4)	509	1,562
Depreciation of property, plant and equipment	9	2	12
(Gain) on disposal of mining and exploration interests	(17,372)	(2,113)	(6,367)
Loss / (gain) on revaluation of assets held as fair value through profit or loss	811	(221)	(130)
Loss on write down of assets	-	-	410
Share of associates (profit)	(262)	-	(515)
Share based payments	12	-	150
	<u>14,336</u>	<u>10,122</u>	<u>20,209</u>
(Increase) / Decrease in trade and other receivables	(6,597)	5,361	6,493
Increase / (Decrease) in trade and other payables	29	(540)	(459)
Cash generated from operations	<u>7,768</u>	<u>14,943</u>	<u>26,243</u>
Income taxes paid	(4,729)	(4,182)	(4,727)
<b>Net cash from operating activities</b>	<u>3,039</u>	<u>10,761</u>	<u>21,516</u>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of mining and exploration interests	29,292	7,856	25,391
Purchase of mining and exploration interests	(13,028)	(12,337)	(29,195)
Purchases of royalty interests	(13,001)	(3,030)	(12,245)
Acquisition of associates	(109)	-	(1,331)
Return of capital from associates	949	-	-
Purchases of property, plant and equipment	(335)	-	(80)
Exploration and evaluation expenditure	176	-	(513)
Interest received	570	313	796
<b>Net cash generated / (used) in investing activities</b>	<u>4,514</u>	<u>(7,198)</u>	<u>(17,177)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	30	-	-
Dividends paid	(2,937)	(6,335)	(7,280)
<b>Net cash used in financing activities</b>	<u>(2,907)</u>	<u>(6,335)</u>	<u>(7,280)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,646</b>	<b>(2,772)</b>	<b>(2,941)</b>
<b>Cash and cash equivalents at beginning of period</b>	<u>14,195</u>	<u>17,136</u>	<u>17,136</u>
<b>Cash and cash equivalents at end of period</b>	<u>18,841</u>	<u>14,364</u>	<u>14,195</u>

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

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### 1. Summary of significant accounting policies

#### 1.1 Basis of preparation

These interim, condensed consolidated financial statements of Anglo Pacific Group PLC are for the six months ended 30<sup>th</sup> June 2010. They have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31<sup>st</sup> December 2009.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31<sup>st</sup> December 2009.

#### 1.1.1 Changes in accounting policies and disclosures

##### *(a) New and amended standards adopted by the Group*

The Group has adopted the following new and amended IFRSs as of 1<sup>st</sup> January 2010:

- IFRS 2 (amendments) 'Group Cash-settled Share-based Payment Transactions' – effective 1<sup>st</sup> January 2010. As the parent entity is the only entity within the Group making share-based payments, the adoption of this amendment has no material effect on the Group's financial performance or position for the period ended 30 June 2010.

##### *(b) Changes in the Group's accounting policies*

The Group has adopted the following changes to its accounting policies as of 1<sup>st</sup> January 2010:

- Share-based payments: Following the approval at the 2010 Annual General Meeting, the Company established the Anglo Pacific Group plc Employee Benefit Trust through which the Company's Joint Share Ownership Plan (JSOP) is operated. The full terms of the JSOP are consistent with those outlined in the Notice of Meeting.

Awards under the JSOP meet the definition of cash-settled share-based payments under IFRS 2 'Share-based Payments'. The Group measures the awards under the JSOP and the corresponding liability incurred at the fair value of the liability. Until the liability is settled, the Group is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognised in the income statement for the period.

Fair value is measured by use of the Monte Carlo model. The expected life used in the model has been set at four years to reflect the three year vesting period and the one year exercise period in accordance with the JSOP agreements.

This condensed consolidated half-year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31<sup>st</sup> December 2009 were approved on 10<sup>th</sup> March 2010. These accounts which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006. The interim review report is set out on page 18.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

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### 2. Non-current assets

#### (a) Coal Royalty Investments

The Group's coal royalty investments comprise the Kestrel and Crinum coal royalties in Queensland, Australia. The Group commissioned a valuation of the coal royalties as at 30<sup>th</sup> June 2010, based on a net present value of the pre-tax cashflow discounted at a rate of 7%, which produced a valuation of A\$281.0 million (£158 million). At present the net royalty income is taxed in Australia at a rate of 30%. Were the coal royalties to be realised at the revalued amount there are £2.2 million (A\$3.9 million) of capital losses potentially available to offset against taxable gains. These losses have been included in the deferred tax computation.

#### (b) Royalty Instruments

Royalty instruments represent the Group's interests in four mineral properties which, through the issue of convertible debentures, the Group has acquired net smelter royalties. These are the Engenho property in Brazil, the El Valle property in Spain, the Indo Mines property in Indonesia and the Midway-Malartic and McKenzie Break properties in Canada. In the Group's latest annual financial statements for the year ended 31<sup>st</sup> December 2009, these interests were described as "Royalty Instruments". No change has been made to the accounting treatment of these interests.

#### (c) Intangibles

Intangible royalty interests represent the net smelter royalties acquired on the Four Mile Project in South Australia, the Salamanca Uranium Project in Spain and the Pilbara Deposit in Western Australia. These total £18.3 million (30<sup>th</sup> June 2009: £3.0 million).

Acquisition costs of royalty interests on feasibility stage mineral properties are not amortised. At such time as the associated mineral interests are placed into production, the cost basis is amortised over the expected life of mine. Amortisation rates are adjusted on a prospective basis for all changes to estimates of the life of mine.

Also included within intangibles are the deferred exploration costs of £594,000 (30<sup>th</sup> June 2009: £nil) associated with the Group's Panorama and Trefi Projects in British Columbia, Canada.

#### (d) Mining and Exploration Interests

The investments in securities included above represent investments in listed and unlisted equity securities which are acquired as part of the Group strategy to acquire new royalties. 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 based on the variability of cashflows being so significant that an alternative valuation technique would not provide a useful value. The fair values are reviewed for impairment at least annually. In the statement of changes in equity these interests are classified as "available-for-sale investments". During the period to 30<sup>th</sup> June 2010 a number of opportunities arose which allowed the Group to expand its mining interests, particularly in listed securities. For a full explanation of the Group's accounting policies in relation to the Mining and Exploration interests please see the 2009 Annual Report.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 2. Non-current assets (continued)

The market value of the quoted Mining and Exploration Interests at 30<sup>th</sup> June 2010 was £74,414,000 (30<sup>th</sup> June 2009: £69,636,000). The directors' valuation of the unquoted Mining and Exploration Interests was £10,080,000 (30<sup>th</sup> June 2009: £12,327,000).

### 3. Earnings per ordinary share

The earnings per ordinary share is calculated on the Company's profit after tax of £24,731,000 and 107,969,443 shares. Fully diluted earnings per shares is calculated on a profit after tax of £24,731,000 and 107,969,443 shares.

Earnings per ordinary share excludes the issue of shares under the Company's Joint Share Ownership Plan, as the Employee Benefit Trust has waived its right to receive dividends on the 508,050 ordinary 2p shares it holds as at 30<sup>th</sup> June 2010.

### 4. Segment information

	Six months ended 30th June 2010			
	Royalty £'000	Mining Interests £'000	Unallocated £'000	Total £'000
<b>Income</b>	15,679	-	18	15,697
Profit on sale of mining and exploration interests	-	17,372	-	17,372
Interest received	-	-	570	570
Depreciation	-	-	(9)	(9)
Tax	-	-	(6,981)	(6,981)
Share of profits of associates	-	262	-	262
<b>Segment Result</b>	<u>15,679</u>	<u>17,634</u>	<u>(8,582)</u>	<u>24,731</u>
Segment Assets	216,631	87,818	21,023	325,472
Segment Liabilities	<u>(51,581)</u>	<u>(13)</u>	<u>(8,540)</u>	<u>(60,134)</u>
<b>Net Segment Assets</b>	<u>165,050</u>	<u>87,805</u>	<u>12,483</u>	<u>265,338</u>
Capital Expenditure	-	-	335	-
Exploration and evaluation expenditure	-	-	-	-

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

### 4. Segment information (continued)

	Six months ended 30th June 2009			Total £'000
	Royalty £'000	Mining Interests £'000	Unallocated £'000	
<b>Income</b>	11,713	-	2	11,715
Profit on sale of mining and exploration interests	-	2,113	-	2,113
Interest received	-	-	313	313
Depreciation	-	-	(2)	(2)
Tax	-	-	(3,465)	(3,465)
Share of profits of associates	-	-	-	-
<b>Segment Result</b>	11,713	2,113	(5,033)	8,793
Segment Assets	127,372	81,963	21,405	230,740
Segment Liabilities	(34,745)	(1,180)	(4,226)	(40,151)
<b>Net Segment Assets</b>	92,627	80,783	17,179	190,589
Capital Expenditure	-	-	-	-
Exploration and evaluation expenditure	-	-	-	-
	Year ended 31st December 2009			
	Royalty £'000	Mining Interests £'000	Unallocated £'000	Total £'000
<b>Income</b>	20,334	-	13	20,347
Profit on sale of mining and exploration interests	-	6,367	-	6,367
Interest received	-	-	796	796
Depreciation	-	-	(12)	(12)
Tax	-	-	(5,252)	(5,252)
Share of profits of associates	-	515	-	515
<b>Segment Result</b>	20,334	6,882	(6,585)	20,631
Segment Assets	177,201	115,082	20,172	312,455
Segment Liabilities	(47,475)	(408)	(4,536)	(52,419)
<b>Net Segment Assets</b>	129,726	114,674	15,636	260,036
Capital Expenditure	-	88	80	168
Exploration and evaluation expenditure	-	367	-	367

Revenue consists of Royalty income and other operating income. Royalty income is currently generated in Australia.

# Anglo Pacific Group PLC

## NOTES TO THE ACCOUNTS

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### **5. Own shares held**

Following approval at the 2009 Annual General Meeting the Company established the Anglo Pacific Group plc Employee Benefit Trust (the “Trust”) to be used as part of the remuneration arrangement for employees. The purpose of the Trust is to facilitate and encourage the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company.

The Company issued 508,050 ordinary 2p shares during the period, to satisfy it’s obligations under its Joint Share Ownership Plan.

At 30<sup>th</sup> June 2010 the Trust held 508,050 (2009 nil) ordinary 2p shares in Anglo Pacific Group plc.

### **6. Events occurring after the period end**

On 9<sup>th</sup> July 2010 the Group’s ordinary shares were admitted to trading on the Toronto Stock Exchange under the symbol APY.

### **7. Availability of financial statements**

This statement will be sent to shareholders and will be available at the Company’s registered office at 17 Hill Street, London, W1J 5NZ.

# Anglo Pacific Group PLC

## INDEPENDENT REVIEW REPORT TO ANGLO PACIFIC GROUP PLC

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### Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flow and notes 1 to 7. We have read the other information contained in the half yearly financial report which comprises only the Chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

GRANT THORNTON UK LLP  
CHARTERED ACCOUNTANTS  
London  
26<sup>th</sup> August 2010

# Anglo Pacific Group PLC

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

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### Important notice

This report contains forward-looking statements based on assumptions and reflects Anglo Pacific's expectations, estimates and projections of future events as of the date of this report. Forward-looking statements include, without limitation, statements regarding the performance, prospects, opportunities, priorities, targets, goals, objectives, strategies, growth and outlook of Anglo Pacific. Often, but not always, forward-looking statements can be identified by the use of words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based upon certain material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection, including assumptions and analyses made by Anglo Pacific in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. Also, forward-looking statements involve known and unknown risks, uncertainties and other factors that are beyond the Company's control and which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such material factors and assumptions and risks and uncertainties include, among others, those described in the Company's annual information form dated as of 29<sup>th</sup> June 2010 ("AIF", available on Anglo Pacific's website and at [www.sedar.com](http://www.sedar.com)), which are incorporated by reference into this report and qualify any and all forward-looking statements made in this report.

Although Anglo Pacific has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements herein relate only to events or information as of the date on which the statements are made and, except as specifically required by law, Anglo Pacific undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise.

The mineral resource estimates related to the Panorama Coal Project included in this report were reviewed and approved by Mr. Robert J. Morris (Principal Geologist) and Mr. Robert F. Engler (Principal) of Moose Mountain Technical Services (each a Qualified Person under NI 43-101 and independent of the Company) and documented in the technical report entitled "Resource Estimate for the Discovery and Panorama Coal Properties" dated 28<sup>th</sup> March, 2010 as prepared by Mr. Robert J. Morris (Principal Geologist) and Mr. Robert F. Engler (Principal) of MMTS. A copy of this report is available under the Company's profile at [www.sedar.com](http://www.sedar.com). Each of the Discovery Property and the Panorama Property are early-stage exploration properties and seasonal weather conditions prevented Mr. Morris from completing a personal inspection of the properties. A site visit has recently been completed, and an updated technical report will be filed.