March 25, 2015

Anglo Pacific Group PLC

Results for the year ended December 31, 2014

Anglo Pacific Group PLC ('Anglo Pacific', the 'Company' or the 'Group') (LSE: APF) (TSX: APY) is pleased to announce full year results for year ended December 31, 2014 and the publication of its audited 2014 Annual Report and Accounts, where the following Condensed Consolidated Financial Statements have been extracted from. Both are available on the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com.

Highlights

Six producing royalties in the portfolio, including Narrabri, compared to three producing royalties at the start of 2014
Agreement reached with Kestrel Coal Pty Ltd, a subsidiary of Rio Tinto, to receive quarterly forecast information from August 2014; this provides greater visibility on the expected growth in royalty income from Kestrel
Portfolio diversification achieved through the acquisition of Maracás, a producing royalty in Brazil in June 2014
Royalty income of £3.5 million (2013: £14.7 million); impacted by majority of mining at Kestrel occurring outside of Anglo Pacific owned land
Loss for the year of £47.6 million (2013: £42.5 million) following impairment charges of £31.5 million (2013: £34.6 million)
Adjusted loss of £2.8 million (2013: profit of £9.2 million) which excludes non-cash valuation and impairment items
Net cash of £8.7 million generated from non-core asset disposals in 2014, lessening the impact of lower royalty income
Cash balance of £8.8 million as at December 31, 2014 (£15.7 million as at December 31, 2013)
Recommended final dividend of 4p per share, total dividend for 2014 of 8.45p (2013: 10.2p). Longer term progressive dividend policy of at least 65% of adjusted earnings. Expectation in the medium term is a minimum total of 8p per share dividend per annum
Additional mining and financial expertise added to the Board throughout 2014

Recent developments

Continued diversification of royalty portfolio with the US$65.0 million acquisition of the Narrabri royalty in March 2015
$30.0 million three-year revolving credit facility entered into as part of the Narrabri acquisition, refinancing the previous $15.0 million shorter term facility
Increased royalty income at Kestrel expected in 2015: 20-25% mining from Anglo Pacific owned land in H1 2015 and 70-75% in H2 2015, but still below the ultimate run-rate of greater than 90% expected from 2017
Coking coal price settlement for Q2 2015 of US$110/mt and thermal coal price settlement for the year to March 31, 2016 of US$70/mt. The higher than expected thermal coal price settlement is positive for both the Kestrel and Narrabri royalties. We continue to expect a recovery in both coking coal and thermal coal prices over the medium to long term
Appointment of Macquarie Bank and Peel Hunt as joint brokers to work alongside BMO

Julian Treger, Chief Executive Officer of Anglo Pacific, commented:

"The transformation strategy that was initiated approximately 18 months ago is now starting to bear fruit, as Anglo Pacific has a royalty portfolio that currently includes six producing royalties, with additional earlier stage assets, diversified for commodity and geography. Whilst the Narrabri royalty acquisition was executed after the year end, it was an undoubted highlight for the Company. We were particularly pleased by the confidence shown by investors in the accompanying fundraise.

While the mining sector continues to face challenges, we believe that this in itself brings opportunities for Anglo Pacific and we will assess opportunities that fit our criteria of enhancing value and growth to our shareholders. Our financial resources have been strengthened and we have capacity to deliver on our strategy to continue the positive diversification of our royalty portfolio away from coal and other bulk commodities, which should in turn support returns to shareholders. We are committed to a progressive dividend policy that is both affordable and appropriate. We approach 2015 with cautious optimism and look forward to building on our recent progress."

Analyst presentation

There will be an analyst presentation via webcast at 09:30 (GMT) on March 25, 2015 at www.anglopacificgroup.com. The presentation will be hosted by Julian Treger (CEO) and Kevin Flynn (CFO). Dial in details for the call, which can be accessed by quoting "Anglo Pacific", are shown below and a replay of the webcast will be available at www.anglopacificgroup.com in due course.

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Notes to Editors

About Anglo Pacific
Anglo Pacific Group PLC is a global natural resources royalty company. The Company's strategy is to develop a leading international diversified royalty 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.

Chairman's Statement

Introduction
2014 has been a challenging year for Anglo Pacific and its shareholders. We have suffered, not just from the wider travails of the mining sector, but also from an over-reliance on one asset, our Kestrel royalty, where, during the year, mining took place mostly outside our royalty lands. While this trend at Kestrel is expected to reverse during the current year and beyond, in 2014 it resulted in a fall of £11.3m in royalty income to £3.5m and an operating loss of £2.8m (2013: operating profit £10.6m).

Non-cash impairments and revaluations totalling £43.4m (2013: £56.9m) led to an overall loss before tax of £42.4m (2013: loss £52.9m).

Dividends
One direct consequence of the fall in our royalty income was our decision to review our dividend policy. As stated in our announcement of February 4, 2015, we, as a Board, are committed to a progressive dividend policy but one that is affordable and appropriate. We are, therefore, recommending a final dividend for the year ended December 31, 2014, of 4p per share. Longer term, we intend to adopt a policy of paying dividends of at least 65% of adjusted earnings, with an expectation that there will be a minimum annual total dividend of 8p per share per annum.

The over-reliance on Kestrel has reinforced the need to diversify our royalty portfolio. It was, therefore, with great pleasure that we were able to announce the acquisition of the Narrabri royalty in February 2015, which is a first major step down the diversification route and will hopefully provide a springboard for further progress down that path in the months and years ahead. Increased diversification will help smooth our income flow year on year and enable us to pay maintainable and progressive dividends to our shareholders.

Share price
In the fundraising associated with the Narrabri royalty acquisition, it was encouraging to see the level of support from existing shareholders. We are very grateful for the confidence shown to both the Company and its strategy, particularly given the performance of the Company's share price, which has more than halved during the year. The Board is confident that as soon as there is a more positive sentiment towards the mining sector there should be a recovery in our share price, underpinned as it is by a healthy dividend yield and the current discount to net asset value. The Board demonstrated this

confidence by committing significant sums to the recent fundraising.

Board

2014 has seen significant changes to the Board. The sad death of Peter Boycott, the retirements of Brian Wides, John Whellock and Michael Atkinson, the appointment of Robert Stan and my appointment as Non-Executive Chairman were dealt with in last year's Annual Report. I should like, however, to pay a particular tribute to Brian Wides. Brian joined the Board in 1997 and held many positions including Finance Director, Chief Executive and finally Acting Chairman. The Anglo Pacific of today is the result of Brian's energy, industry knowledge and commercial acumen, working in tandem with Peter Boycott, with whom he formed a formidable partnership.

Since then Paul Cooke has stepped off the Board and I should like to thank him for his contribution to the company during his time with us. We have appointed Rachel Rhodes and David Archer as Non-Executive Directors. Rachel is a chartered accountant and has over 15 years of mining experience including time with Anglo American PLC and London Mining PLC. David has over 34 years of resources industry experience covering most parts of the world. He is currently chief executive of AIM-listed Savannah Resources PLC with involvement in a mineral sands project in Mozambique and a copper project in Oman. Rachel and David have already made significant contributions to the deliberations of the Board.

Anthony Yadgaroff has advised that he intends to step down from the Board on December 31, 2015 after almost 13 years' service. I should like to take the opportunity now to thank him for his hard work, diligence and sage advice during that period.

Outlook

While the mining sector continues to have its challenges, that in itself brings opportunities for Anglo Pacific. With the addition of the Narrabri royalty and the associated fundraising, we have demonstrated our ability to source and conclude significant acquisitions. We, therefore, see ourselves as ideally placed to take advantage of future opportunities as they present themselves.

In conclusion, I should like to thank all directors and staff for their diligence and hard work during what has been a challenging year.

On behalf of the Board

W.M. Blyth
Chairman

CEO Review

Although it came after the year end, undoubtedly the highlight of the past twelve months was the successful acquisition and fundraising for the Narrabri royalty.

Starting to deliver on our strategy

The Narrabri acquisition, and associated fundraise, achieved several objectives at once:

We should significantly enhance our income for 2015, a year during which we expect Kestrel's royalties to recover year on year but during which our income will still be below its ultimate expected run rate.
We diversified our dependence away from a sole asset, from coking coal and from one operator, whilst maintaining our focus on high-quality jurisdictions like Australia.
We brought a number of significant new institutional shareholders on to the shareholder register who we hope will be supportive for future opportunities.
We acquired a very long-life and high-quality royalty which should be generating royalty income until close to 2040, well after mining moves permanently outside of our private royalty lands at Kestrel.
We have also bolstered our financial resources such that we now have significant capacity in order to continue to deliver on our strategy to acquire new royalties, which in turn will support our dividend policy.

The Narrabri acquisition came on the back of the smaller Maracás royalty acquisition in the middle of last year, which itself was followed by the retention of a royalty over the assets of Atrum Coal in Canada in the third quarter following the sale of our Panorama coal licences.

I am pleased to report that following the completion of the Narrabri royalty acquisition, the Group will have six royalties which are in production compared to just three when I joined 18 months ago. Thus the transformation strategy is beginning to bear fruit though there are many more steps on the road ahead.

Challenging environment

Despite this achievement, 2014 as a year was a challenging one for our Company and for the natural resources sector. The continued weakening of growth in emerging economies, together with a slower than expected recovery in the world economy, saw further softening in the demand for commodities. As a result, there were sharp declines in the prices for most of the commodities the Group's royalties are generated from.

Even with the Group's derisked royalty model, which limits our direct exposure to operating or capital cost inflation of the underlying mine operations, the effects of such a difficult macro-economic climate on the mine operators meant the Group was not immune to challenges. During the year, London Mining PLC, the operator of the Isua project, entered administration, whilst Zamin Group fell behind in their efforts to reconstruct the Santana port, essential for exporting their iron ore from the Amapá mine. These developments resulted in the Group recognising £24.6m in impairment charges against the carrying value of the royalties connected to these, and other, projects.

In addition to the reduced income at Amapá, production at Kestrel remained largely outside of the Group's private royalty area for much of the year which, when combined with lower metallurgical coal prices, resulted in royalty related income falling from £14.7m in 2013 to £3.5m in 2014. Despite supplementing the reduced income levels with some £8.7m in cash generated through the disposal of non-core equity interests, together with monetising the Panorama coal assets, with Kestrel performing well below expectations in the last quarter of 2014, it was appropriate to revisit the Group's dividend policy as described by your Chairman in his report.

The dividend should be protected by the gradual return to mining within our royalty lands in 2015 at Kestrel. We estimate, based on Rio Tinto's forecast, that 20-25% of mining at Kestrel will be within our royalty lands in the first half of 2015, increasing to 70-75% in the second half and, longer term, over 90% by 2017.

Positioned to take advantage of opportunities

The acquisition of the Maracás royalty during the year and the Narrabri royalty subsequent to the year end, both of which are in production, support the Group's ability to deliver on its revised dividend policy.

We also entered into a new $30.0m revolving credit facility in March 2015, as part of the Narrabri transaction which replaced the existing $15.0m, shorter-term facility. This has a three-year term, is secured on certain of the Group's assets and has a margin of 250 basis points over LIBOR. Although large amounts of structured debt is not something which we consider appropriate for our assets, we do need to take advantage, prudently, of low-cost financing opportunities available to us.

We are pleased to announce today the appointment of Macquarie Bank and Peel Hunt as brokers to work alongside BMO Capital Markets. We believe the three of them provide us with good coverage in the major mining and financial centres of the world.

Outlook

We are optimistic for the long-term outlook of coking coal, produced by Kestrel, and thermal coal, produced by Narrabri. We are not calling the bottom but the risk is now to the upside. The global power and steel industries rely on coal, but roughly half the industry is uncompetitive at current prices. This is an unsustainable situation and prices will likely recover in the years ahead as high-cost production capacity is closed.

Whilst we are very comfortable with our current coal exposure, we will focus in the months ahead on diversifying the portfolio away from coal and other bulk commodities. In this respect, base commodities like copper will be where we hope to put more capital to work and we have several interesting opportunities currently in the pipeline.

Anglo Pacific is well placed to make countercyclical investments at prices which are now well below the recent norm. Acquiring royalties that exceed our minimum internal return targets should provide shareholders with confidence in the Group's ability to meet our revised dividend policy, along with the potential for upside should commodity prices recover in the medium-term.

Following the payment of the interim dividend in February along with the completion of the Narrabri acquisition, the Group currently has over £3.5m in cash and $24m undrawn on our revolving credit facility. With the additional income which Narrabri and Kestrel should bring in 2015, we are well funded to maintain our dividend payments and to take advantage of opportunities which may present themselves in the short-term.

We look forward to building on our recent progress in the months ahead.

J.A. Treger
Chief Executive Officer
March 24, 2015

BUSINESS REVIEW

Producing royalties

Kestrel, Coking Coal, Australia
The Group received royalty income of £1.7m during the year from Kestrel, compared to £9.9m in 2013. The significant decrease in royalty income in 2014 was due to production at Kestrel remaining largely outside of the Group's private royalty land.

On August 18, 2014, the Group announced that it had entered into an agreement with Kestrel Coal Pty Ltd, a subsidiary of Rio Tinto, and its Kestrel joint venture partners, Queensland Coal Pty Ltd and Mitsui Kestrel Coal Investment Pty Ltd, for the provision of certain information in respect of Kestrel.

The information to which the Group is entitled under the agreement includes, on a quarterly basis: (i) the invoiced payable tonnes (including product splits); (ii) the royalty payable; (iii) the split between the public and private royalty payable; (iv) the estimated private royalty payable for the next quarter; and (v) the forecast production tonnages, split on a public and private royalty basis, for the next four quarters. The forecast information provides the Group and its investors with more visibility on expected growth in royalty income from this key asset.

We estimate, based on Rio Tinto's forecast, that 20-25% of mining at Kestrel will be within our royalty lands in the first half of 2015, increasing to 70-75% in the second half and, longer term, over 90% by 2017.

The Kestrel royalty was independently valued at A$223.0m (£117.1m) and accounts for 58% of the Group's total assets. The value of the land is calculated by reference to the discounted expected royalty income from mining activity. This is an independent valuation conducted by suitably qualified consultants. A discount rate of 7% is applied. The Group monitors the accuracy of this valuation by comparing the actual cash received to that forecasted.

The decline in coking coal prices over the last two years has impacted on the valuation of expected future cash receipts and, therefore, valuation.

El Valle-Boinás/Carlés ("EVBC"), Gold, Copper and Silver, Spain
The Group received royalty income of £1.7m from EVBC during the year. This compares to £4.0m received in 2013, of which £2.0m represented the repayment of the original debenture instrument.

On October 27, 2014, Orvana announced EVBC production for the 12 month period ending September 30, 2014 of 62,957 ounces of gold, 156,977 ounces of silver and 5.6Mlbs of copper. Orvana also announced EVBC production guidance for the 12 month period ending September 30, 2015, of 63,000 to 72,000 ounces of gold, 150,000 to 180,000 ounces of silver and 6.0 to 7.0Mlbs of copper.

On August 13, 2014, Orvana released an updated Mineral Resources and Reserves estimates for EVBC, showing a 66% decrease in gold ounces and a 59% decrease in copper tonnes in the Reserves, and a decrease in gold ounces and copper tonnes of 32% and 22% respectively of Measured and Indicated resources. On the same day, Orvana announced an updated life-of-mine plan which reduced the expected mine life to approximately four years, compared with the nine years previously disclosed. Orvana further announced its plan to place the Carlés Mine on care and maintenance by the end of 2014 pending an improved economic mining plan or higher metal prices.

The expected performance of EVBC under the new mine plan announced on 13 August 2014 provides the Group with confidence in the ability of this mine to generate royalty income during its remaining mine life.

On December 9, 2014, Orvana announced that the focus on improved execution and grade optimisation contributed to stronger EVBC operating results in recent months, with gold production of 33,529 ounces in the second half of fiscal 2014 compared with 29,428 ounces produced in the first half of fiscal 2014, an increase of 14%. On January 16, 2015, Orvana announced its FY2015 first quarter production results for EVBC. The mine produced 13,988 ounces of gold, 1.26Mlbs of copper and 33,838 ounces of silver.

Orvana also announced that it plans to make further investments in the growth of its business, which includes an increase of EVBC reserves and resource estimates through the potential to upgrade Inferred Mineral Resources to Mineral Reserves and the potential to identify new resources at EVBC and surrounding areas.

The EVBC royalty is classified as an available-for-sale equity financial asset within royalty financial instruments on the balance sheet. As such, the asset is carried at fair value by reference to the discounted expected future cash flows over the life of the mine.

Maracás, Vanadium, Brazil
The Group has a 2% NSR royalty on all mineral products sold from the area of the Maracás project to which the royalty interest relates. The project is located 250km south west of the city of Salvador, the capital of Bahia State, Brazil and is 99.97% owned and operated by TSX Venture Exchange listed Largo Resources Limited ("Largo").

The Group acquired the Maracás royalty on June 10, 2014, for US$22.0m and 500,000 warrants which entitle the holder to acquire one Anglo Pacific ordinary share at a strike price of £2.50 which are exercisable over five years, and a further US$3.0m cash when the project reaches certain annualised production milestones.

The Maracás project has completed commissioning and achieved first production of vanadium pentoxide (V2O5) on August 2, 2014. Largo has a target to reach name plate production capacity of 21.1Mlbs (9,600t) of V2O5 equivalent within 12 months and average annual production of approximately 25.1Mlbs (11,400t) V2O5 equivalent over a 29 year mine life. Largo has also entered into an off-take agreement with Glencore International AG for all vanadium products produced at the Maracás project for the first six years of commercial production. On September 3, 2014, Largo announced it had made its first shipment of V2O5 from the project.

After achieving first production in August 2014, the Maracás project continues to successfully ramp up production to name plate capacity. On January 15, 2015, Largo announced that production output was running between approximately 55%-75% of capacity with approximately 1,140 tonnes (2.5Mlbs) been shipped to date from the mine.

On December 9, 2014, Largo announced it had commenced a pre-feasibility study on the potential to produce saleable platinum concentrates at Maracás. This was based on preliminary investigations conducted by Largo which indicated that it may be possible to produce platinum in addition to vanadium pentoxide from the non-magnetic material separated during the beneficiation process. Platinum production represents a source of potential upside for our royalty which was not taken into account at the time of acquisition.

The Group expect to receive the first royalty payments in relation to Maracás in the first half of 2015.

The Maracás royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight line basis over the expected life of the mine.

Four Mile, Uranium, Australia
The Group has a 1% life of mine NSR royalty on the Four Mile uranium mine in South Australia. Four Mile is operated by Quasar Resources Pty Ltd ("Quasar") on behalf of its JV partners: Quasar (75%) and ASX-listed Alliance Resources Limited ("Alliance") (25%).

Production commenced on April 14, 2014 and on October 6, 2014, Alliance announced that the first shipment of 300,000 lbs of uranium ore concentrate had occurred in September. Total production from commencement of mining to December 31, 2014 was 1.66Mlbs of uranium ore concentrate. Alliance announced on November 7, 2014 that Quasar intends to produce 2.6Mlbs of uranium ore concentrate in 2015, and intends to stockpile all 2014 and 2015 production. As a result, the Group does not anticipate receiving any royalty payments until this inventory is sold in 2016.

On March 20, 2015, Alliance announced an updated "Exploration Target" for the Four Mile Northeast (FMNE) uranium prospect of 14 million tonnes of mineralisation at a grade range 0.23% to 0.30% U3O8, containing 70 to 80Mlb U3O8. The potential quantity and grade is conceptual in nature.

The Four Mile royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight line basis over the expected life of the mine.

Amapá and Tucano, Iron Ore, Brazil
Shipments of iron ore from Amapá were suspended in March 2013 due to a serious incident at the Santana port, which impacted key infrastructure at the loading bay. A small number of shipments were made during 2014 from stockpiles at the port. Whilst the Group is entitled to receive royalty income on these shipments, Zamin has requested to settle the Group's royalty account in early 2015 and no payment has yet been received.

In the second half of 2014, Zamin has suspended production at the mine, whilst the Santana port is rebuilt. In light of production being suspended and the continued delays in the rebuilding of the port facilities, the Directors have recognised an impairment charge of £8.4m to the Group's carrying value of the Amapá royalty.

The Group acquired these pre-existing royalties in 2010 and classified them as royalty intangible assets on the balance sheet. As such, these assets are carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight line basis over the expected life of the mine.

Development royalties

Salamanca, Uranium, Spain
On April 24, 2014, Berkeley announced that it had been granted the mining licence for the Retortillo deposit. This is a major milestone in advancing the project towards first production.

In addition, on November 26, 2014, Berkeley announced an updated Mineral Resource estimate for Zona 7. The Zona 7 Inferred Resource increased to 30.1Mlbs (previously 3.6Mlbs). Total Inferred Resources for the Salamanca Project increased by 90% to 56.1Mlbs U3O8 primarily because of the increase in the Zona 7 mineral resource. Indicated resources were constant at 32.0Mlbs U3O8.

Given the significant scale, high grade and shallow depth of the Zona 7 deposit, Berkeley is advancing its evaluation to the scoping study stage which is due for completion in 2015.

This demonstrates the excellent potential upside associated with this project.

The Salamanca royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight line basis over the expected life of the mine.

Early-stage royalties

Dugbe 1, Gold, Liberia
The Group entered into a royalty financing agreement with the AIM-listed Hummingbird Resources PLC (Hummingbird) in December 2012 in relation to Hummingbird's Dugbe 1 gold project in Liberia. In exchange for US$15.0m, payable in three tranches of US$5.0m, the Group is entitled to a 2% life of mine NSR from any sales of gold mined within a 20km radius of a specified point in the Dugbe F Resource. The Group paid the third and final tranche of US$5.0m in March 2014.

Hummingbird is currently compiling a feasibility study for the project.

The advances made to Hummingbird under the royalty financing arrangement are classified as non-current receivables and carried at fair value on the balance sheet.

Pilbara, Iron ore, Australia
The Pilbara royalties are over undeveloped tenements of BHP Billiton's iron ore operations in Western Australia.

The Pilabara royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight line basis over the expected life of the mine.

Ring of Fire, Chromite, Canada
Cliffs announced on November 20, 2013 its decision to halt development of its chromite project for the foreseeable future. Cliffs referenced the risk associated with the development of infrastructure required to advance the project as the main reason for its decision. Cliffs has announced that it will continue to work with stakeholders to explore for potential solutions to the current impasse.

The Ring of Fire royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight line basis over the expected life of the mine.

Isua, Iron ore, Greenland
On October 16, 2014, the previous owner of the Isua project, London Mining PLC ("London Mining"), the operator of the Group's Isua royalty, announced that it had appointed administrators. On January 26, 2015, Anglo Pacific received official confirmation from PricewaterhouseCoopers LLP ("PwC"), the administrator of London Mining that the Government of Greenland had approved the transfer of all shares of London Mining Greenland (Jersey) (1) Ltd ("London Mining Greenland") to General Nice Development Limited ("General Nice").

Anglo Pacific intends to waive its rights to the repayment of the US$30m advanced to London Mining in 2011 under the change of control provisions of the royalty financing agreement due to the inability of London Mining to make this repayment. The indirect transfer of the licence means that the company structure of London Mining Greenland A/S remains the same and therefore the royalty will continue to apply to the project.

Given the inherent uncertainty of this asset reaching commercial production, the Group's royalty financial instrument arising from its interest in the Isua royalty has been fully impaired.

The Isua royalty is classified as an available-for-sale debt financial asset within royalty financial instruments on the balance sheet. As such, the asset is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. Following the announcement by London Mining PLC, the Group recognised an impairment charge of £15.3m.

Financial review

The combination of lower income and higher costs has resulted in an adjusted loss of £2.8m in 2014 compared with an adjusted profit of £9.2m in 2013. The impact of impairment provisions and valuation adjustments discussed hereafters result in a loss after tax of £47.6m (2013: £42.5m). By far the greatest reason for the Group's adjusted loss in 2014 was the lack of production within the Group's royalty lands at Kestrel. The Group has historically been reliant on Kestrel for the majority of its income, the sensitivity of which should be reduced by the recently announced acquisition of the Narrabri royalty.

Adjusted Earnings

Royalty income	**2014 £'000**	**2013 £'000**
Kestrel	1,657	9,941
EVBC	1,650	2,018
Amapá	174	749
Like-for-like royalty income	3,481	12,708
EVBC conversion payment	-	2,023
Total royalty related income	**3,481**	**14,731**

Like-for-like royalty income declined by £9.2m in the year, excluding the non-recurring EVBC conversion payment received in 2013. The largest contributor to this was Kestrel, which produced £8.3m less income in the year. Most of this decrease was as a result of production being largely outside of the Group's private royalty land, also impacted by a strengthening of the pound against the Australian dollar. Elsewhere, EVBC income was relatively stable in the year when considered in light of the falling gold price. Sales at Amapá did not recommence to any significant level in 2014, with royalty receipts still being impacted severely whilst the port is being reconstructed.

In addition to a large decrease in royalty income, operating profit was also impacted by higher costs during 2014. Of the total headline increase of £2.3m, staff costs made up £1.6m, reflecting a full-year of the new management compensation. Non-cash share based payment accounting provisions in relation to the Value Creation Plan accounted for £0.6m of this increase. The remaining increase was largely driven by higher head count and bonus provisions in 2014, which primarily reflected the imminent completion of the Narrabri royalty acquisition. Other costs ran higher throughout 2014 as expenditure was incurred in appraising potential royalties and travel as part of investor relation initiatives associated with the recently announced Narrabri royalty acquisition. Costs not directly related to the asset acquisition, nor directly associated with the issuance of shares, of £0.9m have been attributed to finance costs in 2014. Professional fees may increase as the Group actively pursues more investment opportunities going forward.

Overall, the combination of lower income and higher costs resulted in an adjusted loss of £3.2m in 2014 compared with an adjusted profit of £9.2m in 2013.

Impairment charges

The Directors conducted a full review of the Group's assets at December 31, 2014 in light of performance during the year and the continued macroeconomic pressures being experienced in the mining industry generally. The Group's impairment policy is discussed in the 2014 Annual Report and Accounts. This applies predetermined impairment thresholds for the Group's IAS 39 available-for-sale equity assets, which resulted in an impairment charge of £4.9m in 2014 as the cost base exceeded market value by greater than 25%.

The Group's royalty portfolio was charged with an impairment provision of £24.6m in 2014 (2013: £8.3m). The majority of this was in relation to the Group's Isua royalty as previously announced due to the operator, London Mining PLC, entering administration. Although the asset has since been acquired by General Nice Development Limited, and the Group's royalty remains intact, the Directors do not consider an impairment reversal to be warranted at this juncture. The following table summarises the total impairment provision in 2014.

	Intangible asset	Royalty instrument	PPE	Mining & exploration interests	2014	2013
Asset	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Isua		15,288			15,288	-
Amapá	8,414				8,414	-
Bulqiza	700				700	947
Creso	222				222	-
Ring of Fire					-	4,047
Mount Ida					-	3,319
Total royalty impairment charge	**9,336**	**15,288**	**-**	**-**	**24,624**	**8,313**
Trefi - cost			535		535	-
Trefi – development cost	697				697	-
Shetland			817		817	-
Various available-for-sale equities				4,873	4,873	26,321
Total impairment	**10,033**	**15,288**	**1,352**	**4,873**	**31,546**	**34,634**

Tax

The Group, on a headline basis, has been loss making for the last number of years. These losses are largely due to fair value adjustments and, as such, represent unrealised losses which are not available for offsetting the tax payable on any future underlying trading profit. The divestment of the majority of the Group's mining and exploration interests has however created realised capital losses and the Group continues to assess means of utilising these losses going forward. Trading losses have also recently occurred in certain of the Group's tax jurisdictions which will be available to offset future profits. These amounts, although not significant, will help reduce the Group's effective tax rate when future trading profits are earned.

Balance sheet

The Group's net assets decreased from £216.9m at January 1, 2014 to £161.3m at December 31, 2014, a decrease of £55.6m or 26%. This is largely a result of the impairment provisions of £31.5m noted above, £11.8m in relation to the revaluation of the Kestrel royalty, and exchange losses of £6.7m in the royalty portfolio as a result of the weakening of the Australian dollar against both the US dollar and the pound. Royalty additions during the year of £16.5m were partially offset by the £9.6m equity raise in June 2014. Finally, dividends of £11.5m were paid in cash during 2014.

Balance sheet	**Kestrel**	**Royalty Intangible Assets**	**Royalty Financial Instruments**	**Receivables**		
Carrying basis	Fair value	Amortised cost	Fair value	Fair value	**2014**	**2013**
	£'000	£'000	£'000	£'000	£'000	£'000
January 1	131,434	36,337	27,847	8,775	204,393	268,645
Additions	-	13,166	-	3,002	16,168	5,882
Fair Value adjustment	(11,822)	-	(4,697)	-	(16,519)	(24,761)
Impairment	-	(9,336)	(15,288)	-	(24,624)	(8,313)
Exchange translation	(2,515)	(2,299)	280	(2,120)	(6,654)	(36,206)
Amortisation	-	(759)	-	-	(759)	(854)
Royalty assets	**117,097**	**37,110**	**8,142**	**9,657**	**172,006**	204,393
Cash					8,769	15,706
Mining and exploration interests					9,896	20,072

Deferred tax					(32,601)	(30,365)
Other assets & liabilities					3,180	7,045
Net assets					**161,250**	216,851
Net assets per share					**138p**	196p

The acquisition of the Narrabri royalty in March 2015 was the Group's largest ever royalty addition and will significantly increase the Group's total royalty assets. On a pro-forma basis, the royalty will be included on the balance sheet at its cost (including acquisition costs) of ~£44.0m. The acquisition was funded largely from equity. As this royalty is in production, it will be amortised on a systematic basis over the expected mine life of 22 years. This will impact on headline net asset value per share. It is possible that the asset value may appreciate over time due to higher coal prices, ramp up in production, or even the commencement of mining in the Narrabri south licence. However, in accordance with Group's accounting policies under IFRS in relation to in relation to intangible assets, no adjustment will be made to the initial carrying value on the balance sheet for any subsequent favourable developments. The Directors will consider disclosing any internal valuation increase in future periods such that shareholders can assess for themselves the true value in use of the Group's royalty assets.

Cash flow

The Group's cash balances decreased from £15.7m at the beginning of 2014 to £8.8m at December 31, 2014.

Although royalty income was down significantly in the year, the Group generated cash of £15.0m from royalty assets and non-core asset disposals in 2014, which was down only £0.6m on that generated in 2013. Most of the non-core assets disposed were from the Group's equity investments, which had been used in the past as a means of sourcing royalties. As it appeared likely that royalty income was going to be low by historic standards, and as it is not envisaged that this portfolio will be a source of future royalty investments, the Group took the opportunity to make selective divestments to help cover the dividend during the year.

The other main source of cash during 2014 was the equity placing in June which realised £9.6m. These funds were largely used as part consideration of the Maracas royalty. This, combined with the final advance of £3.0m to Hummingbird Resources Limited, resulted in total royalty related investment of £16.1m in 2014. The other large cash outflow was the Group's dividend of £11.5m. The Group had a $15m revolving credit facility available for most of 2014. This remained undrawn at year end.

As part of the Narrabri royalty acquisition announced in February 2015, the Group obtained a new $30.0m three year secured revolving credit facility which will be available for general working capital purposes and royalty acquisitions. This facility, along with the Group's cash balances provides the Group with sufficient resources to meet its obligations in 2015 along with pursuing royalty investment opportunities as they arise.

<u>Principal risks and uncertainties</u>

Whilst limiting a number of the risks associated with traditional mining and commodity investments, royalty ownership is exposed to a number of risk factors. An optimised selection of royalty investments within a balanced portfolio should nevertheless help to mitigate these. Anglo Pacific also undertakes measures to seek to further mitigate the key risks related to its strategy as much as possible.

External risks

Risk description

Commodity prices

Changes in the prices of the commodities that underlie the Group's royalties are outside the control of the Group and may directly impact revenue and profitability.

Mitigation

A fall in commodity price is partially mitigated by virtue of the relatively low fixed cost base of the Group as it is not an operator nor has it any hedging contracts to fulfil.

Although commodity price increases will enhance profits, periods of commodity price declines can represent an ideal time for royalty investment.

Dependence on operators

It may be difficult or impossible for the Group to ensure that the projects on which it has royalties are developed or operated in the Group's best interest.

The Group has, and will continue to have, limited access to information, data and disclosure regarding the operation of the underlying projects, which affects the Group's ability to assess the underlying performance.

The Group depends on the operator for the accurate calculation

The Group conducts detailed due diligence on all investments, which will often include a site visit by suitably qualified personnel that will highlight any economic, operational or environmental concerns. Further, newly created royalties can be tailored to allow for performance milestones to try to ensure that the operator performs as intended.

Certain of the Group's royalty agreements provide the Group with change of control protection and audit rights, both of which provide some assurance over the receipt and accuracy of royalty income.

and timely payment of royalties.

Risk description	Mitigation
Achieving investment projections The Group's success largely depends upon its ability to acquire royalties at appropriate valuations. This success is based on the accuracy of investment assumptions regarding the estimates of mineral reserves and resources and the production estimates of mine operators as well as the Group's ability to make accurate assumptions regarding the valuation, timing and amount of revenues to be derived from its royalties, particularly with respect to royalties on development stage properties. Unknown defects in or disputes relating to the royalties the Group holds may prevent it from realising all of the anticipated benefits from its royalties.	The Directors have significant experience of investing in the mining industry and have considerable expertise in assessing the forward demand for commodities. The Group uses consensus or lower forecasts when valuing all royalty investments, which reduces the risk of underperformance and a site visit is undertaken, where possible, to assess the viability of the underlying project. The Executive Committee regularly review the Group's financial performance, including the royalty income on a month by month basis for any sign of underperformance.
Financial covenants associated with secured debt The Group's borrowings are secured and subject to certain financial covenants, the failing of which could impact on the ability of the Group to continue to run its business independently. Indebtedness may increase the Group's vulnerability to general adverse economic and industry conditions or require the Group to dedicate a substantial portion of its cash flow from operations and proceeds of any equity issuances to payments on its indebtedness, rather than, for example, on new acquisitions or dividend payments, any of which may place the Group at a competitive disadvantage to its competitors that may have less debt.	The Group has a conservative approach to borrowings and sets internal leverage limits which are relatively low compared to the financial limits permitted by the loan agreements. The Group prepares regular cash flow projections which include forward covenant projections such that timely action can be taken if headroom deteriorates.

Financial risks

Risk description	***Mitigation***
Liquidity risk	The Group seeks to ensure that it can meet all of its obligations as they fall due by preparing regular cash flow projections and highlighting any currency requirements well in advance of settlement. The Group has a strong balance sheet, US$24m currently undrawn on the US$30m three-year revolving credit facility secured in February 2015 and potential access to the capital markets to provide additional funding to meet its obligations as well as its investment objectives.
Credit risk	The Group operates controlled treasury policies which spreads the concentration of the Group's cash balances amongst separate financial institutions with high credit ratings. The Group's credit risk on monies advanced to explorers and operators is taken into account when assessing the fair value of these assets at each reporting date. For receivables, the Group presents these on the balance sheet net of any amount for doubtful debt. As these primarily relate to the Kestrel royalty, the credit risk is minimal due to the world class nature of the operator.
Foreign exchange risk	The Group's main foreign currency exposure is to the US dollar as this is the currency in which most of the Group's royalty revenue is derived. With respect to royalty acquisitions, the Group is exposed to foreign exchange risk when raising equity in pounds sterling and transacting in US dollars. The Directors take this into account as part of the financing strategy of each royalty acquisition.
Interest rate risk	The Group has limited exposure to interest rate risk, and its three-year revolving credit facility is unhedged.
Other pricing risk	The value of the Group's royalties is underpinned by commodity prices which may affect the future expected cash flows. This is taken into account at each reporting date in assessing for impairment. The Group has a portfolio of junior mining equity investments which fluctuate in value based on the active quoted share price. The reduction in value of the portfolio over the last few years has resulted in a full impairment of unrealised losses such that any further pricing risk should be much less material to the Group.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 £'000	2013 £'000
Royalty related income	3,481	14,731
Amortisation of royalties	(759)	(854)
Operating expenses	(5,524)	(3,275)
Operating (loss)/profit before impairments, revaluations and gain/(losses) on disposals	**(2,802)**	**10,602**
Gain/(Loss) on sale of mining and exploration interests	1,350	(6,398)
Gain on disposal of coal tenures	1,409	-
Impairment of mining and exploration interests	(4,873)	(26,321)
Impairment of royalty and exploration intangible assets	(10,033)	(8,313)
Impairment of royalty financial instruments	(15,288)	-
Impairment of property, plant and equipment	(1,352)	-
Revaluation of coal royalties (Kestrel)	(11,822)	(13,568)
Revaluation of royalty financial instruments	-	(8,735)
Finance income	439	789
Finance costs	(1,408)	(2,964)
Other income	1,981	2,012
Loss before tax	**(42,399)**	**(52,896)**
Current income tax charge	(1,386)	(715)
Deferred income tax (charge)/credit	(3,804)	11,114
Loss attributable to equity holders	**(47,589)**	**(42,497)**
Total and continuing loss per share		
Basic and diluted loss per share	(42.09p)	(39.01p)

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 £'000	2013 £'000
Loss attributable to equity holders	**(47,589)**	**(42,497)**
Items that will not be reclassified to profit or loss	-	-
Items that have been or may be subsequently reclassified to profit or loss		
Available-for-sale investments		
Revaluation of available-for-sale investments	(8,640)	(36,749)
Reclassification to income statement on disposal of available-for-sale investments	(1,350)	6,398
Reclassification to income statement on impairment	4,873	26,321
Deferred tax relating to items that have been or may be reclassified	1,034	(171)
Net exchange loss on translation of foreign operations	(2,710)	(28,923)
Other comprehensive loss for the year, net of tax	**(6,793)**	**(33,124)**
Total comprehensive loss for the year	**(54,382)**	**(75,621)**

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment		153	1,989
Coal royalties (Kestrel)		117,097	131,434
Royalty financial instruments		8,142	27,847
Royalty and exploration intangible assets		37,110	37,288
Mining and exploration interests		9,896	20,072
Deferred costs		1,462	-
Investments in subsidiaries		-	-
Other receivables		9,657	8,775
Deferred tax		2,307	8,837
Total non-current assets		185,824	236,242
Current assets			
Trade and other receivables		5,272	5,332
Cash and cash equivalents		8,769	15,706
Total current assets		14,041	21,038
Total assets		**199,865**	**257,280**
Non-current liabilities			
Other payables		83	-
Deferred tax		34,908	39,202
Total non-current liabilities		34,991	39,202
Current liabilities			
Income tax liabilities		687	465
Trade and other payables		2,937	762
Total current liabilities		3,624	1,227
Total liabilities		**38,615**	**40,429**
Capital and reserves attributable to shareholders			
Share capital		2,329	2,218
Share premium		29,328	29,328
Other reserves		15,832	12,509
Retained earnings		113,761	172,796
Total equity		**161,250**	**216,851**
Total equity and liabilities		**199,865**	**257,280**

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TWO YEARS ENDED DECEMBER 31, 2014

			Other reserves								
	Share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
January 1, 2013	2,192	26,853	-	-	9,771	354	37,673	632	(2,601)	226,090	300,964
Loss for the year	-	-	-	-	-	-	-	-	-	(42,497)	(42,497)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(36,749)	-	(542)	-	-	-	(37,291)
Transferred to income statement on disposal	-	-	-	-	6,398	-	-	-	-	-	6,398
Transferred to income statement on impairment	-	-	-	-	26,321	-	-	-	-	-	26,321
Deferred tax	-	-	-	-	(171)	-	45	-	-	-	(126)
Foreign currency translation	-	-	-	-	-	-	(28,426)	-	-	-	(28,426)
Total comprehensive loss	**-**	**-**	**-**	**-**	**(4,201)**	**-**	**(28,923)**	**-**	**-**	**(42,497)**	**(75,621)**
Dividends	-	-	-	-	-	-	-	-	-	(11,065)	(11,065)
Issue of ordinary shares	26	2,475	-	-	-	-	-	-	-	-	2,501
Value of employee services	-	-	-	-	-	(196)	-	-	-	268	72
Total transactions with owners of the company	**26**	**2,475**	**-**	**-**	**-**	**(196)**	**-**	**-**	**-**	**(10,797)**	**(8,492)**
December 31, 2013	**2,218**	**29,328**	**-**	**-**	**5,570**	**158**	**8,750**	**632**	**(2,601)**	**172,796**	**216,851**
January 1, 2014	2,218	29,328	-	-	5,570	158	8,750	632	(2,601)	172,796	216,851
Loss for the year	-	-	-	-	-	-	-	-	-	(47,589)	(47,589)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(8,640)	-	302	-	-	-	(8,338)
Transferred to income statement on disposal	-	-	-	-	(1,350)	-	-	-	-	-	(1,350)
Transferred to income statement on impairment	-	-	-	-	4,873	-	-	-	-	-	4,873
Deferred tax	-	-	-	-	1,034	-	(19)	-	-	-	1,015
Foreign currency translation	-	-	-	-	-	-	(2,993)	-	-	-	(2,993)
Total comprehensive loss	**-**	**-**	**-**	**-**	**(4,083)**	**-**	**(2,710)**	**-**	**-**	**(47,589)**	**(54,382)**
Dividends	-	-	-	-	-	-	-	-	-	(11,535)	(11,535)
Issue of ordinary shares	111	-	9,453	143	-	-	-	-	-	-	9,707
Value of employee services	-	-	-	-	-	520	-	-	-	89	609
Total transactions with owners of the company	**111**	**-**	**9,453**	**143**	**-**	**520**	**-**	**-**	**-**	**(11,446)**	**(1,219)**
December 31, 2014	**2,329**	**29,328**	**9,453**	**143**	**1,487**	**678**	**6,040**	**632**	**(2,601)**	**113,761**	**161,250**

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Loss before taxation	(42,399)	(52,896)
Adjustments for:		
Finance income	(439)	(789)
Finance costs - excluding foreign exchange gains/losses	1,042	129
Other income	(1,981)	(2,012)
(Gain)/Loss on disposal of mining and exploration interests	(1,350)	6,398
Gain on disposal of coal tenures	(1,409)	-
Impairment of mining and exploration interests	4,873	26,321
Impairment of royalty and exploration intangible assets	10,033	8,313
Impairment of royalty financial instruments	15,288	-
Impairment of property, plant and equipment	1,352	-
Revaluation of coal royalties (Kestrel)	11,822	13,568
Revaluation of royalty financial instruments	-	8,735
Depreciation of property, plant and equipment	23	22
Amortisation of royalty intangible assets	759	854
Share-based payment	609	72
	(1,777)	8,715
Decrease/(Increase) in trade and other receivables	2,588	(1,082)
Increase/(Decrease) in trade and other payables	2,175	(1,409)
Cash generated from operations	2,986	6,224
Income taxes paid	(27)	(3,817)
Net cash generated from operating activities	**2,959**	**2,407**
Cash flows from investing activities		
Proceeds on disposal of mining and exploration interests	9,549	5,258
Purchases of mining and exploration interests	(1,161)	(3,118)
Purchases of royalty and exploration intangible assets	(13,213)	(101)
Proceeds from royalty financial instruments	826	-
Other royalty related advances	(3,002)	(5,634)
Prepaid acquisition costs	(359)	-
Proceeds on disposal of coal tenures	302	-
Purchases of property, plant and equipment	(188)	(14)
Dividends and fixed income received from mining and exploration interests	169	708
Sundry income	475	164
Finance income	439	789
Net cash used in investing activities	**(6,163)**	**(1,948)**
Cash flows from financing activities		
Proceeds from issue of share capital	9,980	2,501
Transaction costs of share issue	(416)	-
Dividends paid	(11,535)	(11,065)
Prepaid fundraising costs	(320)	-
Finance costs - excluding foreign exchange gains/losses	(1,042)	(129)
Net cash used in financing activities	**(3,333)**	**(8,693)**
Net decrease in cash and cash equivalents	**(6,537)**	**(8,234)**
Cash and cash equivalents at beginning of period	**15,706**	**24,036**
Unrealised foreign currency gain/(loss)	(400)	(96)
Cash and cash equivalents at end of period	**8,769**	**15,706**

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1 Basis of preparation

The financial information for the year ended December 31, 2014, does not constitute statutory accounts as defined in section 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended December 31, 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's Annual General Meeting convened for April 30, 2015. The auditors have reported on these accounts; their reports were unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the preliminary announcement (the Condensed financial statements) has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the United Kingdom Listing Authority (UKLA) Listing Rules, these Condensed financial statements do not contain sufficient information to comply with IFRS. The Group has published full financial statements that comply with IFRS on March 25, 2015, and this set of Condensed financial statements should be read in conjunction with these.

Going concern

As at December 31, 2014, the Group had no borrowings and an undrawn US$15.0m unsecured revolving credit facility. As discussed in note 11, on February 27, 2015, the Group has announced the completion of a firm placing and placing and open offer raising £39.5m, together with securing a new US$30.0m three-year secured revolving credit facility. The combined financing package was largely used to finance the acquisition of a US$65.0m royalty along with providing additional working capital to the Group.

The Directors have considered the Group's cash flow forecasts for the period to the end of March 2016. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance and other uncertainties, the proceeds received from the new share issue and the undrawn facilities, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates that can have a significant impact on the financial statements. The most critical accounting judgement relates to the classification of royalty arrangements and the key sources of estimation uncertainty relate to the calculation of certain royalty arrangement's fair value and the key assumption used when assessing impairment of property, plant and equipment and intangible assets. The use of inaccurate assumptions in assessments made for any of these estimates could result in a significant impact on financial results. The critical accounting judgements and key sources of estimations uncertainty are substantially the same as those disclosed in the Group's consolidated financial statements for the year ended December 31, 2014, which were published on March 25, 2015.

3 Changes in accounting policies and disclosures

The Condensed financial statements have been prepared under the historical cost basis, as modified by the revaluation of coal royalties (investment property) and certain financial instruments.

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended December 31, 2013, except for the adoption of amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, IFRS 13, 'Fair Value Measurement' and IFRS 10 'Consolidated Financial Statements' and IAS 27 'Separate Financial Statements'. These amendments have not had a material impact on the accounting policies applied by the Group.

A number of other accounting pronouncements, principally amendments to existing standards, issued by the IASB became effective on January 1, 2014, and were adopted by the Group. These pronouncements have not had a material impact on the accounting policies applied by the Group.

The Group has not early adopted any other 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.

4 (Loss)/Earnings per share

Loss per ordinary share is calculated on the Group's loss after tax of £47,589,000 (2013: £42,497,000) and the weighted average number of shares in issue during the year of 113,075,454 (2013: 108,932,340).

Loss per ordinary share excludes the issue of shares under the Group's JSOP, as the Employee Benefit Trust has waived its right to receive dividends on the 925,933 ordinary 2p shares it holds as at December 31, 2014 (December 31, 2013: 925,933).

	2014 £'000	2013 £'000
Net profit attributable to shareholders		
Earnings - basic	(47,589)	(42,497)
Earnings - diluted	(47,589)	(42,497)

	2014	2013
Weighted average number of shares in issue		
Basic number of shares outstanding	113,075,454	108,932,340
Dilutive effect of Employee Share Option Scheme	-	-
Diluted number of shares outstanding	113,075,454	108,932,340

As the Group is loss making in 2014 and 2013, 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.

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 to better reflect the underlying performance of the Group during the year. In calculating the adjusted earnings per share, the weighted average number of shares in issue remains consistent with those used in the earnings per share calculation.

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net profit attributable to shareholders			
Loss - basic and diluted for the year ended December 31, 2014	(47,589)	(42.09p)	(42.09p)
Adjustment for:			
Amortisation of royalty intangible assets	759		
Gain on sale of mining and exploration interests	(1,350)		
Gain on disposal of coal tenures	(1,409)		
Impairment of mining and exploration interests	4,873		
Impairment of royalty and exploration intangible assets	10,033		
Impairment of royalty financial instruments	15,288		
Impairment of property, plant and equipment	1,352		
Revaluation of coal royalties (Kestrel)	11,822		
Effective interest income on royalty financial instruments	(194)		
Tax effect of the adjustments above	3,577		
Adjusted loss - basic and diluted for the year ended December 31, 2014	(2,838)	(2.51p)	(2.51p)

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net profit attributable to shareholders			
Loss - basic and diluted for the year ended December 31, 2013	(42,497)	(39.01p)	(39.01p)
Adjustment for:			
Amortisation of royalty intangible assets	854		
Loss on sale of mining and exploration interests	6,398		
Impairment of mining and exploration interests	26,321		
Impairment of royalty and exploration intangible assets	8,313		
Revaluation of coal royalties (Kestrel)	13,568		
Revaluation of royalty financial instruments	8,735		
Effective interest income on royalty financial instruments	(1,140)		
Tax effect of the adjustments above	(11,371)		
Adjusted earnings - basic and diluted for the year ended December 31, 2013	9,181	8.43p	8.43p

5 Dividends

On February 4, 2014 an interim dividend of 4.45p per share was paid to shareholders in respect of the year ended December 31, 2013. On August 7, 2014 a final dividend of 5.75p per share was paid to shareholders to make a total dividend for the year of 10.20p per share. Total dividend, paid during the year were £11.54m (2013: £11.07m).

On February 4, 2015 an interim dividend of 4.45p per share was paid to shareholders in respect of the year ended December 31, 2014. This dividend has not been included as a liability in these financial statements. The Directors propose that a final dividend of 4.00p per share be paid to shareholders on August 7, 2015, to make a total dividend for the year of 8.45p per share. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

The proposed final dividend for 2014 is subject to shareholder approval at the 2015 Annual General Meeting ('AGM'). The Board proposes to pay the final dividend on August 7, 2015 to shareholders on the Company's share register at the close of business on June 26, 2015. The shares will be quoted ex-dividend on the London Stock Exchange on June 25, 2015, and the Toronto Stock Exchange on June 24, 2015. At the present time the Board has resolved not to offer a scrip dividend alternative.

6 Coal royalties (Kestrel)

	£'000
At January 1, 2013	170,995
Foreign currency translation	(25,993)
Loss on revaluation of coal royalties	(13,568)
At December 31, 2013	131,434
Foreign currency translation	(2,515)
Loss on revaluation of coal royalties	(11,822)
At December 31, 2014	117,097

The Group's coal royalty entitlements comprise the Kestrel and Crinum coal royalties, and derive from mining activity carried out within the Group's private land area in Queensland, Australia. Rather uniquely to this royalty, the sub-stratum land is the property of the freeholder, including the minerals contained within. The ownership of the land therefore entitles the Group to a royalty, equivalent to what the State receives on areas outside the Group's private land. This royalty is accounted for as Investment Property in accordance with IAS 40.

The coal royalty was valued during December 2014 at £117.1m (A$223.0m) (2013: £131.4m and A$244.4m) by an independent coal industry advisor, on a net present value of the pre-tax cash flow discounted at a rate of 7%. The net royalty income from this investment is currently taxed in Australia at a rate of 30%. This valuation is incorporated in the accounts and the above revaluation adjustment represents the difference between the opening carrying value and the external valuation, excluding the effects of foreign currency changes.

Were the coal royalty to be realised at the revalued amount there are £3.1m (A$6.0m) of capital losses potentially available to offset against taxable gains. These losses have been included in the deferred tax calculation (note 9). Were the coal royalty to be carried at cost the carrying value would be £0.2m (2013: £0.2m). The Directors do not presently have any intention to dispose of the coal royalty.

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 in February 2015.

7 Royalty financial instruments

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

Project	Commodity	Original Cost '000	Royalty Rate	Escalation	December 31, 2014 Carrying value £'000
El Valle-Boinas/Carles mines	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	5,742
Jogjakarta	Iron Sands	A$5,000	2.00%	-	2,400
Isua	Iron Ore	A$28,000	1.00%	-	-

The Group's entitlements to cash by way of the repayment of the principal and the NSR royalty or the GRR have been classified as available for sale financial assets in accordance with IAS 39 and are carried at fair value in accordance with the classification of royalty arrangements criteria set out in note 2 of the 2014 Annual Report and Accounts.

	Group £'000
Fair value	
At January 1, 2013	41,945
Revaluation of royalty financial instruments recognised in the income statement	(8,735)
Revaluation of royalty financial instruments recognised in equity	(4,191)
Foreign currency translation	(1,172)
At December 31, 2013	27,847
Impairment of royalty financial instruments	(15,288)
Revaluation of royalty financial instruments recognised in equity	(4,697)
Foreign currency translation	280
At December 31, 2014	8,142

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

On October 16, 2014 London Mining PLC, the operator of the Group's Isua royalty, announced that it had appointed administrators. Subsequent to year-end, the Isua royalty was sold to General Nice Development Limited, with the Group's royalty interest being transferred concurrently. However, given the inherent uncertainty of this asset reaching commercial production, the Group's royalty financial instrument arising from its interest in the Isua royalty has been fully impaired, resulting in an impairment charge for the year of £15.3m.

8 Royalty and exploration intangible assets

The Group's intangibles comprise capitalised exploration and evaluation costs and royalty interests.

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At January 1, 2014	951	48,713	49,664
Additions	47	13,166	13,213
Disposals	(275)	-	(275)
Foreign currency translation	(26)	(2,174)	(2,200)
At December 31, 2014	697	59,705	60,402
Amortisation and impairment			
At January 1, 2014	-	(12,376)	(12,376)
Amortisation charge	-	(759)	(759)
Impairment charge	(697)	(9,336)	(10,033)
Foreign currency translation	-	(124)	(124)
At December 31, 2014	(697)	(22,595)	(23,292)
Carrying amount December 31, 2014	-	37,110	37,110

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

Disposals and impairments of exploration and evaluation costs
The exploration and evaluation costs comprise expenditure that was directly attributable to the Panorama and Trefi coal projects in British Columbia, Canada. The Group disposed of its interest in the Panorama coal project and fully impaired its interests in the Trefi coal project during the year, as outlined in note 13.

Additions to royalty interests
On June 10, 2014, the Group acquired a 2% net smelter return royalty interest on all mineral products sold from the area

of the Maracás Project to which the royalty interest relates in exchange for total consideration of £13.2m which comprised US$22.0m (£13.1m) of cash and 500,000 warrants which entitle the holder to acquire one Anglo Pacific ordinary share at a strike price of £2.50 which are exercisable over five years (which the Group valued at £0.1m).

A further US$3.0m (£1.9m) of cash is payable when the project reaches certain annualised production milestones. Due to the Directors not considering payment of the contingent consideration to be probable at December 31, 2014, no liability has been recognised.

Amortisation of royalty interests
The Amapá royalty interest is the only producing royalty interest and therefore, subject to amortisation. Amortisation of the remaining interests will commence once they begin commercial production. No intangible assets have been pledged as security for liabilities.

Impairments of royalty interests
As described in note 3.6 and 3.7 of the 2014 Annual Report and Accounts, an annual impairment review is carried out to determine whether the future expected cash flows (calculated on a value-in use basis) exceed cost. This has resulted in the Directors determining that three of the Group's intangible royalties were impaired at December 31, 2014 as outlined below. See note 2 of the 2014 Annual Report and Accounts for the impairment methodology applied.

Year-ended December 31, 2014

Amapá
Due to a lack of progress in rebuilding the Santana port, royalty income from Amapá was minimal during the year, with only small shipments possible. The lack of shipping facilities also resulted in production at the mine being scaled back during the year. Taking into account the Directors assessment as to when production will restart, the discounted cash flow model, using a discount rate of 10%, required an impairment charge of £8.4m to be recorded at December 31, 2014 resulting in a residual carrying value of Amapá of £4.9m.

Bulqiza
In 2013, the Directors took the view that this project was no longer the principal focus of the owner of the licences and recognised an impairment charge of £0.9m in the year which left a residual carrying value of £0.7m. In light of there being no further advancement in this project during 2014, it is inherently uncertain that these licenses will enter commercial production and, as a result a further impairment charge of £0.7m was recognised in the year with the residual carrying value being reduced to £nil.

Creso
On January 16, 2014, the Group was notified by Creso Exploration Inc of its intention to abandon a number of the mining claims over which the Group held a 2% NSR. The Directors took the view that the remaining claims were unlikely to be commercially developed and fully impaired the Creso royalty, resulting in an impairment charge of £0.2m.

Year-ended December 31, 2013

Ring of Fire
The operator, Cliffs Natural Resources Inc, announced the placing of its chromite asset onto care and maintenance. Although the Group believes that this is too important a project to all stakeholders for the project to be deferred indefinitely, in the absence of any other publically available information, it has deferred the estimated production profile and applied a risk weighted probability measure accordingly. The combination of both has resulted in the estimated future royalty income being less than the acquisition cost of the royalty. Should the impasse resolve and production commence, this impairment would be reversed in the income statement. This has resulted in an impairment charge of £4.2m in the year (calculated using a pre-tax discount rate of 10%) with the residual carrying value being £5.4m. There has been no further impairment charge in 2014 nor any reversal of the previous provision.

Mount Ida
The Group acquired the Mount Ida royalty in 2012 for U$6.0m settled by way of a cash payment of US$3.7m (£2.3m) and the issue of ordinary shares for the US$2.3m (£1.3m) balance. Due to the significant infrastructure required to bring the project into production, including the construction of port and rail facilities, the owner has placed this project on care and maintenance. Although this is a large, relatively high grade deposit which, with a recovery in iron ore prices could become economic, in the meantime the Directors are of the view that it is unlikely that production will happen in a time frame such that the future cash flows will exceed cost (calculated using a pre-tax discount rate of 10%). This has resulted in the full carrying amount being impaired by £3.2m in the year.

9 Deferred tax

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

Group	Coal royalties: Revaluation of coal royalty £'000	Coal royalties: Effects of Tax losses £'000	Available-for sale-investments: Revaluation of royalty instruments £'000	Available-for sale-investments: Revaluation of mining interests £'000	Impairment of intangible royalties £'000	Accrual of royalty receivable £'000	Other tax losses £'000	Total £'000
At January 1, 2013	50,785	(607)	3,957	(5,809)	-	206	-	48,532
Charge/(credit) to profit or loss	(5,160)	(8)	(1,111)	(3,282)	(2,330)	641	-	(11,250)
Charge/(credit) to other comprehensive income	-	-	600	(204)	-	-	-	396
Exchange differences	(7,162)	99	-	(45)	-	(116)	-	(7,224)
Effect of change in tax rate:								
- income statement	-	-	(101)	237	-	-	-	136
- equity	-	-	(229)	4	-	-	-	(225)
At December 31, 2013	38,463	(516)	3,116	(9,099)	(2,330)	731	-	30,365
Charge/(credit) to profit or loss	(3,858)	(460)	-	7,682	2,330	(714)	(1,176)	3,804
Reclassification from current to deferred tax asset	-	-	-	-	-	-	(650)	(650)
Charge/(credit) to other comprehensive income	-	-	(1,629)	877	-	-	-	(752)
Exchange differences	10	33	-	19	-	13	41	116
Effect of change in tax rate:								
- income statement	-	-	-	-	-	-	-	-
- equity	-	-	(281)	(1)	-	-	-	(282)
At December 31, 2014	34,615	(943)	1,206	(522)	-	30	(1,785)	32,601

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:

	2014 £'000	2013 £'000
Group		
Deferred tax liabilities	34,908	39,202
Deferred tax assets	2,307	8,837
	32,601	30,365

As at December 31, 2014, the Group has unused tax losses of £8.1m (2013: £1.7m) available for offset against future profits. A deferred tax asset has been recognised in respect of these losses which may be carried forward indefinitely.

The Group has the follow balances in respect of which no deferred tax asset has been recognised:

	2014				2013		
	Tax losses - trading £'000	Tax losses - capital £'000	Other temporary differences £'000	Total £'000	Tax losses - trading £'000	Tax losses - capital £'000	Total £'000
Expiry date							
Within one year	-	-	-	-	-	-	-
Greater than one year, less than five years	-	-	-	-	-	-	-
Greater than five years	-	-	-	-	-	-	-
No expiry date	4,843	4,879	22,828	32,550	8,501	2,906	11,407
	4,843	4,879	22,828	32,550	8,501	2,906	11,407

Timing differences associated with investments in subsidiaries, joint ventures and associates are insignificant.

10 Related party transactions

During the year, Group companies entered into the following transactions with subsidiaries:

	2014 £'000	2013 £'000
Net financing of related entities	5,625	(25,794)
Management fee	3,251	2,166
Amounts owed by related parties at year end	37,671	31,100

All transactions were made in the course of funding the Group's continuing activities.

Remuneration of key management personnel

The remuneration of the key management personnel including Directors of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 50 to 56 of the 2014 Annual Report and Accounts.

	2014 £'000	2013 £'000
Short-term employee benefits	1,177	1,098
Post-employment benefits	30	17
Share-based payment	563	-
	1,770	1,115

Directors' transactions

The Group made payments of £21,842.77 to Audley Capital Advisors LLP, a company which Mr J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the reimbursement of travel related expenditure and IT recharges during the year ended December 31, 2014 (2013: £nil). During the same period, the Group received £48,201.60 from Audley Capital Advisors LLP for the reimbursement of office relocation expenditure. At December 31, 2014 a total of £nil was owing to or from Audley Capital Advisors LLP (2013: £nil).

11 Events occurring after year end

On March 12, 2015 the Group completed its acquisition of the Narrabri royalty for US$65.0m. The Narrabri royalty is a 1% gross revenue royalty over all coal produced from the Narrabri mine located in New South Wales, Australia, owned and operated by Whitehaven Coal Limited.

Of the total consideration of US$65.0m, US$60.0m was paid in cash and US$5.0m was satisfied by the issue of 4,135,238 ordinary shares. The cash component of the consideration was partly funded through the a firm placing, placing and open offer that was completed on February 27, 2015, resulting in the issue of 49,375,000 new shares at a price of 80p per share raising £39.5m, before costs.

In addition to the firm placing, placing and open offer, the Group entered into a new three-year US$30.0m revolving credit facility on February 19, 2015. The new facility is secured by way of a floating charge over the Group's assets and is subject to a number of financial covenants.