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August 25, 2016

**Anglo Pacific Group PLC**  
**Interim results for the six months ended June 30, 2016**

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, 2016 which are available on both the Group's website at [www.anglo-pacificgroup.com](http://www.anglo-pacificgroup.com) and on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

**Headlines:****Results for the half year**

- Total royalty income of £4.1m in H1 2016, a 6% increase from £3.8m in H1 2015
- Increased proportion of sales from Kestrel (37%) within the Group's land in H1 2016 (H1 2015: 22%).
- Weakening of the pound following the outcome of the EU referendum significantly benefitted the balance sheet at June 30, 2016 and should impact positively on the income statement in H2 2016
- Interim dividend maintained at the 2015 final dividend level of 3.00p (2015 interim dividend: 4.00p) as per the previously announced dividend policy
- Free cash flow<sup>1</sup> of £3.6m in H1 2016, more than double the £1.7m generated in H1 2015
- Loss after tax of £5.4m resulting in a basic loss per share of 3.18p (June 30, 2015: £8.8m and 5.81p respectively) mainly arising from the £10.2m non-cash Kestrel revaluation deficit
- The unrealised foreign exchange gain of translating the Kestrel asset to pounds at the balance sheet date reverses this loss, but this is recognised in other comprehensive income and not the income statement
- Adjusted profit after tax<sup>2</sup> of £2.4m, up 50% on H1 2015, resulting in adjusted earnings per share of 1.43p (June 30, 2015: £1.6m and 1.04p respectively)
- Net debt<sup>3</sup> of £5.0m at June 30, 2016 (December 31, 2015: £1.8m) and currently £7.5m following the dividend payment in August
- Significant increase in the value of the Group's equity stake in Berkeley Energia in the period, to £11.3m at June 30, 2016 (December 31, 2015: £7.2m), currently valued at £13.5m
- Increase in net assets at June 30, 2016 to £164.8m from £162.0m at December 31, 2015 resulting in net assets per share of 97p (December 31, 2015: 95p)

**Outlook**

- The majority of the Group's revenue from Kestrel for the year is expected in H2 2016, similar to 2015, and this is now likely to be the last time there is such a discrepancy between reporting periods as mining will now be mainly within the Group's private royalty land
- Improved outlook for both coking and thermal coal prices with the Q3 2016 coking coal contract price settling at US\$92/t, a 14% increase on Q1 2016 and spot price currently at around US\$110/t
- Absent any downward movement in exchange rates and commodity prices, FY 2016 royalty income is expected to be considerably higher than 2015, mainly driven by production levels at Kestrel
- Borrowing levels expected to reduce from the current levels and free cash flow is expected to increase, at least in line with royalty income growth

**Julian Treger, Chief Executive Officer, commented:**

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<sup>1</sup> Refer to pages 7 and 8

<sup>2</sup> Refer to page 8 and note 5 to the financial statements

<sup>3</sup> Refer to page 8 and note 11 to the financial statements

“Anglo Pacific performed strongly in the first six months of 2016, reporting higher royalty income, a doubling in free cash flow and a 50% increase in adjusted earnings. We expect this to continue for the remainder of 2016 as, similar to 2015, the majority of our income should be generated in the second half of the year, due to increased mining in our private royalty lands at Kestrel.

The immediate impact of Brexit was the weakening of the pound and this should be positive for the Group as our assets and income are in dollar denominated currencies. The price of both coking coal and thermal coal ended the second quarter strongly, mainly on the back of supply cuts in China. Both of these tailwinds combined should facilitate a stronger second half of the year for the Group.

There have been a number of positive developments in our royalty portfolio during the period: increased permitting at Narrabri; record production levels at Maracás Menchen; first royalty revenue from Four Mile; and significant progress by Berkeley Energia Limited at Salamanca. We were also pleased to see Berkeley announce a further royalty during the year which would imply that our existing royalty over the project is now worth three times the balance sheet value.

Our encouraging start to the year, coupled with the near-term improved outlook for commodity prices and a weaker pound, should now accelerate dividend cover. We continue to work hard to acquire accretive acquisitions but remain disciplined to only invest in those opportunities which will, over time, enable us to grow the dividend and create shareholder value.”

#### **Analyst conference call:**

There will be an analyst presentation via webcast at 09:30 (BST) on August 25, 2016 at [www.anglopacifigroup.com](http://www.anglopacifigroup.com). The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Juan Alvarez (Head of Investments). Dial in details for the call are shown below and a replay of the webcast will also be available at [www.anglopacifigroup.com](http://www.anglopacifigroup.com).

Dial in number: 020 3059 8125 (United Kingdom local)  
+ 44 20 3059 8125 (all other locations)

Participant Password: “Anglo Pacific” - this must be quoted to the Operator in order for participants to gain access to the conference

#### For further information:

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#### **Notes to editors:**

#### About Anglo Pacific

Anglo Pacific is a global natural resources royalty company. The Group's strategy is to develop a leading international diversified royalty 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. It is a continuing policy of the Company to pay a substantial portion of these royalties to shareholders as dividends.

#### Royalties explained

A mining royalty is a non-operating interest in a mining project that provides the royalty holder with a right to a proportion of revenue, profit or production. A royalty holder is not generally obligated to contribute towards operating or capital costs, nor environment or reclamation liabilities; a key benefit of owning a royalty.

Most of Anglo Pacific's royalties endure for the life of the resource and are paid on a regular basis. Historically there have been different terms for royalties including Gross Revenue or Net Smelter Return ("GRR" or "NSR") royalties, which are both based on the sales value of the actual mineral. The Group's model is based around GRR or NSR royalties as it believes they provide the best and clearest returns.

#### *Acquiring existing royalties*

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

#### *Creating new royalties*

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

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## Business review

Anglo Pacific enjoyed a solid start to 2016 with an increase in both royalty income and net assets in the period. The outlook for the remainder of the year, and for 2017, is encouraging following a noticeable improvement in coal prices recently and the positive impact of a weaker pound when translating the Group's dollar derived revenue. Absent any weakening in commodity prices or a significant strengthening of the pound, royalty income for FY 2016 is expected to be significantly higher than 2015.

Another highlight in the year to date has been the share price performance. This has benefitted from a general recovery in the commodity and mining sectors in the year to date along with the decision by the UK to leave the EU, which has prompted investors to give a higher rating to companies less exposed to sterling. On a micro level, the market reacted favourably to the publication of the Kestrel mine plan by Rio Tinto which contained, for the first time, the private royalty boundaries. This enabled all stakeholders to see first-hand the direction of mining at Kestrel towards the Group's private royalty land, explaining why income from Kestrel over the last number of years has decreased and, in turn, providing greater confidence in the Group's future income growth. The recent decision by the Bank of England to cut interest rates to a historically low level should also make the Group's dividend attractive to those searching for yield.

It is pleasing to see the gap between the Company's share price and balance sheet net asset per share narrow during the period. It is the Group's view that there is additional value in its royalty portfolio which is not reflected in the balance sheet valuation which could provide further upside over the coming years, as discussed in the finance review below.

### Operational performance

Anglo Pacific expects 2016 to show a similar trend to 2015 with royalty income heavily weighted to the second half of the year as mining from Kestrel was largely outside of the Group's private royalty land during the first half of both 2015 and 2016. This should be the last time that the Group reports such seasonality in its Kestrel royalty income, as it expects mining to be mainly within its private royalty land going forward. The diagram below shows the location of mining at Kestrel compared to the Group's royalty area, which clearly illustrates the reasons for the discrepancies between H1 and H2 of 2015 and 2016 and the reason for the Group's confidence going into the H2 2016 and beyond.



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The Narrabri North mine (“Narrabri”) continued to perform strongly in H1 2016 and should benefit from the rally in thermal coal prices at the beginning of the third quarter. The main positive for the Group at Narrabri continues to be production upside associated with both their recently announced permitting increase and the widening of their long wall infrastructure. As a result, production should continue to exceed the level which the Group anticipated at the time of acquiring the royalty and this should, over time, more than compensate for short-term commodity price volatility.

The Group has three other producing royalties in Maracás Menchen (“Maracás”), Four Mile and EVBC. Although income from Maracás has been impacted by the current vanadium price weakness, it is very encouraging to see Largo Resources Limited (“Largo”), the operator, announce recent record production numbers, which clearly demonstrates that the operation is now heading towards intended nameplate capacity. Four Mile has begun contributing to the Group’s income, albeit at low initial levels, and should increase as long-term supply contracts are negotiated. EVBC continues to be consistent, and should benefit from the higher gold price seen to date in H2 2016.

## **Commodity prices**

In addition to the positive underlying operational performance, the outlook for commodity prices, namely coking and thermal coal, which underlie the Group’s royalty income, has improved noticeably.

The Q3 2016 benchmark coking coal price settled at US\$92/t which is a 14% increase on the Q1 2016 price of US\$81/t, and the recent spot price reached as high as US\$110/t which represents a 15% and 29% increase on the Q3 2016 and Q1 2016 contract prices respectively. The price has benefitted from Chinese supply cuts, which have resulted in higher levels of imports in Q2 2016.

Thermal coal has also benefitted from recent Chinese supply cuts, which has seen seaborne prices rise sharply since the half year. The spot price has recently moved back into the mid US\$60/t range from the low to mid US\$50/t levels on average in the first six months.

## **Foreign exchange and Brexit**

In considering the performance of the Group’s royalty portfolio in the first six months of the year it is worth noting that the Group’s income is largely priced in US dollars. The average exchange rate (GBP:USD) for the first six months was 1.43, which only included one week of the weaker pound following the EU referendum vote on June 23, 2016. The closing rate at June 30, 2016 was 1.34, some 6% lower than the average rate, and this has weakened further during the third quarter of 2016.

A weaker pound should benefit the Group’s reported income in the second half of 2016, especially if the pound continues to trade around the current level, which is reasonably likely in the short-term following the increase in interest rates in the US and the recent reduction of interest rates in the UK. As the Group is effectively a dollar denominated business, the impact of Brexit should have a dual benefit to the Company in the near-term in that a weaker pound will result in higher levels of reported profits and assets and, following the recent further cut in interest rates as a result of Brexit, the Group’s dividend should be even more attractive in light of a longer period of lower returns on cash. It remains to be seen what the longer-term impact of Brexit will have on both the UK and the Company.

## **Balance sheet, cash resources and net asset value**

The balance sheet at June 30, 2016 benefitted from foreign exchange as the majority of the Group’s assets are dollar denominated.

The other noticeable increase at the end of June was the market value of the Group’s equity portfolio, which increased in value by £4.6m. This increase is mainly attributable to the Group’s 15% holding in Berkeley Energia Limited (“Berkeley”) which had increased in value by 57% in the first six months of the year and a further ~15% since. This is largely due to the positive updates by Berkeley in advancing its Salamanca uranium project towards production, including the announcement of additional reserves at Zona 7, the publication of a Definitive Feasibility Study and the successful raising of a US\$10.0m financing package.

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Net debt at June 30, 2016 was £5.0m, a £3.2m increase from the year end following the payment of the dividend in February 2016. Total debt increased by a further £3.6m in August 2016 following the payment of the Group's 2015 final dividend. Subject to commodity prices, exchange rates and business growth requirements, the total level of borrowings should now gradually begin to reduce as free cash flow increases.

Overall, net assets increased to £164.8m at June 30, 2016 from £162.0m at the beginning of the year. This equates to a net asset value per share of 97p.

## Outlook

The general market environment for the mining sector has seen marked improvement in the year to date. From a persistent mood of gloom surrounding commodities and mining companies' prospects at the beginning of the year, reflected in historically low equity prices, markets have seen a strong rebound in equity prices accompanied by much improved commodity prices on the whole. Whilst markets will no doubt continue to experience volatility, a greater degree of confidence will see a more dynamic deal environment. The Group is seeing more opportunities to invest in attractive propositions, as balance sheet pressure and financing needs continue, and is optimistic that it will be able to conclude value accretive transactions in the months to come.

As regards the Group's existing portfolio, the combination of a weaker pound, increased production from Kestrel and Narrabri and a more favourable outlook for coking and thermal coal should result in the Group reporting a noticeable increase in revenue for 2016 as a whole.

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## Investment Review

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### Producing royalties

- *Kestrel, Queensland, Australia – Coking Coal*

Royalty income from the Kestrel mine during the first six months of 2016 totalled £1.4m (H1 2015: £1.0m). On July 19, 2016, Rio Tinto released its Second Quarter Operations Review which reported production of 1.99Mt of coal (1.7Mt of hard coking coal and 0.3Mt of thermal coal) in H1 2016 compared to 2.25Mt (1.96Mt of hard coking coal and 0.3Mt of thermal coal) for the corresponding period in 2015. Approximately 37% of coal sales were mined from within the Group's private royalty land during the period compared to 22% during 2015. The drop in tonnes comes in spite of the continued longwall ramp up at the operations and is primarily due to the timing of the longwall changeout from LW403 to LW404.

The Group's guidance on the proportion of tonnes mined within its private royalty land remains unchanged at 85% to 90% for H2 2016, 60-65% for the full year 2016, and over 90% by the end of 2017.

For further information, please see [www.riotinto.com](http://www.riotinto.com).

### *Narrabri North, New South Wales, Australia – Thermal and PCI Coal*

Royalty income in the first six months of 2016 from the Narrabri mine was £1.6m (H1 2015: £1.8m). Saleable coal production from Narrabri during the period was 3.5Mt (2015: 4.1Mt) and coal sales were 3.8Mt (2015: 3.9Mt). The drop in saleable coal production was expected by Whitehaven Coal Limited ("Whitehaven") as there were two longwall changeouts during the period, both completed on time and on budget, and full longwall production has now resumed.

On February 5, 2016, Whitehaven announced its intention to extend the Narrabri North longwall panels into the Narrabri South area, and that work to integrate Narrabri South into existing operations at Narrabri North had commenced. Drilling to convert Narrabri South Mineral Resources to Mineral Reserves is scheduled to occur during Whitehaven's fiscal year ending June 30, 2017.

The project to widen the longwall face to 400 metres (from 300 metres), leading to increased ROM coal production rates, appears to be on schedule and on budget with first production from the first 400 metre wide panel (LW07) expected to commence in the second half of FY2017.

For further information, please see <http://www.whitehavencoal.com.au>.

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## *Maracás Menchen, Brazil – Vanadium*

Royalty income in the first six months of 2016 from the Maracás mine was £0.2m (H1 2015: £0.4m). To date, Largo has announced production up to June 2016 of 3,480 tonnes of V<sub>2</sub>O<sub>5</sub> from Maracás, including a new record monthly production record of 801 tonnes in June. Largo has issued production guidance for 2016 in the range of 7,639 tonnes and 8,639 tonnes of V<sub>2</sub>O<sub>5</sub>. This has been offset by a weaker vanadium price in H1 2016 compared to the same period in H1 2015.

On May 26, 2016, Largo announced an update to the mine plan and Mineral Reserves of the project. The Proven and Probable Mineral Reserves for the Campbell Pit at Maracás have increased by 40% to 18.4 million tonnes from the 13.1 million tonnes established previously although Largo now expect the mine life to be reduced slightly to 15 years at a production rate of 9,600 tonnes V<sub>2</sub>O<sub>5</sub> per annum.

For further information, please see [www.largoresources.com](http://www.largoresources.com).

- *El Valle-Boinás/Carlés, Spain – Gold/Copper/Silver*

During the six months to June 30, 2016, the Group received royalty receipts of £0.6m (H1 2015: £0.6m) from the El Valle-Boinás/Carlés Mine (“EVBC”). During the first six months of 2016, EVBC produced 21,581 ounces of gold, 1.80Mlbs of copper and 64,757 ounces of silver compared with 26,371 ounces of gold, 2.91Mlbs of copper and 82,227 ounces of silver during the same period in 2015. Despite this, the gold price has, on average, been higher during H1 2016 compared to H1 2015.

In July 2016, Orvana Minerals Corp (“Orvana”) announced a USD\$12.5m Prepayment Facility with Samsung C&T. The proceeds are expected to be invested with a view to deliver increased production and lower unit costs at the El Valle/Boinás mine, and possibly support the restart of mining activities at the Carlés mine which was put into care and maintenance in February 2015.

For further information, please see [www.orvana.com](http://www.orvana.com).

- *Four Mile, South Australia, Australia - Uranium*

The Four Mile Uranium Mine (“Four Mile”) commenced sales of uranium ore concentrate (“UOC”) in late 2015 and during the six months to June 30, 2016, the Group received maiden royalty receipts of £0.2m from Quasar Resources Pty Ltd (“Quasar”). Despite the recent weakness in the spot price during the ramp-up at Four Mile, down from US\$36.00/lbs in December 2015 to US\$28.25/lbs in June 2016, the outlook on the long term contract price remains relatively stable.

## **Development royalties**

- *Salamanca, Spain – Uranium*

On July 14, 2016, Berkeley announced the results of a Definitive Feasibility Study (“DFS”) on its Salamanca project. The DFS reports that the project is capable of producing an average of 4.4Mlbs of saleable uranium per annum over ten years of steady state production, or an average of 3.5Mlbs of uranium per year over a 14-year mine life. This is significantly higher than the rate of production assumed when the Company acquired the royalty in 2009 due to the considerable increase in resource discovered by Berkeley over the past 12 months. First production, and hence first generation of royalty income for the Company, is expected in 2018.

For further information on the project please see [www.berkeleyenergia.com](http://www.berkeleyenergia.com).

- *Groundhog, British Columbia, Canada – Anthracite*

In April 2016, the Group settled the outstanding amount due under its promissory note receivable from Atrum Coal NL (“Atrum”) by way of US\$0.6m in cash along with the issue of a new royalty on the Groundhog anthracite project as follows:

- 0.5% GRR covering all production within Atrum’s Groundhog Anthracite Project (“Groundhog”) tenements from first production until ten years from the date that Atrum declares commercial production on the project; and subsequently
- 0.1% GRR from production within the Groundhog North Mining Complex project area.

In addition, the Group retained a royalty on certain Groundhog tenements following its disposal of the related mining licenses in 2014 to Atrum. The royalty entitles the Group to the higher of 1% of gross revenue on a mine gate basis or US\$1/t from coal sales based on production within these licenses.

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On June 9, 2016, Atrum announced a revised PFS which outlined an underground project capable of producing 880ktpa of ultra-high grade anthracite over a mine life of 28 years.

## Finance review

Anglo Pacific reported a 6% increase in royalty income in H1 2016 compared to the same period in 2015. The Group's income benefitted from stronger operational performance at Kestrel, which also contributed to a doubling in free cash flow generated by the Group. The balance sheet benefitted from a weaker pound at the reporting date following the EU referendum result which significantly increased the value of the Group's dollar denominated assets.

## Income Statement

Royalty income £'000	H1 2016	H1 2015	%	H2 2015	2015
Kestrel	1,433	1,027	+ 40%	2,587	3,614
Narrabri	1,607	1,799	- 11%	1,418	3,217
EVBC	598	627	- 5%	619	1,246
Maracas	246	375	- 34%	231	606
Four Mile	191	-	-	-	-
	4,075	3,828	+ 6%	4,855	8,683

Royalty income increased by £247k in the period to £4,075k, an increase of 6%. This is largely as a result of additional mining within the Group's private royalty land at Kestrel which increased to 37% in H1 2016 from 22% in H1 2015. Similar to 2015, the majority of the Group's royalty income for 2016 is expected to be received in the second half of the year. Importantly, this should be the last reporting period where there is a significant discrepancy between the public and private royalty area, as mining is expected to be mainly within the Group's private royalty land from this point onwards. This should drive significant revenue growth in the years ahead. This should also be assisted by a recovery in the price of coking coal, which has increased by ~14% in the year to date. The recent spot price is currently trading well above the Q3 2016 contract price, driven by supply side cuts by China which is having a positive impact on the price of seaborne coal. This should translate into a higher Q4 2016 contract price in due course.

Although the price of thermal coal rallied since the end of the second quarter, the lower thermal coal prices during the first half of the year impacted royalty income from Narrabri, however, this was partially offset by a slight increase in tonnage sold. More importantly for the Group is the production upside associated with the royalty. Whitehaven have increased the permitting at the mine from 8Mtpa to 11Mtpa which, when aided by the upsized modification to the longwall infrastructure, should result in higher levels of production than assumed by the Group at the time the royalty was acquired. This acceleration of production should result in higher royalty revenues in the years ahead.

Royalty income from EVBC in the first half of the year was consistent with the same period in 2015. The gold price has increased considerably in the year to date and should continue to benefit the Group in the second half of the year.



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Royalty income from Maracás contributed £246k in the period compared to £375k in H1 2015. The vanadium price continues to trade at much lower levels compared to the price when the royalty was acquired. Despite this, there have been a number of positive developments in relation to this royalty during the period. Largo has made considerable progress in ramping up production, and reported a record month of production in June, which was running close to nameplate capacity. This should benefit the Group in the second half of the year.

The Group received its first royalty receipts from Four Mile during the period of £191k. The Group expects that this income will gradually ramp up over time as the operator secures longer-term supply contracts.

The Group continued its focus on costs during the first half of the year. Overheads were consistent with the previous year and this will continue to be an ongoing area of focus going forward. The other noticeable item in the income statement in the period is the £1.2m foreign exchange credit reflecting the weakening of the pound, particularly in the last week in June following the outcome of the EU referendum.

Adjusted earnings in the period were £2.4m (after current tax of £0.8m) resulting in adjusted earnings per share of 1.43p. This is ahead of the £1.6m and 1.04p respectively in H1 2015. Taking into account the amortisation charge, non-cash share based payments, the Kestrel revaluation and associated deferred tax resulted in an overall loss after tax for the period of £5.4m compared to a loss of £8.8m in the first half of 2016 equating to a basic loss per share of 3.18p (H1 2015: 5.81p).

### Balance sheet

Net assets increased to £164.8m at the end of June from £162.0m at the beginning of 2016. There were two main reasons for this increase: the impact of the closing GBP:AUD exchange rate post the outcome of the EU referendum; and the significant increase in Berkeley's share price in the first six months of the year.

Net asset value reconciliation	GBP:AUD	£'000	£'000	Pence per share
January 1, 2016	2.0281		161,983	95p
Kestrel:				
Coal price (Income Statement)		(10,161)		
FX on retranslation from AUD to GBP (OCI)		9,612		
Deferred tax (income Statement)		3,004		
Deferred tax (OCI)		(2,843)	(388)	
Foreign exchange on translation of royalties			8,988	
Amortisation of royalties			(1,339)	
Equity portfolio increase			4,608	
Adjusted earnings			2,418	
Dividends			(11,830)	
Other			339	
June 30, 2016	1.7995		164,779	97p

As can be seen in the table above, the weakening of the pound against the dollar denominated currencies has benefitted the Group at the end of June. Although revisions to the longer-term coking coal price reduced the underlying value of the Kestrel royalty by £10.1m during the period, as recognised in the income statement, this deficit was virtually reversed in full on the balance sheet, through the unrealised foreign exchange gain on retranslation from Australian dollars to pounds at the period end.

The majority of the Group's other royalties are denominated in Australian dollars, which also benefitted from retranslation gains of £9.0m at June 30, 2016. The dividend of £11.8m reflects the payment of the 2015 interim dividend in February 2016 of 4.00p per share (£6.8m) and the final dividend for 2015 of 3.00p per share (£5.0m) which was accrued at June 30, 2016, but not at December 31, 2015, following its approval at the AGM in May 2016.

The other noticeable increase in the period was the £4.6m increase in value of the Group's non-core equity portfolio. The vast majority of this is in relation to the Group's 15% holding in Berkeley, which has increased in value significantly in the period following previously announced progress at their Salamanca project, which the Group also has a royalty over. At June 30, 2016 the value of the Group's equity stake in Berkeley was £11.3m. This has increased in value further since the half year and currently valued at £13.5m.

The Group ended the period with net assets per share of 97p, a slight increase from the 95p reported at the year end. The Directors consider there to be further inherent value in Anglo Pacific's business as certain of its royalties have, in their view, increased in value since the Group acquired them and this value is not reflected on the balance sheet. One readily observable instance of this is the royalty which Berkeley sold on its Salamanca project in June 2016 which, on an equivalent basis, would

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value the Group's royalty at some \$10m (or approximately three times) higher than the Group's balance sheet value. Other examples include the planned volume increases at Narrabri, which has the impact of accelerating production therefore increasing value, and income commencing at Four Mile which, in addition to the natural unwinding of the discount rate, brings forward the cash flow on a DCF basis. Both acceleration of production and additional reserves naturally increases the value in use to the Group of owning the royalty.

### Cash flow and net debt

The Group generated free cash flow of £3.6m in the first six months of 2016, more than double the £1.7m generated in the first six months of 2015.

Financial resources (£m)	H1 2016		H1 2015	
	Debt	Cash	Debt	Cash
January 1	(7.5)	5.7	-	8.8
Royalty receipts		4.8		2.0
Non-royalty asset income		0.4		0.3
Non-core asset disposals		-		1.7
Administrative costs		(1.7)		(2.0)
Tax, FX and other		0.2		0.1
Finance costs		(0.1)		(0.4)
<b>Free cash flow</b>		<b>3.6</b>		<b>1.7</b>
Royalty acquisitions		-		(41.6)
Equity issuance		-		37.4
RCF drawdown	(1.6)	1.6	(2.9)	2.9
Dividend		(6.8)		(5.2)
June 30	(9.1)	4.1	(2.9)	4.0

Free cash flow in 2015 was skewed towards the second half of the year due to the production profile associated with Kestrel. This trend is expected to repeat in H2 2016, following which the Group expects half yearly fluctuations in its income profile to level off as Kestrel moves largely within the Group's private royalty land.

The Group received £0.6m in the period in relation to tax owing to it following the overpayment of tax on account in previous periods.

The Group ended the period with net debt of £5.0m, which is up £3.2m from the beginning of the year. The increase is largely attributable to the payment of the 2015 interim dividend in February 2016. The Group drew a further £3.6m in August with the payment of the 2015 final dividend leaving net debt outstanding of ~£7.5m at present.

Although mindful of not declaring an inflection point, borrowings should begin to decrease from this point onwards, subject to the continuing operations of the business remaining unchanged and no material decrease in commodity prices or exchange rates. With approximately US\$13.0m undrawn under the current revolving credit facility, along with further liquidity through the Group's non-core listed equity portfolio, the Directors believe the Group has sufficient cash resources to maintain the dividend at current levels for the foreseeable future.

### Dividend

The Board has declared an interim dividend for 2016 of 3.00p per share, maintaining the level of the 2015 final dividend per share. The dividend will be paid on February 8, 2017 to shareholders on the register at the close of business on December 30, 2016. The shares will be quoted ex-dividend in London on December 29, 2016 and in Canada on December 28, 2016.

# Anglo Pacific Group PLC

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A payment of £6.8m, equivalent to 4.00p per share, is included in the cash flow statement to June 30, 2016, representing the 2015 interim dividend recognised and paid in February 2016. This, together with the 3.00p per share 2015 final dividend approved at the AGM in May and paid in August 2016, means total dividend payments in relation to 2015 were 7.00p per share. As previously communicated, it is the Group's intention to maintain bi-annual payments of 3.00p per share until such time that the equivalent of 65% of adjusted earnings per share is higher, at which point the dividend level will be reviewed.

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## Principal risks and uncertainties

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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 Annual Report 2015 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 Annual Report 2015 is available on the Group's website [www.anglo-pacificgroup.com](http://www.anglo-pacificgroup.com)

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## Performance measures

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

### **Adjusted earnings/(loss)**

Adjusted earnings/(loss) represents the Group's underlying operating performance from core activities. Adjusted earnings/(loss) is the profit/(loss) attributable to equity holders less all valuation movements, non-cash impairments and amortisation charges (which are non-cash IFRS adjustments that arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing. See note 5 to the financial statements for adjusted earnings/(loss).

### **Operating profit/(loss)**

Operating profit/(loss) represents the Group's underlying operating performance from its royalty interests. Operating profit/(loss) is royalty related 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.

### **Free cash flow**

Free cash flow represents the net cash generated in the period before dividends, royalty acquisitions, equity issuances and changes in the level of borrowings. It includes cash flow generated from the disposal of non-core asset disposals. The Group's free cash flow is reconciled on page 7.

### **Net debt**

Net debt represents the Group's utilisation of its revolving credit facility, excluding deferred borrowing costs, less cash and cash equivalents. See note 11 to the financial statements for the Group's net debt position as at June 30, 2016.

# Anglo Pacific Group PLC

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## 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, 2015 and a list of the current Directors is maintained on the Anglo Pacific website: [www.anglopacifigroup.com](http://www.anglopacifigroup.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 24, 2016

**Anglo Pacific Group PLC**  
**Condensed Consolidated Financial Statements**

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Notes	Six months ended	
		June 30, 2016 £'000	June 30, 2015 £'000
Royalty income		4,075	3,828
Amortisation of royalties		(1,339)	(1,344)
Operating expenses		<u>(1,824)</u>	<u>(1,837)</u>
<b>Operating profit before impairments, revaluations and losses on disposals</b>		<b>912</b>	<b>647</b>
Loss on sale of mining and exploration interests		-	(507)
Impairment of mining and exploration interests		-	(128)
Impairment of royalty and exploration intangible assets		-	(2,786)
Revaluation of coal royalties (Kestrel)		(10,161)	(9,074)
Finance income	2	70	149
Finance costs	3	825	193
Other income	4	<u>179</u>	<u>155</u>
<b>Loss before tax</b>		<b>(8,175)</b>	<b>(11,351)</b>
Current income tax charge		(800)	(806)
Deferred income tax credit	12	<u>3,595</u>	<u>3,333</u>
<b>Loss attributable to equity holders</b>		<b><u>(5,380)</u></b>	<b><u>(8,824)</u></b>
<b>Total and continuing loss per share</b>			
Basic and diluted loss per share	5	(3.18p)	(5.81p)

**Anglo Pacific Group PLC**  
**Condensed Consolidated Financial Statements**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Notes	Six months ended	
		June 30, 2016 £'000	June 30, 2015 £'000
<b>Loss attributable to equity holders</b>		(5,380)	(8,824)
<b>Items that will not be reclassified to profit or loss</b>		-	-
<b>Items that have been or may be subsequently reclassified to profit or loss</b>			
Available-for-sale investments			
Revaluation of available-for-sale investments		4,229	(933)
Reclassification to income statement on disposal of available-for-sale investments		-	507
Reclassification to income statement on impairment		-	128
Deferred tax relating to items that have been or may be reclassified	12	18	136
Net exchange gain/(loss) on translation of foreign operations		15,407	(10,421)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>19,654</u>	<u>(10,583)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><u>14,274</u></u>	<u><u>(19,407)</u></u>

# Anglo Pacific Group PLC

## Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)  
AS AT JUNE 30, 2016

	Notes	June 30, 2016 £'000	June 30, 2015 £'000	December 31, 2015 £'000
<b>Non-current assets</b>				
Property, plant and equipment		95	131	113
Coal royalties (Kestrel)	7	82,107	100,013	82,649
Royalty financial instruments	8	16,613	7,356	6,534
Royalty and exploration intangible assets	9	79,791	73,727	71,491
Mining and exploration interests	10	15,506	8,149	10,898
Deferred costs		1,120	-	1,013
Other receivables		-	9,543	10,132
Deferred tax	12	3,446	2,377	3,094
		<u>198,678</u>	<u>201,296</u>	<u>185,924</u>
<b>Current assets</b>				
Trade and other receivables		3,132	6,604	5,106
Cash and cash equivalents		4,059	4,023	5,708
		<u>7,191</u>	<u>10,627</u>	<u>10,814</u>
<b>Total assets</b>		<b><u>205,869</u></b>	<b><u>211,923</u></b>	<b><u>196,738</u></b>
<b>Non-current liabilities</b>				
Borrowings	11	8,900	2,625	7,272
Other payables		1,348	115	1,193
Deferred tax	12	23,970	29,255	24,546
		<u>34,218</u>	<u>31,995</u>	<u>33,011</u>
<b>Current liabilities</b>				
Income tax liabilities		465	662	574
Trade and other payables		6,407	8,313	1,170
		<u>6,872</u>	<u>8,975</u>	<u>1,744</u>
<b>Total liabilities</b>		<b><u>41,090</u></b>	<b><u>40,970</u></b>	<b><u>34,755</u></b>
<b>Net assets</b>		<b><u>164,779</u></b>	<b><u>170,953</u></b>	<b><u>161,983</u></b>
<b>Capital and reserves attributable to shareholders</b>				
Share capital	13	3,399	3,399	3,399
Share premium	13	49,211	49,211	49,211
Other reserves		49,984	25,095	29,976
Retained earnings	14	62,185	93,248	79,397
<b>Total equity</b>		<b><u>164,779</u></b>	<b><u>170,953</u></b>	<b><u>161,983</u></b>

**Anglo Pacific Group PLC**  
**Condensed Consolidated Financial Statements**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Share capital £'000	Share premium £'000	Other reserves							Retained earnings £'000	Total equity £'000
			Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000		
Balance at January 1, 2015	2,329	29,328	9,453	143	1,487	678	6,040	632	(2,601)	113,761	161,250
Loss for the period	-	-	-	-	-	-	-	-	-	(8,824)	(8,824)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(933)	-	3	-	-	-	(930)
Transferred to income statement on disposal	-	-	-	-	507	-	-	-	-	-	507
Transferred to income statement on impairment	-	-	-	-	128	-	-	-	-	-	128
Deferred tax	-	-	-	-	136	-	1	-	-	-	137
Foreign currency translation	-	-	-	-	-	-	(10,425)	-	-	-	(10,425)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(162)</b>	<b>-</b>	<b>(10,421)</b>	<b>-</b>	<b>-</b>	<b>(8,824)</b>	<b>(19,407)</b>
Dividends	-	-	-	-	-	-	-	-	-	(11,901)	(11,901)
Issue of ordinary shares	1,070	19,883	19,681	-	-	-	-	-	-	-	40,634
Value of employee services	-	-	-	-	-	165	-	-	-	212	377
<b>Total transactions with owners of the company</b>	<b>1,070</b>	<b>19,883</b>	<b>19,681</b>	<b>-</b>	<b>-</b>	<b>165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,689)</b>	<b>29,110</b>
<b>Balance at June 30, 2015</b>	<b>3,399</b>	<b>49,211</b>	<b>29,134</b>	<b>143</b>	<b>1,325</b>	<b>843</b>	<b>(4,381)</b>	<b>632</b>	<b>(2,601)</b>	<b>93,248</b>	<b>170,953</b>



**Anglo Pacific Group PLC**  
**Condensed Consolidated Financial Statements**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

	Other reserves										Retained earnings	Total equity
	Share capital	Share premium	Merger reserve	Warrant reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Investment in own shares			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at June 30, 2015	3,399	49,211	29,134	143	1,325	843	(4,381)	632	(2,601)	93,248	170,953	
Loss for the year	-	-	-	-	-	-	-	-	-	(13,752)	(13,752)	
Other comprehensive income:												
Available-for-sale investments												
Valuation movement taken to equity	-	-	-	-	1,790	-	48	-	-	-	1,838	
Transferred to income statement on disposal	-	-	-	-	(23)	-	-	-	-	-	(23)	
Transferred to income statement on impairment	-	-	-	-	802	-	-	-	-	-	802	
Deferred tax	-	-	-	-	23	-	-	-	-	-	23	
Foreign currency translation	-	-	-	-	-	-	1,776	-	-	-	1,776	
<b>Total comprehensive income/(loss)</b>	-	-	-	-	<b>2,592</b>	-	<b>1,824</b>	-	-	<b>(13,752)</b>	<b>(9,336)</b>	
Dividends	-	-	-	-	-	-	-	-	-	-	-	
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	
Value of employee services	-	-	-	-	-	465	-	-	-	(99)	366	
<b>Total transactions with owners of the company</b>	-	-	-	-	-	<b>465</b>	-	-	-	<b>(99)</b>	<b>366</b>	
<b>Balance at December 31, 2015</b>	<b>3,399</b>	<b>49,211</b>	<b>29,134</b>	<b>143</b>	<b>3,917</b>	<b>1,308</b>	<b>(2,557)</b>	<b>632</b>	<b>(2,601)</b>	<b>79,397</b>	<b>161,983</b>	

**Anglo Pacific Group PLC**  
**Condensed Consolidated Financial Statements**

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

	Share capital £'000	Share premium £'000	Other reserves							Retained earnings £'000	Total equity £'000
			Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000		
Balance at January 1, 2016	3,399	49,211	29,134	143	3,917	1,308	(2,557)	632	(2,601)	79,397	161,983
Loss for the year	-	-	-	-	-	-	-	-	-	(5,380)	(5,380)
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
<b>Total comprehensive income/(loss)</b>	-	-	-	-	<b>4,247</b>	-	<b>15,407</b>	-	-	<b>(5,380)</b>	<b>14,274</b>
Dividends	-	-	-	-	-	-	-	-	-	(11,832)	(11,832)
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Value of employee services	-	-	-	-	-	354	-	-	-	-	354
<b>Total transactions with owners of the company</b>	-	-	-	-	-	<b>354</b>	-	-	-	<b>(11,832)</b>	<b>(11,478)</b>
<b>Balance at June 30, 2016</b>	<b>3,399</b>	<b>49,211</b>	<b>29,134</b>	<b>143</b>	<b>8,164</b>	<b>1,662</b>	<b>12,850</b>	<b>632</b>	<b>(2,601)</b>	<b>62,185</b>	<b>164,779</b>

# Anglo Pacific Group PLC

## Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Notes	June 30, 2016 £'000	June 30, 2015 £'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(8,175)	(11,351)
<i>Adjustments for:</i>			
Finance income		(70)	(149)
Finance costs - excluding foreign exchange gains/losses		423	417
Other income		(179)	(155)
Loss on disposal of mining and exploration interests	10	-	507
Impairment of mining and exploration interests	10	-	128
Impairment of royalty and exploration intangible assets	9	-	2,786
Revaluation of coal royalties (Kestrel)	7	10,161	9,074
Depreciation of property, plant and equipment		17	19
Amortisation of royalty intangible assets	9	1,339	1,344
Share based payment		354	378
Foreign exchange (gain)/loss		(1,248)	-
		<u>2,622</u>	<u>2,998</u>
Decrease/(Increase) in trade and other receivables		635	(1,332)
Increase/(Decrease) in trade and other payables		167	(605)
Cash generated from operations		<u>3,424</u>	<u>1,061</u>
Income taxes paid		(172)	(857)
<b>Net cash generated from operating activities</b>		<u><b>3,252</b></u>	<u><b>204</b></u>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of mining and exploration interests	10	-	1,722
Purchases of royalty and exploration intangible assets	9	-	(41,587)
Proceeds from royalty financial instruments	8	116	105
Other royalty related repayments		392	-
Sundry income		63	50
Finance income		70	149
<b>Net cash from/(used in) investing activities</b>		<u><b>641</b></u>	<u><b>(39,561)</b></u>
<b>Cash flows from financing activities</b>			
Drawdown of revolving credit facility	11	4,400	2,863
Repayment of revolving credit facility	11	(2,827)	-
Proceeds from issue of share capital	13	-	37,326
Dividends paid	6	(6,762)	(5,140)
Finance costs - excluding foreign exchange gains/losses		(414)	(417)
<b>Net cash (used in)/from financing activities</b>		<u><b>(5,603)</b></u>	<u><b>34,632</b></u>
<b>Net decrease in cash and cash equivalents</b>		<u><b>(1,710)</b></u>	<u><b>(4,725)</b></u>
<b>Cash and cash equivalents at beginning of period</b>		<u><b>5,708</b></u>	<u><b>8,769</b></u>
Unrealised foreign currency gain/(loss)		61	(21)
<b>Cash and cash equivalents at end of period</b>		<u><b>4,059</b></u>	<u><b>4,023</b></u>

# Anglo Pacific Group PLC

## Condensed Consolidated Financial Statements

### NOTES TO THE ACCOUNTS

#### 1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended June 30, 2016. 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, 2015.

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, 2015, 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, 2015 were approved on March 22, 2016. 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 10 to 16. As at June 30, 2016, the Group had £9.1m in borrowings (note 11) following the partial draw down on its revolving credit facility (December 31, 2015: £7.5m) and access to a further £13.3m in undrawn funds under the same facility.

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 used by the Group in these condensed financial statements are consistent with those applied by the Group in its financial statements for the year ended December 31, 2015. A number of new accounting pronouncements, principally minor amendments to existing standards, became effective on January 1, 2016, and have been adopted by the Group. The adoptions of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

The Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

## 2 Finance income

	Six months ended	
	June 30, 2016	June 30, 2015
	£'000	£'000
Interest on bank deposits	45	10
Interest on long-term receivables	25	139
	70	149

## 3 Finance costs

Six months ended	
June 30, 2016	June 30, 2015

# Anglo Pacific Group PLC

## Condensed Consolidated Financial Statements

### NOTES TO THE ACCOUNTS

	£'000	£'000
Professional fees	(229)	(310)
Revolving credit facility fees	(63)	(77)
Revolving credit facility interest	(131)	(30)
	(423)	(417)
Net foreign exchange gain	1,248	610
	825	193

#### 4 Other income

	Six months ended	
	June 30, 2016 £'000	June 30, 2015 £'000
<b>Group</b>		
Effective interest income on royalty financial instruments	116	105
Sundry income	63	50
	179	155

#### 5 Loss per share

Loss per ordinary share is calculated on the Group's loss after tax of £5.4m for the six months ended June 30, 2016 (June 30, 2015: loss £8.8m) and the weighted average number of shares in issue during the period of 169,016,101 (2015: 151,867,805).

	June 30, 2016 £'000	June 30, 2015 £'000
<b>Net profit attributable to shareholders</b>		
Earnings - basic	(5,380)	(8,824)
Earnings - diluted	(5,380)	(8,824)
	(5,380)	(8,824)
<b>Weighted average number of shares in issue</b>		
Basic number of shares outstanding	169,016,101	151,867,805
Dilutive effect of Employee Share Option Scheme	-	-
<b>Diluted number of shares outstanding</b>	169,016,101	151,867,805
Loss per share – basic and diluted	(3.18p)	(5.81p)

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, 2016 (June 30, 2015: 925,933).

As the Group is loss making in 2016 and 2015, the Employee Share Option Scheme is considered anti-dilutive because including it 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.

**Diluted**

# Anglo Pacific Group PLC

## Condensed Consolidated Financial Statements

### NOTES TO THE ACCOUNTS

	Earnings £'000	Earnings per share p	earnings per share p
<b>Net profit attributable to shareholders</b>			
Loss - basic and diluted for the six month ended June 30, 2016	(5,380)	(3.18p)	(3.18p)
<i>Adjustment for:</i>			
Amortisation of royalty intangible assets	1,339		
Impairment of mining and exploration interests	-		
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	<u>(3,997)</u>		
Adjusted profit - basic and diluted for the six months ended June 30, 2016	<u>2,409</u>	<u>1.43p</u>	<u>1.43p</u>
	Earnings £'000	Earnings per share p	Diluted earnings per share p
<b>Net profit attributable to shareholders</b>			
Loss - basic and diluted for the six month ended June 30, 2015	(8,824)	(5.81p)	(5.81p)
<i>Adjustment for:</i>			
Amortisation of royalty intangible assets	1,344		
Gain on sale of mining and exploration interests	507		
Impairment of mining and exploration interests	128		
Impairment of royalty and exploration intangible assets	2,786		
Revaluation of coal royalties (Kestrel)	9,074		
Effective interest income on royalty financial instruments	(105)		
Share-based payments and associated national insurance	411		
Tax effect of the adjustments above	<u>(3,736)</u>		
Adjusted profit - basic and diluted for the six months ended June 30, 2015	<u>1,585</u>	<u>1.04p</u>	<u>1.04p</u>

## 6 Dividends

An interim dividend of 3.00p per share has been declared for year ending December 31, 2016, and will be paid on February 8, 2017.

On August 5, 2016 a final dividend in respect of the year ended December 31, 2015 of 3.00p per share was paid to shareholders (£5.1m). As the final dividend was approved by shareholders at the AGM on May 10, 2016 it has been included as a current liability in 'Trade and other payables' as at June 30, 2016.

On February 4, 2016 an interim dividend of 4.00p per share was paid to shareholders (£6.8m) in respect of the year ended December 31, 2015.

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#### 7 Coal royalties (Kestrel)

	£'000
At January 1, 2015	117,097
Foreign currency translation	(8,010)
Loss on revaluation of coal royalties	(9,074)
At June 30, 2015	<u>100,013</u>
Foreign currency translation	763
Loss on revaluation of coal royalties	(18,127)
At December 31, 2015	<u>82,649</u>
Foreign currency translation	9,619
Loss on revaluation of coal royalties	(10,161)
At June 30, 2016	<u><u>82,107</u></u>

The coal royalty was valued during June 2016 at £82.1m (A\$147.8m) by Geos Mining, independent coal industry advisors, on a net present value of the pre-tax cash flow discounted at a nominal rate of 7.5% (June 30, 2015: 7.0%). The net royalty income from this investment is currently taxed in Australia at a rate of 30.0%. The revaluation of the underlying Australian dollar asset is recognised in the Income Statement with the retranslation of the Group's sterling presentation currency recognised in the foreign currency translation reserve. Were the coal royalty to be carried at cost the carrying value would be £0.2 million (2015: £0.2 million).

The shares over the entity which is the beneficial owner of the Kestrel royalty have been guaranteed as security in connection with the three-year secured revolving credit facility.

#### 8 Royalty financial instruments

	£'000
<b>Held at fair value</b>	
At January 1, 2015	8,142
Revaluation of royalty financial instruments recognised in equity	(931)
Foreign currency translation	145
At June 30, 2015	<u>7,356</u>
Revaluation of royalty financial instruments recognised in equity	(978)
Foreign currency translation	156
At December 31, 2015	<u>6,534</u>
Transfer from non-current other receivables	10,133
Revaluation of royalty financial instruments recognised in equity	(339)
Foreign currency translation	285
At June 30, 2016	<u><u>16,613</u></u>

In the period effective interest of £0.1m (2015: £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 23, 2016 the Group was notified by Hummingbird Resources PLC that a Mineral Development Agreement had been signed by the Liberian government, satisfying the conditions precedent to extinguish the Group's non-interest bearing advance of US\$15.0m, previously held as non-current other receivables, in return for a 2.0-2.5% NSR royalty over the Dugbe 1 project.

The Group's royalty financial instruments are represented by five royalty agreements (2015: four) which entitle the Group to either the repayment of principal and a NSR royalty for the life of the mine or a GRR royalty where the project commences commercial production or the repayment of principal where it does not. Details of the Group's royalty financial instruments are summarised below:

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Project	Commodity	Cost '000	Royalty Rate	Escalation	Option Price	Discount Rate	Royalty Valuation £'000
Engenho <sup>1</sup>	Gold	A\$4,000	2.5%	-	A\$0.35	-	-
EVBC	Gold	C\$7,500	2.5%	3% >US\$1,100/oz	C\$0.958	8%	3,493
Isua <sup>2</sup>	Iron ore	A\$28,000	1%	-	-	-	-
Jogjakarta	Iron sands	A\$5,000	2%	-	A\$0.10 - A\$0.50	10%	2,987
Dugbe 1	Gold	US\$15,000	2%	2.5% >US\$1,800/oz	-	12.5%	10,133
							16,613

<sup>1</sup> Engenho royalty instrument was fully provided for as at December 31, 2011.

<sup>2</sup> Isua royalty instrument was fully provided for as at December 31, 2014.

**9 Royalty and exploration intangibles assets**

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
<b>Gross carrying amount</b>			
At January 1, 2016	697	96,845	97,542
Additions	-	-	-
Disposals	-	-	-
Foreign currency translation	-	12,927	12,927
At June 30, 2016	697	109,772	110,469
<b>Amortisation and impairment</b>			
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)
<b>Carrying amount June 30, 2016</b>	-	79,791	79,791
<b>Group</b>	<b>Exploration and Evaluation Costs £'000</b>	<b>Royalty Interests £'000</b>	<b>Total £'000</b>
<b>Gross carrying amount</b>			
At January 1, 2015	697	59,705	60,402
Additions	-	44,971	44,971
Disposals	-	-	-
Foreign currency translation	-	(3,434)	(3,434)
At June 30, 2015	697	101,242	101,939
<b>Amortisation and impairment</b>			
At January 1, 2015	(697)	(22,595)	(23,292)
Amortisation charge	-	(1,344)	(1,344)
Impairment charge	-	(2,786)	(2,786)
Foreign currency	-	(790)	(790)
At June 30, 2015	(697)	(27,515)	(28,212)
<b>Carrying amount June 30, 2016</b>	-	73,727	73,727



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Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
<b>Gross carrying amount</b>			
At January 1, 2015	697	59,705	60,402
Additions	-	44,971	44,971
Foreign currency translation	-	(7,831)	(7,831)
At December 31, 2015	697	96,845	97,542
<b>Amortisation and impairment</b>			
At January 1, 2015	(697)	(22,595)	(23,292)
Amortisation charge	-	(2,573)	(2,573)
Impairment charge	-	(4,414)	(4,414)
Foreign currency	-	4,228	4,228
<b>At December 31, 2015</b>	(697)	(25,354)	(26,051)
<b>Carrying amount December 31, 2015</b>	-	71,491	71,491

#### 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 £1.3m (June 30, 2015: £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, 2016 no further impairment charges were recognised (December 31, 2015: £2.8m). The Group's intangible assets will be assessed for indicators of impairment again at December 31, 2016.

No intangible assets have been pledged as security for liabilities.

On March 11, 2015, the Group completed its acquisition of the Narrabri royalty for US\$65.0m (£43.3m). The Narrabri royalty is a 1% GRR royalty over all coal produced from the Narrabri mine located in New South Wales, Australia, owned and operated by Whitehaven. The total cost of the Narrabri acquisition was total consideration of US\$65.0m, US\$60.0m (£40.0m) was paid in cash and US\$5.0m (£3.3m) was satisfied by the issue of 4,135,238 ordinary shares (note 13) and £1.7 in capitalised acquisition costs.

## 10 Mining and exploration interests

	£'000
<b>Fair value</b>	
At January 1, 2015	9,896
Disposals	(2,206)
Revaluation adjustment	(3)
Foreign currency translation	462
At June 30, 2015	8,149
Mining and exploration interests received in lieu of payment	51
Revaluation adjustment	2,769
Foreign currency translation	(71)
At December 31, 2015	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

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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, 2016 Group £'000	June 30, 2015 Group £'000	December 31, 2015 Group £'000
Quoted investments	12,742	6,517	8,405
Unquoted investments	2,764	1,632	2,493
	15,506	8,149	10,898

#### 11 Borrowings

	June 30, 2016 Group £'000	June 30, 2015 Group £'000	December 31, 2015 Group £'000
<b>Secured borrowing at amortised cost</b>			
Revolving credit facility	9,100	2,863	7,527
Deferred borrowing costs	(200)	(238)	(255)
	8,900	2,625	7,272
Amount due for settlement within 12 months	-	-	-
Amount due for settlement after 12 months	9,100	2,863	7,527

Non-current interest bearing liabilities relates to the partial draw-down of the Group's revolving credit facility. Deferred borrowing costs relate to the establishment fees associated with the facility and will be amortised over its term. As at June 30, 2016, the Group had utilised US\$12.2m (£9.1m) (June 30, 2015: US\$4.5m (£2.9m)) of the US\$30.0m (£22.4m) available under the facility.

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.

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

	June 30, 2016 Group £'000	June 30, 2015 Group £'000	December 31, 2015 Group £'000
Revolving credit facility	(9,100)	(2,863)	(7,527)
Cash and cash equivalents	4,059	4,023	5,708
Net (debt)/cash and cash equivalents	(5,041)	1,160	(1,819)

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**12 Deferred tax**

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		Accrual of royalty receivable £'000	Other tax losses £'000	Total £'000
	Revaluation of coal royalty £'000	Effects of Tax losses £'000	Revaluation of royalty instruments £'000	Revaluation of mining interests £'000			
At January 1, 2015	34,615	(943)	1,206	(522)	30	(1,785)	32,601
Charge/(credit) to profit or loss	(2,757)	(490)	-	356	18	(460)	(3,333)
Charge/(credit) to other comprehensive income	-	-	(186)	103	-	-	(83)
Exchange differences	(2,384)	93	-	(2)	(3)	41	(2,255)
Effect of change in tax rate:							
- equity	-	-	(57)	5	-	-	(52)
At June 30, 2015	29,474	(1,340)	963	(60)	45	(2,204)	26,878
Charge/(credit) to profit or loss	(5,433)	21	-	(6)	519	(681)	(5,580)
Charge/(credit) to other comprehensive income	-	-	(196)	173	-	-	(23)
Exchange differences	238	(37)	-	1	3	(27)	178
Effect of change in tax rate:							
- equity	-	-	-	(1)	-	-	(1)
At December 31, 2015	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	-	-	699	50	-	-	749
Exchange differences	2,843	(172)	-	-	49	(35)	2,685
Effect of change in tax rate:							
- equity	-	-	(767)	-	-	-	(767)
At June 30, 2016	24,118	(1,528)	699	134	346	(3,245)	20,524

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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, 2016 £'000	June 30, 2015 £'000	December 31, 2015 £'000
Deferred tax liabilities	23,970	29,255	24,546
Deferred tax assets	(3,446)	(2,377)	(3,094)
	<u>20,524</u>	<u>26,878</u>	<u>21,452</u>

### 13 Share capital, share premium and merger reserve

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
<b>Group and Company</b>					
Ordinary shares of 2p each at January 1, 2015	116,431,796	2,329	29,328	9,453	41,110
Issue of share capital under placing and placing and open offer	49,375,000	987	16,658	19,681	37,326
Issue of share capital for royalty acquisition	4,135,238	83	3,225	-	3,308
Ordinary shares of 2p each at June 30, 2015, and December 31, 2015 and June 30, 2016	<u>169,942,034</u>	<u>3,399</u>	<u>49,211</u>	<u>29,134</u>	<u>81,744</u>

On February 27, 2015, the Group completed a firm placing, placing and open offer that resulted in the issue of 49,375,000 new ordinary shares of 2 pence each at a price of 80p per share, raising £39.5m, before costs. The funds raised were used to partially satisfy the cash component of the Narrabri royalty acquisition (refer to note 9).

On March 11, 2015, the Group issued 4,135,238 new ordinary shares of 2 pence each at a price of 80p per share to satisfy the non-cash component of US\$5.0m (£3.3m) upon the completion of the Narrabri royalty acquisition. Total consideration for the Narrabri royalty acquisition was US\$65.0m (refer to note 9).

### 14 Retained earnings

	£'000
Balance at January 1, 2015	113,761
Surrender of options from share-based payment	212
Dividends	(11,901)
Profit for the financial year	<u>(8,824)</u>
Balance at June 30, 2015	93,248
Surrender of options from share-based payment	(99)
Profit for the financial year	<u>(13,752)</u>
Balance at December 31, 2015	79,397
Dividends	(11,832)
Profit for the financial year	<u>(5,380)</u>
Balance at June 30, 2016	<u>62,185</u>

### 15 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:

<b>Australia:</b>	Kestrel, Narrabri, Four Mile, Pilbara, Mount Ida
<b>Americas:</b>	Maracás, Amapá and Tucano, Ring of Fire, Groundhog
<b>Europe:</b>	EVBC, Salamanca, Isua, Bulqiza
<b>Other:</b>	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

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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, 2016 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	3,231	246	598	-	4,075
Amortisation of royalties	(1,128)	(211)	-	-	(1,339)
Operating expenses	(872)	-	-	(952)	(1,824)
<b>Total segment operating profit/(loss)</b>	<u>1,231</u>	<u>35</u>	<u>598</u>	<u>(952)</u>	<u>912</u>
<b>Total segment assets</b>	<u>142,581</u>	<u>20,183</u>	<u>5,931</u>	<u>37,174</u>	<u>205,869</u>
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-
<b>Total segment liabilities</b>	<u>23,008</u>	<u>1,120</u>	<u>699</u>	<u>16,263</u>	<u>41,090</u>

The segment information for the six months ended June 30, 2015 is as follows:

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related income	2,826	375	627	-	3,828
Amortisation of royalties	(1,132)	(212)	-	-	(1,344)
Operating expenses	(917)	-	-	(920)	(1,837)
<b>Total segment operating profit/(loss)</b>	<u>777</u>	<u>163</u>	<u>627</u>	<u>(920)</u>	<u>647</u>
<b>Total segment assets</b>	<u>154,566</u>	<u>15,061</u>	<u>7,348</u>	<u>34,948</u>	<u>211,923</u>
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	44,971	-	-	-	44,971
<b>Total segment liabilities</b>	<u>28,179</u>	<u>-</u>	<u>1,078</u>	<u>11,713</u>	<u>40,970</u>

The segment information for the twelve months ended December 31, 2015 is as follows:

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related income	6,831	606	1,246	-	8,683
Amortisation of royalties	(2,167)	(406)	-	-	(2,573)
Operating expenses	(1,898)	-	-	(2,162)	(4,060)
<b>Total segment operating profit/(loss)</b>	<u>2,766</u>	<u>200</u>	<u>1,246</u>	<u>(2,162)</u>	<u>2,050</u>
<b>Total segment assets</b>	<u>138,635</u>	<u>17,359</u>	<u>6,298</u>	<u>34,447</u>	<u>196,739</u>
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	44,971	-	-	-	44,971
<b>Total segment liabilities</b>	<u>23,573</u>	<u>1,013</u>	<u>767</u>	<u>9,402</u>	<u>34,755</u>

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 £3.2m (2015: £2.8m) is substantially derived from the Kestrel and Narrabri royalties, which

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generated £1.4m and £1.6m respectively for the six months ended June 30, 2016 (2015: £1.0m and £1.8). Both royalties represent greater than 10% of the Group's revenue in 2015 and 2016. In addition, royalty related income in Europe of £0.6m (2015: £0.6m) is derived from a single gold, copper and silver royalty and represents greater than 10% of the Group's revenue in 2015 and 2016.

#### 16 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, 2016 £'000	June 30, 2015 £'000	December 31, 2015 £'000
<i>Investment property (held at fair value)</i>			
Coal royalties (Kestrel)	82,107	100,013	82,649
<i>Available-for-sale (held at fair value)</i>			
Royalty financial instruments	16,613	7,356	6,534
Mining and exploration interests	15,506	8,149	10,898
<i>Loans and receivables</i>			
Trade and other receivables	2,359	15,159	14,073
Cash at bank and in hand	4,059	4,023	5,708
<i>Financial liabilities</i>			
Trade and other payables	(1,093)	(1,130)	(832)
Borrowings	(9,100)	(2,863)	(7,527)
Other payables	(1,120)	-	(1,013)

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. At June 30, 2016 the Group had £9.1m in borrowings (December 31, 2015: £7.5m) and access to a further £13.3m (December 31, 2015: £12.5m) in undrawn funds from its revolving credit facility, 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

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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, 2016:

	Note	June 30, 2016			Total £'000
		Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Assets</b>					
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
<b>Net fair value</b>		<u>12,742</u>	<u>2,764</u>	<u>98,720</u>	<u>114,226</u>

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The following tables present the Group's assets and liabilities that are measured at fair value at June 30, 2015:

	Note	June 30, 2015			Total £'000
		Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Assets</b>					
Coal royalties (Kestrel)	(a)	-	-	100,013	100,013
Royalty financial instruments	(b)	-	-	7,356	7,356
Mining and exploration interests - quoted	(c)	6,517	-	-	6,517
Mining and exploration interests - unquoted	(d)	-	1,632	-	1,632
<b>Net fair value</b>		<u>6,517</u>	<u>1,632</u>	<u>107,369</u>	<u>115,518</u>

The following tables present the Group's assets and liabilities that are measured at fair value at December 31, 2015:

Group	Note	December 31, 2015			Total £'000
		Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Assets</b>					
Coal royalties (Kestrel)	(a)	-	-	82,649	82,649
Royalty financial instruments	(b)	-	-	6,534	6,534
Mining and exploration interests - quoted	(c)	8,405	-	-	8,405
Mining and exploration interests - unquoted	(d)	-	2,493	-	2,493
<b>Net fair value</b>		<u>8,405</u>	<u>2,493</u>	<u>89,183</u>	<u>100,081</u>

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% by an independent valuation consultant. See note 7 for further details. All unobservable inputs are obtained from third parties.

The Group's independent coal industry advisor who prepares the coal royalty valuation provided an analysis of the valuation's sensitivity to fluctuations in coal prices as follows:

- a 10% reduction in the coal price would have resulted in the coal royalties being valued at A\$124.1m (£69.0m) and an additional charge to the income statement of £12.1m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A\$171.8m (£95.5m) and a decrease in the charge to the income statement of £12.3m.

#### (b) Royalty financial instruments

At the reporting date the royalty instruments are valued based on the net present value of the pre-tax cash flows discounted at a rate management considers reflects the risk associated with each of the underlying projects. The outcome is then risk weighted to reflect the likelihood of the project achieving production based on any published updates in the year. The discount rate is the only unobservable input determined by management. All other unobservable inputs are obtained from third parties.

#### (c) Mining and exploration interests – quoted



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### NOTES TO THE ACCOUNTS

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) Mining and exploration interests – royalty options

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

#### Fair value measurements in Level 3

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

The following table presents the changes in Level 3 instruments for the six months ended June 30, 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	<u>16,613</u>	<u>82,107</u>	<u>98,720</u>

The following table presents the changes in Level 3 instruments for the six months ended June 30, 2015.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2015	8,142	117,097	125,239
Revaluation gains or losses recognised in:			
Other comprehensive income	(931)	-	(931)
Income statement	-	(9,074)	(9,074)
Foreign currency translation	145	(8,010)	(7,865)
At June 30, 2015	<u>7,356</u>	<u>100,013</u>	<u>107,369</u>

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### NOTES TO THE ACCOUNTS

The following table presents the changes in Level 3 instruments for the year ended December 31, 2015.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At January 1, 2015	8,142	117,097	125,239
Revaluation gains or losses recognised in:			
Other comprehensive income	(1,909)	-	(1,909)
Income statement	-	(27,201)	(27,201)
Foreign currency translation	301	(7,247)	(6,946)
At December 31, 2015	6,534	82,649	89,183

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.

#### 17 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, 2016 (2015: £nil). As at June 30, 2016, Audley Capital Advisors LLP, owe the Group a further £20,024 for the subletting of office space (2015: £nil).

The Group has made no payments to related parties during six months ended June 30, 2016. During the same period in 2015, the Group made payments of £5,591 to Audley Capital Advisors LLP for the reimbursement of travel related expenditure.

#### 18 Events occurring after period end

With the exception of the declaration of the 2016 interim dividend, there are no events occurring after the period end, which require disclosure.

#### 19 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.

# Anglo Pacific Group PLC

## INDEPENDENT REVIEW REPORT TO ANGLO PACIFIC GROUP PLC

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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, 2016, 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 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report 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, 2016, is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK  
August 24, 2016

# Anglo Pacific Group PLC

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## **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](http://www.sedar.com) and the Group's website [www.anglo-pacificgroup.com](http://www.anglo-pacificgroup.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 Atrium 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.