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Anglo Pacific Group PLC
Interim results for the six months ended June 30, 2017

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, 2017 which are available on both the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com.

Highlights:

Results for the half year

- Free cash flow* generated in H1 2017 of £18.9m, a 300% increase on the £4.7m in H1 2016 and comfortably in excess of £13.4m generated in FY 2016
- This includes £3.3m from the Denison financing arrangement, of which £1.7m relates to FY 2016 – this arrangement has generated cash returns of C$0.5m per month on average
- Royalty income in H1 2017 of £16.1m, a 295% increase from £4.1m in H1 2016 and at 82% of the £19.7m earned for 2016 as a whole
- Increase attributable mainly to higher commodity prices, favourable exchange rate and increased mining within our private royalty land at Kestrel (88% in H1 2017 and 95% in Q2 2017 vs 38% in H1 2016)
- Record royalty income from Maracás Menchen reflecting strong production and a significant improvement in vanadium prices – H1 2017 average of US$5.46/lbs compared to US$3.15/lbs in H1 2016, and currently in excess of US$9.50/lbs
- Increase in overheads to £3.0m in H1 2017 from £1.8m in the corresponding period, reflecting higher staff costs, including share based payments, and increased investment costs associated with sourcing and appraising royalty transactions
- Adjusted earnings* of £12.9m for the first six months of 2017, a 438% increase on the £2.4m equivalent in 2016 translating into adjusted earnings per share* of 7.44p (H1 2016: 1.43p)
- Non-cash fair value charges of £14.9m, mainly related to resource depletion and pricing assumptions led to a loss after tax of £2.5m and loss per share of 1.46p (H1 2016: £10.2m, £5.4m and 3.18p respectively)
- Interim dividend of 3p per share, to be paid on November 15, 2017 – which, in line with our recently announced payment policy change is ~ 85 days ahead of our previous payment timetable
- Kestrel valuation £107.5m at June 2017, down 8% on £116.9m at the beginning of the year – mainly due to resource depletion and forward pricing assumptions
- Net debt of £0.6m at June 30, 2017 (December 31, 2016: £1.0m) – with all borrowings subsequently repaid following receipt of the Q2 2017 royalty income and after payment of the 2016 final dividend
- Net assets of £209.6m (December 31, 2016: £210.1m) translating into net assets per share of 116p (December 31, 2016: 124p)

Outlook

- 2017 expected to continue the recent trend of recording significant growth in royalty income
- ~90% of Kestrel's coal sales over the next twelve months expected to be subject to the Group's royalty
- Commodity prices, particularly coking coal and vanadium, have beaten expectations to date in Q3 2017
- Royalty revenues continue to benefit from weak Sterling exchange rate versus the US and Australian dollar

Words with this symbol * are defined as Alternative Performance Measures. For more information on the APMs used by the Group, including definitions, please refer to the Alternative Performance Measures section of the notes to editors on page 3.

Julian Treger, Chief Executive Officer, commented:

"Anglo Pacific has had a very strong start to 2017, which has seen us add to our portfolio with the Denison financing arrangement, report significant further increases in royalty revenue, and become debt free. This gave us the confidence to implement the payment of our dividend on a quarterly basis, to match the timing of our quarterly revenue, and also to accelerate the timing of dividend payments post declaration.

Mining at Kestrel is now firmly back to within the Group's private royalty land. It is pleasing to see that this increased volume in mined coal that is subject to the Group's royalty has coincided with a strong rebound in the coking coal price. This, along with the contribution from the rest of the portfolio and the recent Denison financing arrangement, has seen us post a doubling of income over the last two years and a similar outcome is expected this year.

We have now repaid all of our borrowings, including the amounts drawn down as part of the Denison transaction, and have a fully covered dividend. The Group has ready access to between US$30.0-US$40.0m of cash and borrowing facilities for further royalty investments, and this is very much the focus for the second half of the year."

Analyst presentation

There will be an analyst presentation www.anglopacificgroup.com today at the offices of Redleaf Communications, First Floor, 4 London Wall Buildings, Blomfield Street, London, EC2M 5NT. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Juan Alvarez (Head of Investments). If you would like to attend please email anlgopacific@redleafpr.com.

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Notes to editors:

About Anglo Pacific

Anglo Pacific Group PLC is a global natural resources royalty company. The Company's strategy is to develop a leading international diversified royalty and streaming company with a portfolio centred on base metals and bulk materials, focusing on accelerating income growth through acquiring royalties on projects that are currently cash flow generating or are expected to be within the next 24 months, as well as investment in earlier stage royalties. It is a continuing policy of the Company to pay a substantial portion of these royalties to shareholders as dividends.

Alternative Performance Measures

Throughout this report a number of financial measures are used to assess the Group's performance. The measures are defined as follows:

Operating profit/(loss)

Operating profit/(loss) represents the Group's underlying operating performance from its royalty interests. Operating profit/(loss) is royalty income, less amortisation of royalties and operating expenses, and excludes impairments, revaluations and gain/(loss) on disposals. Operating profit/(loss) reconciles to 'operating profit/(loss) before impairments, revaluations and gain/(losses) on disposals' on the income statement.

Adjusted earnings and adjusted earnings per share

Due to the growing number of valuation and other non-cash movements being recognised in the income statement, the Group presents adjusted earnings, which the directors consider to be a useful additional measure of the Group's performance.

Adjusted earnings represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit/(loss) attributable to equity holders less all valuation movements, and non-cash impairments, amortisation charges, share-based payments, finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to note 5 to the financial statements for a reconciliation of adjusted earnings to the profit/(loss) attributable to equity holders and adjusted earnings per share.

Free cash flow and free cash flow per share

The structure of a number of the Group's royalty financing arrangements, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group also considers dividend cover based on the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator.

Free cash flow is the net cash generated from operating activities, plus proceeds from the disposal of non-core assets, less finance costs.

Free cash flow divided by the weighted average number of shares in issue gives free cash flow per share. Refer to note 19 to the financial statements for a reconciliation of free cash flow to net cash generated from operating activities and free cash flow per share.

Dividend cover

As it is a continuing policy of the Company to pay a substantial portion of its royalties to shareholders as dividends, the directors consider the affordability of the dividend, conveyed by dividend cover, to be a useful additional measure of the Group's performance. Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share. Refer to note 6 to the financial statements for dividend cover.

BUSINESS REVIEW

The first half of the year has been another period of significant progress for Anglo Pacific. We have built on the considerable growth in 2016, reporting further increases in royalty income which have translated to a 410% increase in adjusted earnings, driven in particular by a very strong performance from our Kestrel royalty, with 95% of sales falling within our land in Q2 2017, combined with higher realised prices.

A highlight in the period was the entering into of the Denison financing and streaming arrangement in February, which has resulted in the receipt of £3.3m to the end of June. This cash flow, combined with the strong level of cash generated from the portfolio has resulted in free cash flow of £18.9m in the first six months, well in advance of the comparable period last year and already ahead of the £13.4m generated in 2016 as a whole. This allowed the Group to repay its borrowings in full at the beginning of August.

The strong level of cash generated, combined with a smoother revenue profile expected for the foreseeable future allowed us to alter our dividend payment profile, with a transition to quarterly dividend payments and an acceleration of the payment schedule. The outlook for the remainder of the year remains very healthy, with the commodity prices from which the Group's revenue is derived performing well to date. This, along with a fully undrawn borrowing facility and a fully covered dividend, means the Group is in strong financial health to pursue further royalty acquisitions.

Royalty income

Royalty income for the first six months of 2017 was £16.1m, a 295% increase on the equivalent period last year, and ahead of the £15.6m earned in the second half of 2016. This was driven by the combination of higher sales volumes at Kestrel, more of those sales being from coal mined within the Group's private royalty area, and higher average realised coal prices which, in turn, resulted in a higher average royalty rate. Our reported royalty income is already 82% of that reported for 2016 as a whole, suggesting the Company should report a meaningful increase on the £19.7m in 2016, which was in itself a considerable increase on the £8.7m generated in 2015.

Furthermore, the Group has accumulated tax losses available to it which should be utilised in the current year, meaning minimal corporation tax on our expected income in 2017.

Portfolio Highlights

We have continued to diversify our portfolio in the first six months of the year with the addition of the Denison financing and streaming arrangement, which derives its income from the processing of uranium. This transaction is slightly different from our usual royalty investments in that it represents an exposure to mining infrastructure rather than an underlying commodity, and is accounted for differently from our main sources of income, as discussed in the finance review on page 4.

In addition to the strong performance at Kestrel noted above, we have been particularly pleased with the contribution in the first half from our Maracás Menchen vanadium royalty, where production levels have been at record levels and the price of vanadium has recovered to over US$9.50/lbs – a noticeable increase from the average of ~US$3.15/lbs in H1 16 and US$5.02/lbs at the beginning of the year. We are optimistic about the prospects for vanadium, especially in light of its use in storage batteries as part of the evolution towards main stream electric vehicles.

We have recorded declines in the fair value of our royalty financial instruments and Kestrel of £14.9m in the first six months, reversing the gains made in the second half of 2016. This is mainly due to resource depletion at Kestrel associated with high sales volumes so far this year and forward coal pricing assumptions. Elsewhere, other than movements relating to revisions to commodity price adjustments, we have fully impaired our Indo Mines Limited ("Indo Mines") convertible debenture to £nil, following their recent announcement of limited progress or prospects of raising finance for their Indonesian iron sands projects, although we reserve our rights in full. Excessive deductions continue, in our view, to be claimed in the calculation of our royalty by Quasar Resources, the operator of Four Mile. We are challenging this claim and have appointed external legal and technical advisors to assist us in resolving this matter in a timely manner.

Cash flow

The Group has generated £15.8m in net cash from operating activities in the six months to June 30, 2017 (2016: £4.5m). As a result, we have already generated more operating and free cash flow than we did in 2016 as a whole. Free cash flow is becoming a key metric for us as it includes the cash flow received from the recent Denison financing and streaming arrangement which forms part of our assessment of dividend cover. Free cash flow in the first six months of the year was £18.9m, compared to £4.7m in the first six months of 2016 and £13.4m for 2016 as a whole.

This strong level of cash generation allowed us to repay all of our borrowings post period end at the beginning of August, a key milestone for us. This is all the more pleasing considering we partially funded the Denison financing arrangement through the drawdown of C$12.8m of borrowings in February 2017, less than six months ago. We now have an undrawn US$30.0m revolving credit facility, with the possibility to upsize to US$40.0m through an accordion option, available for future acquisitions. With a smoother income profile expected going forward, along with a fully covered dividend, we have liquidity to finance acquisitions up to US$40.0m from existing resources.

Dividend

On June 26, 2017, we announced our intention to move towards quarterly dividend payments along with a reduction in the time period between announcing the dividend and payment. In that regard, we announced an interim dividend of 3p per share with the intention of paying this on November 15, 2017 – some 85 days in advance of when the 2016 interim dividend was paid previously. We will pay a third quarter dividend of 1.5p in February 2018, which represents one quarter of last year's 6p dividend. Our final dividend will be proposed in our Q4 2017 trading update in February 2018. It is at this stage, based on the full year results and market conditions that we will decide on the level of the 2017 dividend as a whole.

Outlook

We are optimistic about the second half of the year given current commodity prices. Coking coal, the main driver of our income and profitability, has experienced particular volatility over the last twelve months, driven by short-term Chinese policy decision making and weather events in Australia. Prices rose from US$82/t on average in H1 2016 to US$240/t in H1 2017. Consensus suggests that prices will come down to US$145/t in the second half of the year. At present, however, spot prices are running higher at ~US$190/t and the longer prices prevail at these levels, the higher our overall income for 2017 will be.

Our focus for the second half of the year is on adding further royalties to the portfolio, continuing the diversification we have already achieved with the Denison transaction.

PORTFOLIO REVIEW

Kestrel

The Group's performance has strongly benefited from the contribution from Kestrel in the first six months of the year. As previously discussed, and evidenced by the mine plan map which we publish routinely, we expect that mining will be predominantly within our private royalty land for the foreseeable future.

- Royalty income

There were five factors which drove the significant increase in revenue in the first half of the year compared to the corresponding period in 2016. Revenue in the first half was also in excess of that earned in H2 2016.

Firstly our proportion of production at Kestrel that was within our royalty lands increased significantly in the period. In H1 2017 we earned a royalty on 88% of all sales from Kestrel, and ~95% in Q2 2017 alone. This is a significant increase on the 38% equivalent in H1 2016 and in line with that of H2 2016. The information we have received from Rio Tinto suggests that we will earn a royalty on ~90% of sales from Kestrel over the next four quarters.

Secondly the price of coking coal increased significantly in Q4 2016, driven by Chinese policy changes and weather events in Australia. Consequently, the average price achieved from our Kestrel royalty in the first half of 2017 was double that of H1 2016, and 13% higher than H2 2016. Most commentators are predicting that coal prices will decline through H2 2017 as these short-term influences reverse, but we have been encouraged to see coking coal prices remain well in excess of US$170/t to date in Q3 2017.

The third factor is a direct consequence of price levels. The Kestrel royalty operates a ratchet system whereby there is a 7% royalty on the first A$100/t, 12.5% from A$101-A$150/t and 15% on anything above A$150t. With the headline price of coking coal averaging ~A$320/t in H1 2017, there was a much higher portion of the royalty earning 15%, whereas most of our income in H1 2016 was only attracting 7%.

The fourth factor, was overall levels of production at Kestrel. Total production in H1 2017 was 2.585kt, a near 10% increase on H1 2016.

Finally, the results for the first six months of the year benefited from favourable exchange rates compared to the same period in 2016 as the full impact of the weakness of the pound post the EU referendum only came through in the second quarter of the year. The average GBP:AUD in H1 2017 was 1.67 compared to 1.91 in H1 2016. This results in the Australian dollar denominated income being translated into more pounds in the first half of 2017.

- Valuation

Another impact of the Kestrel royalty on our results is its fair value adjustment at the end of each reporting period. At June 30, 2017, the fair value of the Kestrel royalty as reflected on the Group's balance sheet was A$181.8m (£107.5m), a reduction of A$18.5m (£9.4m) on the balance at the beginning of the year.

A large part of this reduction was due to resource depletion following the high levels of income earned by the Group during the first half. The other material component of the decrease was a revision to forward coal prices used in the estimate of future cash flow. As mentioned above, most commentators are expecting coal prices to reduce from the current levels and this is reflected in the latest consensus commodity price forecast, although coal prices have held at higher levels in the quarter to date than what the consensus forecast was predicting.

The impact on net assets attracts a tax shield by way of a corresponding debit to the deferred tax liability meaning that the net reduction in the period was £6.4m.

Narrabri

Income from Narrabri was 17% higher than H1 2016. Underlying income was in line with the same period in 2016, with lower sales volumes being offset by an increase in average realised price. Similar to Kestrel, we benefited from translating this Australian dollar income to pounds at a more favourable exchange rate.

Whitehaven experienced production disruptions associated with geotechnical issues encountered in longwall LW06 which caused longwall retreat rates to be lower than planned at the end of Q4 2016 (impacting our royalty in Q1 2017). Whitehaven stated that this was localised to one area of LW06 and not expected to have the same impact going forward. Lower sales volumes are also attributable to a longer than normal longwall changeover at the end of February 2017, as this was the change involving the installation and commissioning of the wider longwall infrastructure.

Thermal coal prices have performed better than most commentators expected in the first half of 2017, benefitting from weather related disruption in Australia.

Maracás Menchen

Income from Maracás in the period increased by 219% compared to the corresponding period in 2016 through a combination of strong production volumes and a recovery in the vanadium price.

Largo Resources enjoyed strong production in the second half of 2016 and this trend continued into 2017, despite a planned 20-day plant shutdown in Q1 2017 to carry out some modification and repairs. Total sales in the period were approximately 28% higher than in H1 2016, with recoveries in Q1 2017 of 71.8%, a significant improvement on the 62.6% and 58.9% in the immediately preceding quarters.

Following the improvements to the plant, Largo now anticipates monthly output of 840 tonnes of vanadium for the remainder of 2017, which would equate to over 10Mtpa run-rate.

Not only is this a significant milestone for Largo, but it also comes at a time when the vanadium price has recovered to recent highs. Recent spot prices have been in excess of $9.00/lbs compared to an average spot price of ~$3.56/lbs in 2016. It is possible that higher pricing levels could prevail throughout the second half of the year.

El Valle-Boinás/Carlés ("EVBC")

Income from EVBC in the first half of the year also showed an upward trend. Orvana Minerals endured a difficult 2016, with lower levels of output due to a number of localised issues. This prompted Orvana to invest in a programme of improvements designed to increase productivity in its FY 2017.

To date, it appears that Orvana has made significant progress in line with its strategic objectives. In the quarter to June 30, 2017, production of gold and copper at EVBC increased by 15% and 24% respectively compared to the immediately preceding quarter, and throughput at the mill of 2,284tpd was in excess of their target of 2,000tpd set at the beginning of the period. Orvana has stated that they are on track to meet their overall fiscal 2017 production guidance.

Four Mile

We remain highly frustrated by the level of deductions which Quasar Resources is claiming, incorrectly in our view, against our royalty income, which resulted in no income in the first half of the year. We are disputing the level of deductions being claimed by the operator as we believe that these do not conform to the definitions within our royalty contract, and have appointed legal and technical experts to assist us. We have demanded further evidence from Quasar, in line with our information rights, and will consider their response carefully before deciding on an appropriate course of action for the recovery of amounts we believe to be owing.

Jogjakarta

The Group entered into a US$4m convertible debenture with Indo Mines in 2008, which was designed to turn into an NSR royalty on their iron sands project in Indonesia. The debenture is subject to interest at the rate of 8% per annum and is convertible from December 31, 2017 at the Group's election.

Progress to date had been significantly hampered by the export ban which the Indonesian government has imposed on its resource sector. Indo Mines had been exploring several financing options in recent months, including off take and co-investment opportunities. In their update on July 28, 2017 it was commented that these discussions had yielded little progress. As a result, the Group has impaired its convertible debenture to £nil, resulting in a £3.1m charge to the income statement at June 30, 2017.

To date, the Group has recovered cash of US$2.1m against its US$4.0m investment through interest payments.

The Group's debenture is secured, and we will be exploring all avenues to extract value from our instrument.

FINANCE REVIEW

The first six months of 2017 has seen a significant increase in royalty income, adjusted earnings and free cash flow generation. This has allowed the Group to become debt free following the receipt of the Q2 2017 royalty income and post the 2016 final dividend which was paid in early August.

Denison accounting treatment

The results for the period ended June 30, 2017 includes, for the first time, the contribution from the Denison financing arrangement which we entered into in February of this year. This transaction comprised a C$40.8m 13-year secured loan with a coupon of 10% per annum paid quarterly in arrears along with a separate stream component which ensures that we should receive, at a minimum, the equivalent toll milling revenue received by Denison in conjunction with their partial ownership of the McClean Lake processing facility.

The loan element contains certain mandatory principal repayments when toll revenue earned by Denison in any one period exceeds the interest charge. In the event that toll revenues are not sufficient to repay the interest, the balance will be capitalised and carried forward.

The cash flow from the loan will, therefore, be treated as part interest and part principal repayment. The interest component will be calculated on a quarterly basis. Any cash received above this will be treated as a mandatory principal repayment. As such, only the interest portion will be included in the income statement and adjusted earnings. The additional cash flow received which is treated as principal repayment will not appear in the income statement. The cash received, whether interest or principal, will be included in the Group's measurement of free cash flow.

The stream is only applicable to revenue earned by Denison from toll milling receipts from ore processed other than on the first 215mlbs from July 1, 2016. Our latest estimates suggest that this will only become payable in 10-15 years' time, depending on the output from the Cigar Lake uranium project.

Income statement

Adjusted earnings for the six months to June 30, 2017 were £12.9m, or 7.44p per share, a significant increase on the same period in 2016 and already some 78% of that earned for 2016 as a whole. Adjusted earnings represent the profit on which the directors assess the Group's underlying performance and excludes all non-cash valuation/amortisation adjustments along with the associated tax.

Allowing for the fair value adjustments to the Kestrel royalty, and the Group's royalty financial instruments resulted in a loss after tax for the period of £2.5m compared to £5.4m at the 2016 half year. The following analysis begins by considering adjusted earnings and then reconciles to the loss after tax.

Adjusted earnings

Adjusted earnings were £12.9m in the first half of 2017, compared to £2.4m in the comparable period in 2016. This translates into adjusted earnings per share of 7.44p for the half year, resulting in dividend cover of 2.48x. This is a significant increase on the same period in 2016 when adjusted earnings were 1.43p.

	H1 2017 £'000	H1 2016 £'000	FY 2016 £'000
Royalty income	16,084	4,075	19,705
Operating expenses	(2,512)	(1,423)	(3,327)
Finance income *	848	70	82
Realised foreign exchange	385	1,248	2,265
Finance costs	(399)	(423)	(1,086)
Other	117	63	309
Current tax	(1,621)	(1,202)	(1,454)
Adjusted earnings	12,902	2,408	16,494
- per share	7.44p	1.43p	9.76p
Dividend	3.00p	3.00p	6.00p
Dividend cover	2.48x	0.48x	1.63x

* does not include the portion of Denison cash flows designated as principal repayment.

The individual components of adjusted earnings are outlined below.

Royalty income

	Six months ended June 30				Twelve months	
Royalty income	**H1 17 £'000**	**H1 16 £'000**		**H2 16 £'000**	**FY 16 £'000**	**FY 15 £'000**
Kestrel	**12,604**	1,432	780%	11,702	13,134	3,614
Narrabri	**1,880**	1,608	17%	2,635	4,243	3,216
Maracás Menchen	**785**	246	219%	545	791	606
EVBC	**815**	598	36%	625	1,223	1,247
Four Mile	**-**	191	-100%	123	314	-
Total	**16,084**	4,075	295%	15,630	19,705	8,683

Royalty income for the first six months of 2017 was 295% higher than the comparative period and is already 82% of that earned for the entire year in 2016 - a year which had in its own right shown a 127% increase on the previous year.

- Kestrel

The main reasons for the increase in the current year are prices achieved and a significant increase in the proportion of sales from coal mined from within the Group's private royalty land. In H1 2017, 88% of total sales by Rio Tinto at Kestrel were subject to the Group's royalty compared to 38% in H1 2016. In Q2 2017 alone this number was ~95% and we expect this number to be in excess of 90% for the remainder of the year.

In addition to more sales from the Group's private royalty land, the average price from Kestrel in the first half of the year was almost double that of the first six months of 2016, and 35% higher than the average for 2016 as a whole. Not only does this translate directly into additional royalty income, but it also results in a greater proportion of sales being subject to the highest royalty ratchet rate. It is widely anticipated that coking coal prices will soften in the second half of the 2017, with consensus estimating headline premium hard coking coal average price of US$145/t in H2 2017 compared to US$240t in the first half, although spot prices are currently higher than the consensus estimate for Q3 2017 which bodes well for the Group's revenue in the second half and 2017 as a whole.

Kestrel is discussed in more detail in the portfolio section on page 2.

- Maracás Menchen

Kestrel is not the only royalty which has reported triple figure growth in the period. Revenue from the Group's Maracás Menchen royalty is 219% higher than the comparative period in 2016. Largo Resources, the operator, achieved several production records in H2 2016 and, despite a planned 20 day plant shutdown in Q1 2017, has maintained these levels during the first six months of 2017. Similar to Kestrel, this is only one side of the story, the other being price. Vanadium has enjoyed a stellar start to 2017, with spot prices currently in excess of $9.50/lbs, almost double the price at the beginning of the year. We remain bullish on the long-term prospects for vanadium given the supply demand outlook along with the increased potential for it to be a key component of energy storage technology in the car industry.

- Narrabri

Narrabri reported a 17% increase in the period, despite their overall sales volumes being less than most market commentators were expecting in Q2 2017. Some of the factors behind this can be explained by the geotechnical operating issues experienced in LW06 during Q1 2017, and the knock-on effect in the second quarter. We would expect a slight catch up in Q3 2017.

- EVBC

EVBC also contributed a noteworthy increase in revenue of 36%, as they have gone some way to addressing the issues they experienced in 2016. This has been a very consistent revenue source for the Group over the years, and we expect that total volumes for 2017 will be well in advance of those in 2016.

- Four Mile

We are disappointed to report £nil revenue from our Four Mile royalty, despite Quasar Resources informing us of underlying production and sales during the period. The reason for a £nil royalty return has been discussed in some detail in the business review, and we have engaged experts to assist us in pursuing amounts which we consider to be due.

Currency

Currency movements can be meaningful for the Group given that the Group's revenue is earned in dollar denominated currencies, the Australian dollar in particular. Average GBP:AUD was 1.67 for the first six months of the year, compared to 1.91 in H1 2016, a 15% favourable movement in the current period, and responsible for some £2.2m of the £12.0m increase in royalty income. The pound weakened considerably at the end of June 2016 following the outcome of the EU referendum and, although there have been noticeable swings in either direction, has maintained its weakness in the twelve months to June 30, 2017. We have put in place a hedging programme to protect a portion of our income at these historically favourable rates and will continue to monitor currency closely in H2 2017.

Operating expenses

Total operating expenses for the period were £3.0m, compared to £1.8m for the first six months of 2016. Operating expenses includes the non-cash valuation of share based payments. These charges are excluded from the adjusted earnings measure. Operating expenses included in adjusted earnings were £2.5m compared to £1.4m in the first half of 2016, an increase of 79%. The majority of this increase is attributable to staff costs, reflecting lower bonus levels in 2015, including the waiver of any bonus for the CEO and salary increases (most of which had not been increased in two years).

As we look to increase our rate of investment, we would expect an element of cost to be incurred appraising potential investments which never come to fruition. We also expect some costs associated with managing our existing portfolio. We remain very disciplined in our approach to cost and are targeting total costs of around £4.0m for 2017 as a whole.

Finance income and finance costs

Finance costs were in line with the previous period and reflect the interest charges and commitment fee associated with the Group's revolving credit facility. They also include those costs allocated to the income statement associated with the equity raise to part fund the Denison financing arrangement.

Finance income is also in line with the previous period, although there are some large items which net off. Finance income in the six months to June 30, 2017 includes interest income on the C$40.8m loan advanced to Denison as part of the financing arrangement entered into in February 2017. The loan attracts fixed income at the rate of 10% on the outstanding balance at the beginning of each quarter, and to the end of June amounted to £0.8m.

Also included in finance income is the realised foreign exchange gains in the period of £0.4m. This is considerably lower than the corresponding £1.2m in 2016 which reflected the re-rating of the pound just before the half year in 2016 following the outcome of the EU referendum. The pound was much less volatile in the period to June 30, 2017.

Current tax

Tax in the period reflects withholding tax on royalties and financing arrangements. Following the sale of the Group's Isua royalty in December 2016, we do not expect to pay any corporation tax on our income in 2017. The tax credit associated with the amortisation charge is grossed up in calculating adjusted earnings.

Profit after tax

	H1 2017	H1 2016	FY 2016
Adjusted earnings	12,902	2,408	16,494
Amortisation of royalties	(1,568)	(1,339)	(2,869)
Share based payments	(527)	(402)	(803)
Gain on sale of mining and exploration interests	28	-	2,449
Kestrel fair value adjustment	(11,062)	(10,161)	17,900
Fair value adjustments on financial instruments	(3,866)	-	(6,977)
Other (losses)/gains	(555)	179	664
Deferred tax	1,646	3,595	(1,356)
Other tax	470	339	860
(Loss)/Profit after tax	**(2,532)**	**(5,381)**	**26,362**
- basic (loss)/earnings per share	(1.46p)	(3.18p)	15.60p

The fair value adjustment in relation to Kestrel is considered in more detail in the balance sheet section. Other fair value adjustments reflect the full impairment of the Indo Mines convertible debenture following delays in their various financing initiatives. The remaining fair value adjustments reflect revisions to commodity prices associated with those assets held at fair value.

Included within other losses and gains is the mark to market gains and losses on the Group's forward rate currency hedges. These unwind through the realised foreign exchange gains/losses which are included in adjusted earnings.

Amortisation reflects a depreciation charge against those assets which are included as intangible assets and which are not remeasured at each reporting date.

Over all, the fair value adjustment for Kestrel has resulted in the adjusted profit for the period moving to a loss after tax of £2.5m for the six months ended June 30, 2017 compared to a loss after tax of £5.4m in the previous year. This translates into a loss per share of 1.46p (H1 2016: 3.18p).

Balance Sheet

Net assets per share decreased from 124p per share at the beginning of the year to 116p at June 30, 2017. The main reason for the decrease is resource depletion at Kestrel along with fair value adjustments reflecting lower consensus commodity price forecasts than those at the beginning of the year.

		£'000	per share
Net asset as at January 1, 2017		**210,138**	**124p**
Kestrel:			
Resource depletion	(8,363)		
Coal price assumptions	(5,643)		
Other	2,738		
Foreign exchange on translation	1,858		
Deferred tax on revaluation	3,036	(6,374)	
Denison Financing Arrangement (50% equity)		12,974	
Amortisation of royalty intangibles		(1,568)	
Fair value of royalty financial instruments		(2,909)	
Mark to market of equity holdings		(2,454)	
Adjusted earnings		12,902	
Dividends		(10,470)	
Other		(2,684)	
Net assets as at June 30, 2017		**209,555**	**116p**

There was a decline of £11.1m, net of deferred tax, in the Group's assets carried at fair value, during the first six months of the year. Some of this reduction reflects the strong underlying performance at Kestrel and associated resource depletion during the six months to June 30, 2017. This accounted for £5.9m (net of tax) of the overall reduction.

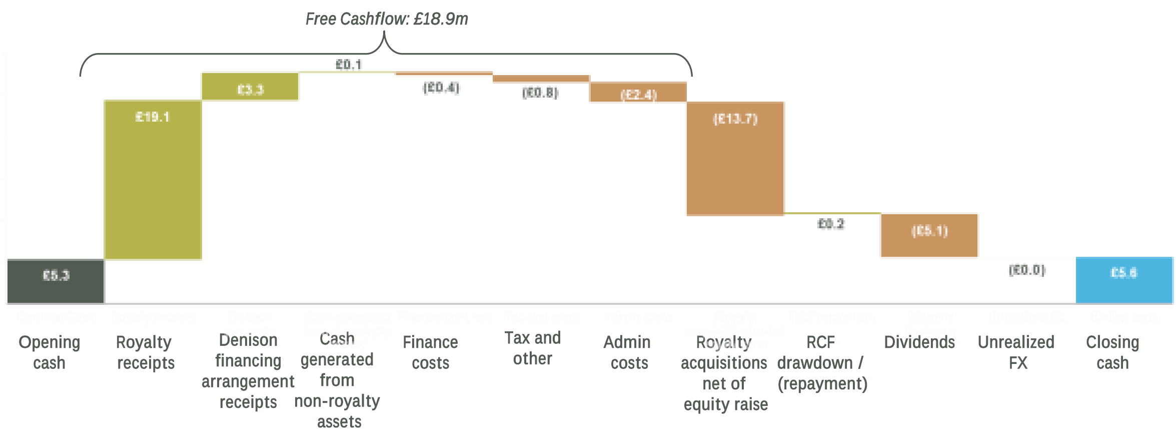
At the end of June, forward consensus prices, including coking coal, were running lower than at the beginning of 2017, which impacted on the carrying value of those royalty assets held at fair value. Elsewhere, the Group's Jogjakarta debenture instrument was impaired to £nil following the announcement by Indo Mines that their financing initiatives were running behind schedule. The Group's debenture is convertible on December 31, 2017, and we continue to explore ways of extracting value from our security.

Included in the above table is the 2016 interim dividend along with the accrual of the 2016 final dividend which was paid in August. The latter is included as a liability at June 30, 2017 as it was approved by shareholders at the AGM in May 2017.

Although the net assets decreased slightly in value at the end of June it is worth remembering that almost £80m of the remainder of the portfolio is carried on the books at cost less accumulated amortisation and impairment losses. These assets are assessed for impairment at the end of each reporting period and where the net present value of expected future cashflow is lower than the carrying value the asset is impaired. However, whenever the net present value is higher, the excess is not reflected on the balance sheet. As such, in any period where there is no impairment charge it is logical to assume that there is greater inherent value compared to the carrying value. As such, the net asset value per share of 116p does not, in our view, reflect the true net asset value, but a more conservative 'lower of' valuation.

Cash flow and debt

The Group continued to generate strong cash flow in the first half of 2017. Free cash flow is defined as the residual cash flow available for investment, distribution or debt reduction. This metric is not directly comparable to adjusted earnings as there is a one month time gap between accruing the Group's royalty income and this being received in cash i.e. the revenue accrued at June 30, 2017 was only received at the end of July 2017.



The Group generated £15.8m in net cash from operating activities in the in the first six months of the year, resulting in total free cash flows of £18.9m. This compares favourably to the £4.5m in net cash from operating activities and £4.7m in free cash flows generated in the equivalent period in 2016 and is already in excess of the £10.3m and £13.4m generated respectively in 2016 as a whole.

Free cash flow includes the payments received from Denison which is categorised as loan principal repayment. This amounted to £2.5m to June 30, 2017 and when combined with the £0.8m included as interest payments in the Income Statement, translates to cash generated from the Denison financing arrangement of £3.3m since we entered into this transaction in February 2017 - £1.8m of this relates to H2 2016.

We are very pleased with the level of cash flow from the Denison financing, which is currently generating ~C$0.5 per month. The loan is repayable initially from the cash flow which Denison receive from their part ownership of the McClean Lake mill, which entitles it to a toll from ore processed from Cigar Lake. Our financing arrangement has provisions which requires a mandatory repayment of principal when toll receipts exceed the interest coupon, as has been the case thus far in 2017.

As the Q2 2017 royalty income was not received until the end of July, the Group ended the period with net debt of £0.6m compared to £1.0m at the beginning of the year. Upon the receipt of the Q2 2017 royalty income the Group repaid all outstanding borrowings. This includes repaying the C$12.8m drawn to part fund the Denison financing arrangement in February 2017, less than six months after drawdown.

Following the £5.4m dividend payment at the beginning of August 2017, the Group is now debt free. As such, we have full access to our US$30.0m revolving credit facility. We now expect our quarterly income to cover the now quarterly dividend payment such that the debt facility can be used for corporate purposes and royalty acquisitions. This facility also has the potential to be upsized to US$40.0m depending on the acquisition. Consequently, the Group has potentially US$40.0m of liquidity available to it to pursue further royalty acquisitions.

DIVIDEND

The Board declared an interim dividend for 2017 of 3.00p per share, maintaining the level of the 2016 final dividend per share. The dividend will be paid on November 15, 2017 to shareholders on the register at the close of business on October 6, 2017. The shares will be quoted ex-dividend in London on October 4, 2017 and in Canada on October 5, 2017.

A payment of £5.1m, equivalent to 3.00p per share, is included in the cash flow statement to June 30, 2017, representing the 2016 interim dividend recognised and paid in February 2017. This, together with the 3.00p per share 2016 final dividend approved at the AGM in May and paid in August 2017, means total dividend payments in relation to 2016 were 6.00p per share.

Following the payment of the 2017 interim dividend, the Company will commence paying its annual dividend on a quarterly basis, in line with the receipt of its royalty income as follows:

	Indicative next twelve months payment schedule			
	2016 Final	H1 17	Q3 17	Final 17 *
Ex-dividend date (TSX)	28-Jun-17	04-Oct-17	03-Jan-18	04-Apr-18
Ex-dividend date (LSE)	29-Jun-17	05-Oct-17	04-Jan-18	05-Apr-18
Record date	30-Jun-17	06-Oct-17	05-Jan-18	06-Apr-18
Payment date	09-Aug-17	15-Nov-17	15-Feb-18	15-May-18
Amount	**3.00p**	**3.00p**	**1.50p**	**1.50p**
		9.00p		
Previous date		08-Feb-18		09-Aug-18
Days forward		**85**		**86**

* actual level of the final dividend will be reassessed once the full year's results are known and will be subject to shareholder approval at the 2018 AGM

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and uncertainties which may have a financial, operational or reputational impact on the Group. The principal risks and uncertainties facing the Group at the year-end were set out in detail in the strategic report section of the 2016 Annual Report and Accounts and have not changed significantly since. The principal risks relate to the following:

- Commodity prices
- Political and regulatory
- Production

The Group is exposed to changes in the economic environment, as with any other business. Details of any key risks and uncertainties specific to the period are covered in the Investment Review and Finance Review sections.

The 2016 Annual Report and Accounts is available on the Group's website www.anglopacificgroup.com

Responsibility statement

The Directors confirm that to the best of their knowledge:

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

The Directors are listed in the Annual Report of December 31, 2016 and a list of the current Directors is maintained on the Anglo Pacific website: www.anglopacificgroup.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 22, 2017

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Notes	Six months ended June 30, 2017 £'000	Six months ended June 30, 2016 £'000
Royalty income	16	16,084	4,075
Amortisation of royalties	9	(1,568)	(1,339)
Operating expenses		(3,039)	(1,825)
Operating profit before impairments, revaluations and gain/(losses) on disposals		**11,477**	**911**
Gain on sale of mining and exploration interests	10	28	-
Revaluation and impairment of royalty financial instruments	8	(3,866)	-
Revaluation of coal royalties (Kestrel)	7	(11,062)	(10,161)
Finance income	2	1,233	1,318
Finance costs	3	(399)	(423)
Other (losses)/gains	4	(438)	179
Loss before tax		**(3,027)**	**(8,176)**
Current income tax charge		(1,151)	(800)
Deferred income tax credit		1,646	3,595
Loss attributable to equity holders		**(2,532)**	**(5,381)**
Total and continuing loss per share			
Basic and diluted loss per share	**5**	(1.46p)	(3.18p)

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Notes	Six months ended June 30, 2017 £'000	Six months ended June 30, 2016 £'000
Loss attributable to equity holders		**(2,532)**	**(5,381)**
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	8, 10	(3,033)	4,229
Reclassification to income statement on disposal of available-for-sale investments		(28)	-
Deferred tax relating to items that have been or may be reclassified	13	541	18
Net exchange gain on translation of foreign operations		1,501	15,407
Other comprehensive (expense)/income for the period, net of tax		**(1,019)**	**19,654**
Total comprehensive (expense)/income attributable to equity holders for the period		**(3,551)**	**14,273**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2017

	Notes	June 30, 2017 £'000	June 30, 2016 £'000	Audited December 31, 2016 £'000
Non-current assets				
Property, plant and equipment		61	95	77
Coal royalties (Kestrel)	7	107,480	82,107	116,885
Royalty financial instruments	8	10,647	16,613	13,556
Royalty and exploration intangible assets	9	79,386	79,791	80,047
Mining and exploration interests	10	14,608	15,506	17,062
Deferred costs		1,492	1,120	1,370
Other receivables	11	21,768	-	-
Deferred tax	13	6,514	3,446	9,126
		241,956	198,678	238,123
Current assets				
Trade and other receivables		9,066	3,132	12,090
Derivative financial instruments		169	-	711
Cash and cash equivalents		5,627	4,059	5,331
		14,862	7,191	18,132
Total assets		**256,818**	**205,869**	**256,255**
Non-current liabilities				
Borrowings	12	6,090	8,900	6,167
Other payables		338	1,348	1,491
Deferred tax	13	32,503	23,970	36,637
		38,931	34,218	44,295
Current liabilities				
Income tax liabilities		465	465	465
Trade and other payables		7,867	6,407	1,357
		8,332	6,872	1,822
Total liabilities		**47,263**	**41,090**	**46,117**
Net assets		**209,555**	**164,779**	**210,138**
Capital and reserves attributable to shareholders				
Share capital	14	3,618	3,399	3,399
Share premium	14	61,966	49,211	49,211
Other reserves		63,045	49,984	63,600
Retained earnings	15	80,926	62,185	93,928
Total equity		**209,555**	**164,779**	**210,138**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2016

			Other reserves								
	Share capital £'000	Share premium £'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	Retained earnings £'000	Total equity £'000
Balance at January 1, 2016	3,399	49,211	29,134	143	3,917	1,308	(2,557)	632	(2,601)	79,397	161,983
Loss for the period	-	-	-	-	-	-	-	-	-	(5,381)	(5,381)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	4,229	-	43	-	-	-	4,272
Transferred to income statement on disposal	-	-	-	-	-	-	-	-	-	-	-
Transferred to income statement on impairment	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	18	-	-	-	-	-	18
Foreign currency translation	-	-	-	-	-	-	15,364	-	-	-	15,364
Total comprehensive income	**-**	**-**	**-**	**-**	**4,247**	**-**	**15,407**	**-**	**-**	**(5,381)**	**14,273**
Dividends	-	-	-	-	-	-	-	-	-	(11,831)	(11,831)
Share-based payments	-	-	-	-	-	354	-	-	-	-	354
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**354**	**-**	**-**	**-**	**(11,831)**	**(11,477)**
Balance at June 30, 2016	**3,399**	**49,211**	**29,134**	**143**	**8,164**	**1,662**	**12,850**	**632**	**(2,601)**	**62,185**	**164,779**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

	Share capital £'000	Share premium £'000	Other reserves: 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	Retained earnings £'000	Total equity £'000
Balance at June 30, 2016	3,399	49,211	29,134	143	8,164	1,662	12,850	632	(2,601)	62,185	164,779
Loss for the year	-	-	-	-	-	-	-	-	-	31,743	31,743
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	4,955	-	14	-	-	-	4,969
Transferred to income statement on disposal	-	-	-	-	(2,449)	-	-	-	-	-	(2,449)
Transferred to income statement on impairment	-	-	-	-	29	-	-	-	-	-	29
Deferred tax	-	-	-	-	9	-	1	-	-	-	10
Foreign currency translation	-	-	-	-	-	-	10,703	-	-	-	10,703
Total comprehensive income	**-**	**-**	**-**	**-**	**2,544**	**-**	**10,718**	**-**	**-**	**31,743**	**45,005**
Dividends	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	354	-	-	-	-	354
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**354**	**-**	**-**	**-**	**-**	**354**
Balance at December 31, 2016	**3,399**	**49,211**	**29,134**	**143**	**10,708**	**2,016**	**23,568**	**632**	**(2,601)**	**93,928**	**210,138**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2017

			Other reserves								
	Share capital £'000	Share premium £'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	Retained earnings £'000	Total equity £'000
Balance at January 1, 2017	3,399	49,211	29,134	143	10,708	2,016	23,568	632	(2,601)	93,928	210,138
Loss for the year	-	-	-	-	-	-	-	-	-	(2,532)	(2,532)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity (note 8, 10)	-	-	-	-	(3,033)	-	28	-	-	-	(3,005)
Transferred to income statement on disposal	-	-	-	-	(28)	-	-	-	-	-	(28)
Deferred tax	-	-	-	-	541	-	-	-	-	-	541
Foreign currency translation	-	-	-	-	-	-	1,473	-	-	-	1,473
Total comprehensive loss	**-**	**-**	**-**	**-**	**(2,520)**	**-**	**1,501**	**-**	**-**	**(2,532)**	**(3,551)**
Dividends	-	-	-	-	-	-	-	-	-	(10,470)	(10,470)
Issue of ordinary shares (note 14)	219	12,755	-	-	-	-	-	-	-	-	12,974
Share-based payments	-	-	-	-	-	464	-	-	-	-	464
Total transactions with owners of the company	**219**	**12,755**	**-**	**-**	**-**	**464**	**-**	**-**	**-**	**(10,470)**	**2,968**
Balance at June 30, 2017	**3,618**	**61,966**	**29,134**	**143**	**8,188**	**2,480**	**25,069**	**632**	**(2,601)**	**80,926**	**209,555**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Notes	June 30, 2017 £'000	June 30, 2016 £'000
Cash flows from operating activities			
Loss before taxation		(3,027)	(8,176)
Adjustments for:			
Finance income - excluding foreign exchange gains/losses	2	(848)	(70)
Finance costs	3	399	423
Other income	4	438	(179)
Gain on disposal of mining and exploration interests	10	(28)	-
Revaluation of royalty financial instruments	8	3,866	-
Revaluation of coal royalties (Kestrel)	7	11,062	10,161
Depreciation of property, plant and equipment		17	17
Amortisation of royalty intangible assets	9	1,568	1,339
Share-based payments and associated national insurance		527	402
		13,974	3,917
Decrease in trade and other receivables		3,039	635
Increase/(Decrease) in trade and other payables		(44)	120
Cash generated from operations		16,969	4,672
Income taxes paid		(1,129)	(172)
Net cash generated from operating activities		**15,840**	**4,500**
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests	10	36	-
Proceeds from royalty financial instruments	4	117	116
Advances under commodity related financing agreements	8, 11	(26,644)	392
Repayments under commodity related financing agreements	11	2,465	-
Prepaid acquisition costs		(139)	-
Sundry income		-	63
Finance income - excluding foreign exchange gains/losses	2	848	70
Net cash (used in)/from investing activities		**(23,317)**	**641**
Cash flows from financing activities			
Drawdown of revolving credit facility	12	7,501	4,400
Repayment of revolving credit facility	12	(7,320)	(2,827)
Proceeds from issue of share capital	14	13,700	-
Transaction costs of share issue		(726)	-
Dividends paid	6	(5,071)	(6,762)
Finance costs	3	(399)	(423)
Net cash from/(used in) financing activities		**7,685**	**(5,612)**
Net increase/(decrease) in cash and cash equivalents		**208**	**(471)**
Cash and cash equivalents at beginning of period		**5,331**	**5,708**
Unrealised foreign currency gain/(loss)		88	(1,178)
Cash and cash equivalents at end of period		**5,627**	**4,059**

1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended June 30, 2017. 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, 2016.

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, 2016, 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, 2016 were approved on March 29, 2017. 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.

1.2 Going concern

The financial position of the Group and its cash flows are set out on pages 12 to 18. As at June 30, 2017, the Group had cash and cash equivalents of £5.6m and £6.3m (US$4.8m) in borrowings (note 12) following the partial draw down on its revolving credit facility (December 31, 2016: £6.3m) with access to a further £19.2m (US$25.2m) in undrawn funds under the same facility.

The Group repaid its borrowings in full under this facility in August 2017, and remains debt free following the payment of the £5.4m dividend. As a result the Group has full access to its US$30.0m revolving credit facility which has the potential to be upsized to US40.0m acquisition dependent.

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 to operate within the level of its current facilities 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 applied in these condensed interim financial statements are consistent with those of the Group's consolidated financial statements for the year ended December 31, 2016, as described in those annual financial statements, with the exception of standards, amendments and interpretations effective of January 1, 2017. The Group has not early adopted other standards, amendments to standards or interpretations that have been issued but not yet effective. The nature and effect of these changes are disclosed next in sections (a) and (b).

(a) Standards, amendments and interpretations effective or adopted in 2017

From January 1, 2017, the following standards and amendments are effective in the Group's consolidated financial statements, subject to European Union endorsement. Since they are all expected to be endorsed in 2017, they have been applied to these condensed interim financial statements. Their first time adoption does not have a material impact on the Group's consolidated financial statements.

- Amendment to IAS 7: 'Statement of cash flow' related to disclosure initiative;
- Amendment to IAS 12: 'Income taxes'; and
- 'Annual Improvement Project 2014-2016'.

(b) Standards and amendments that are issued but not yet applied by the Group

The Group has not yet applied the following standards and limited amendment to standards:

- IFRS 9: 'Financial instrument' – effective from January 1, 2018;
- IFRS 15: 'Revenue from contracts with customers' – effective from January 1, 2018;
- IFRS 16: 'Leases' – effective from January 1, 2019, subject to European Union endorsement;
- IFRIC interpretation 22: 'Foreign currency transactions and advance consideration' – effective January 1, 2018, subject to European Union endorsement;
- IFRIC interpretation 23: 'Uncertainty over income tax treatments' – effective January 1, 2019, subject to European Union endorsement;
- Amendment to IFRS 2: 'Classification and measurement of share-based payment transactions' – effective January 1, 2018, subject to European Union endorsement; and
- Clarifications to IFRS 15: 'Revenue from contracts with customers' – effective January 1, 2018, subject to European Union endorsement.

Management do not anticipate that the application of IFRIC 22, IFRIC 23, the amendment to IFRS 2 and the clarification to IFRS 15 will have a material impact on the Group's consolidated financial statements.

Disclosure of the Group's initial assessment of the impact of implementing IFRS 9 was provided in note 3.1.2(b) of the Group's consolidated financial statements for the year ended December 31, 2016. No changes to that assessment have arisen as at June 30, 2017. The Group is currently compiling information to enable restatements and additional disclosures to be prepared in relation to 2017, and further disclosure of the financial impacts will be provided in the Group's consolidated financial statements for the year ended December 31, 2017.

IFRS 16: 'Leases' was issued in 2016 and is likely to have an impact on the presentation, recognition and disclosure of the Group's operating leases. The Group is continuing to review the impact of the implementation of this standard and at this stage is has not been practicable to quantify the full effect that this standard will have on the Group's consolidated financial statements.

2 Finance income

	Six months ended June 30, 2017 £'000	Six months ended June 30, 2016 £'000
Group		
Interest on bank deposits	6	45
Interest on long-term receivables	842	25
Net foreign exchange gain	385	1,248
	1,233	1,318

Interest on long-term receivables for the six months ended June 30, 2017 of £842,000 relates to the Group's 13 year amortising loan of C$40.8m with an interest rate of 10 per cent per annum, to Denison Mines Inc ("Denison"), which is classified as non-current other receivables (note 11).

3 Finance costs

	Six months ended June 30, 2017 £'000	Six months ended June 30, 2016 £'000
Group		
Professional fees	(166)	(229)
Revolving credit facility fees	(74)	(63)
Revolving credit facility interest	(159)	(131)
	(399)	(423)

4 Other income

	Six months ended June 30, 2017 £'000	Six months ended June 30, 2016 £'000
Group		
Effective interest income on royalty financial instruments	117	116
Revaluation of foreign currency financial instruments	(555)	-
Sundry income	-	63
	(438)	179

5 Loss per share

Loss per ordinary share is calculated on the Group's loss after tax of £2.5m for the six months ended June 30, 2017 (June 30, 2016: loss £5.4m) and the weighted average number of shares in issue during the period of 173,370,074 (2016: 169,016,101).

	June 30, 2017 £'000	June 30, 2016 £'000
Net profit attributable to shareholders		
Earnings - basic	(2,532)	(5,381)
Earnings - diluted	(2,532)	(5,381)

	June 30, 2017	June 30, 2016
Weighted average number of shares in issue		
Basic number of shares outstanding	173,370,074	169,016,101
Dilutive effect of Employee Share Option Scheme	-	-
Diluted number of shares outstanding	173,370,074	169,016,101
Loss per share – basic and diluted	(1.46p)	(3.18p)

The weighted average number of shares in issue 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, 2017 (June 30, 2016: 925,933).

As the Group is loss making in 2017 and 2016, the Group's employee share option schemes are considered anti-dilutive because including them in the diluted number of shares outstanding would decrease the loss per share. Consequently basic and diluted loss per share is the same.

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 profit attributable to shareholders			
Loss - basic and diluted for the six month ended June 30, 2017	(2,532)	(1.46p)	(1.46p)
Adjustment for:			
Amortisation of royalty intangible assets	1,568		
Gain on sale of mining and exploration interests	(28)		
Revaluation and impairment of royalty financial instruments	3,866		
Revaluation of coal royalties (Kestrel)	11,062		
Revaluation of foreign currency instruments	555		
Share-based payments and associated national insurance	527		
Tax effect of the adjustments above	(2,116)		
Adjusted earnings - basic and diluted for the six months ended June 30, 2017	12,902	7.44p	7.44p

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net profit attributable to shareholders			
Loss - basic and diluted for the six month ended June 30, 2016	(5,381)	(3.18p)	(3.18p)
Adjustment for:			
Amortisation of royalty intangible assets	1,339		
Revaluation of coal royalties (Kestrel)	10,161		
Effective interest income on royalty financial instruments	(116)		
Share-based payments and associated national insurance	402		
Tax effect of the adjustments above	(3,997)		
Adjusted earnings - basic and diluted for the six months ended June 30, 2016	2,408	1.43p	1.43p

6 Dividends and dividend cover

An interim dividend of 3.00p per share has been declared for year ending December 31, 2017, and will be paid on November 15, 2017.

On August 9, 2017 a final dividend in respect of the year ended December 31, 2016 of 3.00p per share was paid to shareholders (£5.4m). As the final dividend was approved by shareholders at the AGM on May 10, 2017 it has been included as a current liability in 'Trade and other payables' as at June 30, 2016.

On February 8, 2017 an interim dividend of 3.00p per share was paid to shareholders (£5.1m) in respect of the year ended December 31, 2016.

Dividend cover

Dividend cover is calculated as the number of time adjusted earnings per share exceeds the dividend per share. The Group's adjusted earnings per share for the six months ended June 30, 2017, is 7.44p per share (note 5) with an interim dividend totalling 3.00p, resulting in dividend cover of 2.48x (June 30, 2016: adjusted earnings per share 1.43p, dividend cover of 0.48x).

7 Coal royalties (Kestrel)

	£'000
At January 1, 2016	82,649
Foreign currency translation	9,619
Loss on revaluation of coal royalties	(10,161)
At June 30, 2016	82,107
Foreign currency translation	6,717
Loss on revaluation of coal royalties	28,061
At December 31, 2016	116,885
Foreign currency translation	1,657
Loss on revaluation of coal royalties	(11,062)
At June 30, 2017	107,480

The coal royalty was valued during June 2017 at £107.5m (A$181.8m) by an independent coal industry adviser, on a net present value of the pre-tax cash flow discounted at a nominal rate of 7.5% (June 30, 2016: 7% and December 31, 2016: 7.5%). The key assumptions in the independent valuation relate to price and discount rate.

The price assumptions used in the June 30, 2017 valuation decrease from US$130/t in the short term to a long-term flat nominal price of US$115/t. If the price were to increase or decrease 10 per cent over the life of the mine the valuation effect would be:

- a 10% reduction in the coal price would have resulted in the coal royalties being valued at A$154.3m (£91.2m) and a reduction in the revaluation uplift in the income statement of £16.5m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A$210.9m (£124.7m) and an increase in the revaluation uplift in the income statement of £17.1m.

The pre-tax nominal discount rate used for the asset is 7.50%, if the discount rate used were to increase or decrease by 1% the valuation effect would be:

- a 1% reduction in the nominal discount rate would have resulted in the coal royalties being valued at A$189.1m (£111.8m) and an increase in the revaluation uplift in the income statement of £4.4m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at A$175.0m (£103.4m) and a reduction in the revaluation uplift in the income statement of £4.1m.

The net royalty income from this investment is currently taxed in Australia at a rate of 30%. The revaluation of the underlying Australian dollar asset is recognised in the Income Statement with the retranslation to the Group's sterling presentation currency recognised in the foreign currency translation reserve.

Were the coal royalty to be realised at the revalued amount, there are £5.4m (A$9.2m) of capital losses potentially available to offset against taxable gains. As the Directors do not presently have any intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation (note 13). Were the coal royalty to be carried at cost the carrying value would be £0.2m (2016: £0.2m).

Refer to note 17 for additional fair value disclosures relating to Kestrel.

The shares over the entity which is the beneficial owner of the Kestrel royalty have been guaranteed as security in connection with the Group's borrowing facility (note 12).

8 Royalty financial instruments

The Group's royalty instruments are represented by three 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, which are held at fair value are summarised below:

Project	Commodity	Original Cost '000	Royalty Rate	Escalation	Classification	Royalty Valuation 30 June 2017 £'000
EVBC	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	Available-for-sale equity	2,852
Jogjakarta	Iron Sands	U$4,000	2.00%	-	Available-for-sale debt	-
Dugbe 1	Gold	U$15,000	2.00%	2.5% gold >U$1,800/oz & production <50,000oz/qrt	Available-for-sale debt	6,141
McClean Lake	Uranium	C$2,700	22.5% of tolling milling proceeds on all throughput >215Mlbs	-	Available-for-sale debt	1,654
						10,647

The Group's entitlements to cash by way of the repayment of the principal and the NSR royalty or the GRR have been classified as available-for-sale financial assets in accordance with IAS 39 and are carried at fair value in accordance with the Group's classification of royalty arrangements criteria adopted in the last annual financial statements for the year to December 31, 2016.

	£'000
Fair value	
At January 1, 2016	6,534
Additions	10,133
Revaluation recognised in profit or loss	-
Revaluation recognised in other comprehensive income	(339)
Foreign currency translation	285
At June 30, 2016	16,613
Revaluation recognised in profit or loss	(4,939)
Revaluation recognised in other comprehensive income	(11)
Foreign currency translation	1,893
At December 31, 2016	13,556
Addition	1,654
Impairment of royalty financial instruments	(3,866)
Revaluation recognised in other comprehensive income	(631)
Foreign currency translation	(66)
At June 30, 2017	10,647

In the period effective interest of £0.1m (2016: £0.1m) was recognised in other income (see note 4). This was directly offset by cash received in the period of the same amount.

On February 13, 2017, the Group completed a C$43.5m (£26.6m) financing and streaming agreement with Denison. The financing agreement is structured as a 13 year amortising loan of C$40.8m (£24.9m) with an interest rate of 10 per cent per annum payable to the Group and is classified as non-current other receivables (note 11). The streaming agreement, which entitles the Group to receive Denison's portion of toll milling proceeds from the McClean Lake Mill after the first 215Mlbs of throughput from July 1, 2016, was acquired for C$2.7m (£1.7m) and is classified as available-for-sale debt.

As at June 30, 2017, the Group's convertible debenture with Indo Mines, including a gross revenue royalty over the Jogjakarta project was impaired to £nil as a result of inherent uncertainty of this project reaching commercial production due to the limited progress made to date by the operator in securing long-term strategic investment which has been compounded by the Indonesian export ban that would be applicable to iron sands. The impairment at June 30, 2017 has resulted in a £3.1m charge to the income statement.

9 Royalty and exploration intangibles assets

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2017	697	115,017	115,714
Foreign currency translation	-	1,109	1,109
At June 30, 2017	697	116,126	116,823
Amortisation and impairment			
At January 1, 2017	(697)	(34,970)	(35,667)
Amortisation charge	-	(1,568)	(1,568)
Foreign currency translation	-	(202)	(202)
At June 30, 2017	(697)	(36,740)	(37,437)
Carrying amount June 30, 2017	-	79,386	79,386

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2016	697	96,845	97,542
Foreign currency translation	-	12,927	12,927
At June 30, 2016	697	109,772	110,469
Amortisation and impairment			
At January 1, 2016	(697)	(25,354)	(26,051)
Amortisation charge	-	(1,339)	(1,339)
Foreign currency translation	-	(3,288)	(3,288)
At June 30, 2016	(697)	(29,981)	(30,678)
Carrying amount June 30, 2016	-	79,791	79,791

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2016	697	96,845	97,542
Additions	-	650	650
Foreign currency translation	-	17,522	17,522
At December 31, 2016	697	115,017	115,714
Amortisation and impairment			
At January 1, 2016	(697)	(25,354)	(26,051)
Amortisation charge	-	(2,869)	(2,869)
Impairment charge	-	(2,009)	(2,009)
Foreign currency translation	-	(4,738)	(4,738)
At December 31, 2016	(697)	(34,970)	(35,667)
Carrying amount December 31, 2016	-	80,047	80,047

Exploration and evaluation costs
The exploration and evaluation costs comprise expenditure that is directly attributable to the Trefi project in British Columbia, Canada which was fully impaired during 2014.

Royalty interests
The amortisation charge for the period, of £1.6m (June 30, 2016: £1.3m) relates to the Group's producing royalties, Narrabri, Maracás Menchen and Four Mile. 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. As at June 30, 2017 no further impairment charges were recognised (December 31, 2016: £2.9m). The Group's intangible assets will be assessed for indicators of impairment again at December 31, 2017.

The shares of the entity which is the beneficial owner of the Narrabri royalty have been guaranteed as security in connection with the Group's borrowing facility (note 12). No other intangible assets have been pledged as security for liabilities.

10 Mining and exploration interests

	£'000
Fair value	
At January 1, 2016	10,898
Mining and exploration interests received in lieu of payment	47
Revaluation adjustment	4,569
Foreign currency translation	(8)
At June 30, 2016	15,506
Disposals	(3,431)
Revaluation adjustment	4,965
Foreign currency translation	22
At December 31, 2016	17,062
Disposals	(36)
Revaluation adjustment	(2,401)
Foreign currency translation	(17)
At June 30, 2017	14,608

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.

An impairment charge (representing the recognition of losses previously deferred to equity) is recognised in the income statement when the absolute decline in value below cost of any individual investment is considered 'significant' or 'prolonged' in accordance with the Group's impairment policy.

Total mining and exploration interests are represented by:

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Quoted investments	11,335	12,742	14,070
Unquoted investments	3,273	2,764	2,992
	14,608	15,506	17,062
Number of investments	10	10	10

11 Non-current other receivables

	£'000
At January 1, 2016, and June 30, 2016 and December 31, 2016	-
Advances under commodity related financing agreements	24,990
Interest earned in the period	842
Repayments of interest and principal under commodity related financing agreements	(3,307)
Foreign currency translation	(757)
At June 30, 2017	21,768

On February 13, 2017, the Group completed a C$43.5m (£26.6m) financing and streaming agreement with Denison. The streaming agreement is classified as an available-for-sale debt royalty financial instrument (note 8).

The financing agreement is structured as a 13 year secured amortising loan of C$40.8m (£24.9m) with an interest rate of 10 per cent per annum payable to the Group. The loan contains mandatory repayment provisions in any period where the equivalent toll revenues exceed the interest liability. Conversely, in any period when toll revenues are less than the interest payment, the shortfall is capitalised and carried forward to the next period. The loan principal, along with any capitalised interest is repayable in full at maturity.

Subsequent to entering the financing agreement, the Group has earned £0.8m in interest revenue (2016: nil) and received principal repayments of £2.5m, of which £1.7m relates to toll revenue earned by Denison in H2 2016.

12 Borrowings

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Secured borrowing at amortised cost			
Revolving credit facility	6,259	9,100	6,300
Deferred borrowing costs	(169)	(200)	(133)
	6,090	8,900	6,167
Amount due for settlement within 12 months	-	-	-
Amount due for settlement after 12 months	6,259	9,100	6,300

The Group's borrowings relates to the partial draw-down of the Group's revolving credit facility.

On February 8, 2017, the Group refinanced its existing US$30.0m revolving credit facility with Barclays Bank PLC, and entered into a new three year secured US$30.0m revolving credit facility and US$10.0m accordion with an equal syndicate of Barclays Bank PLC and Investec Bank PLC.

Borrowings under facility attract interest of LIBOR plus 300bps when the leverage ratio is <1x. The margin ratchets up depending on the leverage ratio with a maximum of 400bps at 2x.

Deferred borrowing costs relate to the establishment fees associated with the facility and will be amortised over its term. The deferred borrowing costs under the previous revolving credit facility were amortised in full upon the amendment and restatement of the facility.

As at June 30, 2017, the Group had utilised £6.3m (US$4.8m) of its facility and access to a further £19.2m (US$25.2m) in undrawn funds under the same facility.

The Group repaid its borrowings in full under this facility in August 2017, and remains debt free following the payment of the £5.4m dividend. As a result the Group has full access to its US$30.0m revolving credit facility which has the potential to be upsized to US40.0m acquisition dependent.

The Group's revolving credit facility is secured by way of a floating charge over the Group's assets and is subject to a number of financial covenants, all of which have been met during the period ended June 30, 2017.

The Group's net cash position after offsetting interest bearing liabilities against cash and cash equivalents is as follows:

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Revolving credit facility	(6,259)	(9,100)	(6,300)
Cash and cash equivalents	5,627	4,059	5,331
Net debt	(632)	(5,041)	(969)

13 Deferred tax

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Deferred tax liabilities	32,503	23,970	36,637
Deferred tax assets	(6,514)	(3,446)	(9,126)
	25,989	20,524	27,511

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

	Coal royalties		Available-for sale-investments				
	Revaluation of coal royalty	Effects of Tax losses	Revaluation of royalty instruments	Revaluation of mining interests	Accrual of royalty receivable	Other tax losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At January 1, 2016	24,279	(1,356)	767	107	567	(2,912)	21,452
Charge/(credit) to profit or loss	(3,004)	-	-	(23)	(270)	(298)	(3,595)
Charge/(credit) to other comprehensive income	-	-	(68)	50	-	-	(18)
Exchange differences	2,843	(172)	-	-	49	(35)	2,685
Effect of change in tax rate:							
- income statement	-	-	-	-	-	-	-
- equity	-	-	-	-	-	-	-
At June 30, 2016	24,118	(1,528)	699	134	346	(3,245)	20,524
Charge/(credit) to profit or loss	8,514	-	(1,583)	4	2,144	(4,128)	4,951
Charge/(credit) to other comprehensive income	-	-	2	42	-	-	44
Exchange differences	1,911	(77)	-	(16)	177	35	2,030
Effect of change in tax rate:							
- income statement	-	-	-	-	-	-	-
- equity	-	-	(38)	-	-	-	(38)
At December 31, 2016	34,543	(1,605)	(920)	164	2,667	(7,338)	27,511

	Coal royalties		Available-for sale-investments				
	Revaluation of coal royalty	Effects of Tax losses	Revaluation of royalty instruments	Revaluation of mining interests	Accrual of royalty receivable	Other tax losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At January 1, 2017	34,543	(1,605)	(920)	164	2,667	(7,338)	27,511
Charge/(credit) to profit or loss	(3,326)	1,648	336	-	(602)	2,380	436
Charge/(credit) to other comprehensive income	-	-	(107)	(364)	-	-	(471)
Exchange differences	514	(43)	(20)	218	42	(46)	665
Effect of change in tax rate:							
- income statement	(1,818)	-	(264)	-	-	-	(2,082)
- equity	-	-	(70)	-	-	-	(70)
At June 30, 2017	29,913	-	(1,045)	18	2,107	(5,004)	25,989

14 Share capital, share premium and merger reserve

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
Group and Company					
Ordinary shares of 2p each at January 1, 2016, and June 30, 2016 and December 31, 2016	**169,942,034**	**3,399**	**49,211**	**29,134**	**81,744**
Issue of share capital under placing and placing and open offer	10,960,000	219	12,755	-	12,974
Ordinary shares of 2p each at June 30, 2017	**180,902,034**	**3,618**	**61,966**	**29,134**	**94,718**

On February 6, 2017, the Group issued 10,960,000 new ordinary shares of 2p each to part fund the Denison transaction (refer to notes 8 and 11). The shares were placed at 125p per share raising gross proceeds of £13.7m (C$22.4m), and net proceeds of £13.0m.

15 Retained earnings

	£'000
Balance at January 1, 2016	79,397
Dividends paid	(11,831)
Loss for the period	(5,381)
Balance at June 30, 2016	62,185
Profit for the period	31,743
Balance at December 31, 2016	93,928
Dividends paid	(10,470)
Loss for the period	(2,532)
Balance at June 30, 2017	80,926

16 Segment information

The Group's chief operating decision maker is considered to be the Executive Committee. The Executive Committee evaluates the financial performance of the Group based on a portfolio view of its individual royalty arrangements. Royalty related income and its associated impact on operating profit is the key focus of the Executive Committee. The income from royalties is presented based on the jurisdiction in which the income is deemed to be sourced as follows:

Australia: Kestrel, Narrabri, Four Mile, Pilbara, Mount Ida
Americas: McLean Lake, Maracás, Amapá and Tucano, Ring of Fire, Groundhog
Europe: EVBC, Salamanca, Isua, Bulqiza
Other: Jogjakarta, Dugbe 1, and includes the Group's mining and exploration interests

The following is an analysis of the Group's results by reportable segment. The key segment results presented to the Executive Committee for making strategic decision and allocation of resources is operating profit as analysed below.

The segment information provided to the Executive Committee for the reportable segments for the six months ended June 30, 2017 is as follows (noting that total segment operating profit corresponds to operating profit before impairments, revaluations and gains/losses on disposals which is reconciled to Loss before tax on the face of the consolidated income statement):

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related income	14,484	785	815	-	16,084
Amortisation of royalties	(1,321)	(247)	-	-	(1,568)
Operating expenses	(1,383)	-	-	(1,656)	(3,039)
Total segment operating profit/(loss)	11,780	538	815	(1,656)	11,477
Total segment assets	175,079	42,189	5,342	34,516	257,126
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-
Total segment liabilities	33,923	1,154	542	13,520	49,139

The segment information for the six months ended June 30, 2016 is as follows:

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related income	3,231	246	598	-	4,075
Amortisation of royalties	(1,128)	(211)	-	-	(1,339)
Operating expenses	(872)	-	-	(952)	(1,824)
Total segment operating profit/(loss)	1,231	35	598	(952)	912
Total segment assets	142,581	20,183	5,931	37,174	205,869
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-
Total segment liabilities	23,008	1,120	699	16,263	41,090

The segment information for the twelve months ended December 31, 2016 is as follows:

	Australia Royalty £'000	Americas Royalty £'000	Europe Royalty £'000	All other segments £'000	Total £'000
Royalty related income	17,691	791	1,223	-	19,705
Amortisation of royalties	(2,416)	(453)	-	-	(2,869)
Operating expenses	(1,652)	-	-	(2,478)	(4,130)
Total segment operating profit/(loss)	13,623	338	1,223	(2,478)	12,706
Total segment assets	187,879	19,106	12,314	36,956	256,255
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets	-	-	-	-	-
Total segment liabilities	35,799	1,215	662	8,441	46,117

The amounts provided to the Executive Committee with respect to total segment 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.

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

The royalty related income in Australia of £14.5m (2016: £3.2m) is substantially derived from the Kestrel and Narrabri royalties, which generated £12.6m and £1.9m respectively for the six months ended June 30, 2017 (2016: £1.4m and £1.6m). Both royalties represent greater than 10% of the Group's revenue in 2016 and 2017. In addition, royalty related income in Europe of £0.8m (2016: £0.6m) is derived from a single gold, copper and silver royalty and represented greater than 10% of the Group's revenue in 2016.

17 Financial risk management

The Group's principal treasury objective is to provide sufficient liquidity to meet operational cash flow and dividend 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 and price risk. The Group operates controlled treasury policies which are monitored by management to ensure that the needs of the Group are met while minimising potential adverse effects of unpredictability of financial markets on the Group's financial performance.

Financial instruments

The Group held the following investments in financial instruments (this includes investment properties):

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Investment property (held at fair value)			
Coal royalties (Kestrel)	107,480	82,107	116,885
Available-for-sale			
Royalty financial instruments	10,647	16,613	13,556
Mining and exploration interests	14,608	15,506	17,062
Fair value through profit or loss			
Foreign currency financial instruments	168	-	711

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Loans and receivables			
Trade and other receivables	8,667	2,539	11,616
Cash at bank and in hand	5,627	4,059	5,331
Non-current other receivables	21,768	-	-
Financial liabilities			
Trade and other payables	981	1,093	932
Borrowings	6,090	9,100	6,330
Other payables	1,154	1,120	1,215

Cash and cash equivalents comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair value.

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

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. As at June 30, 2017, the Group had utilised £6.3m (US$4.8m) of its facility (December 31, 2016: £6.3m) and access to a further £19.2m (US$25.2m) in undrawn funds (December 31, 2016: £18.0m) under the same facility.

The Group repaid its borrowings in full under this facility in August 2017, and remains debt free following the payment of the £5.4m dividend. As a result the Group has full access to its US$30.0m revolving credit facility which has the potential to be upsized to US40.0m acquisition dependent, adding further flexibility and liquidity to the Group's cash balances.

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.

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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The following tables present the Group's assets and liabilities that are measured at fair value at June 30, 2017:

		June 30, 2017			
		Level 1	Level 2	Level 3	Total
Group	**Note**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	107,480	107,480
Royalty financial instruments	(b)	-	-	10,647	10,647
Mining and exploration interests - quoted	(c)	11,335	-	-	11,335
Mining and exploration interests - unquoted	(d)	-	3,273	-	3,273
Foreign currency financial instruments	(e)	-	168	-	168
Net fair value		11,335	3,441	118,127	132,903

The following tables present the Group's assets and liabilities that are measured at fair value at June 30, 2016:

		June 30, 2016			
		Level 1	Level 2	Level 3	Total
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	82,107	82,107
Royalty financial instruments	(b)	-	-	16,613	16,613
Mining and exploration interests - quoted	(c)	12,742	-	-	12,742
Mining and exploration interests - unquoted	(d)	-	2,764	-	2,764
Net fair value		12,742	2,764	98,720	114,226

The following tables present the Group's assets and liabilities that are measured at fair value at December 31, 2016:

		December 31, 2016			
		Level 1	Level 2	Level 3	Total
Group	**Note**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	116,885	116,885
Royalty financial instruments	(b)	-	-	13,556	13,556
Mining and exploration interests - quoted	(c)	14,070	-	-	14,070
Mining and exploration interests - unquoted	(d)	-	2,992	-	2,992
Foreign currency financial instruments	(e)	-	711	-	711
Net fair value		14,070	3,703	130,441	148,214

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 of royalty financial instruments 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, rather than factoring this risk into the discount rate applied to the future cash flow.

(a) Coal royalties (investment property)

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 7.5% (June 30, 2016: 7.0% and December 31, 2016: 7.5%) by an independent valuation consultant. See note 7 for further details. All unobservable inputs are obtained from third parties.

(b) Royalty financial instruments

At the reporting date, the royalty financial instruments are valued based on the net present value of pre-tax cash flows discounted at a rate between 7% and 13.50%. The discount rate of each royalty arrangement is derived using a capital asset pricing model specific to the underlying project, making reference to the risk free rate of return expected on an investment with the same time horizon as the expected mine life, together with the country risk associated with the location of the operation.

For those royalty financial instrument not in production, the outcome of this net present value calculation is then risk weighted to reflect management's current assessment of the overall likelihood and timing of each project coming into production and royalty income arising. This assessment is impacted by news flow relating to the underlying operation in the period, in conjunction with management's assessment of the economic viability of the project based on commodity price projections.

The table below outlines the discount rate and risk weighting applied in the valuation of the Group's royalty financial instruments:

		June 30, 2017		June 30, 2016 and December 31, 2016	
	Classification	Discount Rate	Risk Weighting	Discount Rate	Risk Weighting
EVBC	Available-for-sale equity	7%	100%	6%	100%
Jogjakarta	Available-for-sale debt	13%	Nil%	8%	100%
Dugbe 1	Available-for-sale debt	13.50%	75%	13%	75%
McLean Lake	Available-for-sale debt	10%	100%	N/A	N/A

The Group has reviewed the impact on the carrying value of its royalty financial instruments, and does not consider a +/- 1% change in the discount rate or a +/- 10% change in the underlying commodity prices to have a material impact.

(c) Mining and exploration interests – quoted

All the quoted mining and exploration interests have been issued by publicly traded companies in well established security markets. 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 as the best approximation of fair value. The Group notes any trading activity in the unquoted instruments and will value its holding accordingly. At present, the Group holds these investments with a view to generating future royalties and there is no present intention to sell. The vast majority of these are investments which the Group anticipates a realistic possibility of a future listing.

(e) Foreign currency financial instruments

The foreign currency financial instruments consist of the foreign exchange forward contracts entered into to hedge the Group's Australian dollar denominated royalty income. At the reporting date the foreign exchange forward contracts are valued based on the net present value of the discounted future cash flows estimated based on forward exchange rates and contract forward rates, discounted at a rate that reflect the credit risk of various counterparties.

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, 2017.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2017	13,556	116,885	130,441
Additions	1,654	-	1,654
Revaluation gains or losses recognised in:			
Other comprehensive income	(631)	-	(631)
Income statement	(3,866)	(11,062)	(14,928)
Foreign currency translation	(66)	1,657	1,591
At June 30, 2017	10,647	107,480	118,127

The following table presents the changes in Level 3 instruments for the six months ended June 30, 2016.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2016	6,534	82,649	89,183
Additions	10,133	-	10,133
Revaluation gains or losses recognised in:			
Other comprehensive income	(339)	-	(339)
Income statement	-	(10,161)	(10,161)
Foreign currency translation	285	9,619	9,904
At June 30, 2016	16,613	82,107	98,720

The following table presents the changes in Level 3 instruments for the year ended December 31, 2016.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2016	6,534	82,649	89,183
Additions	10,133	-	10,133
Revaluation gains or losses recognised in:			
Other comprehensive income	(350)	-	(350)
Income statement	(4,939)	17,900	12,961
Foreign currency translation	2,178	16,336	18,514
At December 31, 2016	13,556	116,885	130,441

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

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.

18 Related party transactions

The Group received £19,839 from Audley Capital Advisors LLP, a company of which Mr J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the subletting of office space during the period ended June 30, 2017 (2016: £19,839). As at June 30, 2016, Audley Capital Advisors LLP, owe the Group a further £21,077 for the subletting of office space (2016: £20,024).

During the six months ended June 30, 2017, the Group has made payments of £7,943 to Audley Capital Advisors LLP, for the reimbursement of IT recharges, no such payments were made six months ended June 30, 2016.

19 Free cash flow

The structure of a number of the Group's royalty financing arrangement, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group considers dividend cover based on the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator, going forward.

Free cash flow per share is calculated by dividing net cash generated from operating activities, proceeds from the disposal of non-core assets, less finance costs divided by the weighted average number of shares in issue.

	£'000	Free cash flow per share p
Net cash generated from operating activities		
Net cash generated from operating activities for the six months ended June 30, 2017	15,840	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	36	
Finance income - excluding foreign exchange gains/losses	848	
Finance costs	(399)	
Proceeds from royalty financial instruments	117	
Repayments under commodity related financing agreements	2,465	
Free cash flow for the six months ended June 30, 2017	18,907	10.91p

	£'000	Free cash flow per share p
Net cash generated from operating activities		
Net cash generated from operating activities for the six months ended June 30, 2016	4,500	
Adjustment for:		
Finance income - excluding foreign exchange gains/losses	70	
Finance costs	(414)	
Proceeds from royalty financial instruments	116	
Other royalty related repayments/(advances)	392	
Sundry income	63	
Free cash flow for the six months ended June 30, 2016	4,727	2.80p

The weighted average number of shares in issue for the purpose of calculating the free cash flow per share is as follows:

	June 30, 2017	June 30, 2016
Weighted average number of shares in issue	173,370,074	169,016,101

20 Events occurring after period end

There are no events occurring after the period end, which require disclosure.

21 Availability of financial statements

This statement will be sent to shareholders and will be available at the Group's registered office at 1 Savile Row, London W1S 3JR.

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, 2017, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes 1 to 21. 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 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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, 2017, 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
London, UK
August 22, 2017

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. Furthermore, 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. 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 reserve, resource, 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 the owners and operators of such underlying properties; no material adverse change in the price of the commodities produced from the properties underlying the Group's portfolio of royalties and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any 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 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.

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, Whitehaven Coal Limited, Berkeley Energia Limited and Atrum Coal NL are all listed on the Australian Stock Exchange and report in accordance with the JORC Code. Orvana Minerals Corporation and Largo Resources Limited are listed on the Toronto Stock Exchange and report in accordance with NI 43-101. Zamin is an independent mining group. Hummingbird Resources PLC is listed on AIM.