

**ANGLO PACIFIC GROUP PLC**

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August 28, 2014

Anglo Pacific Group PLC
Interim results for the six months ended June 30, 2014

Anglo Pacific Group PLC ('Anglo Pacific', the 'Company', the 'Group') (LSE: APF) (TSX: APY) is pleased to announce interim results for the six months ended June 30, 2014 which are available on both the Group's website at www.anglopacifigroup.com and on SEDAR at www.SEDAR.com.

Headlines:

- Interim dividend maintained at 4.45p (2013 interim dividend: 4.45p)
- Acquisition of Maracás royalty in June 2014 and concurrent £10m equity placing
- Cash balances at June 30, 2014 of £14.4m (December 31, 2013: £15.7m) with no borrowings and undrawn facilities of US\$15m
- £7.0m in cash realised from non-core mining and exploration equity portfolio in the first half of 2014; £14.9m residual portfolio market value at June 30, 2014 (December 31, 2013: £20.1m)
- Royalty income for the period of £2.6m (H1 2013: £6.3m, excluding £2.0m EVBC conversion payment (restated))
- Loss per share of 20.84p for the six months ended June 30, 2014 (June 30, 2013: loss per share of 25.29p (restated)) largely due to valuation adjustments and the derecognition of deferred tax assets¹
- Adjusted loss per share¹ of 0.77p (June 30, 2013: adjusted earnings per share of 5.56p (restated))
- Net assets of £191.9m at June 30, 2014 (December 31, 2013: £216.9m)

Post period end:

- Sale of the Group's Panorama coal licences with the retention of a royalty
- Negotiation of information rights in relation to the Group's Kestrel royalty

¹ – Refer to note 7 of the financial statements for the calculation of EPS measures

Julian Treger, Chief Executive Officer, commented:

"Commodity prices of our core commodities endured a difficult year to date, which has impacted on both reported royalty income and asset valuations. Despite this, your Board is pleased to announce a maintained interim dividend of 4.45p per share. This reflects our confidence in a long-term, albeit slower, global recovery in demand for raw materials coupled with the anticipated return of mining at Kestrel to the Group's land in the second half of 2015 and the continuing expansion and diversification of our royalty portfolio as evidenced by the recent acquisition of the Maracás royalty.

Despite a further fall in the value of the Kestrel royalty primarily as a result of softening in consensus coking coal prices, our balance sheet remains robust with no borrowings and undrawn facilities of US\$15m.

The identification and evaluation of further royalty opportunities continue to be the Board's main priorities as we seek to diversify and grow our portfolio of royalties, which in turn should improve our cash flow generation. Your Board is committed to maintaining the dividend with a view to increasing this as we execute our strategy and see a return to favourable market conditions."

Analyst conference call:

There will be a conference call for analysts at 09:30 (BST) on August 28, 2014. The call will be hosted by Julian Treger (CEO) and Kevin Flynn (CFO) and accessed via the following dial in details: +44 (0)20 3427 1910 and confirmation code of 1756530.

A replay will be available afterwards at www.anglopacificgroup.com.

For further information:

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Notes to editors:

Anglo Pacific is a global mining royalty company. The Company's vision is to create a leading international diversified royalty company with a focus on base metals and bulk materials. The Company's strategy is to build a diversified portfolio of royalties, focusing on accelerating income growth through acquiring royalties in cash or near-term cash producing assets. It is an objective of the Company to pay a substantial portion of these royalties to shareholders as dividends. Further details can be found on the Company's website at www.anglopacificgroup.com.

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 sales value of the actual mineral. Our model is based around GRR or NSR royalties as we believe they provide the best and clearest returns.

Acquiring existing royalties

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

Creating new royalties

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

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Business review

Although the prices of some commodities have had a strong year to date, the core commodities underlying our royalty portfolio, namely metallurgical coal and iron ore, have been near multi-year lows. Whilst the mining equity markets have shown some signs of recovery in the first half, financing remains a challenge for many mining companies, particularly those in our target investment sector. This presents opportunities for Anglo Pacific to acquire additional royalties at prices which we hope will generate strong and sustainable long-term returns, which in turn should result in future dividend growth.

The prices of base metals and bulk commodities are indirectly linked to GDP growth and we take optimism from signs that growth in the global economy appears to be gradually gaining momentum. The return to growth appears to be more established in the US and the UK, whilst we continue to believe in the long-term demand from China and India for commodities linked to the production of steel. In the longer-term, we also expect the current limited availability of finance for mining projects to exacerbate the supply demand shortfall. The current global glut of supply in iron ore and coal is expected to remain in the short to medium term, but many expect even these markets to begin recovering from 2016 as growth stokes demand.

In the interim and against this background, there are both positive and negative consequences for Anglo Pacific. One positive consequence is that the shortage of capital flowing into the mining sector makes this a good time to acquire new royalties. It also is a good background to acquire secondary royalties from owners who have individual reasons to monetise these at this point in the cycle, as demonstrated with our recent acquisition of the Maracás royalty announced in June. A negative consequence is that the current lower commodity prices in this sector translate into lower royalty income and asset values. However, management believes that there is strong recovery potential in the Group's fully funded existing portfolio, exposed mainly to coking coal and iron ore, should the anticipated global GDP growth correlate into higher prices for these commodities.

Anglo Pacific's royalty income in the first half of 2014 has declined from £6.3m to £2.6m on a like for like basis. This was the direct result of reduced metallurgical coal prices and Rio Tinto mining largely outside of our royalty lands. Further, reduced metallurgical coal price forecasts resulted in a valuation deficit on the Kestrel royalty. We believe coking coal prices will show signs of recovery over the medium and long-term, and that continued improvement in global economic growth and further closures of high cost mines will support commodity prices in general. With an expectation of a return to production in our private royalty land at Kestrel, along with the Group's view that bulk commodity prices have limited room for further falls, Anglo Pacific can commit to maintaining its dividend in the short-term with a view to increasing this when conditions provide.

One of the new management team's priorities upon joining Anglo Pacific was to improve relations with Rio Tinto, the operator of the Kestrel mine, and also to obtain greater visibility on the future development of the Kestrel royalty, which continues to generate the majority of our income. We are pleased to report we have recently concluded an agreement with Rio Tinto to provide us with far greater information rights than previously. This will assist Anglo Pacific in managing its cash requirements and, where permitted, provide better forward guidance to shareholders and potential investors.

The Group was diligent in preserving its cash resources during the first six months. A successful share issue was undertaken in June in conjunction with the Maracás royalty acquisition, and over £7.0m was generated from the continued realisation of non-core mining and exploration interests (share portfolio). Along with some other one off items discussed in the finance review, the Group ended June with cash resources of £14.4m.

The Group will continue to dispose of non-core assets which will assist cashflow whilst production at Kestrel remains largely outside of our private royalty lands. In line with this objective, we announced today the disposal of our interests in the Panorama Coal Project to ASX-listed Atrium Coal NL ("Atrium") in exchange for total consideration of US\$2.5m in the form of cash and a 12-month promissory note, and shares in Atrium, as well as retaining a royalty interest on future coal sales.

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We have made revitalising the royalty pipeline a priority. We remain keen to seek larger, more transformational deals, which should accelerate our diversification and reduce dependency on Kestrel; and, in the meantime, we are also progressing a number of smaller deals. We continue to be optimistic about our ability to deliver royalty investments in increasing volumes in the near term.

Away from the investment portfolio, the Group continues to strengthen its governance processes and procedures, including several changes to the composition of the Board. Mike Blyth was appointed as the Group's first independent non-executive Chairman in April 2014. He brings a wealth of experience on the finance side to the Company and is already adding considerable value to the way in which the Company develops. Furthermore, the Board appointed two new non-executive directors in the period. Bob Stan was appointed in February 2014 and has extensive contacts in the Canadian investment community along with working knowledge of operating coal projects in North America. Rachel Rhodes, our Audit Committee Chair, was appointed in May this year and has considerable financial experience in the mining sector. We welcome both to the Board.

Several directors have retired from the Board this year, namely Brian Wides, Mike Atkinson and John Whellock. We thank them for their significant contribution to the success of the Company. We particularly wish to note the extraordinary contribution of Brian Wides, who with Peter Boycott, was largely responsible for the creation of Anglo Pacific as it is today.

In line with best practice, the Group conducted an audit tender process in the second quarter, which resulted in the appointment of Deloitte as the new independent auditor. The Group has strengthened its advisory team with the appointment of BMO Capital Markets Limited and Barclays Bank PLC as joint brokers. Both were instrumental in the successful equity raise in June.

Investment Review

Producing royalties

Kestrel, Queensland Australia

Royalty income at Kestrel was A\$2.8m in the six months to June 30, 2014 (2013: A\$6.8m). Rio Tinto Limited ("Rio Tinto") mined largely outside the Group's private royalty land during the first half of 2014. The Group was encouraged by Rio Tinto's announcement on July 16, 2014, which reported strong coal production figures from Kestrel following the completion of the extension project which should benefit Anglo Pacific when coal is mined within our private royalty land. Production from Kestrel was 1.59 Mt of coal (1.39MT of hard coking coal and 197k thermal coal) in H1 2014 compared to 1.207 Mt (885k of hard coking coal and 322k of thermal coal) for the corresponding period in 2013.

For further information please see www.riotinto.com.

It is Rio Tinto's view that both coking coal prices and thermal coal prices have fallen as a result of oversupply, although prices have shown signs of stabilising. However, high quality coking coal, such as that produced at Kestrel, should always be in demand.

As announced on August 18, 2014 the Group has entered into an agreement with Kestrel Coal Pty Ltd, a subsidiary of Rio Tinto Coal Australia, and its Kestrel joint venture partners, Queensland Coal Pty Ltd and Mitsui Kestrel Coal Investment Pty Ltd, for the provision of certain information in respect of the Kestrel mine. The information to which Anglo Pacific is entitled under the agreement includes, on a quarterly basis: (i) the invoiced payable tonnes (including product splits); (ii) the royalty payable; (iii) the split between the public and private royalty payable; (iv) the estimated private royalty payable for the next quarter; and (v) the forecast production tonnages, split on a public and private royalty basis, for the next four quarters. The forecast information allows us and our investors more visibility on expected growth in royalty income from this key asset.

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Anglo Pacific now expects approximately 43% of production from Kestrel to be within our private royalty lands for H2 2014, and we can confirm our expectation of minimal royalty income from Kestrel during the period H1 2015. However, Anglo Pacific management expects a substantial recovery thereafter as Rio Tinto mines more coal within our royalty lands.

The value of the Group's Kestrel royalty decreased by £14.7m to £116.7m as at June 30, 2014, from £131.4 million as at December 31, 2013. The decrease is largely attributable to a downward revision of expected royalty income in the short-term following the provision of forecast information as discussed above, as well as the recent downward movements in the coking and thermal coal prices and the further strengthening of the pound sterling against the Australian dollar.

Amapá, Brazil

Royalty receipts amounted to £0.2m in the six months to June 30, 2014 (2013: £0.7m). Subsequent to an accident at the Santana port in March 2013, we understand the operator, Zamin, is gradually resuming shipping of iron ore which we expect to accelerate when the construction of the new port and loading facilities is completed later this year.

The recent fall in iron ore prices, coupled with revisions to the long-term shipping cost forecasts resulted in the expected discounted future cash flows from the royalty no longer exceeding amortised cost. As a result, an impairment charge of £4.5m was recognised at June 30, 2014. This is a non-cash provision, and production and sales continue from the underlying operation.

For further information on the project please see www.zamin.com.

Tucano, Brazil

On April 24, 2014, Beadell Resources Ltd ("Beadell") announced in its March 2014 Quarterly Report that it has continued to build up its stockpiles of magnetite concentrate at its magnetic separation plant. Beadell has an off-take agreement in place with Zamin for 500,000 tonnes of ~65% iron concentrate per annum. Beadell expects first sales of this concentrate in the third quarter of 2014.

For further information on the project please see www.beadellresources.com.au.

El Valle-Boinás/Carlés, Spain ("EVBC")

Royalty receipts received in the first six months of 2014 were £0.8m (2013: £1.1m) on a like for like basis. Production at EVBC has remained steady in the year to date. However, on August 13, 2014, the operator, Orvana Minerals Corp ("Orvana"), announced that it had updated its mineral resources and reserves estimate for EVBC resulting in a decrease in resources and reserves. This has had the effect of reducing the mine life to approximately four years compared to the previously reported nine years. The reduction was primarily as a result of the application of cut-off grades in certain zones of the mine and the placing of the Carlés mine into care and maintenance.

The new mine plan brings forward metal production at the expense of mine life which we expect to lead through to accelerated royalty cash flows to the Group in the short-term. We also note that the inferred mineral resources, which are not included in the mine plan, are estimated to contain 979,500 gold ounces at a grade of 5.05g/tonne, providing opportunities to extend the mine life with further reserve definition drilling.

The current reported shortening of the mine life has resulted in a £3.6m reduction in carrying value of the asset at June 30, 2014.

For further information please see www.orvana.com.

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Four Mile Uranium, South Australia

On June 26, 2014 Alliance Resources Ltd ("Alliance") announced that the Four Mile uranium mine was officially opened. Production commenced on April 14, 2014, and for the period to August 1, 2014 production was 685,501 lb of U_3O_8 . A further 234,000 lb of U_3O_8 is expected to be produced in August. Production rates appear to be improving as the mine ramps up, with output of 264,668lbs during the month of July exceeding the monthly forecast by 11%. First sales are expected in September 2014, and the Group expects to receive its first royalty payments shortly thereafter.

The project is currently held by Quasar Resources Pty Ltd (75%) and Alliance (25%).

For further information please see www.allianceresources.com.au.

Maracás Vanadium, Brazil

On June 2, 2014 the Group announced that it had entered into a definitive agreement with Cancap Investments Limited ("Cancap") to acquire its royalty interest in the Maracás ("Maracás") vanadium project, located in Brazil and operated by TSX Venture Exchange listed Largo Resources Limited ("Largo"). The royalty interest is a 2% NSR royalty on all mineral products sold from the royalty area. The total consideration was US\$22 million in cash payable on completion of the sale together with 500,000 warrants, plus a further US\$3.0m cash when the project reaches certain annualised production milestones.

Largo announced that the Maracás project achieved first production of vanadium pentoxide on August 2, 2014, with a target to reach production capacity of 9,600 tonnes of V_2O_5 equivalent within 12 months of operations. The project is forecast to produce approximately 11,400t of V_2O_5 equivalent annually over a 29 year mine life.

For further information please see www.largoresources.com.

Development royalties

Salamanca Uranium, Spain

On April 24, 2014, Berkeley Resources Limited ("Berkeley") announced that it has been granted the mining licence for the Retortillo deposit in central Spain. Retortillo forms part of Berkeley's flagship Salamanca uranium project. This is a major milestone in advancing the project towards first production. In addition, on August 18, 2014 Berkeley announced it had discovered high grade uranium mineralisation in a satellite deposit close to its Retortillo deposit. This demonstrates the excellent potential upside associated with this project.

For further information on the project please see www.berkeleyresources.com.

Non-current receivables

Dugbe 1 Gold, Liberia

The Group provided the final US\$5m tranche of the US\$15m advance to Hummingbird Resources PLC ("Hummingbird"), following the satisfaction of the relevant criteria, including the completion of a scoping study and 25,000 meters of infill drilling on Dugbe 1. Hummingbird has stated that it is fully funded up to and beyond the completion of its Detailed Feasibility Study, expected towards the end of 2014. On March 12, 2014 Hummingbird announced an increased mineral resource for the Tuzon deposit at Dugbe 1.

For further information please see www.hummingbirdresources.co.uk.

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Listed equity investments

As of June 30, 2014 Anglo Pacific had investments in listed equities valued at approximately £14.9m (December 31, 2013: £20.1m). The Group has continued to realise cash from certain non-core positions in its equity portfolio and, during the period, reduced the number of holdings in the equity book by approximately 50%. The cash realised from the portfolio amounted to £7.0m to June 30, 2014, resulting in gains of £2.1m since December 31, 2013.

The Group continues to maintain a holding of equity investments that management expects could increase in value in the short to medium-term, or lead to possible royalty opportunities. Management expects to dispose of other non-core equity positions in the short-term where a royalty is no longer considered likely, which will realise additional cash proceeds.

Private mining assets

Anglo Pacific announces today the disposal of its Panorama Coal interests in British Columbia, Canada to Atrum Coal NL (ASX:ATU). Disposal proceeds were US\$0.5m of cash payable on completion, a US\$2.0m promissory note repayable within 12 months, and one million Atrum Coal shares. The Group has retained a royalty of the higher of 1% of gross revenues on a "mine gate" basis or US\$1/tonne over any coal mined and sold from the properties as part of the sales process. The carrying value of the properties sold as of June 30, 2014 was GBP0.9m (US\$1.5m). Completion is anticipated to occur by September 2, 2014.

Finance review

	H1 2014		H1 2013		FY 2013	
	AUD \$'000	GBP £'000	AUD \$'000	GBP £'000	AUD \$'000	GBP £'000
Kestrel	2,844	1,558	6,760	4,438	16,127	9,941
EVBC		791		1,143		2,018
Amapá		232		738		749
Royalty income		2,581		6,319		12,708
<i>EVBC conversion</i>		-		2,023		2,023
Total royalty related income		2,581		8,342		14,731

Royalty income was £2.6m in the period, a reduction of £3.7m compared to £6.3m in the first half of 2013 (excluding the one off receipt in relation to the EVBC conversion). This is mainly due to production at Kestrel being predominantly outside the Group's private royalty land. This is in line with the Group's previously published view that production will gradually move fully within the private royalty land during 2015. The Group was satisfied with production levels at EVBC although the declining gold price has resulted in a reported fall of £0.4m in the period. Sales at Amapá have gradually recommenced in the period, but remain below the level achieved prior to the port incident.

Operating expenses in the period to June 30, 2014 increased by £0.5m, or 32%, when compared to the same period in 2013. This includes a number of one-off costs associated with creating the Value Creation Plan and recruitment consultancy costs, and an increase in investor relation costs and associated travel. Finance costs include the arrangement fee for the Group's US\$15m revolving credit facility, foreign exchange losses and the costs associated with equity funding.

In line with our accounting policy, the Group assessed the carrying value of its assets for any potential impairment. As a result of this review, a £4.5m charge was recognised in the period in relation to the Amapá royalty. This was as a result of softening in iron ore prices, a revision to future shipping costs and a reassessment of the discount rate following the port incident and the impact in the short-term from a change of operator. This is a non-cash charge and the Group remains confident in the long-term value of the project.

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The deferred tax charge reflects the reversal of the previously recognised deferred tax asset mainly in relation to the unrealised losses associated with the Group's mining and exploration interests (largely equity investments). In light of considerable divestment of these holdings during 2014, and an expectation of the size of profits to be made from future similar asset sales, it is no longer expected that the deferred losses will be utilised in full in the foreseeable future, an accounting requirement to continue to recognise the asset on the balance sheet. As such, in accordance with IFRS, the deferred tax asset has been reversed at the period end. These losses will remain available should future profits materialise.

All of the above results in the reporting of a loss for the six months to June 30, 2014 of £23.0m compared with £27.5m for the same period in 2013 (restated). Removing the various non-cash valuation and impairment charges results in an adjusted loss per share of 0.77p for the six months to June 30, 2014 compared with adjusted earnings per share of 5.56p in 2013 (restated).

Net asset reconciliation	£'000	Pence per share
January 1, 2014	216,851	196
Kestrel		
- Foreign exchange	3,323	
- Valuation decrease	(18,055)	
- Deferred tax	5,416	
Amapá impairment (net of deferred tax)	(3,150)	
EVBC valuation movement (net of deferred tax)	(2,880)	
Adjusted loss after tax	(846)	
Profit on disposal of equities	2,073	
Dividend	(11,535)	
Equity raise	9,590	
Release of deferred tax assets	(9,431)	
Foreign exchange and other	592	
June 30, 2014	191,948	165

The Group's net asset value held up reasonably well in the period despite the impairment of Amapá, the Kestrel and EVBC valuation adjustments and the release of certain deferred tax assets. The acquisition of the Maracás royalty contributed to net asset growth as £9.6m of equity was raised to fund this acquisition. The softening of the coking coal price resulted in the valuation of the Kestrel royalty decreasing by £14.7m. Net assets reduced by a further £11.5m because of the Group's dividends. The 2013 interim dividend was paid in full in February and, following its approval at the AGM in June, the 2013 final dividend has been accrued.

Careful cash management continued during the first half of 2014. The Group realised £7.0m in cash from its portfolio of mining and exploration interests in the period. The Group received £0.5m in relation to its Minera debenture, previously provided for in full. A tax refund was also received during the first half following losses crystallised in 2013. Finally, the acquisition of the Maracás royalty was part funded by way of share issue. This has resulted in the Group's cash balances only marginally reducing from £15.7m at January 1, 2014 to £14.4m at June 30, 2014. Further, the Group extended the term of its undrawn twelve-month US\$15m revolving credit facility to July 31, 2015 providing additional flexibility for acquiring new royalties.

Dividend

The Board has declared an interim dividend for 2014 of 4.45p per share, maintaining the 2013 interim dividend per share. The dividend will be paid on February 4, 2015 to shareholders on the register at the close of business on November 28, 2014. The shares will be quoted ex-dividend in Canada and London on November 27, 2014. The Directors intend to offer a scrip alternative and a definitive announcement will be made closer to the ex-dividend date with consideration to the share price at that time.

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A payment of £4.9m, equivalent to 4.45p per share, is included in the cash flow statement to June 30, 2014, representing the 2013 interim dividend recognised and paid in February 2014. This together with the 5.75p per share 2013 final dividend approved at the AGM in June and paid in August 2014, means total dividend payments in relation to 2013 were 10.2p per share.

Outlook

We remain confident in the long-term demand fundamentals for base metals and bulk commodities, which should positively impact on Anglo Pacific's royalty portfolio. We continue to be confident in our ability to acquire additional royalties that will generate strong and sustainable cash flows and allow us not only to improve our dividend cover, but also to increase our dividends per share in the longer-term.

In the short term, the outlook for the remainder of 2014 remains subdued and the Group expects lower adjusted earnings until production from Kestrel returns to our private royalty lands in the second half of 2015. The current price environment in our targeted commodities, coupled with limited financing avenues for operators in this sector, presents opportunities for the Group to grow our royalty portfolio. Your Group remains debt free and, along with a committed dividend policy, remains a lower risk, mining focused investment for investors who believe in long-term global GDP growth.

Responsibility statement

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report.

The Directors are listed in the Annual Report of December 31, 2013 and a list of the current Directors is maintained on the Anglo Pacific website: www.anglo-pacificgroup.com. The maintenance and integrity of this website is the responsibility of the Directors.

On behalf of the Board

J.A. Treger
Chief Executive Officer
August 28, 2014

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Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

		Six months ended	Restated
		June 30, 2014	(see note 1.1)
	Notes	£'000	June 30, 2013
			£'000
Royalty related income		2,581	8,342
Amortisation of royalty intangible assets	11	(380)	(455)
Operating expenses		<u>(1,928)</u>	<u>(1,459)</u>
Operating profit		273	6,428
Gain/Loss on sale of mining and exploration interests		2,073	(4,888)
Impairment of mining and exploration interests	12	(759)	(20,812)
Impairment of royalty intangible assets	11	(4,500)	-
Revaluation of coal royalties (Kestrel)	9	(18,055)	(11,322)
Revaluation of royalty financial instruments	10	-	(2,505)
Finance income	4	183	349
Finance costs	5	(1,151)	(854)
Other income	6	<u>1,017</u>	<u>761</u>
Loss before tax		(20,919)	(32,843)
Current income tax charge		(838)	(859)
Deferred income tax (charge)/credit		<u>(1,291)</u>	<u>6,219</u>
Loss attributable to equity holders		<u>(23,048)</u>	<u>(27,483)</u>
Total and continuing loss per share			
Basic and diluted loss per share	7	(20.84p)	(25.29p)

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Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Notes	June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000
Loss attributable to equity holders		(23,048)	(27,483)
Items that will not be reclassified to profit or loss		-	-
Items that have been or may be subsequently reclassified to profit or loss			
Available-for-sale investments			
Revaluation of available-for-sale investments		(4,534)	(23,442)
Reclassification to income statement on disposal of available-for-sale investments		(563)	1,055
Reclassification to income statement on impairment		759	20,812
Deferred tax relating to items that will be reclassified	13	583	(293)
Net exchange gain/(loss) on translation of foreign operations		3,600	(10,221)
Other comprehensive loss for the period, net of tax		<u>(155)</u>	<u>(12,089)</u>
Total comprehensive loss for the period		<u><u>(23,203)</u></u>	<u><u>(39,572)</u></u>

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Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2014

		June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000	December 31, 2013 £'000
	Notes			
Non-current assets				
Property, plant and equipment		1,945	2,116	1,989
Coal royalties (Kestrel)	9	116,702	149,787	131,434
Royalty financial instruments	10	24,643	37,644	27,847
Royalty and exploration intangible assets	11	46,088	50,656	37,288
Mining and exploration interests	12	14,877	26,014	20,072
Other receivables		11,874	9,753	8,775
Deferred tax	13	3,084	10,647	11,013
		<u>219,213</u>	<u>286,617</u>	<u>238,418</u>
Current assets				
Trade and other receivables		1,699	4,978	5,332
Cash and cash equivalents		14,413	16,440	15,706
		<u>16,112</u>	<u>21,418</u>	<u>21,038</u>
Total assets		<u><u>235,325</u></u>	<u><u>308,035</u></u>	<u><u>259,456</u></u>
Non-current liabilities				
Deferred tax	13	35,116	50,791	41,378
		<u>35,116</u>	<u>50,791</u>	<u>41,378</u>
Current liabilities				
Income tax liabilities		794	-	465
Trade and other payables		7,467	6,849	762
		<u>8,261</u>	<u>6,849</u>	<u>1,227</u>
Total liabilities		<u><u>43,377</u></u>	<u><u>57,640</u></u>	<u><u>42,605</u></u>
Capital and reserves attributable to shareholders				
Share capital	14	2,329	2,192	2,218
Share premium	14	29,328	26,853	29,328
Other reserves		21,989	33,606	12,509
Retained earnings		138,302	187,744	172,796
Total equity		<u><u>191,948</u></u>	<u><u>250,395</u></u>	<u><u>216,851</u></u>
Total equity and liabilities		<u><u>235,325</u></u>	<u><u>308,035</u></u>	<u><u>259,456</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Share capital £'000	Share premium £'000	Other reserves							Retained earnings £'000	Total equity £'000
			Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share-based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000		
Balance at January 1, 2013	2,192	26,853	-	-	9,771	354	37,673	632	(2,601)	226,090	300,964
Loss for the period (restated – see note 1.1)	-	-	-	-	-	-	-	-	-	(27,483)	(27,483)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(23,442)	-	(665)	-	-	-	(24,107)
Transferred to income statement on disposal	-	-	-	-	1,055	-	-	-	-	-	1,055
Transferred to income statement on impairment	-	-	-	-	20,812	-	-	-	-	-	20,812
Deferred tax	-	-	-	-	(293)	-	152	-	-	-	(141)
Foreign currency translation	-	-	-	-	-	-	(9,708)	-	-	-	(9,708)
Total comprehensive loss (restated – see note 1.1)	-	-	-	-	(1,868)	-	(10,221)	-	-	(27,483)	(39,572)
Dividends	-	-	-	-	-	-	-	-	-	(11,065)	(11,065)
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Issue of share capital under share-based payment	-	-	-	-	-	(134)	-	-	-	202	68
Total transactions with owners of the company	-	-	-	-	-	(134)	-	-	-	(10,863)	(10,997)
Balance at June 30, 2013 (restated – note 1.1)	2,192	26,853	-	-	7,903	220	27,452	632	(2,601)	187,744	250,395

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Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Share capital £'000	Share premium £'000	Other reserves							Retained earnings £'000	Total equity £'000
			Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share-based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000		
Balance at June 30, 2013 (restated – see note 1.1)	2,192	26,853	-	-	7,903	220	27,452	632	(2,601)	187,744	250,395
Loss for the period	-	-	-	-	-	-	-	-	-	(15,014)	(15,014)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(5,967)	-	-	-	-	-	(5,967)
Transferred to income statement on disposal	-	-	-	-	(1,926)	-	-	-	-	-	(1,926)
Transferred to income statement on impairment	-	-	-	-	5,509	-	-	-	-	-	5,509
Deferred tax	-	-	-	-	51	-	33	-	-	-	84
Foreign currency translation	-	-	-	-	-	-	(18,735)	-	-	-	(18,735)
Total comprehensive loss	-	-	-	-	(2,333)	-	(18,702)	-	-	(15,014)	(36,049)
Dividends	-	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares	26	2,475	-	-	-	-	-	-	-	-	2,501
Value of employee services	-	-	-	-	-	(62)	-	-	-	66	4
Total transactions with owners of the company	26	2,475	-	-	-	(62)	-	-	-	66	2,505
Balance at December 31, 2013	2,218	29,328	-	-	5,570	158	8,750	632	(2,601)	172,796	216,851

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Share capital £'000	Share premium £'000	Other reserves							Retained earnings £'000	Total equity £'000
			Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share-based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000		
Balance at January 1, 2014	2,218	29,328	-	-	5,570	158	8,750	632	(2,601)	172,796	216,851
Loss for the year	-	-	-	-	-	-	-	-	-	(23,048)	(23,048)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(4,534)	-	545	-	-	-	(3,989)
Transferred to income statement on disposal	-	-	-	-	(563)	-	-	-	-	-	(563)
Transferred to income statement on impairment	-	-	-	-	759	-	-	-	-	-	759
Deferred tax	-	-	-	-	583	-	14	-	-	-	597
Foreign currency translation	-	-	-	-	-	-	3,041	-	-	-	3,041
Total comprehensive loss	-	-	-	-	(3,755)	-	3,600	-	-	(23,048)	(23,203)
Dividends	-	-	-	-	-	-	-	-	-	(11,535)	(11,535)
Issue of ordinary shares and warrants on acquisitions (note 14)	111	-	9,479	143	-	-	-	-	-	-	9,733
Value of employee services	-	-	-	-	-	13	-	-	-	89	102
Total transactions with owners of the company	111	-	9,479	143	-	13	-	-	-	(11,446)	(1,700)
Balance at June 30, 2014	2,329	29,328	9,479	143	1,815	171	12,350	632	(2,601)	138,302	191,948

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CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Notes	June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000
Cash flows from operating activities			
Loss before taxation		(20,919)	(32,843)
Adjustments for:			
Interest on bank deposits		(69)	(439)
Shares in-lieu of interest on mining and exploration interests	6,12	(330)	-
Depreciation of property, plant and equipment		8	10
Amortisation of royalty intangible assets	11	380	455
(Gain)/Loss on disposal of mining and exploration interests		(2,073)	4,888
Impairment of royalty intangible assets	11	4,500	-
Impairment of mining and exploration interests	12	759	20,812
Revaluation of coal royalties (Kestrel)	9	18,055	11,322
Revaluation of royalty financial instruments	10	-	2,505
Share-based payment		102	82
		<u>413</u>	<u>6,792</u>
Decrease/(Increase) in trade and other receivables		534	(6,726)
Increase/(Decrease) in trade and other payables		63	(1,586)
Cash generated from operations		1,010	(1,520)
Income taxes paid		(305)	(4,434)
Net cash generated from/(used in) operating activities		<u>705</u>	<u>(5,954)</u>
Cash flows from investing activities			
Proceeds from mining and exploration interests	12	7,047	3,021
Purchases of mining and exploration interests	12	(391)	(971)
Purchases of royalty interests	11	(13,094)	-
Purchases of property, plant and equipment		-	(14)
Exploration and evaluation expenditure	11	(57)	(66)
Interest on bank deposits		69	439
Net cash (used in)/generated from investing activities		<u>(6,426)</u>	<u>2,409</u>
Cash flows from financing activities			
Proceeds from issue of share capital	14	9,590	-
Dividends paid		(4,893)	(4,816)
Net cash generated/(used in) from financing activities		<u>4,697</u>	<u>(4,816)</u>
Net decrease in cash and cash equivalents		(1,024)	(8,361)
Cash and cash equivalents at beginning of period		<u>15,706</u>	<u>24,036</u>
Unrealised foreign currency (loss)/gain		(269)	765
Cash and cash equivalents at end of period		<u><u>14,413</u></u>	<u><u>16,440</u></u>

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NOTES TO THE ACCOUNTS

1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended June 30, 2014. 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, 2013.

The 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, 2013, which were prepared in accordance with IFRS, as adopted by the European Union.

This condensed consolidated 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, 2013 were approved on March 31, 2014. Those 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.

1.1 FRC review update

The Group has continued its dialogue with the FRC's Financial Reporting Review Panel ('FRC') during the year in relation to the two open items reported in the 2013 annual report: accounting classification of royalties and the impairment of its IAS 39 equity instruments; and is pleased that correspondence with the FRC regarding our accounting policies has now been concluded with no further adjustments required.

With respect to the two open items, the FRC requested the Group provide further insight into how its accounting policy for royalty interests as intangibles complied with IFRS and to clarify its disclosure of the judgement whether a royalty contract is an intangible or financial asset upon initial recognition.

The FRC also requested the Group clarify the accounting policy for recognising impairments of equity AFS assets, in particular by disclosing the "significant or prolonged" criteria applied in the 2013 annual financial statements.

The Group provides additional information below.

➤ Classification of royalties

Additional disclosure was provided in the Group's 2013 Annual Report and Accounts in relation to the judgements exercised by the Directors in determining whether its royalties should be classified as:

- Intangible Assets in accordance with IAS 38;
- Financial Assets in accordance with IAS 32 and 39; or
- Investment properties in accordance with IAS 40.

The Group considers that the application of the above accounting standards, and the resulting accounting classification and financial impact of each in the financial statements, most appropriately reflects the substance of the underlying commercial terms of each royalty arrangement. The application of each standard to the underlying royalty arrangement, rather than electing to apply IAS 32 and 39 to all royalties is consistent currently with the Group's international peer group and as such enables its stakeholders to make informed investment decisions.

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The following additional information seeks to clarify the decision making process further:

Type 1 – Intangible assets (“vanilla” royalties): Royalties, in their simplest form, are classified as intangible assets by the Group. The Group considers the substance of a simple vanilla royalty to be economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand) are all risks which the Group participates in on a similar basis to an owner of the underlying mineral licence. Furthermore, in a vanilla royalty, there is only a right to receive cash to the extent there is production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under IAS 38.

Type 2 – Financial assets (royalties with additional financial protection): In certain circumstances where the ‘vanilla’ risk is considered too high, but the Group still fundamentally believes in the quality of the underlying resource, the Group will look to introduce additional protective measures. This has typically taken the form of performance milestone penalties (usually resulting in the receipt of cash or cash equivalent), minimum payment terms and interest provisions or mechanisms to convert the initial outlay into the equity instruments of the operator in the event of project deferral. Once an operation is in production, these mechanisms generally fall away such that the royalty will display identical characteristics and risk profile to the vanilla royalties; however, it is the contractual right to enforce the receipt of cash through to production which results in these royalties necessarily being treated as financial assets in accordance with IAS 32 and 39.

Type 3 – Investment property: Royalties which are derived from the ownership of sub-stratum land are accounted for as investment properties under IAS 40, even though the substance of their commercial terms is identical to vanilla royalties. The Group does not expect to obtain royalties in this manner going forward, as it is unusual for sub-stratum minerals not to be the property of the state.

A summary of the Group’s accounting approach is set out below:

Accounting classification	Substance of contractual terms	Accounting implications	Examples
Investment property	<ul style="list-style-type: none"> Direct ownership of sub-stratum land Returns based on royalty related production 	<ul style="list-style-type: none"> Land is carried at fair value on the balance sheet Movements in fair value recognised in income statement Royalty income is recognised as revenue in the income statement 	Kestrel
Intangible assets	<ul style="list-style-type: none"> Simple royalty with no right to receive cash other than through a royalty related to production 	<ul style="list-style-type: none"> Investment is carried at amortised cost as an intangible asset on the balance sheet Royalty income is recognised as revenue in the income statement Intangible asset is amortised on a systematic basis Intangible asset is assessed for indicators of impairment at each period end 	Amapá Tucano Four Mile Salamanca Pilbara Ring of Fire Bulqiza Mount Ida Maracás
Available for sale debt financial asset	<ul style="list-style-type: none"> Royalty arrangement with a contractual right to receive cash (e.g. through a mandated interest rate or milestones which if not met trigger repayment) 	<ul style="list-style-type: none"> Financial asset is recognised at fair value on the balance sheet; Changes in fair value due to changes in expected future cash flows are recognised within the income statement with other valuation changes taken to reserves Fixed effective interest income recognised in the income statement Royalty receipts reduce the asset’s carrying value 	Isua Jogjakarta
Available-for-sale equity financial asset	<ul style="list-style-type: none"> Similar in contractual terms to an intangible asset However, includes a right to convert into equity (noting that for EVBC this right was subsequently extinguished) 	<ul style="list-style-type: none"> Financial asset is carried at fair value with fair value movements recognised in reserves Royalty income is recognised as revenue in the income statement Asset is assessed for impairment at each reporting period end (see section below) 	EVBC

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The FRC has observed that the alternative would be to account for “type 1” or “vanilla” royalty contracts as financial assets. It notes that, as this treatment would be permitted by IFRS, it would allow the Group to account for its royalty contracts more consistently and reduce the complexity of the Group’s current accounting model. The FRC has confirmed that, in view of the additional disclosures made by the Group, it does not intend to pursue its consideration of this accounting policy further.

➤ Impairment of mining and exploration interests

Where the Group’s mining and exploration interests are classified as available-for-sale equity investments under IAS 39, they are held at fair value at each reporting date, with movements in fair value recognised in other comprehensive income. When an equity investment is considered “impaired”, because the fair value loss is considered either ‘significant’ relative to the cost at acquisition or the fair value has been below cost for a ‘prolonged’ period, the interest is considered impaired and the loss is reclassified from other comprehensive income to the income statement. Numerical limits for the thresholds for “significant” or “prolonged” are not provided in International Financial Reporting Standards.

In the June 2013 interim statements, the Group considered a range of qualitative and quantitative factors before concluding that an impairment charge should be recognised. These included assessing “significance” by comparing the relative decline in the value of its equity portfolio compared to relevant industry indices. The Directors believed that a period of three to five years was “prolonged”. At December 31, 2013 the Group reassessed the point at which it considered an unrealised mark to market loss should be recognised as an impairment charge. Following a series of correspondence with the FRC, which indicated that the Group’s policy for setting thresholds should be closer aligned to standard practice, the Group agreed to reduce its thresholds such that ‘significant’ was defined as a decline in fair value of greater than 25% relative to an individual asset’s original acquisition cost and ‘prolonged’ was defined as a period of greater than 18 months that the interest’s fair value is below cost. The Group reflected this reduction in thresholds in its 2013 accounts by restating the 2012 comparative amounts. The FRC noted that the restatement of comparatives is consistent with the correction of the previous accounting.

Applying these new thresholds resulted in an impairment of £20.8m being booked in the income statement at June 30, 2013. Restating the 2013 comparative financial information results in a reduction of £13.5m from the charge of £34.3m previously reported, because some of the impairment charges should have been recognised in an earlier period. This is consistent with the adjustments made to the 2013 Annual Report. There was a reduction in the previously reported retained earnings of £29.1m at January 1, 2013 in relation to these new impairment thresholds.

The financial information for the six month period ended June 30, 2014 includes comparative information for June 30, 2013, which has been restated to be prepared in accordance with the Group’s modified thresholds for impairment as set out above, as well as the other accounting changes made at December 31, 2013 that were described in full on pages 71-73 of the 2013 Annual Report. The effects of this are set out in the table below. There is no change to the balance sheet reported previously.

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Six months ended June 30, 2013				
£'000	Ref	Restated	Previously reported	Adjustment
Royalty related income	(a)	8,342	6,319	2,023
Amortisation of royalties		(455)	(455)	-
Operating expenses	(b)	(1,459)	(1,565)	106
Operating profit		6,428	4,299	2,129
Loss on sale of mining and exploration interests		(4,888)	(4,888)	-
Impairment of mining and exploration interests	(c)	(20,812)	(34,266)	13,454
Revaluation of coal royalties (Kestrel)	(d)	(11,322)	-	(11,322)
Revaluation of royalty financial instruments	(e)	(2,505)	-	(2,505)
Finance income	(g)	349	453	(104)
Finance costs	(f)	(854)	-	(854)
Other income	(g)	761	657	104
Other losses	(f)	-	(749)	749
Loss before tax		(32,843)	(34,494)	1,651
Current income tax charge		(859)	(961)	102
Deferred income tax credit/(charge)	(h)	6,219	5,489	730
Loss attributable to equity holders		(27,483)	(29,966)	2,482

- (a) Following the restatement of the EVBC accounting treatment at December 31, 2013, EVBC is now considered an IAS 39 equity financial asset and, as such, cash receipts are now reflected in the income statement.
- (b)&(f) Finance costs, previously included within operating expenses are now reclassified to finance costs and include foreign exchange losses previously included within other losses.
- (c) At December 31, 2013 the Group reassessed the point at which it considered an equity investment to be impaired. 'Significant' was defined as a decline in fair value of greater than 25% relative to an individual asset's original acquisition cost and 'prolonged' was defined as a period of greater than 18 months that the interest's fair value is below cost with impairment charges booked on this basis. As set out in the 2013 Annual Report, the 2012 comparative financial information was restated and the June 30, 2013 comparatives have now also been restated.
- (d) The Kestrel royalty was restated at December 31, 2013 as investment property. Consequently, the June 30, 2013 valuation movement is recognised in the income statement as opposed to the revaluation reserve. See note 9.
- (e)&(g) This represents the valuation movement due to the recognition of effective interest income or a change in valuation due to changes in expected cash flows in relation to IAS 39 debt financial assets now being recognised in the Income Statement. Again, this is as a result of a restatement at December 31, 2013. Previously, the valuation movement went fully through the revaluation reserve.
- (h) Represents the deferred tax impact of (a) to (g).

In addition to the restatements outlined above, the Group has presented finance income, which principally represents interest on bank deposits and long-term receivables below operating profit in the current period and the comparative presentation has also been aligned to be on a consistent basis.

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NOTES TO THE ACCOUNTS

1.2 Going concern

After making enquiries and reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.3 Changes in accounting policies

The accounting policies used by the Group in these condensed financial statements are consistent with those applied by the Group in its financial statements for the year to 31 December 2013, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the period as shown below.

New standards adopted during the period

The following standards, amendments and interpretations endorsed by the EU are effective for the Group's half year to June 30, 2014, and had no material impact on the financial statements:

- IAS 27 (revised) – Separate Financial Statements;
- IAS 28 (revised) – Investments in Associates and Joint Ventures;
- IAS 32 (amended) – Offsetting Financial Assets and Financial Liabilities;
- IAS 36 (amended) – Recoverable Amounts Disclosures for Non-Financial Assets;
- IAS 39 (amended) – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements; and
- IFRS 12 Disclosure of Interests in Other Entities.

Standards in issue but not yet effective

The following standards, amendments and interpretations were in issue at the date of approval of the condensed consolidated financial statements but were not yet effective for the current accounting period and have not been adopted early. The Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

- IAS 16 (amended) – Clarification of acceptable methods of depreciation and amortisation; IAS 38 (amended) – Clarification of acceptable methods of depreciation and amortisation;
- IAS 19 (amended) – Defined Benefit Plans - Employee Contributions;
- IFRS 9 Financial Instruments;
- IFRS 11 (amended) – Acquisition of interests in joint operations;
- IFRS 14 – Regulatory deferral accounts;
- IFRS 15 – Revenue from contracts with customers;
- IFRIC 21 – Levies;
- Annual Improvements to IFRSs (2010 - 2012 Cycle); and
- Annual Improvements to IFRSs (2011 - 2013 Cycle).

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:

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NOTES TO THE ACCOUNTS

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, 2014 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 consider it necessary to 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.

(a) Financial assets and liabilities

The Group held the following financial assets and financial liabilities:

	June 30, 2014 £'000	June 30, 2013 £'000	December 31, 2013 £'000
<i>Available-for-sale (held at fair value)</i>			
Royalty financial instruments	24,643	37,644	27,847
Mining and exploration interests	14,877	26,014	20,072
<i>Loans and receivables</i>			
Trade and other receivables	12,065	11,661	11,599
Cash at bank and in hand	14,413	16,440	15,706
<i>Financial liabilities</i>			
Trade and other payables	481	133	189

The Directors consider that the carrying amount of trade and other receivables and trade and other payables is approximately their fair value.

(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).

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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, 2014, June 30, 2013 and December 31, 2013:

		June 30, 2014			
	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	116,702	116,702
Royalty financial instruments	(b)	-	-	24,643	24,643
Mining and exploration interests - quoted	(c)	14,415	-	-	14,415
Mining and exploration interests - unquoted	(d)	-	304	-	304
Mining and exploration interests - royalty options	(e)	-	158	-	158
Total		14,415	462	141,345	156,222
Net fair value		14,415	462	141,345	156,222

		June 30, 2013			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	149,787	149,787
Royalty financial instruments	(b)	-	-	37,644	37,644
Mining and exploration interests - quoted	(c)	23,396	-	-	23,396
Mining and exploration interests - unquoted	(d)	-	2,138	-	2,138
Mining and exploration interests - royalty options	(e)	-	480	-	480
Total		23,396	2,618	187,431	213,445
Net fair value		23,396	2,618	187,431	213,445

		December 31, 2013			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	131,434	131,434
Royalty financial instruments	(b)	-	-	27,847	27,847
Mining and exploration interests - quoted	(c)	16,018	-	-	16,018
Mining and exploration interests - unquoted	(d)	-	3,896	-	3,896
Mining and exploration interests - royalty options	(e)	-	158	-	158
Total		16,018	4,054	159,281	179,353
Net fair value		16,018	4,054	159,281	179,353

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purposes of measuring fair value altered slightly compared to the previous reporting period. The Group gives more prominence to the probability of production by applying a risk weighting to the discounted net present value outcome in order to fully reflect the risk that the operation never comes into production. Previously, this risk was factored into the discount rate applied to the future cash flow.

(a) Coal royalties (Kestrel)

The Group's coal royalties derive from its ownership of certain sub-stratum land in Queensland, Australia. In accordance with IAS 40, this land is revalued at each reporting date on the basis of future expected income discounted at 7% by an independent valuation consultant. See note 9 for further details. All unobservable inputs are obtained from third parties.

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(b) Royalty financial instruments

The Group's royalty instruments have been classified as available-for-sale, with value on initial recognition being calculated as the total cost of the agreement less the valuation of the option to convert to shares. At the reporting date the royalty streams have been valued on the net present value of the pre-tax cash flows discounted at a rate management considers reflects the risk associated with each of the underlying projects. The outcome is then risk weighted to reflect the likelihood of the project achieving production based on any published updates in the year. Note 10 details the discount rates used. This is the only unobservable input determined by management. All other unobservable inputs are obtained from third parties.

The option to convert to shares has been treated as fair value through profit or loss as designated on initial recognition at the date of acquisition and has been valued at June 30, 2014 utilising an option model. The key assumptions, in addition to those utilised in the royalty stream valuations such as mine life and expected cash flows, include the price, volatility of the project's listed equity and where applicable the conversion price and redemption value of redeemable shares.

(c) Mining and exploration interests – quoted

All the quoted mining and exploration interests have been issued by publicly traded companies in Australia, Canada, the UK and Norway. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(d) Mining and exploration interests – unquoted

All the unquoted mining and exploration interests are initially recognised using cost where fair value cannot be reliably determined. The Group notes any trading activity in the unquoted instruments and will value its holding accordingly.

(e) Mining and exploration interests – royalty options

All the royalty options are initially recognised using cost where fair value cannot be reliably determined. The Group considers the progress of the projects related to each of the royalty options to ensure there has been no material change in the fair value since initial recognition.

Fair value measurements in Level 3

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

The following table presents the changes in Level 3 instruments for the six months ended June 30, 2014.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2014	27,847	131,434	159,281
Revaluation gains or losses recognised in:			
Other comprehensive income	(3,597)	-	(3,597)
Income statement	-	(18,055)	(18,055)
Foreign currency translation	393	3,323	3,716
At June 30, 2014	<u>24,643</u>	<u>116,702</u>	<u>141,345</u>

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The following table presents the changes in Level 3 instruments for the six months ended June 30, 2013.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2013	41,945	170,995	212,940
Revaluation gains or losses recognised in:			
Other comprehensive income	(658)	-	(658)
Income statement	(2,505)	(11,322)	(13,827)
Foreign currency translation	(1,138)	(9,886)	(11,024)
At June 30, 2013 (restated)	<u>37,644</u>	<u>149,787</u>	<u>187,431</u>

The following table presents the changes in Level 3 instruments for the year ended December 31, 2013.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2013	41,945	170,995	212,940
Revaluation gains or losses recognised in:			
Other comprehensive income	(2,458)	-	(2,458)
Income statement	(8,689)	(13,568)	(22,257)
Impairment of royalty instruments	(46)	-	(46)
Foreign currency translation	(2,905)	(25,993)	(28,898)
At December 31, 2013	<u>27,847</u>	<u>131,434</u>	<u>159,281</u>

There have been no transfers into or out of Level 3 in any of the years.

The Group measures its entitlement to the royalty income and any optionality embedded within the royalty instruments using discounted cash flow models. In determining the discount rate to be applied, management considers the country and sovereign risk associated with the projects, together with the time horizon to the commencement of production and the success or failure of projects of a similar nature.

Management has not undertaken detailed analysis of the impact of using alternative discount rates on the fair value of the royalty streams or the optionality embedded in the royalty instruments, as the risk weighting applied to the discounted present value of expected future cashflows more than offsets any valuation downside by applying higher discount rates.

3 Segment information

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

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The segment information provided to the Executive Committee for the reportable segments for the six months ended June 30, 2014 is as follows:

	Australia		Americas		Europe		All other segments	Total
	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	£'000	£'000
Royalty related income	1,558	-	232	-	791	-	-	2,581
Finance income	-	-	-	-	-	-	183	183
Gain on sale of mining and exploration interests	-	1,829	-	244	-	-	-	2,073
Other income	-	84	502	-	-	330	101	1,017
Total segment income	1,558	1,913	734	244	791	330	284	5,854
(Loss)/Profit before tax	(16,497)	1,585	(4,145)	120	791	23	(2,796)	(20,919)
Amortisation	-	-	(380)	-	-	-	-	(380)
Impairment of non-financial assets	-	(328)	(4,500)	(124)	-	(307)	-	(5,259)
Income tax credit/(charge)	3,000	-	1,341	-	-	-	(6,470)	(2,129)
Total assets	132,325	9,818	32,589	4,335	25,633	3,374	27,251	235,325
Total assets include:								
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	13,237	57	-	-	-	13,294
Total liabilities	33,679	-	-	-	1,437	-	8,261	43,377

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The restated segment information for the six months ended June 30, 2013 is as follows:

	Australia		Americas		Europe		All other segments	Total
	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	£'000	£'000
Royalty related income	4,438	-	738	-	3,166	-	-	8,342
Finance income	-	-	-	-	-	-	349	349
Gain/(Loss) on sale of mining and exploration interests	-	27	-	(292)	-	(4,623)	-	(4,888)
Other income	-	360	-	-	-	284	117	761
Total segment income	4,438	387	738	(292)	3,166	(4,339)	466	4,564
(Loss)/Profit before tax	(6,884)	(8,072)	283	(2,279)	3,166	(14,705)	(4,352)	(32,843)
Amortisation	-	-	(455)	-	-	-	-	(455)
Impairment of non-financial assets	-	(8,459)	-	(1,987)	-	(10,366)	-	(20,812)
Income tax (charge)/credit	(612)	-	-	-	-	-	5,972	5,360
Total assets	172,371	14,319	31,040	9,282	34,562	4,825	41,636	308,035
Total assets include:								
Additions to non-current assets (other than financial instruments and deferred tax assets)		-	-	66	-	-	-	66
Total liabilities	44,885	-	-	-	5,082	-	7,673	57,640

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The segment information for the twelve months ended December 31, 2013 is as follows:

	Australia		Americas		Europe		All other segments	Total
	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	Royalty £'000	Mining interests £'000	£'000	£'000
Royalty related income	9,941	-	749	-	4,041	-	-	14,731
Finance income	-	-	-	-	-	-	789	789
(Loss) on sale of mining and exploration interests	-	(337)	-	(1,424)	-	(4,637)	-	(6,398)
Other income	-	441	-	-	-	267	1,304	2,012
Total segment income	<u>9,941</u>	<u>104</u>	<u>749</u>	<u>(1,424)</u>	<u>4,041</u>	<u>(4,370)</u>	<u>2,093</u>	<u>11,134</u>
(Loss)/Profit before tax	(6,766)	(10,469)	(3,478)	(5,832)	3,094	(15,710)	(13,735)	(52,896)
Amortisation	-	-	(854)	-	-	-	-	(854)
Impairment of non-financial assets	(3,139)	(10,573)	(4,227)	(4,408)	(947)	(11,340)	-	(34,634)
Income tax expense	5,995	-	(133)	-	-	-	4,537	10,399
Total assets	<u>147,577</u>	<u>10,227</u>	<u>22,827</u>	<u>5,025</u>	<u>28,692</u>	<u>3,498</u>	<u>41,610</u>	<u>259,456</u>
Total assets include:								
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-	-	-	-
Total liabilities	<u>35,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,244</u>	<u>-</u>	<u>4,685</u>	<u>42,605</u>

The amounts provided to the Executive Committee 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.

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 Committee 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, £1.6 million received during the six months to June 30, 2014 is derived from a single royalty (June 30, 2013: £2.6 million). This income is attributable to the Australian royalty segment.

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4 Finance income

	Six months ended June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000
Interest on bank deposits	69	42
Interest on royalty financial instruments	20	194
Interest on long-term receivables	94	113
	<u>183</u>	<u>349</u>

5 Finance costs

	Six months ended June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000
Legal fees	(339)	(105)
Revolving credit facility fees	(120)	-
Net foreign exchange loss	(692)	(749)
	<u>(1,151)</u>	<u>(854)</u>

6 Other income

	Six months ended June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000
Dividends received from mining and exploration interests	84	360
Fixed income from mining and exploration interests	330	284
Effective interest income on royalty financial instruments	95	104
Recovery of impaired royalty financial instruments	502	-
Other income	6	13
	<u>1,017</u>	<u>761</u>

The recovery of royalty instruments previously provided for in full is in relation to monies received from Minera Gold following the signing of the latest standstill agreement in March 2014.

7 Loss per share

Loss per ordinary share is calculated on the Group's loss after tax of £23,048,000 for the six months ended June 30, 2014 (June 30, 2013: loss £27,483,000 (restated)) and the weighted average number of shares in issue during the period of 110,604,762 (2013: 108,679,443).

Loss 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 925,933 ordinary 2p shares it holds as at June 30, 2014.

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	June 30, 2014 £'000	Restated (see note 1.1) June 30, 2013 £'000
Net loss attributable to shareholders		
Loss - basic	(23,048)	(27,483)
Loss - diluted	<u>(23,048)</u>	<u>(27,483)</u>
	June 30, 2014	June 30, 2013
Weighted average number of shares in issue		
Ordinary shares in issue	110,604,762	108,679,443
Employee Share Option Scheme	<u>-</u>	<u>-</u>
	<u>110,604,762</u>	<u>108,679,443</u>
(Loss)/Earnings per share – basic	(20.84p)	(25.29p)
(Loss)/Earnings per share – diluted	(20.84p)	(25.29p)

Due to the growing number of valuation and other non-cash movements being recognised in the income statement, the Group presents an adjusted earnings per share metric, which the directors consider to be a useful additional measure of the Group's performance. In calculating the adjusted earnings per share, the weighted average number of shares in issue remains consistent with those used in the earnings per share calculation.

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net loss attributable to shareholders			
Loss - basic and diluted for the six months ended June 30, 2014	(23,048)	(20.84p)	(20.84p)
<i>Adjustment for:</i>			
Impairment of mining and exploration interests	759		
Profit on sale of mining and exploration interests	(2,073)		
Revaluation of coal royalties (Kestrel)	18,055		
Impairment of royalty intangible assets	4,500		
Amortisation of royalty intangible assets	380		
Revaluation of royalty financial instruments	-		
Effective interest income on royalty financial instruments	(95)		
Recovery of impaired royalty financial instruments	(502)		
Tax effect of the adjustments above	<u>1,178</u>		
Adjusted loss - basic and diluted for the six months ended June 30, 2014	<u>(846)</u>	<u>(0.77p)</u>	<u>(0.77p)</u>

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	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net loss attributable to shareholders			
Loss - basic and diluted for the six months ended June 30, 2013 (restated)	(27,483)	(25.29p)	(25.29p)
<i>Adjustment for:</i>			
Impairment of mining and exploration interests	20,812		
Loss on sale of mining and exploration interests	4,888		
Revaluation of coal royalties (Kestrel)	11,322		
Amortisation of royalty intangible assets	455		
Revaluation of royalty financial instruments	2,505		
Effective interest income on royalty financial instruments	(104)		
Tax effect of the adjustments above	<u>(6,356)</u>		
Adjusted earnings - basic and diluted for the six months ended June 30, 2013 (restated)	<u>6,039</u>	<u>5.56p</u>	<u>5.56p</u>

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 925,933 ordinary 2p shares it holds as at June 30, 2013.

8 Dividends

On February 4, 2014 an interim dividend of 4.45p per share was paid to shareholders in respect of the year ended December 31, 2013. On August 7, 2014 a final dividend in respect of the year ended December 31, 2013 of 5.75p per share was paid to shareholders. As the final dividend was approved by shareholders at the AGM on June 11, 2014 it has been included as a current liability in 'Trade and other payables' as at June 30, 2014. An interim dividend of 4.45p for the period ended June 30, 2014 has been declared.

9 Coal royalties (Kestrel)

	£'000
At January 1, 2013	170,995
Foreign currency translation	(9,886)
Loss on revaluation of coal royalties	<u>(11,322)</u>
At June 30, 2013	149,787
Foreign currency translation	(16,107)
Loss on revaluation of coal royalties	<u>(2,246)</u>
At December 31, 2013	131,434
Foreign currency translation	3,323
Loss on revaluation of coal royalties	<u>(18,055)</u>
At June 30, 2014	<u>116,702</u>

The coal royalty was valued during June 2014 at £116.7m (A\$211.6m) by Geos Mining, independent coal industry advisors, on a net present value of the pre-tax cash flow discounted at a rate of 7%. The net royalty income from this investment is currently taxed in Australia at a rate of 28.5%. This valuation is incorporated in the accounts and the above revaluation adjustment represents the difference between the opening carrying value and the external valuation, excluding the effects of foreign currency changes. Were the coal royalty to be carried at cost the carrying value would be £0.2 million (2013: £0.2 million). The Directors do not presently have any intention to dispose of the coal royalty.

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10 Royalty financial instruments

	£'000
Held at fair value	
At January 1, 2013	41,945
Foreign currency translation	(1,138)
Revaluation of royalty instruments recognised in the income statement	(2,505)
Revaluation of royalty instruments recognised in equity	(658)
At June 30, 2013	37,644
Foreign currency translation	(1,767)
Impairment of royalty instruments	(46)
Revaluation of royalty instruments recognised in the income statement	(6,184)
Revaluation of royalty instruments recognised in equity	(1,800)
At December 31, 2013	27,847
Foreign currency translation	393
Revaluation of royalty instruments recognised in equity	(3,597)
At June 30, 2014	24,643

In the period effective interest of £0.1m was recognised in other income (see note 6). This was directly offset by cash received in the period of the same amount.

The Group's royalty financial instruments are represented by four royalty agreements which entitle the Group to either the repayment of principal and a net smelter return ("NSR") royalty for the life of the mine or a gross revenue royalty ("GRR") where the project commences commercial production or the repayment of principal where it does not. Details of the Group's royalty financial instruments are summarised below:

Project	Commodity	Cost '000	Royalty Rate	Escalation	Option Price	Discount Rate	Royalty Valuation £'000	Option Valuation £'000
Engenho ¹	Gold	A\$4,000	2.5%	-	A\$0.35	-	-	-
EVBC	Gold	C\$7,500	2.5%	3% >US\$1,100/oz	C\$0.958	9%	6,842	-
Isua	Iron ore	A\$28,000	1%	-	-	10%	15,401	-
Jogjakarta	Iron sands	A\$5,000	2 %	-	A\$0.10 - A\$0.50	10%	2,400	-
							24,643	-

¹ Engenho royalty instrument was fully provided for as at December 31, 2011.

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11 Royalty and exploration intangibles assets

	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2014	951	48,713	49,664
Additions	57	13,237	13,294
Foreign currency translation	(36)	422	386
At June 30, 2014	972	62,372	63,344
Amortisation and impairment			
At January 1, 2014	-	(12,376)	(12,376)
Amortisation charge	-	(380)	(380)
Impairment charge	-	(4,500)	(4,500)
At June 30, 2014	-	(17,256)	(17,256)
Carrying amount June 30, 2014	972	45,116	46,088

	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2013	931	55,773	56,704
Additions	66	-	66
Conversion of royalty option	-	248	248
Foreign currency translation	-	(2,698)	(2,698)
At June 30, 2013	997	53,323	54,320
Amortisation and impairment			
At January 1, 2013	-	(3,209)	(3,209)
Amortisation charge	-	(455)	(455)
At June 30, 2013	-	(3,664)	(3,664)
Carrying amount June 30, 2013	997	49,659	50,656

	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2013	931	55,773	56,704
Additions	101	-	101
Conversion of royalty option	-	248	248
Foreign currency translation	(81)	(7,308)	(7,389)
At December 31, 2013	951	48,713	49,664
Amortisation and impairment			
At January 1, 2013	-	(3,209)	(3,209)
Amortisation charge	-	(854)	(854)
Impairment charge	-	(8,313)	(8,313)
At December 31, 2013	-	(12,376)	(12,376)
Carrying amount December 31, 2013	951	36,337	37,288

The exploration and evaluation costs comprise expenditure that is directly attributable to the Trefi and Panorama coal projects in British Columbia, Canada.

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On June 10, 2014, the Group acquired a 2% net smelter return royalty interest on all mineral products sold from the area of the Maracás Project to which the royalty interest relates in exchange for US\$22 million and 500,000 warrants which entitle the holder to acquire one Anglo Pacific ordinary share at a strike price of £2.50 and will be exercisable for five years.

The Maracás Project is due to commence production in the near term and is forecast to produce an average annual production of approximately 25.1 Mlbs (11,400t) V₂O₅ equivalent over a 29 year mine life (in respect of the mine area to which the Royalty relates). Largo has also entered into an off-take agreement with Glencore International AG for all vanadium products produced at the Maracás Project for the first six years of commercial production.

The Amapá royalty interest is the only producing interest and therefore subject to amortisation. Amortisation of the remaining interests will commence once they begin commercial production.

All intangible assets are assessed for indicators of impairment at each reporting date. This led to a provision of £4.5m at June 30, 2014 in relation to the Group's Amapá royalty as a fall in the long term iron ore price, coupled with an increase in the long term shipping costs, has led to the expected discounted future cash flows no longer exceeding amortised cost.

No intangible assets have been pledged as security for liabilities.

12 Mining and exploration interests

	£'000
Fair value	
At January 1, 2013	55,545
Additions	971
Disposals	(6,979)
Impairment taken directly to the income statement	(20,812)
Revaluation adjustment	(2,233)
Foreign currency translation	(478)
At June 30, 2013	26,014
Additions	2,147
Disposals	(1,473)
Impairment taken directly to the income statement	(5,509)
Revaluation adjustment	(874)
Foreign currency translation	(233)
At December 31, 2013	20,072
Additions	391
Disposals	(3,157)
Shares in-lieu of interest	330
Return of equity	(1,974)
Impairment taken directly to the income statement	(759)
Revaluation adjustment	(178)
Foreign currency translation	152
At June 30, 2014	14,877

The fair values of listed securities are based on quoted market prices. Unquoted investments and royalty options are initially recognised using cost where fair value cannot be reliably determined. In the absence of an active market for these securities, the Group considers each unquoted security to ensure there has been no material change in the fair value since initial recognition.

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Total mining and exploration interests are represented by:

	June 30, 2014 £'000	June 30, 2013 £'000	December 31, 2013 £'000
Quoted investments	14,415	23,396	16,018
Unquoted investments	304	2,138	3,896
Royalty Options	158	480	158
	<u>14,877</u>	<u>26,014</u>	<u>20,072</u>

13 Deferred tax

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

	Coal royalties (Kestrel)		Available-for sale-investments		Impairment of	Accrual of	Other tax	Total
	Revaluation of coal royalty (Kestrel) £'000	Effects of tax losses £'000	Revaluation of royalty financial instruments £'000	Revaluation of mining interests £'000	intangible royalty assets £'000	royalty receivable £'000	losses £'000	£'000
At January 1, 2013	50,781	(604)	3,958	(5,812)	-	209	-	48,532
Released to income for the period	(3,397)	619	934	(4,304)	-	295	-	(5,853)
Charge/(Credit) to equity for the period	-	-	1,015	(722)	-	-	-	293
Foreign currency translation	(2,966)	(15)		191	-	(38)	-	(2,828)
At June 30, 2013	44,418	-	5,907	(10,647)	-	466	-	40,144
Released to income for the period	(674)	(627)	(3,154)	1,459	(2,249)	346	-	(4,899)
(Credit)/Charge to equity for the period	-	-	(644)	593	-	-	-	(51)
Foreign currency translation	(4,832)	114	-	(33)	-	(78)	-	(4,829)
At December 31, 2013	38,912	(513)	2,109	(8,628)	(2,249)	734	-	30,365
Released to income for the period	(5,416)	(289)	136	7,708	610	(745)	(713)	1,291
(Credit)/Charge to equity for the period	-	-	(807)	224	-	-	-	(583)
Foreign currency translation	997	(13)	-	(36)	-	11	-	959
At June 30, 2014	<u>34,493</u>	<u>(815)</u>	<u>1,438</u>	<u>(732)</u>	<u>(1,639)</u>	<u>-</u>	<u>(713)</u>	<u>32,032</u>

14 Share capital, share premium and merger reserve

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
At January 1, 2013 and June 30, 2013	109,605,376	2,192	26,853	-	29,045
Issue of share capital under private placing	1,282,049	26	2,475	-	2,501
At December 31, 2013	110,887,425	2,218	29,328	-	31,546
Issue of ordinary shares on acquisitions (note 11)	5,544,371	111	-	9,479	9,590
At June 30, 2013	<u>116,431,796</u>	<u>2,329</u>	<u>29,328</u>	<u>9,479</u>	<u>41,136</u>

On June 2, 2014 the Group completed the placing of 5,544,371 new ordinary shares of 2 pence each at a price of 180 pence per share. The proceeds of this placing were used in the acquisition of the 2% net smelter return royalty over the Maracás Project described in note 11. As the shares were placed in return for acquiring 100% of the share capital of a related entity, the proceeds raised in excess of the nominal value issued is recorded in the merger reserve.

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15 Retained earnings

	£'000
Balance at January 1, 2013	226,090
Forfeiture of options from share-based payments	202
Dividends	(11,065)
Loss for the period (restated)	<u>(27,483)</u>
Balance at June 30, 2013 (restated)	187,744
Forfeiture of options from share-based payments	66
Dividends	-
Loss for the financial period	<u>(15,014)</u>
Balance at December 31, 2013	172,796
Forfeiture of options from share-based payments	89
Dividends	(11,535)
Loss for the period	<u>(23,048)</u>
Balance at June 30, 2014	<u><u>138,302</u></u>

16 Related party transactions

Related party transactions during the six months ended June 30, 2014 were payments of £18,184.94 to Audley Capital Advisors LLP, a company which Mr J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the reimbursement of travel related expenditure (2013: £nil). At June 30, 2014 a total of £nil was owing to Audley Capital Advisors LLP (2013: £nil).

17 Events occurring after period end

The Group has entered into a definitive agreement to dispose of its interest in the Panorama Coal Project with Atrium Coal NL. Under the terms of the agreement, the Group will receive US\$500,000 in cash on completion, together with 1,000,000 Atrium shares and deferred consideration of US\$2.0m in the form of a 12-month promissory note with an interest coupon of 8% per annum. As part of the sales process, the Group will also retain a royalty equivalent to the higher of 1% of gross revenue on a "mine gate" basis or US\$1/tonne.

With the exception of the above and the declaration of the 2014 interim dividend, there are no events occurring after the period end, which require disclosure.

18 Principal risks and uncertainties

The Group's normal business risks and the strategic risks are set out in the Strategic Report section on pages 17 to 19 of the Annual Report for the year ended December 31, 2013. In addition to these risks, the Board has identified, inter alia, four main macro-economic risks that could affect the Group's performance:-

- (i) A prolonged, world-wide economic recession
- (ii) Sustained low commodity prices
- (iii) A fall in precious metal prices
- (iv) Currency volatility

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Measures taken by the Board to manage these risks include:-

- regular meetings of the Group's senior management;
- regular discussions between the Chief Executive Officer and non-executive Chairman;
- appointment of a strong support network of advisors during the period;
- careful and disciplined cash management and reporting;
- a diversified portfolio of projects covering a number of commodities and geographical areas;
- regular review of sovereign risk; and
- cash being held at a number of banks and stockbrokers in a variety of currencies and short-term financial instruments.

In addition, recent strengthening of the Board has brought a wealth of industry specific operating and financial experience, which will assist the Group in mitigating and managing the principal risks and uncertainties associated with the Group achieving its strategy.

19 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.

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INDEPENDENT REVIEW REPORT TO ANGLO PACIFIC GROUP PLC

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 June 30, 2014 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 related notes 1 to 19. We have read the other information contained in the half-yearly financial report 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 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent 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 conclusions 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 Conduct 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 have 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 June 30, 2014 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 Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
August 27, 2014

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Third party information

As a royalty holder, the Group often has limited, if any, access to non-public scientific and technical information in respect of the properties underlying its portfolio of royalties, or such information is subject to confidentiality provisions. As such, in preparing this announcement, the Group has largely relied upon the public disclosures of the owners and operators of the properties underlying its portfolio of royalties, as available at the date of this announcement.

Rio Tinto Limited, Beadell Resources Limited, Alliance Resources Limited and Berkeley Resources Limited are all listed on the Australian Securities Exchange and report in accordance with the JORC Code. Orvana Minerals Corp is listed on the Toronto Stock Exchange and Largo Resources Limited is listed on the TSX Venture Exchange, and both report in accordance with NI 43-101. Zamin is an independent mining group. Hummingbird Resources PLC is listed on AIM.

Further, this announcement contains information and statements that are based on certain estimates and forecasts that have been provided to the Group by Kestrel Coal Pty Ltd ("KCPL"), the accuracy of which KCPL does not warrant and on which readers may not rely.

References in this announcement to websites are made as inactive textual references and for informational purposes only. Information found at the relevant websites is not incorporated by reference into this announcement. The Group makes no representation as to the accuracy of any such information.

Cautionary note to U.S. investors concerning estimates of inferred resources

Certain technical disclosure in this press release has been prepared in accordance with the requirements of Canadian securities laws, including NI 43-101, which differ from the requirements of U.S. securities laws. This press release uses the term "inferred mineral resources". U.S. investors are advised that while this term is recognised and required by Canadian securities laws, the U.S. Securities and Exchange Commission does not recognise it. Under U.S. standards, mineralisation may not be classified as a "reserve" unless the determination has been made that the mineralisation could be economically and legally produced or extracted at the time the reserve determination is made. "Inferred mineral resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of an inferred mineral resource will ever be converted into reserves. U.S. investors are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable. Accordingly, information contained in this announcement containing descriptions of the Company's asset base may not be comparable to similar information made public by other companies subject to the reporting and disclosure requirements under U.S. securities laws.

Cautionary statement on forward-looking statements and related information

Certain information contained in this announcement, 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 announcement include, but are not limited to: stability of the global economy; stability of local government and legislative background; continuing of ongoing operations at 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 reserves, resources, production, grades, mine life, and cash cost) made by the owners and operators of such underlying properties; accuracy of the information provided to the Group by KCPL; 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

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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 "Principal Risks and Uncertainties" section of our most recent Annual Report and to the "Risk Factors" section of our most recent Annual Information Form available on www.sedar.com and the Group's website www.anglopacificgroup.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 announcement are made as of the date of this announcement 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.