897608.

Anglo Pacific Resources PLC

DIRECTORS

G.N.KENNEDY *(Chairman)*

M.A.E.SYROPOULO *(Managing Director)*

J.CORDINGLEY, O.B.E.

D.J.CROWE

M.A.HOHNEN

D.L.KYLE

R.A.D.WILSON

SECRETARY

D.MURDOCH

HEAD OFFICE

5 RANDOLPH CRESCENT, EDINBURGH EH3 7TH
Tel: 031-220 6484 Fax: 031-220 1706

REGISTERED OFFICE

295 REGENT STREET, LONDON W1R 8ST
Registered in England No. 897608

AUDITORS

COOPERS & LYBRAND DELOITTE
Plumtree Court, London EC4A 4HT

BANKERS

THE ROYAL BANK OF
SCOTLAND plc
52/54 East Port,
Dunfermline KY12 7HB

REGISTRARS

THE ROYAL BANK OF
SCOTLAND plc
P.O. Box 435,
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

STOCKBROKERS

S.G.WARBURG SECURITIES
1 FINSBURY AVENUE
LONDON EC2M 2PA

Front cover: Burrowine Moor Quarry, near Alloa.
Back cover. A marble face at Ledmore North Quarry, near Ullapool.

Anglo Pacific Resources PLC
Annual Report 1990

CHAIRMAN'S REVIEW

The company incurred a consolidated loss of £1.7 million for the year ended 31st December, 1990. These results include provisions totalling £2.1 million most of which related to Australian investments.

Mining operations at the Kurara gold mine ceased at the end of the year as remaining reserves were and remain uneconomic at current gold price levels. Since the end of the year the joint venture has sold the tenements, plant and equipment. We will continue to treat the low grade stock piles until June 1991. The proceeds from these sales will not realise the book value of the investment and accordingly £1.2 million has been written off. Particulars of other provisions are set out in the notes.

Administration costs reduced from £1.4 million to £1.2 million and following the closure of the Australian office towards the end of the year, further reductions are expected in 1991. As previously announced in November the company repurchased, at a significant discount, £4 million of its convertible notes which will result in lower financial charges for 1991.

Since the acquisition of Anglo European Minerals Limited, some eighteen months ago, the Group has made considerable progress in achieving its objective of becoming a developer, producer and marketer of a range of industrial mineral products in the UK. Despite early delays in the commencement of the Ledmore Marble project, on-site development and commercial testing of a range of marble products were completed in a period of nine months despite harsh winter conditions. During the development period a far broader range of products than previously envisaged was identified and tested. The range now includes dimension stone, decorative aggregates, terazzo tiles and fines. The latter have a variety of uses including agricultural lime and fillers. Commercial production will commence at the end of April 1991.

In May 1990 the company acquired the balance of the shares not held by it in Fife Silica Sands Ltd. Since then significant improvements have been effected which have contributed to increased efficiencies in the areas of production, quality control and costs. This has resulted in increased orders for sand products which should improve the financial results of that company during the second half of 1991.

Our modern laboratory facilities, which are an essential part of an industrial minerals group, have been extensively upgraded to ensure product quality and to facilitate in-house testing and development of new products. Marketing resources have been acquired through the agency of Anglo Tulloch Minerals (90% owned) and initial progress in the areas of armour stone, and the marketing of marble and sand products is encouraging.

Steady progress is being made at Shetland Talc where bulk sample testing for market assessment has been successfully completed. The Board has approved expenditure on the construction of an access road to the proposed mining area and processing plant specifications are now being prepared.

Arco Coal (Australia), a subsidiary of the oil major Atlantic Richfield, has commenced development of the Gordonstone Coal Project in Australia with production expected to commence in November, 1992. Anglo Pacific Resources has a 2% royalty on the free on rail value of the bulk of the coal to be produced from the initial mining lease.

In our formative stage of growth we believe we have now created a sound base of producing assets, capable of providing sustainable long term earnings growth.

Fife is already in production. Ledmore commences production this year, Shetland Talc is scheduled to commence production in 1992 and the coal royalty will be earning in 1993. Our exploration programme is designed to ensure growth in the longer term. In order to sustain the current rate of development and to provide the flexibility to significantly upgrade the value of our existing and future product lines we have reached agreement with our major shareholder, Anglovaal Limited to extend the latest date for redemption of its convertible Loan Stock (£3.5 million) with the company from December 1992 to June 1996 in consideration for a higher coupon of 11.5% (10% before) and a lower conversion price of 40p (50p). The variation of the Loan Stock is subject to the approval of shareholders and a circular giving full details is being sent to all shareholders with the annual report.

Following closure of the Australian office, Mr Stuart Hohnen resigned from the Board during the year. We are grateful to Mr Hohnen for his valuable contribution to the affairs of company particularly during a time when the gold sector has experienced severe operating difficulties worldwide.

In conclusion, I wish to express my appreciation to the management team and staff in the UK and Australia for the services rendered by them in what has been a difficult year. Given current economic difficulties and very competitive markets we remain cautious in the short term but have confidence in the medium term prospects of the company.

The Board has resolved not to declare a final dividend.

Anglo Pacific Resources PLC

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the company will be held at 6 Randolph Crescent, Edinburgh EH3 7TH on Monday, 10th June, 1991 at 10.00 am.

1. To receive the Accounts for the year ended 31st December, 1990 together with the Directors' and Auditors' Reports thereon.
2. To re-elect D.J. Crowe as a director.
3. To re-elect M.A. Hohnen as a director.
4. To re-elect R.A.D. Wilson as a director.
5. To re-appoint Coopers & Lybrand Deloitte as Auditors of the company and to authorise the directors to fix their remuneration.

By Order of the Board,

Secretary

Registered Office:
295 Regent Street,
London W1R 8ST

Dated: 25 April 1991

Notes:

A member entitled to attend and vote at the above meeting may appoint one or more persons to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. A form of proxy is inserted with this report. Completion and return of this form of proxy will not prevent a member from attending the meeting and voting if he so wishes. A member personally present shall have one vote on a show of hands and one vote per Ordinary Share on a poll.

In order to be valid, forms of proxy for the meeting must be received, not later than 48 hours before the time fixed for the meeting, at the offices of the company's Registrars The Royal Bank of Scotland plc, Registrar's Department, P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR.

The directors' service contracts and register of directors' interests will be available for inspection during usual business hours at 6 Randolph Crescent, Edinburgh EH3 7TH until the date of the meeting and will be open for inspection 15 minutes prior to the meeting and will remain open during the continuance of the meeting.

Anglo Pacific Resources PLC

OPERATIONS REPORT 1990

UNITED KINGDOM

INDUSTRIAL MINERALS

During 1990 the company acquired the 50.3% it did not already own in Fife Silica Sands as well as 62 acres of freehold land containing the present quarry site. In addition the 50% of Shetland Talc Limited not already owned was acquired.

Fife Silica Sands Ltd (100%) ("FSS")

The recession and restraints imposed by the previous landlord up to the time of the purchase of his interest resulted in decreased sand sales for the year.

Lower operating costs and improved plant efficiency are the result of the significant improvements that have been made to FSS since 100% was acquired by the company in May 1990.

— additional crushing and screening equipment has been installed and the process plant surge hopper uprated to provide delivery of a controlled, continuous, sized feed to the process plant.
— the product stockyard has been greatly extended and sand towers installed to ensure that more than adequate stocks of low moisture glass sand are maintained and ready for despatch. The extended facilities also enables the upgrading of previously discarded non-glass sand reserved for sale to the foundry, leisure and construction markets.
— quality control regimes have been strengthened.
— costly rehandling activities have been eliminated.
— a new five year mining block, following a detailed geological core-drilling and assessment programme, has been developed.
— a substantial environmental improvement programme has been implemented.

These investments have greatly strengthened FSS's opportunities to achieve additional sand sales. This has already proved the case with the acquisition of a significant new glass sand contract, much improved sales and prices for other sand products and penetration of the local foundry sand market for the first time.

Production for the year was:–

Container Glass Sand	81,120 tonnes
Coarse Sand	9,500 tonnes
Fine Sand	28,930 tonnes.

Ledmore Marble Ltd (100%)

The trials using the marble for paper filler were completed successfully. However, marketing studies concluded that due to the location, unique colours and patterns of this marble deposit higher financial rewards would be gained from marketing polished marble slabs and tiles, decorative aggregates and for artefacts. The deposit will provide the sole source of dimension stone marble in the UK and comprises some highly coloured areas which are likely to be prized for their decorative qualities.

Wire sawing equipment to produce marble blocks was delivered last December, and two 9-tonne blocks were forwarded for cutting into slabs and tiles for polishing. Market response has been most favourable and encouraging.

Anglo Pacific Resources PLC

OPERATIONS REPORT 1990—UNITED KINGDOM

Waste from the marble block producing operations and from discrete, selective quarrying operations will source the decorative aggregates and the fines resulting from their crushing will be collected. Terrazzo tiles, comprising marble aggregates and screened fines have been manufactured by an established company for market evaluation, and these too have been most favourably received.

The fines, in addition to paper applications may be used for agricultural purposes; a high quality agricultural lime, cattle feed supplement and for chicken grit.

Further business opportunities pertaining to marble and other potential industrial mineral reserves contained within the lease area, are being examined.

Although planning permission constraints delayed the start of the project, site development to despatch of the two marble blocks and testing of the whole range of products was completed in a six month period.

Market research has demonstrated a high level of interest in all our marble related products and machinery required to commence commercial production of marble blocks, distinctive coloured marble pieces, aggregates and fines is currently being installed. Production will commence shortly.

Shetland Talc Ltd (100%)

A core drilling and bulk sample programme was completed. A bulk sample, comprising the lower grade talc rock, was successfully processed by a mineral marketing company and has undergone successful market assessment.

The core drilling programme proved and delineated more precisely, a higher grade of potential mineable reserves within the area of planning permission than was first indicated, and highlighted two other potential reserve areas within the lease.

Metallurgical testing of the drill cores at our laboratory and outside laboratories, has confirmed the upgrading of the higher grade talc rock reserves within the proposed mining area. The processing plant specifications are now being reviewed and amended where appropriate, for the production of high grade talc and other products.

Quotations for the construction of an access road to the proposed mining area have been received from contractors for progressing in 1991.

Anglo Tulloch Minerals Ltd (90%) ("ATM")

The first year of ATM's existence has mainly been a period of establishment and market research.

Operational success was also recorded however with the highlight being the award to supply 55,000 tonnes of crushed rock for North Sea pipeline coating. The rock was delivered and loaded through Peterhead Harbour to the Dutch specialist sub-sea stone placing company A.C.Z. Marine contractors. This valuable contract was completed profitably and on time.

Much market research has been carried out into markets suited to the valuable Anglo Pacific Resources group products, such as specialist sands and marble products. The markets for heavy marine and coastal protection scheme rock have been further researched and the company has negotiated marketing arrangements with major quarry owners, who are able to produce significant amounts of this material.

Positive results from the year's activities are now apparent with significant enquiries being received from a wide variety of users for all products.

Anglo Pacific Resources PLC

OPERATIONS REPORT 1990—UNITED KINGDOM

EXPLORATION PROJECTS

Antrim Perlite (AEM 67.8%)

The perlite deposit at Sandy Braes is currently the subject of a detailed study by an appointed firm of consultants. Great difficulty has been experienced in obtaining consistent expansion performance from samples collected. The object of the current exercise is to understand the characteristics of this specific perlite deposit. World-wide, perlites behave uniquely from deposit to deposit and it is with this new approach to the problem that we are confident that during 1991 we shall be able to make good progress with the project.

Anglo European Oil and Gas Ltd (AEM 100%)

1990 saw the acquisition of two further onshore licences—EXL 181 (25% equity) in North Humberside and EXL 184 (20% equity) in the East Midlands near Lincoln. Both licences add to the portfolio of interest in the mature exploration province of the North and East Midlands of England.

Evaluation of EXLS 143 and 132 show many leads and drillable prospects.

On EXL 184, 38 Kms of seismic were acquired in 1990 and on EXL 181, 39 Kms were shot in early 1991.

Glenshesk Minerals Ltd (AEM 50%)

During 1990, considerable field activity in Northern Ireland saw the commencement of operations for the newly formed Glenshesk Minerals Ltd. Exploration work for zeolite was centred around the extensive Tertiary basalt lava flows in the province with the identification of some 69 occurrences of the mineral in a variety of active and disused quarries. Drilling at two locations—McGowan's Hill quarry and Cam quarry—demonstrated the occurrence of large resources of the mineral.

Zeolite is a mineral group possessing physico-chemical properties that allow replacement of sodium and potassium by toxic compounds. The crystal acts as a molecular filter absorbing such compounds as ammonia and sulphur dioxide thus enabling water and air to be purified.

1991 will see a simultaneous exploration and marketing approach to this environmentally valuable mineral.

Montesclaros Marble (AEM 100%)

During 1990 the company's activities in Iberia resulted in the identification of a white marble deposit at Montesclaros some 120 Kms south west of Madrid. Rights to carry out exploration work have been negotiated. Field work and drilling will commence in the summer of 1991. A number of other mineral deposits were examined as part of the on-going process of exploration in Spain and Portugal.

Anglo Pacific Resources PLC

OPERATIONS REPORT 1990

AUSTRALIA

Given the disappointment of the imminent closure of the Kurara Joint Venture a decision was made to wind down operations in Australia. As a consequence the group closed its offices in Perth at the end of September 1990 and all employees were retrenched. The only significant assets remaining in Australia are the Gordonstone Coal Royalty and a 43.0% interest in listed explorer Menzies Gold.

GOLD PRODUCTION

Kurara Gold Mine (IOR—35%)

Indian Ocean Resources Ltd ("IOR") (APR 100%) has a 35% interest in the Kurara Gold Mine which is operated by joint venture partner Nord Australex Nominees Pty Ltd. The mine is situated about 50 kilometres south of Meekatharra in Western Australia and commenced production in June 1987.

The group's share of gold produced for the year was 11,847 ounces, well below the budgeted output of 15,485 ounces, as a result of flash floods during January 1990. Costs were considerably higher than budget with cash costs averaging $551 an ounce. The bulk of gold produced was delivered against forward sales commitments entered into in previous years. The average price received was A$684 per ounce compared with the average spot price of A$493 per ounce for the financial year.

Flooding of the Boomerang pit due to heavy rain storms in early January 1990 resulted in the total loss of production from that pit as the dewatering bores at the base of the pit were flooded. Continuous production from the Boomerang pit was only re-established in mid-April 1990. During this period, production was maintained from laterite stockpiles and low grade ore from the Central pit. Although production levels were maintained during the period, the head grade was low and recoveries poor.

All mining operations at Kurara ceased in mid November 1990. However milling of the high grade ROM stockpiles continued to year-end. Trial milling of the medium grade laterite and low grade schist stockpiles indicated that the grade of these stockpiles is in excess of 1.0g/t, approximately 25% higher than indicated by in-pit grade control sampling.

A second test programme was conducted during February 1991 on a 4,000 tonne sample of stockpiled low grade schist material. The results from the first test programme were repeated. Milling of these stockpiles commenced thereafter at a rate of approximately 60,000 tonnes per month. Calculated head grades have confirmed the accuracy of the two bulk sampling programme conducted prior to the decision to treat the low grade stockpiles.

Following a reassessment of the life of the mine, the carrying value of plant and equipment at the mine and exploration and development expenditure previously carried forward was written down. The results for the year include a charge of £1,240,000 against the value of assets associated with the mine.

Tailings Retreatment

The Group's interest in various tailings retreatment operations previously held by wholly owned subsidiary, Woodford Wells NL, were either sold or shut down during the year.

Anglo Pacific Resources PLC

OPERATIONS REPORT 1990—AUSTRALIA

Coal Royalty

During the year, the Joint Venture participants in the Gordonstone Coal Project in Queensland announced their decision to proceed with the project. The operator is Arco Coal (Australia) a subsidiary of the oil major Atlantic Richfield. The total cost of development is expected to be A$500 million in what will be the largest underground coal mine in Australia. Through the 50% interest in subsurface freehold titles held by wholly owned subsidiary, The Gordon Down Pastoral Company Pty Ltd, the Group will receive a 2% royalty on the free on rail value of the bulk of coal produced by the project in the initial mining lease area.

The mine will be one of the most technically advanced in the world and, based on coal reserves estimated at 200 million tonnes within the initial mine lease area, will remain in production for at least 25 years. The planned production profile is as follows:—

Calendar 1992	350,000 tonnes
1993	2.75 million tonnes
1994	4.15 million tonnes
1995	4.20 million tonnes

The product mix in 1995 will be approximately 3.0 million tonnes coking coal and 1.2 million tonnes steaming coal.

Menzies Gold (IOR 43%)

The Group is involved in base and precious metals and industrial minerals exploration through Menzies Gold NL, a company listed on the Australian Stock Exchange, in which IOR holds 43.0% of the share capital.

The Menzies Gold group of companies spent almost $900,000 on exploration during the year. They entered into a joint venture with Union Oil Development Corporation to earn a 60% interest in the Mt Celia Project. Exploration work failed to locate any significant gold mineralisation and the company withdrew from the joint venture. In line with the activities of its major shareholder, APR, the company diversified into industrial minerals during the year. To date it has secured and/or entered into joint ventures to secure interests in prospective netheline syenite, marble and perlite projects. The Menzies Gold Group is also actively exploring in Thailand through a joint venture company in which it holds a 49% interest, with the balance being held by Thai partners.

Anglo Pacific Resources PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER, 1990

The directors have pleasure in submitting their report together with audited accounts of the Group for the year ended 31st December, 1990.

Principal activities of the Group during 1990 were:–

a) **Gold Production** in Australia through Indian Ocean Resources Ltd.

b) **Gold Exploration** in Australia through the Group's 43.0% interest in Menzies Gold NL.

c) **Industrial Minerals** in the UK through Anglo European Minerals Ltd (AEM) a wholly owned subsidiary of Anglo Pacific Resources PLC. During the year the Group acquired the outstanding interests in Fife Silica Sands Ltd (including the associated land) and Shetland Talc Ltd for a consideration of approximately £3.0 million.

The principal projects in which AEM has an interest are as follows:–

(i) *Ledmore Marble Ltd ("Ledmore")*
AEM has a 100% shareholding in Ledmore. Development commenced in June 1990 and the range of products has been extended to include dimension stone, terrazzo tiles, decorative aggregates and fines which have applications from agricultural lime to fillers.

(ii) *Shetland Talc Ltd ("Shetland")*
AEM and indirectly APR together have a 100% shareholding in Shetland. An infill drilling programme and appropriate metallurgical testwork were conducted towards the end of the year which has subsequently confirmed original reserve estimates and quality of the material.

(iii) *Antrim Perlite Ltd ("Antrim")*
AEM has a 67.8% shareholding in Antrim. Little test work was conducted during the year.

(iv) *Fife Silica Sands Ltd ("Fife")*
AEM and APR together have a 100% shareholding in Fife. Significant improvements were made to the operation in the latter half of 1990 resulting in increased efficiency and quality of product. An active marketing programme was also undertaken. A new mining area was opened up following an intensive drilling programme allowing for up to five years' reserves.

(v) *Glenshesk Minerals Ltd ("Glenshesk")*
AEM has a 50% shareholding in Glenshesk. Glenshesk was formed during the year to acquire licences in Ireland in order to explore for zeolite. Preliminary geological and processing work was conducted during the year.

(vi) *Anglo Tulloch Minerals Ltd*
During the year the company conducted market research into a number of commodities and negotiated the sale of 55,000 tonnes of armour stone.

Post Balance Sheet Events

The Kurara Joint Venture completed the sale of its mining tenements, plant and equipment in which APR has a 35% interest.

Group results for the year

The consolidated profit and loss account is set out on page 13 of the accounts.

Dividends

The directors recommend that no dividend be paid this year.

Directors

The names of the directors who held office during the year under review, and until the date of this report unless stated otherwise, are shown below:–

G.N. Kennedy (appointed 1st February, 1990)
J. Cordingley
M.A.E. Syropoulo
S.A. Hohnen (resigned 17th October, 1990)
D.J. Crowe
R.A.D. Wilson
D.L. Kyle
M.A. Hohnen

D.J. Crowe, M.A. Hohnen and R.A.D. Wilson all retire in accordance with the company's Articles of Association. Each director, being eligible, offers himself for re-election.

The interests of the directors as at 31st December 1990 in the Share Capital of the company (all of which are beneficial) are as follows:—

Director	Number of Ordinary Shares
G.N. Kennedy	100,000
M.A.E. Syropoulo	40,000

Except as noted above, no director at the end of the year and until the date of this report had any interest in the issued share capital of the company as shown in the Register kept in accordance with the Companies Act 1985.

The following directors hold options to subscribe for Ordinary Shares in the company granted under the NS & GO Special Share Option Scheme:–

	No. of Options 1990	1989	Exercisable	Exercise Price
J. Cordingley	60,000	60,000	11.7.87–10.7.91	125p
	50,000	50,000	12.1.91–11.1.95	48.5p

The following directors hold options to subscribe for Ordinary Shares in the company granted under the NS & GO Approved Option Scheme:–

	No. of Options 1990	1989	Exercisable	Exercise Price
M.A.E. Syropoulo	100,000	100,000	4.4.92–3.4.99	43.5p

Substantial interests

The company has been notified of the following interests of 3% or more in the Share Capital of the company at the present time:–

	Ordinary Shares of 10p each	Representing	Convertible Loan Stock	Option
Apex Securities Ltd			—	5,000,000
Mineral and Allied Resources Ltd.	23,226,520	29.9%	£3,500,000	—
Gartmore Investment Management Ltd	7,823,480	10.07%	—	—
Provident Mutual	5,925 000	7.63%	—	—
Hambro Group Investments Ltd	2,582,600	3.32%		

The options granted to Apex Securities Ltd on 14th May, 1987 are exercisable during a period of five years expiring 13th May, 1992 and are exercisable at 40p per ordinary share of 10p in each of the first two years with the exercise price increasing by 10% per annum thereafter.

Directors interest in contracts

These are disclosed in note 33 of the accounts.

Movements on fixed assets

The movements on fixed assets of the Group and company are set out in notes 16 to 19 to the accounts.

Share Capital and Articles of Association

At an Extraordinary General Meeting to be held immediately following the Annual General Meeting, the board will propose the renewal of the authority to issue shares, in certain circumstances, up to an amount equal to the then unissued authorised share capital of the company and to issue, within certain prescribed limits, further shares for cash and the adoption of new Articles of Association. The present Articles of Association were adopted in 1984. Since then there have been certain changes in legislation and commercial practice and the board considers it desirable to adopt new Articles of Association to bring them up to date.

Full details of these proposals and the text of the necessary resolutions are set out in the separate circular containing the notice of the Extraordinary General Meeting.

Income and Corporation Taxes Act 1988

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company. There has been no change in this respect since the end of the financial year.

Auditors

A resolution to re-appoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the Annual General Meeting.

By Order of the Board

Secretary

Registered Office:
295 Regent Street,
London W1R 8ST

Dated 25 April 1991

Anglo Pacific Resources PLC
and its Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1990

	Notes	1990	1989
		£000's	£000's
Turnover	2	4,535	5,501
Cost of sales	3	(4,220)	(4,390)
Gross profit		315	1,111
Exploration costs written off	16	(53)	(55)
Administration costs	4–6	(1,243)	(1,401)
Exceptional items	7	(1,379)	(582)
		(2,360)	(927)
Share of losses of related companies		(123)	(398)
Profit on sale of fixed assets		71	21
		(2,412)	(1,304)
Interest receivable and similar income	8	1,594	2,493
Interest payable and other financial charges	9	(849)	(558)
(Loss)/profit on ordinary activities before tax		(1,667)	631
Tax	10	(16)	(450)
(Loss)/profit on ordinary activities after tax		(1,683)	181
Loss attributable to minority interests		2	—
(Loss)/profit before extraordinary items		(1,681)	181
Extraordinary items	11	—	(1,600)
Loss for the year attributable to the Shareholders of Anglo Pacific Resources PLC		(1,681)	(1,419)
Retained loss for the year		(1,681)	(1,419)
Loss (1989: Earnings) per ordinary share	12	−2.16	0.23p

STATEMENT OF CONSOLIDATED RETAINED PROFITS

	Notes	1990	1989
At 1st January, 1990			
As previously reported		3,464	3,104
Prior year adjustment	13	—	272
As restated		3,464	3,376
Exchange gains		—	1,507
Goodwill written off		—	(3,142)
Transfer from merger reserve		—	3,142
Transfer from capital reserve		5	—
Retained loss		(1,681)	(1,419)
Accumulated profit at 31st December, 1990		1,788	3,464

The notes on pages 18 to 32 form part of these accounts.
Auditors' report—page 33

Anglo Pacific Resources PLC
and its Subsidiary Companies

CONSOLIDATED BALANCE SHEET
AT 31st DECEMBER, 1990

	Notes	1990		1989	
		£000's	£000's	£000's	£000's
Fixed assets					
Intangible assets	16		16,831		13,132
Tangible assets	17(a)		8,751		2,635
Investment in related companies	18(b)		751		3,749
Long term investment	19		46		193
			26,379		19,709
Current assets					
Stocks	20	85		369	
Debtors	21	1,702		3,144	
Investments	22	503		1,387	
Cash at bank and in hand		5,220		13,155	
		7,510		18,055	
Creditors—amounts falling due within one year	23	(1,136)		(1,931)	
Net current assets			6,374		16,124
Total assets less current liabilities			32,753		35,833
Creditors—amounts falling due after more than one year	24		(6,283)		(10,370)
Provisions for liabilities and charges	25		(6,935)		(4,173)
			19,535		21,290
Capital and reserves					
Called up share capital	26		7,768		7,768
Share premium account	27		1,637		1,637
Merger reserve	28		1,915		1,947
Capital reduction reserve			5,482		5,482
Capital reserve	29		1,102		—
Foreign currency translation reserve	30		(383)		804
Profit and loss account			1,788		3,464
			19,309		21,102
Minority interest			226		188
			19,535		21,290

Approved at a Board Meeting held on 25th April, 1991

Directors

The notes on pages 18 to 32 form part of these accounts.
Auditors' report—page 33.

Anglo Pacific Resources PLC

BALANCE SHEET
AT 31st DECEMBER, 1990

	Notes	1990		1989	
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	17(b)		2,037		55
Investment in group companies	18(a)		22,983		21,847
			25,020		21,902
Current assets					
Debtors	21	2,005		3,531	
Investments	22	70		305	
Cash at bank and in hand		4,303		8,626	
		6,378		12,462	
Creditors—amount falling due within one year	23	(315)		(192)	
Net current assets			6,063		12,270
Total assets less current liabilities			31,083		34,172
Creditors—amounts falling due after more than one year	24		(6,233)		(10,330)
			24,850		23,842
Capital and reserves					
Called up share capital	26		7,768		7,768
Share premium account	27		1,637		1,637
Merger reserve			5,089		5,089
Capital reduction reserve			5,482		5,482
Capital reserve	29		1,614		1,675
Profit and loss account	31		3,260		2,191
			24,850		23,842

Approved at a Board Meeting held on 25th April, 1991

Directors

The notes on pages 18 to 32 form part of these accounts.
Auditors' report—page 33.

Anglo Pacific Resources PLC
and its Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st DECEMBER, 1990

	1990 £000's	1989 £000's
Source of funds		
Funds generated from operations		
Profit before tax and extraordinary items: less minority interests	(1,665)	631
Adjustments for items not involving the movement of funds:		
Share of losses of related companies	123	398
Depreciation of tangible assets	1,750	402
Exploration costs written off	53	55
Profit on sale of tangible assets	(71)	(21)
Extraordinary item write back of provision	—	116
Amount written off long term investment	112	—
Profit on redemption of loan stock	(369)	—
Funds from operations	(67)	1,581
Funds from other sources		
Proceeds from sale of Anulka	—	18
Capital reserve*	1,107	—
Sale proceeds of intangible assets	3	35
Sale proceeds of tangible assets	321	50
Issue of Unsecured Convertible Loan Stock	—	6,830
Loan to associate company repaid	474	—
Foreign exchange gain on working capital movement	—	461
Transfer of investment in related company to fixed assets*	2,116	4,573
Minority interest	38	188
Increase in long term creditors	10	40
Tax repaid	—	8
	4,002	13,784
Application of Funds		
Purchase of goodwill	—	3,033
Premium on investment in related companies	32	109
Investment in related company	—	39
Foreign exchange loss on working capital movement	389	—
Dividends paid	—	388
Exploration costs	856	300
Purchase of tangible assets	3,290	522
Tax paid	486	254
Purchase of subsidiary assets*	5,442	8,632
Purchase of related companies	—	2,676
Redemption of loan stock	3,728	—
Purchase of long term investment	—	77
Decrease in working capital	(10,221)	(2,246)

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Anglo Pacific Resources PLC
and its Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st DECEMBER, 1990 (continued)

	1990 £000's	1989 £000's
Decrease in working capital		
Decrease in stock*	(284)	(280)
(Decrease)/increase in debtors*	(1,442)	1,027
Decrease in liquid funds*	(7,935)	(1,605)
Decrease/(increase) in creditors falling due within one year*	324	(48)
Decrease in investments	(884)	(1,340)
Decrease in working capital	(10,221)	(2,246)

*Summary of effects of the purchase of Fife Silica Sands Ltd and Shetland Talc Ltd.

Net assets acquired

	£000's	£000's
Fixed assets	8,216	
Less deferred taxation	(2,774)	
		5,442
Stock		82
Debtors		308
Creditors		(1,511)
Capital reserve		(1,107)
		3,214

Purchase consideration

	£000's
Associated company becomes subsidiary	2,116
Cash	1,098
	3,214

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Anglo Pacific Resources PLC
and its Subsidiary Companies

NOTES TO THE ACCOUNTS

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1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of consolidation

The Group accounts include the accounts of Anglo Pacific Resources Plc and all its subsidiaries made up to 31st December, 1990. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. All intercompany balances and transactions are eliminated upon consolidation.

Investments in subsidiary companies are valued at the underlying net asset value of the respective companies at the date of acquisition with subsequent additions at cost or valuation. Provision is made, where necessary, for reductions in underlying net asset values.

If certain conditions are satisfied, an issue of shares by the holding company as consideration for the acquisition of a subsidiary company will qualify for relief from the creation of a share premium account given in the Companies Act 1989. In these circumstances, any excess of the total consideration over the fair value of the acquired company's assets is taken to a merger reserve together with any premium on shares issued in connection with the acquisition.

Goodwill

Goodwill arising on consolidation, being the excess of purchase price over the fair value of the net assets of subsidiary companies at the date of acquisition is written off immediately on acquisition against reserves.

Foreign currency translation

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

Exploration and development expenditure

The Group capitalises costs incurred in relation to mineral exploration projects. Each project is separately appraised. If a project is not considered viable the costs are written off. If successful the costs, together with costs subsequently capitalised in respect of developing production facilities, are reclassified as producing assets and are depreciated on a unit of production basis.

Tangible fixed assets

Producing assets are written down on a unit of production basis. All other assets are written down over their useful economic life.

Long term investments

Long term investments are held at cost unless a permanent diminution in value has occurred.

Turnover

Group turnover comprises the value of sales in the normal course of business.

Gold stocks

Gold stocks are valued as follows:

(i) Gold stocks are brought to account when in bullion form or in the last stages of production. Stocks of refined bullion are valued at realisable value where open forward sales contracts exist and are included in debtors.

(ii) Gold bearing tailings are valued at the lower of cost and net realisable value. Cost of tailings on hand is calculated by deducting the cost of tailings processed from the original cost of purchase.

(iii) Work in progress is valued at the lower of cost and net realisable value. Cost includes direct materials and labour costs.

(iv) Consumable inventories are valued at the lower of cost and realisable value.

Trade investments

Quoted investments are valued at the lower of cost and market value. Unlisted investments are included at cost unless there has been a diminution in value.

Taxation

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

Minority interest

Minority shareholders' interests in consolidated subsidiaries are valued at net asset value.

Related companies

Related companies are defined as substantial investments, not being subsidiaries, in which the Group owns 20% or more of the equity share capital on a long term basis and has a significant measure of influence. The Group's share of their results and net tangible assets are included in the Group profit and loss account and Group balance sheet respectively.

The Group's share of the results of related companies are derived from audited accounts of Menzies Gold NL and Glenshesk Minerals Ltd. for the year ended 31st December, 1990.

2. Turnover

The contributions of the various activities of the Group to turnover are set out below:–

Analysis by principal activity	1990		1989	
	Turnover	Profit before tax	Turnover	Profit before tax
	£000's	£000's	£000's	£000's
Industrial minerals	1,042	(268)	—	—
Gold production	3,481	(2,599)	5,377	866
Oil and natural gas	—	8	73	(29)
Other	12	1,192	51	(206)
	4,535	(1,667)	5,501	631

Geographical analysis	1990	1989
	£000's	£000's
United Kingdom	1,054	51
Australia	3,481	5,377
USA	—	73
	4,535	5,501

3. Cost of sales

	1990	1989
	£000's	£000's
Operating costs	3,815	3,939
Depreciation of producing fields/mines	405	418
Provision for site restoration	—	33
	4,220	4,390

4. Administration Expenses

The administration expenses include audit fees of £58,500 (1989 £58,697) including £23,000 (1989 £29,874) relating to the holding company.

5. Directors Remuneration

Particulars of the emoluments of the holding company directors are as follows:–

	1990	1989
	£	£
Fees as directors	159,908	115,498
Other emoluments	—	—
Compensation for loss of office	62,500	—
	222,408	115,498

The directors remuneration included:–

	1990	1989
Chairman	£6,000	—
Highest paid director	£75,000	£85,141

	1990 Number	1989 Number
£0–£5,000	4	5
£5,001–£10,000	1	—
£10,001–£15,000	1	1
£15,001–£20,000	—	1
£20,001–£25,000	—	—
£45,001–£50,000	1	—
£70,001–£75,000	1	—
£85,001–£90,000	—	1

6. **Staff costs**

(a) Employee costs during the year amounted to

	1990 £000's	1989 £000's
Wages and salaries	803	570
Social security costs	65	21
Other pension costs	8	5
	876	596

The average number of persons employed by the Group during the year was 41.

7. **Exceptional items**

The exceptional charge of £1,379,000 (1989 £582,000) was made up as follows:–

	1990 £000's	1989 £000's
Provision for loss on sale of Kurara Gold Mine tenements and plant and equipment	1,240	—
Provision against a loan in Australia, the recoverability of which is currently considered uncertain	508	—
Profit arising from the early redemption of £4,096,728 loan stock	(369)	—
Write down of Woodford Wells gold tailing operations in Australia	—	378
Cost relating to the reorganisation of Australian interests	—	204
	1,379	582

8. **Interest receivable and similar income**

	1990 £000's	1989 £000's
Interest receivable	1,981	2,605
Dividend income and underwriting commissions	—	8
Loss on sale of shares after provisions	(387)	(120)
	1,594	2,493

9. **Interest payable and other financial charges**

	1990 £000's	1989 £000's
Interest on convertible loan stock	825	553
On bank overdrafts and loans:		
Repayable within five years, not by instalments	8	—
Repayable within five years, by instalments	1	—
On finance leases and hire purchase contracts	10	—
Other charges	5	5
	849	558

10. **Tax**

	1990 £000's	1989 £000's
Tax payable on financial income in Australia	28	450
Release of deferred tax (note 25(a))	(12)	—
	16	450

11. Extraordinary items

The extraordinary charge of £Nil (1989 £1,600,000) was made up as follows:

	1990 £000's	1989 £000's
Loss on sale of Indian Ocean Resources Oil Subsidiaries	—	(787)
Profit/(Loss) incurred on the termination of Overseas Oil businesses:		
Ecuador and Gabon	—	116
Abu Dhabi	—	(929)
	—	(1,600)

No tax or tax relief is applicable in respect of the above items.

12. Loss per ordinary share

The loss per ordinary share is calculated on the Group's loss after tax and minority interests of £1,681,000 (1989 profit £181,000) and the weighted average number of shares in issue during the year of 77,680,671 (1989 77,680,671).

13. Prior year adjustment

The prior year adjustment arose as a result of under accruals of revenue in the year ended 31st December, 1988, £220,000 relates to an understatement of income from the Kurara joint venture and £52,000 to an under accrual for interest receivable.

14. Profit of Anglo Pacific Resources PLC

Included in the consolidated profits attributable to the shareholders of Anglo Pacific Resources PLC are profits of £1,069,000 (1989 losses of £1,524,000) which have been dealt with in the accounts of the holding company. Anglo Pacific Resources PLC has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

15. Accumulated profits

Of the accumulated profits, £77,000 losses (1989 losses £380,000) have been retained by the related companies.

16. **Intangible assets**

Intangible assets comprise licence and exploration and development costs which have been capitalised.

The movement in intangible assets during the year is summarised as follows:–

	Exploration and development expenditure £000's
Costs capitalised:	
At 1st January, 1990	16,316
Exchange rate adjustment	(50)
Acquisition of subsidiary	3,124
Expenditure during the year	856
Disposal	(3)
Reclassification	(197)
Balance at 31st December, 1990	20,046

	Exploration and development expenditure £000's
Costs written off:	
At 1st January, 1990	3,184
Exchange rate adjustment	(22)
Other exploration costs written off	53
Balance at 31st December, 1990	3,215
Net book value at 31st December, 1990	16,831
Net book value at 31st December, 1989	13,132

17. Tangible assets

(a) The Group

Details of tangible assets are as follows:–

	Producing assets £000's	Land and buildings £000's	Fixtures and fittings £000's	Plant and machinery £000's	Total £000's
Costs:					
At 1st January, 1990	4,828	106	528	54	5,516
Reclassification	—	—	—	197	197
Exchange rate adjustment	(851)	(19)	(73)	—	(943)
Acquisition of subsidiary	5,092	—	—	—	5,092
Expenditure during the year	2,761	—	40	489	3,290
Disposals	(152)	(69)	(252)	(19)	(492)
Balance at 31st December, 1990	11,678	18	243	721	12,660
Depreciation:					
At 1st January, 1990	2,711	—	153	17	2,881
Exchange rate adjustment	(463)	—	(17)	—	(480)
Disposals	(174)	—	(58)	(10)	(242)
Charge for the year	1,645	—	63	42	1,750
Balance at 31st December, 1990	3,719	—	141	49	3,909
Net book value at 31st December, 1990	7,959	18	102	672	8,751
Net book value at 31st December, 1989	2,117	106	375	37	2,635

The net book value of tangible assets of £8,751,000 includes an amount of £217,000 in respect of assets held under finance leases.

Included in the net book value of producing assets is an amount relating to Kurara Gold Mine of £195,000 sold on 24th April 1991 (see note 7).

(b) The company

The fixed assets of Anglo Pacific Resources PLC are as follows:–

	Producing assets £000's	Fixtures and fittings £000's	Total £000's
Cost:			
At 1st January, 1990	—	110	110
Additions	2,000	7	2,007
Balance at 31st December, 1990	2,000	117	2,117
Depreciation:			
At 1st January, 1990	—	55	55
Charge for the year	1	24	25
Balance at 31st December, 1990	1	79	80
Net book value at 31st December, 1990	1,999	38	2,037
Net book value at 31st December, 1989	—	55	55

18. **Fixed asset investments**

(a) Subsidiary and related companies held by parent company:–

	Shares in subsidiary companies £000's	**Loans to subsidiary companies** £000's	**Total** £000's
Cost:			
At 1st January, 1990	15,041	9,809	24,850
Additions during the year	1,457	851	2,308
Conversion of loan	1,469	(1,469)	—
Loss on conversion of loan	(61)	—	(61)
Repayment	—	(1,070)	(1,070)
At 31st December, 1990	17,906	8,121	26,027
Amounts written off:			
At 1st January, 1990	9	2,994	3,003
Written off during the year	4	37	41
At 31st December, 1990	13	3,031	3,044
Net book value of shares:			
At 31st December, 1990	17,893	5,090	22,983
At 31st December, 1989	15,032	6,815	21,847

(b) Group shares in related companies.

	Share of net assets or valuation £000's	**Loans to related Group companies** £000's	**Total Group** £000's
At 1st January, 1990	3,151	598	3,749
Exchange adjustments	(235)	(18)	(253)
Conversion of loan	106	(106)	—
Premium on acquisition	(32)	—	(32)
Share of losses	(123)	—	(123)
Transfer to subsidiary	(2,116)	—	(2,116)
Loan repaid	—	(474)	(474)
At 31st December, 1990	751	—	751

18. **Fixed asset investments** *(continued)*

(iv) Details of interests in related companies are as follows:–

Name of company	Principal country of operation	Description of shares held	Proportion of nominal value ordinary shares
Menzies Gold N.L.	Australia	8,873,333 ordinary shares of 25 cents	43% (1989 41.45%)
Glenshesk Minerals Ltd	Northern Ireland	500,000 ordinary shares of 5p	50% (1989 50%)

(c) Principal Group investments

The Group holds more than 50% of the equity capital of the following companies, all of which affected the profits.

	(a) Country of registration and (b) Principal Country of operation	Principal activity	Proportion of shares held at 31st December, 1990 Company	Subsidiaries
Starmont Holdings Pty Ltd	Australia	Holding Co	100%	—
Indian Ocean Resources Ltd	Australia	Investment Co	—	100%
Indian Ocean Ventures Ltd	Australia	Gold mining	--	100%
Woodford Wells NL	Australia	Gold mining	—	100%
Hydrocarbon Holdings Pty Ltd	Australia	Investment Co	—	100%
Alkormy Pty Ltd	Australia	Holding Co	—	100%
The Gordon Downs Pastoral Co Pty Ltd	Australia	Owner of coal royalty	—	100%
Anglo European Minerals Ltd	England	Holding Co	100%	—
Anglo European Oil & Gas Ltd	England	Oil and gas exploration	—	100%
Antrim Perlite Ltd	Northern Ireland	Mineral exploration	—	67.8%
Ledmore Marble Ltd	(a) England (b) Scotland	Mineral exploration and development	—	100%
Overseas Oil Plc	(a) England	Oil exploration	100%	—
Dayfar Pty (US) Inc.	USA	Gas production	100%	—
Fife Silica Sands Ltd	Scotland	Extraction and processing of high grade silica sand	50.17%	49.83%
Shetland Talc Ltd	Scotland	Mineral exploration	50%	50%

A summary of the shares held in subsidiary companies at 31st December, 1990 is as follows:–

	Type	Number
Starmont Holdings Pty Ltd	Ordinary shares of A$1.00	3,000,002
Indian Ocean Resources Ltd	Ordinary shares of A$0.25	65,534,500
Indian Ocean Ventures Ltd	Ordinary shares of A$0.20	3,272,000
Woodford Wells NL	Ordinary shares of A$0.25	5
Hydrocarbons Pty Holdings Ltd	Ordinary shares of A$1.00	2
Alkormy Pty Ltd	Ordinary shares of A$1.00	4,205,728
The Gordon Downs Pastoral Co Ltd	Ordinary shares of A$0.80	150,000
Anglo European Minerals Ltd	Ordinary shares of 10p	15,636,545
Antrim Perlite Ltd	Ordinary shares of 10p	16,960
Ledmore Marble Ltd	Ordinary shares of £1	100
Overseas Oil Plc	Ordinary shares of £1 part paid to 25p	50,000
Dayfar Pty (US) Inc.	Shares of US$1.00	1,000
Fife Silica Sands Ltd	Ordinary shares of £1.00 each	1,200,000
Shetland Talc Ltd	Ordinary shares of £1.00 each	50,000

19. Long term investment

	Group £000's
At 1st January, 1990	193
Exchange rate adjustment	(35)
Provision for diminution in value	(112)
At 31st December, 1990	46

The long term investment is listed outside the United Kingdom.

20. Stocks and work in progress

	1990 £000's	1989 £000's
Work in progress	25	226
Raw materials and consumables	60	143
	85	369

21. Debtors: amounts falling due within one year

	1990		1989	
	The Group £000's	The Company £000's	The Group £000's	The Company £000's
Trade debtors	1,270	—	1,962	—
Other debtors	362	155	479	104
Prepayments	63	22	45	39
Amounts owed by subsidiary companies	—	1,828	—	3,388
Amounts owed by related companies	7	—	118	—
	1,702	2,005	2,604	3,531
Amounts falling due after one year				
Other loan (see below)	—	—	540	—
	—	—	540	—
	1,702	2,005	3,144	3,531

Other loan—The loan to an unrelated party and interest are secured by a second ranking charge over all the assets and undertakings of the borrower and is repayable on or before 30th June 1991. Interest is charged at 2% above the Australian Authorised Dealers Bank Bill Rate. A provision has been made against the loan (see note 7).

22. Current asset investments

The following amounts are included as current asset investments:

	1990		1989	
	The Group £000's	The Company £000's	The Group £000's	The Company £000's
Listed:				
Overseas investments	494	61	1,243	161
Unlisted investments	9	9	144	144
	503	70	1,387	305

23. Creditors: amounts falling due within one year

	1990		1989	
	The Group £000's	The Company £000's	The Group £000's	The Company £000's
Trade creditors	487	—	696	—
Other creditors	341	151	591	192
Accruals and deferred income	248	161	163	—
Bank overdraft	—	—	13	—
Amounts due to subsidiary companies	—	3	—	—
Tax	—	—	458	—
Leasing and hire purchase	45	—	10	—
Loans	15	—	—	—
	1,136	315	1,931	192

24. Creditors: amounts falling due after more than one year

	1990		1989	
	The Group £000's	The Company £000's	The Group £000's	The Company £000's
10% Unsecured Convertible Loan Stock	6,233	6,233	10,330	10,330
Obligations under finance leases and hire purchase contract	20	—	40	—
Loans	30	—	—	—
	6,283	6,233	10,370	10,330

The Group has two issues of 10% unsecured convertible loan stock outstanding:

a) Loan stock amountiing to £3.5 million was issued in 1987. This loan stock is convertible into shares in multiples of £200,000 on the basis of two APR shares for every £1 of convertible loan stock, at the option of the holder at any time up to 1992.

   On 13th March, 1989, Mineral and Allied Resources Ltd purchased the whole of £3.5 million of this stock, including £2.5 million of loan stock from Apex International Holdings Plc, a wholly owned subsidiary of Apex Securities Limited (see note 34 also).

b) Loan stock amounting to £6,829,550 was issued in September 1989 of which £4,096,728 was redeemed during the year. The total of £2,732,822 is made up of four types of loan stock:

   1) A loan stock, which totals £654,185 and can be first converted within 30 days of the publication of the 1989 accounts, or in subsequent conversion periods.
   2) B loan stock which totals £624,451 and can be first converted within 30 days of the publication of the 1990 accounts, or in the subsequent conversion period.
   3) C and D loan stocks, which total £1,454,186 and can be converted within 30 days of publication of the 1991 accounts.

   The loan stock is convertible in multiples of £10,000 on the basis of one ordinary share of APR for every 52p of loan stock.

25. Deferred tax

Deferred tax is analysed as follows:—

a) The Group

	1990 Full potential liability £000's	1990 Provision made £000's	1989 Full potential liability £000's	1989 Provision made £000's
Corporation tax:				
Accelerated capital allowances	51	51	2	—
Tax losses	(566)	(129)	(412)	—
Other timing differences	7,013	7,013	4,189	4,173
ACT recoverable	(254)	—	(254)	—
	6,244	6,935	3,525	4,173

Tax losses of £1,715,000 are available for carry forward and offset against future profits arising in certain subsidiary companies.

i) It is possible that an additional tax liability could arise in a Group company concerning the tax treatment of overseas farmouts. It is not possible to estimate at this stage the amount of any liability that may arise as the position has still to be resolved with the Oil Taxation Office. The directors do not believe, however, that any significant liability is likely to arise.

ii) The movements on the reserve during the year are analysed as follows:—

	£000's
At 1st January 1990	4,173
Provision on acquisition of subsidiaries	2,774
Release of provision on a unit of production basis	(12)
At 31st December, 1990	6,935

b) The company has no potential liability to deferred tax.

26. Called up share capital

Ordinary Shares of 10p each Authorised	**1990 £000's**	**1989 £000's**
110,000,000 (1989 110,000,000) shares of 10p each	11,000	11,000
Called up share capital At 31st December 1990	7,768	7,768

	Number of shares subject to option 1990	Number of shares subject to option 1989	Period of option	Price per share
Apex Options	5,000,000	5,000,000	1987-1992	40p*
NS&GO Special Share Option Scheme	110,000	110,000	1987-1991	125p
	50,000	50,000	1991-1995	48.5p
NS&GO Approved Share Option Scheme	—	100,000	1990-1997	45p
	100,000	100,000	1991-1998	42p
	100,000	100,000	1992-1999	43.5p

* These options are exercisable at 40p for the first two years and then at 44p, 48.4p and 53.2p per share in each of the following three years respectively. Details of the options granted to directors are given in the report of the directors.

27. Share premium account

	1990 £000's	1989 £000's
At 31st December 1990	1,637	1,637

28. Merger reserve

The movement on the reserve during the year are analysed as follows:

	£000's
At 1st January, 1990	1,947
Premium arising on conversion of loan to Menzies Gold N.L.	(32)
At 31st December, 1990	1,915

29. Capital reserve

a) The Group

	£000's
At 1st January, 1990	—
Capital reserve arising on acquisition of Fife Silica Sands Ltd and Shetland Talc Ltd	1,107
Released to retained profits	(5)
At 31st December, 1990	1,102

The capital reserve is released on a unit of production based on the units of production used to depreciate the fair value of the assets giving rise to the capital reserve.

b) The Company

	£000's
At 1st January, 1990	1,675
Loss on conversion of loan to shares	(61)
At 31st December, 1990	1,614

30. Foreign currency translation reserve

The movements on the reserve are analysed as follows:

	£000's
At 1st January, 1990	804
Arising from retranslation of opening investment in foreign subsidiaries	(1,187)
At 31st December, 1990	(383)

31. Profit and loss account

	£000's
At 1st January, 1990	2,191
Result for year	1,069
At 31st December, 1990	3,260

32. Business acquisitions

a) On 17th May, 1990 the remaining shares of Fife Silica Sands Ltd not owned by the Group were purchased for a net cash consideration of £643,000. The total consideration includes the Group's share of net assets already owned of £966,000. As a result of the acquisition of Fife Silica Sands Ltd turnover increased by £681,000 and the loss on ordinary activities by £198,000, Fife Silica Sands made a loss of £92,000 from 1st January, 1990, the beginning of its financial year, to the date of acquisition and made a loss of £109,000 for the previous financial year.

b) On 6th June, 1990 the remaining shares of Shetland Talc Ltd not owned by the Group were purchased for a net cash consideration of £455,000. The total consideration includes the Group's share of net assets already owned of £1,150,000. The acquisition of Shetland Talc had no effect on the Group results.

The net assets as stated in the acquired businesses' accounts, the adjustments made on acquisition and the purchase considerations inclusive of costs were:—

	Net assets in acquired company £000's	Revaluation £000's	Provisions £000's	Purchase consideration £000's	Capital reserve £000's
Fife Silica Sands Ltd	807	3,345	(1,761)	1,609	782
Shetland Talc Ltd	50	2,893	(1,013)	1,605	325
					1,107

Adjustments:—

Revaluations have been made to reflect the fair value of the mineral deposits to the Group based on a mineral consultants valuation.

A provision for deferred tax arises as a consequence of the revaluations made. This will be written off on a unit of production basis.

33. Directors interests in contracts

Mr D. J. Crowe and Mr R. A. D. Wilson are directors of Anglovaal Ltd and during the year the Group paid Anglovaal £12,000 for their and Mr D. L. Kyle's services.

34. Capital commitments and post balance sheet events

(i) The Directors have approved an exploration budget for Anglo European Mineral Ltd and other subsidiaries of £447,000 for 1991.

(ii) The Kurara Joint Venture completed the sale of its mining tenements, plant and equipment in which APR has a 35% interest.

(iii) Agreement has been reached with Mineral and Allied Resources Ltd, holder of £3.5 million 10% loan stock, to extend the latest date of redemption from December 1992 to June 1996 in consideration for a higher coupon of 11.5% and a lower conversion price of 40p. This is subject to approval by shareholders.

35. Shareholder statistics

a) Size of Holding (at 22nd April, 1991)

Category	Number of Shares	%	Number of Shareholders	%
1– 1,000	537,445	0.7	822	40
1,001– 5,000	2,069,595	2.7	844	41
5,001–10,000	1,183,963	1.5	144	7
10,001–and over	73,889,668	95.1	248	12
	77,680,671	100.0	2,058	100

b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 22nd April, 1991—77%.

AUDITORS' REPORT TO THE MEMBERS OF ANGLO PACIFIC RESOURCES PLC

We have audited the financial statements on pages 13 to 32 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1990 and of the results and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers Lybrand Deloitte

25th April, 1991

Chartered Accountants
London

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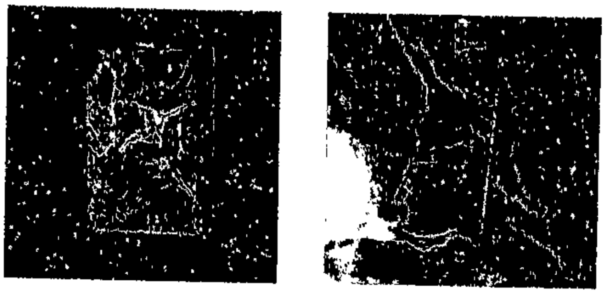
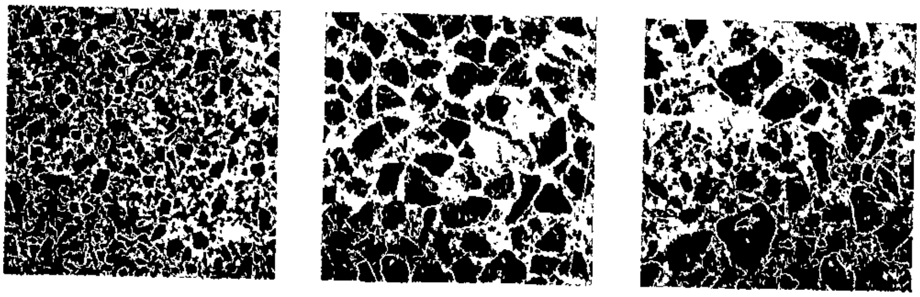
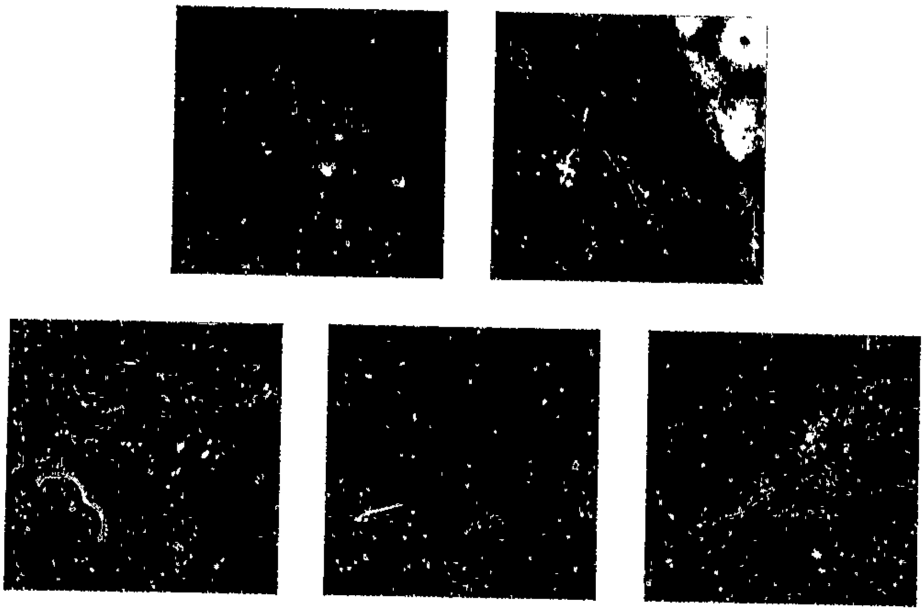
Some products developed from Ledmore marble



Highly coloured marble used in decorative objects.



Terrazzo tiles using marble chippings and fines.



A selection of cut and polished marble floor tiles.