

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

This Management's Discussion and Analysis ("MD&A") of financial position and results of operation of Anglo Pacific Group PLC ("Anglo Pacific Group", "the Group", "we" or "our") has been prepared based upon information available to the company as at August 10, 2011 and should be read in conjunction with the Group's unaudited quarterly consolidated financial statements and related notes as at and for three and six months ended June 30, 2011 and 2010.

Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary statement on forward-looking statements and related information included with this MD&A and to consult the Group's audited financial statements for the year ended December 31, 2010 and the corresponding notes to the financial statements. This information, together with further information relating to the Group and the Group's Annual Information Form ("AIF") are available on the Group's website at www.anglopacifigroup.com and on www.sedar.com.

Cautionary statement on forward-looking statements and related information

Certain information contained in this press release, including any information as to future financial or operating performance and other statements that express management's expectation or estimates of future performance, constitute "forward looking statements". The words "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts", or negative versions thereof and other similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Further, forward-looking statements are not guarantees of future performance and involve risks and uncertainties which could cause actual results to differ materially from those anticipated, estimated or intended in the forward-looking statements. The material assumptions and risks relevant to the forward-looking statements in this press release include, but are not limited to: stability of the global economy; stability of local government and legislative background; continuing of ongoing operations of the properties underlying the Group's portfolio of royalties in a manner consistent with past practice; accuracy of public statements and disclosures (including feasibility studies and estimates of reserve, resource, production, grades, mine life, and cash cost) made by the owners or operators of such underlying properties; no material adverse change in the price of the commodities underlying the Group's portfolio of royalties and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any significant property in which the Group holds a royalty or other interest, including but not limited to unusual or unexpected geological formations and natural disasters; successful completion of new development projects; planned expansions or additional projects being within the timelines anticipated and at anticipated production levels; and maintenance of mining title. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. For additional information with respect to such risks and uncertainties, please refer to the "Risk Factors" section of our most recent Annual Information Form available on www.sedar.com and the Group's website www.anglopacifigroup.com. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. The forward-looking statements contained in this press release are made as of the date of this press release only and the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Who we are

We are a royalty company specialising in royalties derived from the mining of natural resources. Within this sector we have a diverse portfolio that spans different commodities including coal, iron ore and a variety of metals. We invest internationally from the Americas to Europe and Australasia and our interests include both producing mines and development projects.

Our objective is to build a diverse portfolio of royalties that will generate growing, long-term returns for our shareholders.

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

Our strategy for growth

We are developing our royalty portfolio through three primary routes:

1. Acquiring existing royalty agreements
2. Creating new royalties by financing development
3. Licensing mineral claims and subsequent disposal for a royalty

Anglo Pacific Group is targeting a diversified portfolio of royalty investments that are leveraged against three key commodity sectors, that we believe offer long term prospects for growth:

1. Steel manufacturing
2. Precious metals
3. Energy

Royalties explained

A royalty is an entitlement to an agreed percentage of a project's sales revenue, without any liability for production costs or capital expenditure. This is the key benefit of owning a royalty.

In the mining industry, most royalties endure for the life of the resource and are paid on a regular basis. Historically there have been different terms for royalties including Gross Revenue or Net Smelter Return ("GRR" or "NSR") royalties, which are both based on the gross sales value of the actual mineral. Our model is based around GRR or NSR royalties as they provide the best and clearest return.

Acquiring existing royalties

In this case we buy existing royalty agreements, such as those owned by exploration companies who may have retained a residual interest in a mine they helped discover. Royalty companies rarely sell their agreements, once acquired.

Creating new royalties

Our new royalty agreements tend to come from providing finance for mining operations, usually to help progress a mine into production.

Key financial information

Selected unaudited financial information relating to the six months ended June 30, 2011 and June 30, 2010 is set out below. All information is prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and should be read in conjunction with the interim consolidated financial statements on pages 10 to 27.

	For the six months ended	
	June 30, 2011	June 30, 2010
	£'000	£'000
Statement of Income		
Royalty income	16,361	15,679
Operating expenses	(1,340)	(1,459)
Operating profit	15,003	14,562
Profit after tax	16,413	24,731
Basic earnings per share	15.09p	22.85p
Diluted earnings per share	15.09p	22.85p

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	For the six months ended	
	June 30, 2011 £'000	June 30, 2010 £'000
Cash flow statement		
Net cash flows from operating activities	10,993	3,541
Balance sheet		
Non-current assets	366,165	294,952
Cash at bank	36,726	18,846
Trade and other receivables	7,257	11,724
Total assets	410,148	325,522
Total liabilities	78,241	60,185
Total shareholders' equity	331,907	265,337
Debt	Nil	Nil

Selected quarterly financial information derived from the Group's financial statements is set out below.

	Q2 2011 £'000	Q1 2011 £'000	Q4 2010 £'000	Q3 2010 £'000	Q2 2010 £'000	Q1 2010 £'000
Royalty income	6,486	9,875	7,840	6,614	11,079	4,600
Operating expenses	(835)	(505)	(1,354)	(928)	(790)	(669)
Operating profit	5,640	9,363	6,581	5,848	10,426	4,136
Other income	379	297	229	93	140	56
Other gains / (losses)	423	(825)	(2,719)	433	(1,658)	994
Profit before tax	9,479	13,262	25,941	8,181	13,940	17,786
Income tax expense	(3,637)	(2,691)	(534)	(2,037)	(5,825)	(1,170)
Profit after tax	5,842	10,571	25,408	6,144	8,115	16,616
Basic earnings per share (£)	5.37p	9.72p	23.47p	5.68p	7.50p	15.35p
Diluted earnings per share (£)	5.37p	9.72p	23.47p	5.68p	7.50p	15.35p
Royalty cash flow per share (£) (1)	6.15p	9.21p	7.24p	6.11p	10.42p	4.53p
Diluted royalty cash flow per share (£) (1)	6.15p	9.21p	7.24p	6.11p	10.42p	4.53p
Total assets	410,148	426,346	415,626	362,131	325,522	360,169
Total liabilities	78,241	75,592	69,738	63,632	60,185	59,230
Shareholder equity	331,907	350,754	345,888	298,499	265,337	300,939

(1) See note 7 in the attached financial statements for an explanation and calculation methodology for royalty cash flow per share and diluted royalty cash flow per share.

Acquisitions

On January 12, 2011 the Group completed the previously announced Royalty Option Agreement with Horizonte Minerals PLC ("Horizonte") for the Group to purchase a NSR royalty on all revenues from the advanced exploration stage Araguaia and Lontra Nickel Projects ("Araguaia Project") in Brazil. The Group paid Horizonte the sum of US\$0.5 million in exchange for the six year option to acquire a 1.5% NSR royalty from the Araguaia Project for US\$12.5 million.

On August 2, 2011, the Group announced the purchase of an existing 1% NSR royalty over the Black Label, Black Thor and Big Daddy chromite deposits in Ontario, Canada, from KWG Resources Inc ("KWG"). These projects are operated by Cliffs Natural Resources ("Cliffs") and form part of Cliffs organic growth plans in the "Ring of Fire" area in northern Ontario. The consideration for the acquisition was US\$18 million.

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

On August 3, 2011 the Group announced its agreement to advance US\$30 million to London Mining PLC ("London Mining") in exchange for a 1.0% GRR royalty over the Isua iron ore project in Greenland. The agreement contains a number of benchmarks. In the event of these not being met the Group retains the right to be repaid in cash or, at London Mining's option, in shares at the market price at the time.

The Group continues to evaluate a number of opportunities to acquire or create more royalties in order to further diversify and increase the Group's revenue stream.

Royalty portfolio: Producing royalties

Kestrel

During the second quarter a scheduled longwall changeover resulted in coking coal production at Kestrel decreasing by 59% compared to the first quarter and by 66% when compared to the comparable quarter in 2010. Combined with reduced first quarter production due to the Queensland floods in January 2011, coking coal production volumes for the six months to June 30, 2011 were 39% lower than for the same period in 2010.

These widespread production disruptions produced continuing supply pressures and caused average coking coal contract prices in the first six months of 2011 to exceed US\$310 per tonne compared to spot prices of circa US\$220 per tonne during the same period last year.

These higher prices have offset reduced production levels resulting in Kestrel coal royalties for the six months ended June 30, 2011 of £10.0 million (A\$15.7 million) compared to £10.3 million (A\$17.6 million) for the comparable period in 2010. Royalties for the second quarter of 2011 were £4.4 million (A\$6.7 million) compared to £6.9 million (A\$11.7 million) during the second quarter of 2010.

Crinum

Crinum also benefited from higher prices in the six months ended June 30, 2011, contributing coal royalties of £5.4 million (A\$8.4 million) compared to £5.4 million (A\$9.3 million) for the six months ended June 30, 2010. Crinum royalties for the quarter ended June 30, 2011 were £1.6 million (A\$2.3 million) compared to £4.2 million (A\$7.1 million) for the same quarter of 2010. In the Group's coal royalty valuation at the period end no value has been attributed to any future production from Crinum due to uncertainties about the workability of the remaining private coal. The Group does not have any expectations in relation to future production from this mine.

Amapá

The Amapá Iron Ore System royalty commenced payment during the first quarter of 2011. Royalty receipts for the quarter ended June 30, 2011 were £0.5 million, bringing the total Amapá royalties for the six months to June 30, 2011 to £1.0 million. The current pricing environment for iron ore should enable this new royalty to make a meaningful contribution to the Group's royalty cash flows.

El Valle

The El Valle project commenced commissioning during the three months ended June 30, 2011, and first royalty payments from this gold and copper mine are expected during the second half of the year.

Engenho

The Group received royalty payments from the Engenho gold project in Brazil totalling £0.3 million during the six months to June 30, 2011, compared to £0.5 million for the same period in 2010. Royalty payments during the three months to June 30, 2011 were £0.2 million compared to £0.2 million in the second quarter of 2010. Royalty payments under this repayable debenture are classified as repayments of principal and interest until the debenture is repaid.

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

Financial performance

Royalty revenue of £16.4 million for the six months ended June 30, 2011 compared to £15.7 million in the first half of 2010.

Group royalty revenue for the six months ended June 30, 2011 was £16.4 million compared to £15.7 million for the six months to June 30, 2010, and £6.5 million for the three months ended June 30, 2011 compared to £11.1 million for the three months to June 30, 2010. When combined with cash flows from royalty debentures during the first half of 2011, royalty cash flow per share for the six months ended June 30, 2011 was 15.36p per share compared with 14.95p per share for the six months ended June 30, 2010. Royalty cash flow per share for the second quarter was 6.15p per share compared to 10.42p per share for the comparable period in 2010.

The Group's operating expenses, including salaries and wages, share-based compensation, audit, tax, legal advisory fees, listing costs and general office expenses, decreased from £1.5 million in the first half of 2010 to £1.3 million in the first half of 2011. Within these costs salaries and wages increased by approximately £0.2 million while legal costs decreased by £0.2 million compared to the same period in 2010. The operating expenses in quarter ended June 30, 2011 were £0.8 million compared to £0.8 million in the comparable quarter in 2010.

As a royalty company with no liability for the operating costs of the mines it receives royalties from, the Group has limited exposure to cost inflation. This is reflected in the fact that Group's operating expenses represented less than 10% of total royalty revenue for both the first halves of 2011 and 2010.

Realised gains on disposal of mining and exploration interests during the first half of 2011 were £7.5 million compared with £17.4 million for the six months ended June 30, 2010. Gains on disposal during the quarter to June 30, 2011 were £3.0 million, compared with £4.8 million realised during the second quarter of 2010. These gains were the result of the disposal in active junior mining markets of some of the Group's successful mining investments where the acquisition of royalties was considered unlikely.

The Group realised a net foreign exchange loss in the six months to June 30, 2011 of £0.3 million, compared to a net foreign exchange gain of £0.1 million in the comparable period of 2010. The net foreign exchange gain for the quarter ended June 30, 2011 was £0.4 million, against a net foreign exchange loss of £0.8 million in the second quarter of 2010. The Group both receives and acquires royalties in foreign currencies and is therefore subject to foreign exchange risk, particularly in relation to its Australian and Canadian activities. The Group has benefited from the continued strength in the Australian and Canadian currencies relative to sterling. However there is no assurance that this will continue, or that the steps taken by management to reduce potential foreign exchange risks will eliminate future fluctuations in the Group's financial performance and position.

Income tax expense for the six months ended June 30, 2011 was £6.3 million, compared to £7.0 million for the six months ended June 30, 2010. This difference related primarily to a lower level of realised gains. Income tax expense for the three months ended June 30, 2011 was £3.6 million, compared to £5.8 million for the comparable period in 2010.

Overall the Group's profit before tax for the six months ended June 30, 2011 was £22.7 million compared to £31.7 million for the six months ended June 30, 2010. Group earnings per share for the six months ended June 30, 2011 were 15.09p compared to 22.85p for the first half of 2010. For the quarter ended June 30, 2011 the Group's profit before tax was £9.5 million compared to £13.9 million for the comparable quarter in 2010. The Group's earnings per share for the three months ended June 30, 2011 were 5.37p compared to 7.50p for the second quarter of 2010.

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

Financial position

Total assets of £410.1 million at June 30, 2011 compared to £415.6 million at December 31, 2010.

At June 30, 2011 the Group's Australian coal royalty interests have been independently valued at £199.7 million compared to £177.1 million at December 31, 2010. The increase was primarily due to the improved long term outlook for coking coal prices. The Group's royalty instruments following fair value adjustments were valued at £21.9 million at June 30, 2011 compared to £28.1 million at December 31, 2010. This decrease is due to delayed production expectations and adjustments to future foreign exchange and commodity price assumptions.

The total cost of royalties treated as intangibles was £42.1 million at June 30, 2011, the same as at December 31, 2010. As part of a bi-annual impairment review at June 30, 2011 a directors' valuation of these royalties was undertaken using a discounted cash flow valuation model which used forecast commodity prices and management's best estimate of an appropriate discount rate taking into account project-specific risk factors. As at June 30, 2011 the directors' valuation of these assets was £50.6 million compared to £54.2 million at December 31, 2010.

	Coal royalties £'000	Royalty Instruments £'000	Royalty Intangibles £'000	Royalty Options £'000	Total £'000
June 30, 2011					
Number	2	4	6	3	15
Cost	195	12,493	42,130	728	55,546
Valuation	199,719	21,943	50,597	728	272,987
December 31, 2010					
Number	2	4	6	2	14
Cost	166	12,493	42,130	406	55,195
Valuation	177,130	28,061	54,155	406	259,752

At June 30, 2011, the Group's quoted and unquoted equity investments, including royalty options, were valued at £100.1 million. These were valued at £128.5 million at December 31, 2010. The private equity interests and royalty options remain accounted for at cost.

At June 30, 2011 the Group had cash of £36.7 million compared to £28.3 million at December 31, 2010, with no borrowings or hedging. When combined with royalty and trade receivables, total cash and receivables at June 30, 2011 was £44.0 million compared to £37.1 million at December 31, 2010. The Group has limited capital expenditure requirements other than for the acquisition of additional royalties. Management believe that the Group's current cash resources and future cash flows will be sufficient to cover the cost of general and administrative expenses, income taxes and dividend payments. The Group remains debt free and its liquid resources are held in a spread of currencies and financial institutions. The Group's mining interests and royalty revenues are mainly denominated in Australian and Canadian dollars.

The post balance date acquisitions announced on August 2, 2011 and on August 3, 2011 will result in the reduction of the Group's capital resources by the consideration paid. The Group has, subsequent to period end, received payment of the royalties due at June 30, 2011, as well as the proceeds of a number of investment disposals. The Group will also receive CAD\$20.2 million in respect of the sale of 11,542,857 shares of First Coal Corporation pursuant to a takeover by Xstrata Coal Canada Limited. In view of this, management believe that the Group has sufficient capital and working capital resources to continue to deliver its strategy.

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

The Group's total assets at June 30, 2011 were £410.1 million compared to £415.6 million at December 31, 2010. As at the period end this does not include any increase in value over cost that may be attributable to the Group's royalty intangibles or the Panorama and Trefi coal projects.

Dividends

On July 6, 2011 a final dividend of 5.10p per share for the year ended December 31, 2010 was paid. In light of the share price at the time the Board decided not to offer shareholders the opportunity to elect to receive new shares instead of cash.

The Board has declared an interim dividend of 4.25p per share for the year ending December 31, 2011, representing an increase of 7.6% from the interim dividend for the previous year of 3.95p per share. This dividend will be paid on January 11, 2012 to shareholders on the register at the close of business on November 11, 2011. The shares will be quoted ex dividend in Canada and London on November 9, 2011. Subject to market conditions, a scrip dividend alternative will be available to eligible shareholders.

Outlook

The Group's royalty cash flows continue to benefit from the sustained growth in the world's developing economies. The Group's existing royalty exposure to steel-related commodities in the form of coking coal, iron ore, chromite and nickel provide it with a number of high quality, long life assets with the potential for significant returns.

A combination of sovereign debt concerns and volatile mining equity markets has currently created an environment where the Group is able to target and evaluate a number of new royalty opportunities. Management believes the Group is well placed with its strong balance sheet and royalty revenues to continue its growth strategy for the benefit of its shareholders.

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; and currency volatility. For more information regarding these risks and uncertainties please refer to page 12 of the 2010 Annual Report.

In accordance with DTR 4.2.8R related party transactions which occurred in the first six months of the year are disclosed in note 11 to these interim financial statements.

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
August 11, 2011

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

Risk factors

The following discussion pertains to the outlook and conditions currently known to management which could have a material impact on the financial position and results of the Group. The following information is a summary only and should be read in conjunction with the "Risk Factors" section of the Group's most recently filed Annual Information Form filed on www.sedar.com.

Current Global Financial Condition

In recent years, global financial conditions and market events have increased volatility and resulted in tightening of credit that has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing will be available on acceptable terms if internally-generated funds are not sufficient to meet or satisfy the Group's or its investees' objectives or requirements. The inability to access sufficient capital on acceptable terms could have a material adverse effect on the Group's or its investees' business, prospects, dividend paying capability and financial condition and further enhancement opportunities or acquisitions.

The market price for the Group's and its investees' securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Group's and its investees' control. Economic conditions may adversely affect the Group or its investees, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of global capital markets. In recent years, financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Group and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and related market turmoil continue, the Group's or its investees' operations could be adversely impacted and the trading price of the Group's and its investees' securities may be adversely affected.

Commodity Hedging

The Group currently does not have a policy to hedge against variations in commodity prices. Accordingly, the Group is exposed to adverse changes in market prices for certain commodities underlying its royalties and other economic interests. Certain of such commodities are subject to significant volatility and these changes, to the extent that the Group is unhedged, could significantly affect the Group's profitability and cash flow. In certain circumstances the Group may desire to hedge commodity price risks by using forward sales contracts or other hedging strategies and, while hedging of commodity prices is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost should the Group choose or need to enter into these types of transactions. There is no assurance that any such commodity hedging program will be successful in reducing the risk associated with fluctuations in commodity prices and hedging may also prevent the Group from benefiting fully from commodity price increases. In addition, the Group may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price for the commodity.

Royalty Portfolio and Associated Risk

The revenue derived from the Group's royalty portfolio is based on production by third party property owners and operators. Although the Group may in certain circumstances have a limited ability to participate in the decision-making process, the owners and operators will generally have the power to determine the manner in which the relevant properties subject to the royalty portfolio are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties.

Anglo Pacific Group PLC

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

The interests of third party owners and operators and those of the Group on the relevant properties may not always be aligned. As an example, it will usually be in the interest of the Group to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of the Group to control the operations of the properties in which it has a royalty or working interest may have a material adverse effect on the Group's profitability, results of operation and financial condition.

Foreign Exchange Risk

The Group'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 and regularly reviewed. The Group does not have a hedging program in place at this time.

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, properly recorded and reported 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 Finance Director 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 mitigation 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 Institute of Chartered Accountants in England and Wales.

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 were no significant changes to controls during the six months to June 30, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls. The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period and concluded that the controls and procedures are adequate.

Anglo Pacific Group PLC

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

	Three months ended		Six months ended	
	June 30, 2011 £'000	June 30, 2010 £'000	June 30, 2011 £'000	June 30, 2010 £'000
Royalty income	6,486	11,079	16,361	15,679
Finance income	244	137	491	342
Amortisation of royalties	(255)	-	(509)	-
Operating expenses	(835)	(790)	(1,340)	(1,459)
Operating profit	5,640	10,426	15,003	14,562
Share of profits of associates	-	262	-	262
Gain on sale of mining and exploration interests	3,037	4,770	7,464	17,372
Other income	379	140	676	196
Other gains/(losses)	423	(1,658)	(402)	(666)
Profit before tax	9,479	13,940	22,741	31,726
Income tax expense	(3,637)	(5,825)	(6,328)	(6,995)
Profit attributable to equity holders	5,842	8,115	16,413	24,731
Total and continuing earnings per share				
Basic earnings per share	5.37p	7.50p	15.09p	22.85p
Diluted earnings per share	5.37p	7.50p	15.09p	22.85p

Results for the three months ended June 30, 2011 and 2010 are for comparative purposes and have neither been audited nor reviewed by the Group's auditors.

Anglo Pacific Group PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

	Three months ended		Six months ended	
	June 30, 2011 £'000	June 30, 2010 £'000	June 30, 2011 £'000	June 30, 2010 £'000
Profit for the financial period	5,842	8,115	16,413	24,731
Other comprehensive income				
Net (loss)/gain on revaluation of coal royalties	(4,431)	(5,068)	19,182	6,362
Net (loss) on revaluation of available for sale investments	(22,987)	(21,410)	(35,234)	(2,946)
Net exchange gain/(loss) on translation of foreign operations	8,048	(12,573)	4,442	1,651
Share of other comprehensive income of associates	-	103	-	103
Deferred tax	2,472	4,598	(3,897)	(1,635)
Net (expense)/income recognised directly in equity	<u>(11,056)</u>	<u>(26,235)</u>	<u>906</u>	<u>28,266</u>
Transferred to income statement disposal of available for sale investments	<u>(2,340)</u>	<u>(5,551)</u>	<u>(6,021)</u>	<u>(16,238)</u>
Total transferred from equity	<u>(2,340)</u>	<u>(5,551)</u>	<u>(6,021)</u>	<u>(16,238)</u>
Total comprehensive (expense)/income for the financial period	<u><u>(13,396)</u></u>	<u><u>(31,786)</u></u>	<u><u>(5,115)</u></u>	<u><u>12,028</u></u>

Results for the three months ended June 30, 2011 and 2010 are for comparative purposes and have neither been audited nor reviewed by the Group's auditors.

Anglo Pacific Group PLC

CONSOLIDATED BALANCE SHEET (UNAUDITED) AS AT JUNE 30, 2011

	Unaudited June 30, 2011 £'000	Unaudited June 30, 2010 £'000	Audited December 31, 2010 £'000
Non-current assets			
Property, plant and equipment	2,182	2,077	2,144
Coal royalties	199,719	157,977	177,130
Royalty instruments	21,943	28,159	28,061
Intangibles	42,253	23,274	42,741
Mining and exploration interests	100,068	80,141	128,479
Investments in associates	-	3,324	-
	<u>366,165</u>	<u>294,952</u>	<u>378,555</u>
Current assets			
Trade and other receivables	7,257	11,724	8,813
Cash and cash equivalents	36,726	18,846	28,258
	<u>43,983</u>	<u>30,570</u>	<u>37,071</u>
Total assets	<u><u>410,148</u></u>	<u><u>325,522</u></u>	<u><u>415,626</u></u>
Non-current liabilities			
Deferred tax	67,127	51,594	63,838
	<u>67,127</u>	<u>51,594</u>	<u>63,838</u>
Current liabilities			
Current income tax liabilities	5,133	4,296	4,987
Trade and other payables	5,981	4,295	913
	<u>11,114</u>	<u>8,591</u>	<u>5,900</u>
Total liabilities	<u><u>78,241</u></u>	<u><u>60,185</u></u>	<u><u>69,738</u></u>
Capital and reserves attributable to shareholders			
Share capital	2,183	2,171	2,175
Share premium	25,361	23,262	24,207
Coal royalty revaluation reserve	102,154	92,929	88,883
Investment revaluation reserve	13,442	18,566	51,780
Share based payment reserve	140	2	65
Foreign currency translation reserve	43,225	20,038	39,686
Special reserve	632	632	632
Investment in own shares	(2,421)	(1,295)	(1,295)
Retained earnings	147,191	109,032	139,755
Total equity	<u><u>331,907</u></u>	<u><u>265,337</u></u>	<u><u>345,888</u></u>
Total equity and liabilities	<u><u>410,148</u></u>	<u><u>325,522</u></u>	<u><u>415,626</u></u>

Anglo Pacific Group PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011

	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	Investment in Own Shares £'000	Retained earnings £'000	Total equity £'000
Balance at January 1, 2010	2,149	20,718	88,582	36,850	78	18,804	632	-	92,223	260,036
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)
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	-	-	-	-	-	-	-	-	(6,725)	(6,725)
Scrip dividend	11	1,199	-	-	-	-	-	-	(1,210)	-
Issue of share capital under share-based payment	11	1,345	-	-	(76)	-	-	(1,295)	13	(2)
	22	2,544	-	-	(76)	-	-	(1,295)	(7,922)	(6,727)
Balance at June 30, 2010	2,171	23,262	92,929	18,566	2	20,038	632	(1,295)	109,032	265,337

Anglo Pacific Group PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011
(CONTINUED)

	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	Investment in Own Shares £'000	Retained earnings £'000	Total equity £'000
Balance at July 1, 2010	2,171	23,262	92,929	18,566	2	20,038	632	(1,295)	109,032	265,337
Profit for the period	-	-	-	-	-	-	-	-	31,552	31,552
Other comprehensive income:										
Coal royalties:										
Royalties valuation movement taken to equity	-	-	(6,007)	-	-	25,160	-	-	-	19,153
Deferred tax on valuation	-	-	1,961	-	-	(7,421)	-	-	-	(5,460)
Available-for-sale investments:										
Valuation movement taken to equity	-	-	-	51,173	-	577	-	-	-	51,750
Deferred tax on valuation	-	-	-	(7,546)	-	(11)	-	-	-	(7,557)
Transferred to income statement on disposal	-	-	-	(10,413)	-	-	-	-	-	(10,413)
Share of comprehensive income of associates	-	-	-	-	-	(143)	-	-	-	(143)
Foreign currency translation	-	-	-	-	-	1,486	-	-	-	1,486
Total comprehensive income	-	-	(4,046)	33,214	-	19,648	-	-	31,552	80,368
Dividends paid	-	-	-	-	-	-	-	-	-	-
Scrip dividend	3	826	-	-	-	-	-	-	(829)	-
Issue of share capital under share-based payment	1	119	-	-	63	-	-	-	-	183
	4	945	-	-	63	-	-	-	(829)	183
Balance at December 31, 2010	2,175	24,207	88,883	51,780	65	39,686	632	(1,295)	139,755	345,888

Anglo Pacific Group PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011
(CONTINUED)

	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	Investment in Own Shares £'000	Retained earnings £'000	Total equity £'000
Balance at January 1, 2011	2,175	24,207	88,883	51,780	65	39,686	632	(1,295)	139,755	345,888
Profit for the period	-	-	-	-	-	-	-	-	16,413	16,413
Other comprehensive income:										
Coal royalties:										
Royalties valuation movement taken to equity	-	-	19,182	-	-	3,408	-	-	-	22,590
Deferred tax on valuation	-	-	(5,911)	-	-	(1,004)	-	-	-	(6,915)
Available-for-sale investments:										
Valuation movement taken to equity	-	-	-	(35,234)	-	230	-	-	-	(35,004)
Deferred tax on valuation	-	-	-	2,917	-	101	-	-	-	3,018
Transferred to income statement on disposal	-	-	-	(6,021)	-	-	-	-	-	(6,021)
Share of comprehensive income of associates	-	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	804	-	-	-	804
Total comprehensive income	-	-	13,271	(38,338)	-	3,539	-	-	16,413	(5,115)
Dividends paid	-	-	-	-	-	-	-	-	(8,977)	(8,977)
Scrip dividend	-	-	-	-	-	-	-	-	-	-
Issue of share capital under share-based payment	8	1,154	-	-	75	-	-	(1,126)	-	111
	8	1,154	-	-	75	-	-	(1,126)	(8,977)	(8,866)
Balance at June 30, 2011	2,183	25,361	102,154	13,442	140	43,225	632	(2,421)	147,191	331,907

Anglo Pacific Group PLC

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

	Three months ended		Six months ended	
	June 30, 2011 £'000	June 30, 2010 £'000	June 30, 2011 £'000	June 30, 2010 £'000
Cashflows from operating activities				
Profit before taxation	9,479	13,940	22,741	31,726
Adjustments for:				
Interest received	(436)	(293)	(758)	(570)
Unrealised foreign currency loss / (gain)	259	(881)	1,357	(4)
Depreciation of property, plant and equipment	5	4	10	9
Amortisation of Intangibles - royalties	255	-	509	-
(Gain) on disposal of mining and exploration interests	(3,037)	(4,770)	(7,464)	(17,372)
Loss on revaluation of assets held as fair value through profit or loss	-	810	-	810
Loss on write down of assets	-	-	147	-
Share of associates (profit)	-	(262)	-	(262)
Share based payments	75	12	75	12
	<u>6,600</u>	<u>8,560</u>	<u>16,617</u>	<u>14,349</u>
Decrease / (Increase) in trade and other receivables	3,946	(6,725)	1,556	(6,597)
(Decrease) / Increase in trade and other payables	(400)	65	(453)	30
Receipt from royalty instruments	204	196	347	498
Cash generated from operations	<u>10,350</u>	<u>2,096</u>	<u>18,067</u>	<u>8,280</u>
Income taxes paid	<u>(3,005)</u>	<u>(3,707)</u>	<u>(7,074)</u>	<u>(4,739)</u>
Net cash from operating activities	<u>7,345</u>	<u>(1,611)</u>	<u>10,993</u>	<u>3,541</u>
Cash flows from investing activities				
Proceeds on disposal of mining and exploration interests	15,911	8,042	23,927	29,292
Purchase of mining and exploration interests	(8,991)	(7,282)	(23,197)	(13,525)
Purchases of royalty interests	-	(13,001)	-	(13,001)
Purchases of property, plant and equipment	(20)	(239)	(48)	(335)
Exploration and evaluation expenditure	(18)	270	(18)	176
Interest received	47	556	267	570
Acquisition of associates	-	(39)	-	(109)
Return of capital from associates	-	949	-	949
Net cash generated / (used) in investing activities	<u>6,929</u>	<u>(10,744)</u>	<u>931</u>	<u>4,017</u>
Cash flows from financing activities				
Proceeds from issue of share capital	-	-	-	30
Dividends paid	-	-	(3,456)	(2,937)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>(3,456)</u>	<u>(2,907)</u>
Net increase /(decrease) in cash and cash equivalents	14,274	(12,355)	8,468	4,651
Cash and cash equivalents at beginning of period	<u>22,452</u>	<u>31,201</u>	<u>28,258</u>	<u>14,195</u>
Cash and cash equivalents at end of period	<u>36,726</u>	<u>18,846</u>	<u>36,726</u>	<u>18,846</u>

Results for the three months ended June 30, 2011 and 2010 are for comparative purposes and have neither been audited nor reviewed by the Group's auditors.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

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 three and six months ended June 30, 2011. They have been prepared in accordance with IAS 34 '*Interim Financial Reporting*', as adopted by the European Union. 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 December 31, 2010.

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 December 31, 2010, which were prepared in accordance with IFRS, as adopted by the European Union.

This condensed consolidated quarterly and half yearly financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended December 31, 2010 were approved on March 8, 2011. 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.

Financial results presented for the three months ended June 30, 2011 and 2010, together with all other quarterly results have been presented for comparative purposes only. These results have neither been audited nor reviewed by the Group's auditors.

2 Financial risk management

The Group's principal treasury objective is to provide sufficient liquidity to meet operational cash flow requirements and to allow the Group to take advantage of new growth opportunities whilst maximising shareholder value. The Group's activities expose it to a variety of financial risks including liquidity risk, credit risk, foreign exchange risk, price risk and interest rate risk. The Group manages these risks as follows:

Liquidity and funding risk

The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. At June 30, 2011 there was no debt outstanding. The Group 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 undertakes detailed analysis of factors which mitigate the risk of default to the Group.

Foreign exchange risk

The Group'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.

Other price risk

The Group is exposed to other price risk in respect of its mining and exploration interests which include listed and unlisted equity securities and any convertible instruments. Interests are continually monitored for indicators that may suggest problems for these companies raising capital or continuing their day-to-day business activities to ensure remedial action can be taken if necessary. No specific hedging activities are undertaken in relation to these interests and the voting rights arising from these equity instruments are utilised in the Group's favour.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

(a) Financial Assets

The Group held the following investments in financial assets:

	June 30, 2011 £'000	June 30, 2010 £'000	December 31, 2010 £'000
<i>Available-for-sale</i>			
Other royalties	21,943	28,159	28,061
Mining and exploration interests	99,820	79,131	128,231
<i>Fair value through profit or loss</i>			
Other royalties	-	-	-
Mining and exploration interests	248	1,010	248
<i>Loans and receivables</i>			
Trade and other receivables	6,491	10,614	8,425
Cash at bank and in hand	36,726	18,846	18,258

(b) Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy: This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following tables present the Group's assets and liabilities that are measured at fair value at June 30, 2011, June 30, 2010 and December 31, 2010:

	June 30, 2011			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Assets				
Royalty instruments	-	-	21,943	21,943
Mining and exploration interests - quoted	91,392	-	-	91,392
Mining and exploration interests - unquoted	-	7,948	-	7,948
Royalty options	-	728	-	728
Net fair value	<u>91,392</u>	<u>8,676</u>	<u>21,943</u>	<u>122,011</u>

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

	June 30, 2010			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Assets				
Royalty instruments	-	-	28,159	28,159
Mining and exploration interests - quoted	74,144	-	-	74,144
Mining and exploration interests - unquoted	-	4,829	-	4,829
Royalty options	-	1,168	-	1,168
Net fair value	<u>74,144</u>	<u>5,997</u>	<u>28,159</u>	<u>108,300</u>
	December 31, 2010			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Assets				
Royalty instruments	-	-	28,061	28,061
Mining and exploration interests - quoted	121,863	-	-	121,863
Mining and exploration interests - unquoted	-	6,210	-	6,210
Royalty options	-	406	-	406
Net fair value	<u>121,863</u>	<u>6,616</u>	<u>28,061</u>	<u>156,540</u>

3 Non-current assets

(a) Coal royalties

The Group's coal royalties comprise the Kestrel and Crinum coal royalties in Queensland, Australia.

The Group commissioned a valuation of the coal royalties as at June 30, 2011, based on a net present value of the pre-tax cash flow discounted at a rate of 7%, which produced a valuation of A\$299.0 million (£199.7 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 £2.7 million (A\$4.0 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 GRR or NSR royalties. These are the Engenho property in Brazil, the El Valle property in Spain, the Jogjakarta Iron Sands Project in Indonesia and the Midway-McKenzie Break properties in Canada. In the Group's latest annual financial statements for the year ended December 31, 2010, 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 GRR and NSR royalties acquired on the Four Mile Project in South Australia, the Salamanca Uranium Project in Spain, the Railway Deposit in Western Australia and the Amapá Iron Ore System in Brazil.

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 base 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 £714,000 (June 30, 2010: £594,000) associated with the Group's Panorama and Trefi Projects in British Columbia, Canada.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

(d) Mining and exploration Interests

The investments in mining and exploration interests 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 cash flows being so significant that an alternative valuation technique would not provide a useful value. The fair values are reviewed for impairment biannually. In the statement of changes in equity these interests are classified as "available-for-sale investments". For a full explanation of the Group's accounting policies in relation to the mining and exploration interests please see the 2010 Annual Report.

4 Segment information

Management has determined the operating segments based on the reports reviewed by the Executive and Investment committees that are used to make strategic decisions. The committees consider the Group's undertakings from a business perspective. This has resulted in the Group being organised into two operating segments – royalties and mining and exploration interests.

The royalties 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, disposal and continued monitoring of the Group's investments in listed and unlisted entities operating in mining and mineral exploration. The segment information provided to the Executive and Investment committees for the reportable segments for the three and six months ended June 30, 2011 and 2010 are as follows:

	Australia		Americas		Europe		All other segments £'000	Total £'000
	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000		
Three months ended June 30, 2011								
Total segment income	6,014	1,687	472	1,350	-	-	623	10,146
Profit before tax	6,014	1,687	472	1,350	-	-	(44)	9,479
Amortisation	-	-	(255)	-	-	-	-	(255)
Income tax expense	(1,676)	-	-	-	-	-	(1,961)	(3,637)
Three months ended June 30, 2010								
Total segment income	11,079	4,113	-	752	-	(46)	228	16,126
Profit before tax	11,079	4,375	-	752	-	(46)	(2,220)	13,940
Amortisation	-	-	-	-	-	-	-	-
Income tax expense	(3,377)	-	-	-	-	-	(2,448)	(5,825)
Six months ended June 30, 2011								
Total segment income	15,361	4,841	1,000	1,721	-	926	1,143	24,992
Profit before tax	15,361	4,841	1,000	1,721	-	926	(1,108)	22,741
Amortisation	-	-	(509)	-	-	-	-	(509)
Income tax expense	(4,481)	-	-	-	-	-	(1,847)	(6,328)

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

	Australia		Americas		Europe		All other segments	Total
	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000		
Six months ended June 30, 2010								
Total segment income	15,679	6,925	-	10,453	-	(46)	578	33,589
Profit before tax	15,679	7,187	-	10,453	-	(46)	(1,547)	31,726
Amortisation	-	-	-	-	-	-	-	-
Income tax expense	(4,529)	-	-	-	-	-	(2,466)	(6,995)

The amounts provided to the Executive and Investment committees with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	Australia		Americas		Europe		All other segments	Total
	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000		
As at June 30, 2011								
Total assets	222,424	50,910	25,526	34,123	17,216	15,021	44,928	410,148
Total assets include:								
Investments in associates	-	-	-	-	-	-	-	-
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-	-	-	-
Total liabilities	63,908	-	639	-	2,587	-	11,107	78,241
As at June 30, 2010								
Total assets	184,569	47,991	17,521	29,876	14,019	5,024	26,522	325,522
Total assets include:								
Investments in associates	-	3,324	-	-	-	-	-	3,324
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-	-	-	-
Total liabilities	51,107	-	1,648	-	1,702	-	5,728	60,185
As at December 31, 2010								
Total assets	201,890	75,280	27,650	35,122	19,590	17,671	38,423	415,626
Total assets include:								
Investments in associates	-	-	-	-	-	-	-	-
Additions to non-current assets (other than financial instruments and deferred tax assets)	13,664	-	20,351	-	3,997	-	-	38,012
Total liabilities	56,669	-	855	-	2,716	-	9,498	69,738

Investments in mining and exploration interests (classified as available-for-sale financial assets or financial assets at fair value through profit or loss) held by the Group are classified by geographic segment by reference to the country of the investee's primary listing for quoted investments or the country of operations for unquoted investments.

The amounts provided to the Executive and Investment committees with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Of the total royalty income, £10.0 million received during the six months to June 30, 2011 is derived from a single royalty (June 30, 2010: £10.3 million). This income is attributable to the Australian royalty segment.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

5 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.

5.1 Critical accounting estimates and assumptions

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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- (a) Review of asset carrying values and impairment charges and reversals; and
- (b) Recoverability of deferred tax assets.

Review of asset carrying values and impairment charges and reversals

The Group makes a number of estimates and assumptions to determine the appropriateness of asset carrying values and any impairment charges as necessary. The Group utilise forecast commodity prices and foreign exchange rates provided by independent consultants and rely upon the production guidance provided by third party operators of the Group's royalty properties. These estimates and assumptions are subject to change and will seldom equal the actual results. The Group also use discount rates to determine discounted cash flow valuations of certain assets. These discount rates are determined by reference to risk free rates of return adjusted for a variety of factors including, inter alia, project risk, operator risk, geopolitical risk and commodity risk. These risks are continually re-evaluated and as a result the discount rates utilised can change between periods.

Recoverability of deferred tax assets

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. The Group makes assumptions regarding these future rates of tax, in addition to assuming that various criteria for the recoverability of deferred tax assets will be met.

5.2 Critical judgements in applying the Group's accounting policies

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

- (a) Classification of mining and exploration interests;
- (b) Classification of royalty instruments and royalty interests;

The Directors review the nature of those royalty agreements to determine which class of asset they fall under. For those royalties acquired which give the Group a straight royalty with no conversion rights to shares for example, these are classified as a royalty interest within intangibles;

Where an agreement has a convertible option within it, the contracts are reviewed to determine whether the option is closely related or not to the host contract. This will determine whether the assets should be classified as a derivative at fair value through profit and loss or an available for sale financial asset with an embedded derivative.

- (c) Review of assumptions underlying the independent coal industry advisors' valuation of the Kestrel and Crinum coal royalties;
- (d) Review of assumptions underlying the valuation of royalty instruments and their associated embedded derivatives;

The Directors review the latest available mine plans and obtain independent foreign exchange and commodity price forecasts to determine each of the royalty instruments carrying value at reporting date.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

- (e) Review of asset carrying values and impairment charges and reversals; and
 (f) Recognition of deferred tax liabilities and the continued application of relevant exemptions.

6 Earnings per ordinary share

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Basic earnings per share	5.37p	7.50p	15.09p	22.85p
Diluted earnings per share	5.37p	7.50p	15.09p	22.85p

Earnings per ordinary share excludes the issue of shares under the Group's Joint Share Ownership Plan, as the Employee Benefit Trust has waived its right to receive dividends on the 864,258 ordinary 2p shares it holds as at June 30, 2011.

The numbers used in calculating basic and diluted earnings per share are stated below:

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net profit attributable to shareholders	£'000	£'000	£'000	£'000
Earnings—basic	5,842	8,115	16,413	24,731
Earnings—diluted	5,842	8,115	16,413	24,731

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Weighted average number of shares in issue				
Ordinary shares in issue	108,771,332	108,224,582	108,771,332	108,233,742
Employee Share Option Scheme	16,335	-	16,335	-
	<u>108,787,667</u>	<u>108,224,582</u>	<u>108,787,667</u>	<u>108,233,742</u>

7 Royalty cash flow per share

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Total royalty cash flow per share				
Basic royalty cash flow per share	6.15p	10.42p	15.36p	14.95p
Diluted royalty cash flow per share	6.15p	10.42p	15.36p	14.95p

The Group's management considers royalty cash flow per share to be a useful measure of the performance of the Group's assets. Changes in equity market conditions lead to annual fluctuations in gains on sale of mining and exploration interests, and while these gains can be significantly value accretive for shareholders, the Group's management focus remains on increasing the Group's cash flows from royalties. In addition, the classification of the Group's royalty instruments as repayable debentures results in cash flows which are classified as repayments of principal and interest until repaid. As a result, the combination of royalty income and cash received from the debenture repayments during the year form the numerator for this metric. Both of these components are calculated before tax.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

The numbers used in calculating the basic and diluted royalty cash flow per share are stated below:

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Royalty cash flow	£'000	£'000	£'000	£'000
Royalty income	6,486	11,079	16,361	15,679
Receipts from royalty instruments	204	196	347	498
Total royalty cash flow	6,690	11,275	16,708	16,177

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Weighted average number of shares in issue				
Ordinary shares in issue	108,771,332	108,224,582	108,771,332	108,233,742
Employee Share Option Scheme	16,335	-	16,335	-
	108,787,667	108,224,582	108,787,667	108,233,742

8 Outstanding share data

As at August 10, 2011 there were 109,127,540 ordinary 2p shares outstanding. Anglo Pacific Group PLC has no other class of shares in issue. All shares have the same voting rights.

The Group operates two equity-settled share-based compensation plans as follows:

- The HMRC approved Company Share Ownership Plan (the "CSOP"); and
- The Joint Share Ownership Plan (the "JSOP") operated through the Anglo Pacific Group Employee Benefit Trust (see note 9).

There are currently 69,330 share options outstanding under the CSOP, with exercise prices ranging from £2.50 to £3.26.

9 Own shares held

Following approval at the 2010 Annual General Meeting the Group 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 Group.

The Group issued 356,208 ordinary 2p shares on March 28, 2011 to satisfy its obligations under its Joint Share Ownership Plan.

At June 30, 2011 the Trust held 864,258 (June 30, 2010: 508,050) ordinary 2p shares in Anglo Pacific Group PLC.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

10 Financial commitments

Operating leases

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases. These relate to leased office space, certain office equipment, and leased property in relation to Shetland Talc Limited. The total commitments due under these leases are shown as follows:

	£'000
to June 30, 2012	168
to June 30, 2013	168
to June 30, 2014	168
to June 30, 2015	109
to June 30, 2016 and thereafter	50

11 Related party transactions

The remuneration of 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.

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	£'000	£'000	£'000	£'000
Short-term employee benefits	301	282	493	462
Post-employment benefits	10	4	22	9
Share-based payment	75	12	75	12
	<u>386</u>	<u>298</u>	<u>590</u>	<u>483</u>

The Group entered into the following related party transactions during the period:

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	£	£	£	£
Anthony Yadgaroff	-	2,250	2,489	3,750
John Whellock	-	-	1,130	-
	<u>-</u>	<u>2,250</u>	<u>3,619</u>	<u>3,750</u>

12 Events occurring after period end

On August 2, 2011, the Group announced the purchase of an existing 1.0% NSR royalty over the Black Label, Black Thor and Big Daddy chromite deposits in Ontario, Canada, from KWG Resources Inc ("KWG"). The consideration for the acquisition was US\$18 million.

On August 3, 2011 the Group advanced US\$30 million to London Mining PLC ("London Mining") in exchange for a 1.0% GRR royalty over London Mining's Isua iron ore project in Greenland.

On July 8, 2011 Xstrata Coal Canada Limited ("Xstrata") made an offer to acquire all of the outstanding common shares of First Coal Corporation at a price of C\$1.75 per share. As at June 30, 2011 the Group held 11,542,857 First Coal Corporation shares which are recorded in the balance sheet at cost. The Xstrata transaction completed on August 4, 2011.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

13 Availability of financial statements

This statement will be sent to shareholders and will be available at the Group's registered office at 17 Hill Street, London, W1J 5LJ.

Anglo Pacific Group PLC

NOTES TO THE ACCOUNTS

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 2011 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related notes. We have read the other information contained in the half yearly financial report which comprises only the Management's Discussion and Analysis 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 2011 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
AUDITOR
London
August 10, 2011

