



**Anglo Pacific Group PLC**

**ANNUAL INFORMATION FORM**

*For the Financial Year Ended December 31, 2009*

Dated as of June 29, 2010

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## INTERPRETATION

### Glossary of Non-Technical Terms

“**AIM**” means the AIM Market, a market operated by the London Stock Exchange;

“**Alliance**” means Alliance Resources Limited;

“**APG**” or the “**Company**” means Anglo Pacific Group PLC and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates;

“**ARC**” means Advance Royalty Corporation;

“**ASX**” means the Australian Stock Exchange;

“**Atna**” means Atna Resources Ltd.;

“**Berkeley**” means Berkeley Resources Limited;

“**BHP Billiton**” means BHP Billiton Limited;

“**Board**” means the Company’s board of directors;

“**CDS**” means the Canadian Depository for Securities Limited;

“**Co-Owner**” means a co-owner of Ordinary Shares acquired pursuant to the JSOP and includes the EBT;

“**CSOP**” means the Company’s Company Share Option Plan established by approval of the shareholders of the Company on April 21, 2010;

“**Discovery Property**” means the property comprising the eastern group of 8 coal licenses of the Groundhog area covering 3,927ha;

“**Discovery and Panorama Report**” means the technical report entitled “Resource Estimate for the Discovery and Panorama Coal Properties” dated March 18, 2010 as prepared by MMTS;

“**EBT**” means the Employee Benefit Trust established by the Company pursuant to the JSOP to acquire a number of Ordinary Shares in connection with a JSOP Award;

“**ENUSA**” means ENUSA Industrias Avanzadas SA, a Spanish state uranium company;

“**Groundhog area**” means the area located approximately 150km northeast of Stewart, British Columbia, Canada and 490km northwest of Prince George, British Columbia, Canada, centered at UTM 6,300,000N and 536,000E (NAD83) where the Company holds coal licenses on the Panorama Property and the Discovery Property;

“**GRR**” means gross revenue royalty;

“**HMRC**” means HM Revenue and Customs;

“**Indo**” means Indo Mines Limited;

“**JSOP**” means the Company’s Joint Share Ownership Plan established by approval of the shareholders of the Company on April 21, 2010;

“**JSOP Award**” means an award of a restricted beneficial interest in a number of Ordinary Shares pursuant to the terms of the JSOP;

“**Kestrel Mine**” means the underground mine operation located 40km northeast of Emerald, Queensland, Australia;

“**Kestrel Report**” means the technical report entitled “A 43-101 Technical Report on the Kestrel Coal Mine Royalty, Queensland, Commonwealth of Australia” dated March 31, 2010 as prepared by SRK;

“**Kinbauri**” means Kinbauri Gold Corp.;

“**LSE**” means the London Stock Exchange;

“**Magma**” means Magma Metals Limited;

“**Mantra**” means Mantra Resources Limited;

“**Maudore**” means Maudore Minerals Ltd.;

“**Mitsubishi**” means Mitsubishi Development Pty Ltd.;

“**MMTS**” means Moose Mountain Technical Services;

“**MRA Shareholders**” means the original founders and vendors of Minera de Rio Algon SL, a subsidiary of Berkeley;

“**Mundo**” means Mundo Minerals Limited;

“**Named Executive Officers**” means the Company’s Chief Executive Officer, Chief Financial Officer and the Company’s other three most highly compensated executive officers, each a Named Executive Officer;

“**NI 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators;

“**NI 71-102**” means National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators;

“**NSM**” means Northern Star Mining Corporation;

“**NSR**” means net smelter return royalty;

“**Ordinary Shares**” means the ordinary shares of 2 pence each in the capital of the Company;

“**Orvana**” means Orvana Minerals Corp.;

“**Panorama Property**” means the property comprising the western group of 12 coal licenses of the Groundhog area covering 6,308ha;

“**Quasar**” means Quasar Resources Pty Ltd.;

“**Rio Tinto**” means Rio Tinto Limited;

“**Royalco**” means Royalco Resources Limited;

“**SDRT**” means UK stamp duty reserve tax;

“**SRK**” means SRK Consulting of the United Kingdom and Australia;

“**Trefi Property**” means the project property comprising 15 coal licenses and covering 7,337ha located within the Pine Pass area of the Peace River District, approximately 30km southwest of Chetwynd, British Columbia, Canada, centered at UTM 6,148,000N and 572,000E (NAD 83);

“**Trefi Report**” means the technical report titled “Resource Estimate for the Trefi Coal Property” dated March 18, 2010 as prepared by MMTS;

“**TSX**” means the Toronto Stock Exchange;

“**TSX-V**” means the TSX Venture Exchange;

“**UK**” means the United Kingdom of Great Britain and Northern Ireland;

“**UK Listing Authority**” means the UK Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of the UK Financial Services and Markets Act 2000 (as amended from time to time); and

“**UK Rules**” means the listing rules and regulations of the UK Listing Authority and the applicable laws of England and Wales (in each case as amended from time to time).

### **Glossary of Technical Terms and Measurements**

“**Cu**” means copper;

“**CV**” means calorific value;

“**CWP**” means coal washing plant;

“**FSI**” means free swelling index;

“**GJ/t**” means gigajoules per tonne;

“**GSM**” means gridded seam model;

“**km**” means kilometre;

“**m**” means metre;

“**NAD83**” means The North American Datum of 1983;

“**Ni**” means nickel;

“**PCI**” means pulverized coal injection;

“**Pt**” means platinum;

“**tonne**” means metric ton of 1,000 kilograms or 2,205 pounds; and

“**UTM**” means the Universal Transverse Mercator coordinate system.

## PRESENTATION OF INFORMATION

In this Annual Information Form (“AIF”), the terms the “Company” and “APG” mean Anglo Pacific Group PLC and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates.

Unless otherwise noted or where the context otherwise indicates, the information contained in this AIF is given as at or for the year ended December 31, 2009.

References to “A\$” are to Australian dollars, “£” are to pounds sterling, “p” are to British pence, “US\$” are to United States dollars and “C\$” are to Canadian dollars. Financial information relating to APG is presented in accordance with applicable International Financial Reporting Standards as adopted by the European Union. The following table sets out the high and low rates of exchange for one pound sterling expressed in C\$ in effect at the end of each of the following periods; the average rate of exchange for those periods; and the rate of exchange in effect at the end of each of those periods, each based on the nominal noon exchange rates published by the Bank of Canada.

<i>(C\$ / £1.00)</i>	Year ended December 31			Three-month period ended March 31, 2010
	2007	2008	2009	
High	2.3452	2.0606	1.9150	1.7268
Low	1.9283	1.7587	1.6369	1.5163
Average for Period	2.1428	1.9595	1.7790	1.6187
End of Period	1.9600	1.7895	1.6918	1.5423

As at June 29, 2010, the Bank of Canada nominal noon exchange rate was C\$1.5878 for £1.00, C\$0.8974 for A\$1.00 and C\$1.0529 for US\$1.00.

As a royalty holder, the Company generally has limited, if any, access to properties (or to non-public information relating to such properties) on which the Company holds royalty interests. Instead, the Company must usually rely principally on publicly available information regarding such properties and mining operations and may not have legal rights to access the properties or to review the data which was used to substantiate the technical or other information which has been publicly disclosed with respect to the property. Therefore, the Company generally is dependent on publicly available information to prepare required disclosures pertaining to properties and mining operations on the properties on which the Company holds royalty interests and generally has no ability to independently verify such information. Except as otherwise stated herein, the disclosure in this AIF regarding properties and mining operations on which the Company holds royalty interests is based solely on information publicly disclosed by the owners or operators of such properties as of the date hereof.

## DESIGNATED FOREIGN ISSUER STATUS

The Ordinary Shares are anticipated to be listed and posted for trading on the TSX on July 9, 2010, at which time the Company will become a reporting issuer in the Province of Ontario. However, in accordance with NI 71-102, the Company will be a “designated foreign issuer” (as is defined in NI 71-102). As such, the Company will not be subject to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian ongoing reporting requirements if it complies with the UK Rules and files on SEDAR (at [www.sedar.com](http://www.sedar.com)) any documents required to be filed or furnished pursuant to the UK Rules.

## FORWARD-LOOKING INFORMATION

Certain statements in this AIF, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Company’s expectations and views of future events. Forward-looking statements (which include the phrase “forward-looking information” within the meaning of Canadian securities legislation) are provided for the purposes of assisting the reader in understanding the Company’s financial position and results of operations as at and for the periods ended on certain dates, and to present information about management’s current expectations and plans relating to the future. Readers are cautioned that such forward-looking statements may not be appropriate for other purposes than outlined in this AIF. These statements may include, without limitation, statements regarding the

operations, business, financial condition, expected financial results, cash flow, requirement for and terms of additional financing, performance, prospects, opportunities, priorities, targets, goals, objectives, strategies, growth and outlook of the Company including the outlook for the markets and economies in which the Company operates, costs and timing of acquiring new royalties, mineral reserve and resources estimates, estimates of future production, production costs and revenue, future demand for and prices of precious and base metals and other commodities, for the current fiscal year and subsequent periods. In addition, statements relating to “reserves” or “resources” are forward looking statements, as they involve implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “seeks”, “intends”, “targets”, “projects”, “forecasts”, or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”. Forward-looking statements are based upon certain material factors that were applied in drawing a conclusion or making a forecast or projection, including assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. The material factors and assumptions upon which such forward-looking statements are based include: the general economy is stable; local governments are stable; interest rates are relatively stable; equity and debt markets continue to provide access to capital; the ongoing operations of the properties underlying the Company’s portfolio of royalties by the owners or operators of such properties in a manner consistent with past practice; the accuracy of reserve and resource estimates, grades, mine life and cash cost estimates; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; no material adverse change in the market price of the commodities that underlie the Company’s portfolio of royalties and investment interests; no adverse development in respect of any significant property in which the Company holds a royalty or other interest; the successful completion of new development projects; the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production; planned expansions or other projects within the timelines anticipated and at anticipated production levels; and title to mineral properties. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, which could cause actual results to differ materially from those anticipated, estimated or intended in the forward-looking statements.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate; that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the Company’s control, affect the operations, performance and results of the Company, its businesses and investments, and could cause actual results to differ materially from those suggested any forward-looking information. Such risks and uncertainties include, but are not limited to risks noted in the section herein entitled “Risk Factors”. If any such risks actually occur, they could materially adversely affect the Company’s business, financial condition or results of operations. The reader is cautioned that the list of factors noted in the section herein entitled “Risk Factors” is not exhaustive of the factors that may affect the Company’s forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

This AIF also contains forward-looking information contained and derived from publicly available information regarding properties and mining operations owned by third parties. The Company’s management relies upon this forward-looking information in its estimates, projections, plans, and analysis.

Although the forward-looking statements contained in this AIF are based upon what the Company believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements made in this AIF relate only to events or information as of the date on which the statements are made and, except as specifically required by law, the Company 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.

## CORPORATE STRUCTURE

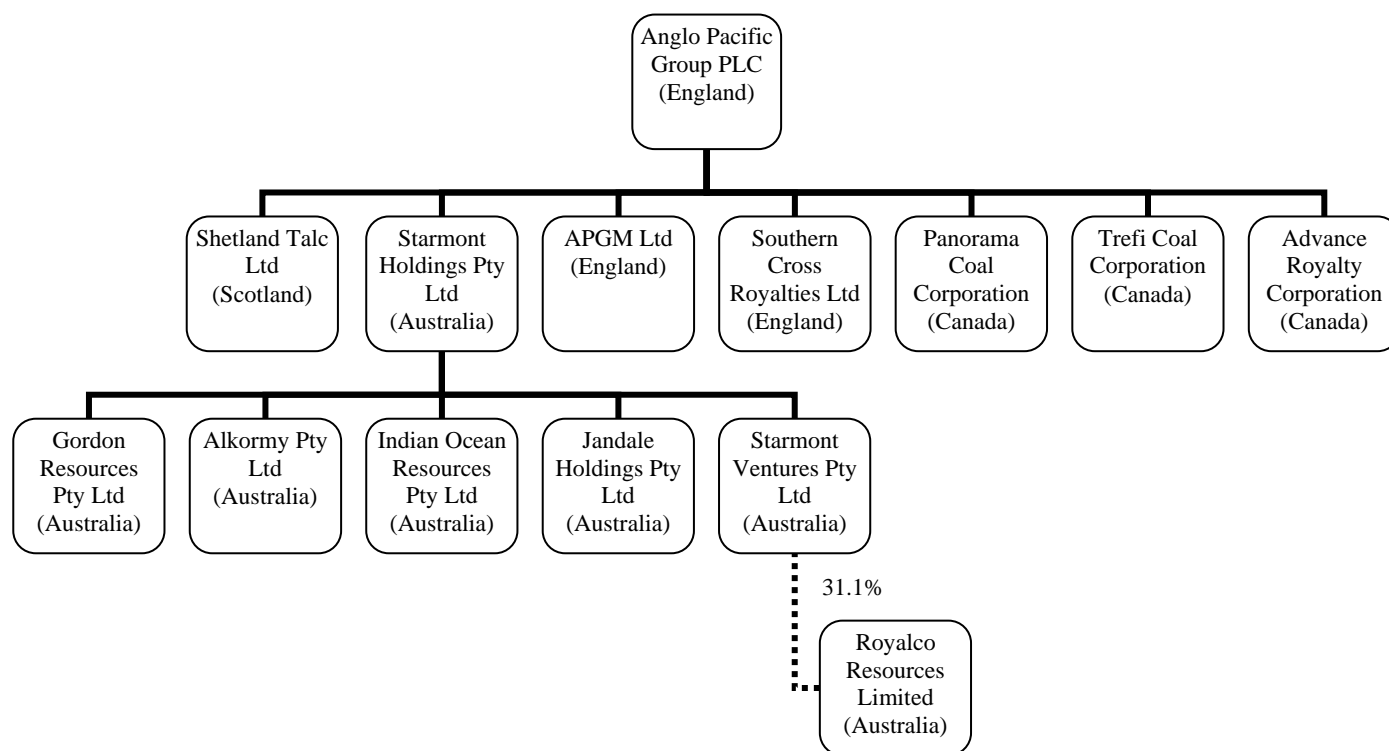
### Name, Address and Incorporation

Anglo Pacific Group PLC is a public limited company, which was incorporated and registered in England and Wales on February 7, 1967 under the UK Companies Act, 1948 under the name “Diversified Bank Shares Limited”. The Company subsequently underwent a number of name changes and on November 11, 1997 the Company changed its name to “Anglo Pacific Group PLC”. The Company’s Ordinary Shares are quoted on the LSE and are anticipated to begin trading on the TSX on July 9, 2010. The Company voluntarily de-listed from the ASX effective June 18, 2010.

The head and registered office of the Company is located at 17 Hill Street, London W1J 5NZ, United Kingdom.

### Intercorporate Relationships

The following chart summarizes the Company’s current organisational structure, including the name and jurisdiction of incorporation of the Company’s direct and indirect material subsidiaries and certain other subsidiaries and investments. All subsidiaries are 100% owned and controlled, directly or indirectly, by the Company, with the exception of the Company’s indirect interest in Royalco.



The Company’s 31.1% indirect voting interest in Royalco, as last reported, together with the Company’s appointment of Chris Orchard (Chief Investment Officer of APG) to Royalco's board of directors, evidence the Company’s significant influence over, but not control of, Royalco.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

The Company’s strategy of focusing on mineral royalties and strategic investments was put in place in 2001. The Company was originally established to invest in oil and gas opportunities. In 1984, the Ordinary Shares were floated on London’s Unlisted Securities Market. On April 9, 1989, the Company was restructured in a transaction involving Apex Securities Limited and Oceanic Equity Limited to acquire Australian oil, gas and mining assets. The restructuring



resulted in Apex Securities Limited holding 51% of the Company and the Company acquiring a 40% interest in the West Australian based gold production and exploration company, Indian Ocean Resources Limited, together with certain other assets that were subsequently disposed of by the Company. The remaining 60% interest in Indian Ocean Resources Limited was acquired by the Company in August 1987. The Ordinary Shares were listed on the ASX on May 19, 1988 and were admitted to the Official List of the UK Listing Authority and admitted to trading on the LSE on December 30, 1996. The Company voluntarily de-listed from the ASX effective June 18, 2010.

The Company primarily invests in projects in areas with low political risk, defined resources and near-term production. The Company currently has royalty interests in nine different projects. It also has a number of direct equity interests in various public companies, direct ownership of two undeveloped coal properties and options to acquire royalties and other associated assets. The projects in which the Company is invested include coal, gold, platinum, copper, uranium and iron ore projects which are spread across six continents.

A mining royalty is a passive (non-operating) interest in a mining project that provides the royalty holder with the right to revenue or production from the project. A royalty holder is generally not responsible for, and has no obligation to contribute towards, development or operation of the project, including operating or capital costs, or environmental or reclamation liabilities. Typically, royalty interests are established through a contract between the royalty holder and the property owner. Many jurisdictions permit the holder to also register or otherwise record evidence of a royalty interest in applicable mineral title or land registries. The particular characteristics of royalties provide royalty holders with upside potential on mining properties with reduced risk as compared to the property owners.

Although there are a number of different types of royalty structures, the Company's royalty investments are typically either structured as an NSR or a GRR. A NSR is generally based on the value of production or net proceeds received by the operator from a smelter or refinery. These proceeds are usually subject to certain deductions or charges set out in the royalty agreement, which typically include a proportionate share of related transportation, smelting and refining costs. A GRR is more applicable to bulk commodities such as coal or iron ore where the royalty may be a simple percentage of the value of the ore shipped from the mine before subsequent treatment charges.

Occasionally, the Company has structured its royalty investments by advancing funds to a property owner in return for the property owner issuing the Company a debt instrument, the repayment of which is secured against certain project-related assets. Repayment is made pursuant to a royalty-based payment stream, which payment stream tends to continue notwithstanding the repayment of the principal amount of the debt instrument and any interest accrued thereon. These debt instruments tend to also have conversion features, such that the Company has the option of converting the outstanding principal amount of the debt instrument into equity of the issuer of the debt instrument at a prescribed price. The Company feels that this structure provides upside optionality and contractual protections that tend not to be available in the more typical royalty structures.

The Company's core asset is its 50% ownership of mining and mineral rights which entitle it to coal royalty receipts from the Kestrel and Crinum mines, located in Queensland, Australia (other than Crown areas). These mines are operated by Rio Tinto Coal Australia and BM Alliance Coal Operations Pty Ltd (a 50/50 joint venture between BHP Billiton and Mitsubishi), respectively. These royalty entitlements arise under Queensland Government law and are to be paid on coal mined under private subterranean rights. The mines have been producing since 1999. The royalty rate to which the Company is presently entitled is prescribed by the Queensland Mineral Resources Act Regulations. These regulations currently stipulate that the basis of calculation is a two-tiered fixed percentage of the invoiced value of the coal, without deduction for any costs pertaining to rail and road freight or any other costs incurred in relation to the sale or disposal of the coal other than port and related charges. The regulations provide that currently a 7% rate applies to the value of coal produced by a mine sold below A\$100 per tonne and a higher 10% rate applies to the value of coal sold above A\$100 per tonne.

As at December 31, 2009, no value was attributed to the Crinum mine royalty by VCoal Pty Limited, coal industry advisors, due to the uncertain nature of future royalty cashflows as mining in Crinum moves onto Crown areas. As a result, the Crinum mine is not a mineral project on a property material to the Company.

Management of the Company intends to continue to acquire royalties and other investments within the Company's investment strategy in order to expand its royalty ownership portfolio and generate additional revenue.

### **Three Year History**

The following is a summary of key developments in the Company's business over the past three years:

#### ***January 1, 2007 – December 31, 2007***

##### *Acquisition of Advance Royalty Corporation and Uranium Royalties*

Effective August 22, 2007, the Company acquired ARC, a private Canadian company, in exchange for the issuance of 3,125,000 Ordinary Shares. ARC owned royalty interests with respect to certain mineral resource properties located in the Athabasca Basin of Saskatchewan, Canada. The Athabasca Basin is considered by management of the Company to be highly prospective for uranium exploration and production and currently hosts large, high grade uranium mines and deposits. The properties covered by the royalty interests totalled approximately 4.8 million acres and were operated by a number of listed Canadian companies.

#### ***January 1, 2008 – December 31, 2008***

##### *Acquisition of NSR from Kinbauri Gold Corp.*

On May 14, 2008, the Company advanced to Kinbauri C\$7,500,000 and in return Kinbauri issued to the Company (a) 1.5 million warrants, each exercisable into one common share of Kinbauri at a price of C\$0.90 until May 12, 2010; and (b) a senior convertible debenture in the principal amount of C\$7,500,000. Principal is to be repaid through a 2.5% NSR on Kinbauri's developmental gold-copper El Valle and Carles mines located in Asturias, Spain, increasing to 3% in the event gold prices exceed US\$1,100 an ounce. Upon repayment of principal, the instrument converts to a NSR. In the event that the rate of production from the El Valle and Carles mill does not exceed 90,000 ounces of gold within the 2012 calendar year, the debenture provides for certain conversion rights. The convertible debenture is secured by multiple *censos* (a Spanish form of security), each of which relates to a particular concession and secures a portion of the outstanding principal amount.

In connection with the acquisition of Kinbauri by Orvana, Kinbauri announced that an amalgamation between Kinbauri and a wholly-owned subsidiary of Orvana was completed effective October 1, 2009. The amalgamated corporation is named "Orvana Minerals Asturias Corp." and continues to be liable as issuer of the senior convertible debenture.

##### *Acquisition of NSR from Mundo Minerals Limited*

On November 26, 2008, the Company completed the acquisition of an A\$4,000,000 senior convertible debenture from Mundo. Interest is payable at an annual rate of prime plus 2% on the outstanding balance of the convertible debenture. Repayment of the principal amount is to be made through a 2.5% NSR on Mundo's producing Engenho gold mine in Brazil. The Company has the right, at its option, at any time and from time to time, to convert the then outstanding principal amount under the convertible debenture into ordinary shares of Mundo at a conversion price of A\$0.35 per share, subject to adjustment. In the event of such conversion, the NSR to the Company will cease. The convertible debenture and subsequent NSR are secured against Mundo's existing rights to conduct exploration, development and mining within geographic locations in Fazenda Engenho D'Água, municipality of Rio Acima, Minas Gerais State, Brazil, and assets employed by or on behalf of Mundo to undertake exploration, development and/or mining in the geographic location of Engenho D'Água.

## *January 1, 2009 – December 31, 2009*

### *Acquisition of NSR from IMX Resources Limited*

On March 23, 2009, the Company acquired, for A\$6,000,000, a 1% NSR from IMX Resources Limited covering any production on the developmental Four Mile uranium project in South Australia, a joint venture between Quasar and Alliance.

### *Acquisition of NSR from Indo Mines Limited*

On June 16, 2009, the Company completed the acquisition of a US\$4,000,000 senior secured convertible debenture from Indo. Interest is payable quarterly in arrears at an annual rate of 8% per annum on the outstanding balance, by either a cash payment or, if certain conditions are satisfied, by the issue of ordinary shares of Indo, based on an issue price of A\$0.50, subject to adjustment. Repayment of the principal amount is to be made through a 2% NSR on Indo's developmental stage Jogjakarta Iron Sands Project located in Indonesia, upon commencement of commercial production. Once the principal and all interest have been repaid, the NSR rate is to be reduced to 1% for each month during which the monthly average liquid iron ore price does not exceed US\$700/tonne. The convertible debenture is secured against Indo's interest in PT Jogja Magasa Iron, an Indonesian subsidiary that holds the rights to conduct exploration, development and mining with respect to the Jogjakarta Iron Sands Project and against certain other assets of PT Jogja Magasa Iron and any insurance claims relating to such assets. The Company has the right, at its option, at any time and from time to time, to convert the then outstanding principal amount under the convertible debenture into ordinary shares of Indo at a conversion price of A\$0.50 per share, subject to adjustment. In the event of such conversion, the NSR to the Company will cease.

Issuance by Indo of the senior secured convertible debenture was conditional upon obtaining the approval of its shareholders, which was obtained at Indo's general meeting of its shareholders on October 28, 2009.

### *Acquisition of Stake in Royalco Resources Limited*

On July 10, 2009, the Company closed its take-over bid in respect of Royalco, an Australian mining company which owns a number of royalty interests in Australasia, increasing the Company's shareholding from just under 20% to over 31%. On May 13, 2009, the Company had made an unconditional on-market cash bid of A\$0.30 per share for all the outstanding issued share capital of Royalco, the offer price was increased to A\$0.34 on July 3, 2009. Subsequently, on September 25, 2009, Chris Orchard, the Company's Chief Investment Officer and an executive director, was appointed to Royalco's board of directors. As a result of its significant shareholding and this board appointment, the Company's investment in Royalco is accounted for under the equity method.

### *Acquisition of NSR from Northern Star Mining Corporation*

On September 4, 2009, the Company completed the acquisition of a C\$8,000,000 convertible debenture from NSM. Interest is payable at an annual rate of prime plus 2% on the outstanding balance of the convertible debenture. Repayment of the debenture is to be made through a 2.5% NSR on the developmental Malartic-Midway and McKenzie Break projects located in the Fiedmont and Courville Townships of Quebec. In the event that the price of gold exceeds US\$1,250 per ounce, the NSR will increase to 2.75% but will decrease to 1.5% on all production from the projects at such time as two million ounces of gold have been produced therefrom if the price of gold is below US\$1,250 per ounce. Upon repayment of the principal amount, the NSR will continue. The convertible debenture and subsequent NSR are secured against assets of NSM, including the Malartic-Midway and McKenzie Break projects, and the Company has the right, at its option, to convert any outstanding principal amount under the convertible debenture into common shares of NSM at a conversion price of C\$0.70 per share, subject to adjustment. In the event of such conversion, the NSR to the Company will cease.

Under the terms of the convertible debenture, the Company is also receiving a 1% NSR on all production from the mill (or its replacement) from properties other than the Malartic-Midway and McKenzie Break projects but excluding any toll milling undertaken by NSM on behalf of unassociated third parties.

### *Acquisition of NSR from Berkeley Resources Limited*

On December 29, 2009, the Company acquired a 1% NSR on future uranium production from the developmental Salamanca mine and all other Spanish and Portuguese properties owned by Berkeley for A\$4,137,500. The NSR was acquired from the MRA Shareholders, the original founders and vendors of Berkeley's Spanish subsidiary, Minera de Rio Alagon SL. As part of the royalty acquisition the Company also purchased from the MRA Shareholders 750,000 ordinary fully paid shares of Berkeley for A\$862,500.

### ***Recent Developments***

#### *Acquisition of Pilbara Iron Ore GRR*

On May 19, 2010, the Company entered into an agreement to acquire the DFD Rhodes iron ore royalty, a 1.5% GRR covering three exploration licences in the central Pilbara region of Western Australia, for A\$23,000,000. The vendors comprise DFD Rhodes Pty Ltd, JCO Investments Pty Ltd, Eamon Ian Cornelius and Brenton Anthony Parry and the property is currently owned and operated by BHP Billiton. The tenements, covering 263 square kilometres, are owned by a wholly owned subsidiary of BHP Billiton and host a number of known iron occurrences, the most significant being the Railway deposit. The tenements are supported by extensive rail infrastructure including the rail lines from Rio Tinto's West Angelas and Yandicoogina mines and BHP Billiton's rail line serving its current operations, Mining Area C, which lies immediately to the east of the Railway deposit.

#### *TSX Listing*

The Company received conditional approval for the listing of its Ordinary Shares on the TSX on June 18, 2010. The Ordinary Shares are anticipated to be listed and posted for trading on the TSX on July 9, 2010 under the symbol "APY", at which time the Company will become a reporting issuer in the Province of Ontario.

## **BUSINESS OF APG**

### **Strategy**

The Company is a global natural resources royalties company. The strategy of the Company is to expand its mineral royalty interests in low-cost, long-life mining assets through both direct acquisition and investment in projects at the development and production stage.

The Company sustains a competitive position by expanding royalty interests through acquisition, actively adding value to mining projects, employing a progressive dividend policy, sustaining strong cashflows, minimizing operational risk, and maintaining a well capitalized balance sheet that is debt free and unhedged. The Company has a high quality asset portfolio including world class royalties on the Kestrel and Crinum coal mines in Queensland, Australia and a portfolio of royalties over development/near production projects in gold, uranium and iron ore. The Company is focused on projects in areas with low political risk that have defined resources and near-term production capabilities. The Company targets access to future royalty streams through its strategic investment portfolio, which primarily includes projects in stable, developed regions such as North America, Australia and Western Europe, and provision of flexible financing alternatives to junior and mid tier companies.

The Company has both corporate finance and real-world mining experience and takes an active approach to each of its projects to achieve attractive returns for the Company with limited risk.

It is a continuing policy of the Company to pay a substantial proportion of its profit to shareholders as dividends.

## Principal Activities Summary

### Royalties

Direct royalty activities represent the Company's core business. The Company utilizes a number of different strategies to acquire additional royalty interests and when a royalty interest is acquired or created it is included in the Company's royalties operating segment.

The principal direct royalty activities of the Company and its subsidiary undertakings are summarized in the following table:

Project	Project Location	Commodity Focus	Economics	Other Parties
Kestrel and Crinum underground mines	Australia	Coal – Producing	50% interest in a 7% escalating invoiced value royalty	Deutsche Asset Management, Queensland Coal Pty Ltd. and Mitsui Kestrel Coal Investment Ltd (other royalty owners) Kestrel Mine: Rio Tinto Coal Australia (operator) Crinum mine: BM Alliance Coal Operations Pty Ltd (a 50/50 joint venture between BHP Billiton Limited and Mitsubishi Development Pty Ltd) (operator)
Engenho mine	Brazil	Gold – Producing	Convertible debenture (2.5% NSR)	Mundo Minerals Limited (operator)
El Valle and Carles mines	Spain	Gold and copper – Developmental	Convertible debenture (2.5% escalating NSR)	Orvana Minerals Corp. (operator)
Jogjakarta mine	Indonesia	Iron sands – Developmental	Convertible debenture (2% reducing NSR)	Indo Mines Limited (70% owner and operator)
Malartic-Midway and McKenzie Break projects	Canada	Gold – Developmental	Convertible debenture (2.5% variable NSR and 1% NSR on mill)	Northern Star Mining Corporation (operator)
Four Mile mine	Australia	Uranium – Developmental	1% NSR	Quasar Resources Pty Ltd. (75% owner and operator) and Alliance Resources Limited (25% owner)
Salamanca mine	Spain	Uranium – Developmental	1% NSR	Berkeley Resources Limited (operator)
Advance Royalty Corporation royalties	Canada	Uranium – Exploration	Various royalty rates – depending on individual agreements	Magnum Uranium Corp. and Bayswater Ventures Corp. (operators)

### Mining and Exploration Interests including Private Coal Assets

The Company utilizes a number of different strategies to facilitate the acquisition and generation of new royalties including direct investment in mineral tenures and equity investment in mining and exploration companies.

The Company has the following subsidiaries which hold direct ownership of mineral tenures, exploration licences and areas under application:

Project / Company	Country of Operation	Asset Category	Commodity Focus	Economics
Panorama Coal Corporation	Canada	Private Coal Assets	Coal	100% ownership interest
Trefi Coal Corporation	Canada	Private Coal Assets	Coal	100% ownership interest

Significant investments made by the Company to facilitate the generation of new royalties are summarized in the following table:

Project / Company	Country of Operation	Public?	Commodity Focus	Economics <sup>(1)</sup>
Royalco Resources Limited	Australia	Yes – ASX listed	Gold and base metals	31.1% ownership interest
Atna Resources Ltd.	U.S.A.	Yes – TSX listed	Gold	16.5% ownership interest
Mundo Minerals Limited <sup>(2)</sup>	Peru and Brazil	Yes – ASX listed	Gold	14.5% ownership interest
Maudore Minerals Ltd	Canada	Yes - TSX-V listed	Gold	14.2% ownership interest
Berkeley Resources Limited <sup>(4)</sup>	Spain	Yes – ASX and AIM listed	Uranium	13.3% ownership interest
Magma Metals Limited	Canada	Yes – ASX and TSX listed	Platinum, palladium, copper and nickel	12.9% ownership interest
Indo Mines Limited <sup>(3)</sup>	Indonesia	Yes – ASX listed	Iron sands, gold and coal	11.2% ownership interest
Mantra Resources Limited	Tanzania	Yes – ASX and TSX listed	Uranium	7.4% ownership interest
Discovery Metals Limited	Botswana	Yes – ASX and AIM listed	Copper	3.0% ownership interest

Notes:

- (1) As reported as at June 29, 2010
- (2) See Engenho mine at “– Royalties” above.
- (3) See Jogjakarta mine at “– Royalties” above.
- (4) See Salamanca mine at “– Royalties” above.

## Principal Activities

### *Royalties*

#### Kestrel and Crinum Mines

The Company originally owned the pastoral land under which parts of the Kestrel and Crinum mines in Queensland, Australia now operate. Pursuant to the provisions of applicable Queensland mining law, this land included the minerals beneath the land. The surface rights to the land were disposed of prior to the discovery of minerals on the property, however the Company retained an interest in the sub-surface mining and mineral rights.

As a result, the Company, by retaining an interest in the sub-surface mining and mineral rights of such land, is entitled to certain royalties payable on the coal mined from this land pursuant to the Queensland Mineral Resources Act 1989.

The Company is not entitled to a royalty on coal mined from land that does not meet the criteria specified in such Act, or from Crown areas.

The royalty rate to which the Company is presently entitled is prescribed by the Queensland Mineral Resources Act Regulations. These regulations currently stipulate that the basis of calculation is a two-tiered fixed percentage of the invoiced value of the coal, without deduction for any costs pertaining to rail and road freight or any other costs incurred in relation to the sale or disposal of the coal other than port and related charges. The regulations provide that currently a 7% rate applies to the value of coal produced by a mine sold below A\$100 per tonne and a higher 10% rate applies to the value of coal sold above A\$100 per tonne.

The Company is currently the registered proprietor of a one half interest in the sub-surface mining and mineral rights of such land and as a result is entitled to 50% of the royalty receipts relating to the sale of the coal mined from this land calculated in accordance with the Queensland Mineral Resources Act Regulations. The Kestrel and the Crinum mines also operate on Crown areas.

In 2009, the Company received A\$41 million attributable to the Kestrel and Crinum royalties.

### Kestrel Mine

The information under the heading “Kestrel Technical Report Summary” is reproduced in its entirety from the technical report entitled “A 43-101 Technical Report on the Kestrel Coal Mine Royalty, Queensland, Commonwealth of Australia” dated March 31, 2010 as prepared by Dr. Iestyn Humphreys (Corporate Consultant) and Mr. Paul Bright (Corporate Consultant) of SRK of the United Kingdom and Australia. The Kestrel Report is incorporated in its entirety by reference herein and is available on SEDAR under the Company’s profile at [www.sedar.com](http://www.sedar.com). Each of the individuals who prepared the Kestrel Report is a “qualified person” for the purposes of NI 43-101 and is independent of the Company.

The Kestrel Report has been prepared in reliance on an exemption available under Part 9 of NI 43-101, since the Company requested but was denied access to the necessary data from Rio Tinto and was not able to obtain the necessary information from the public domain. This exemption exempted the Company and SRK from the requirement to perform onsite visits to the Kestrel property, and from the obligation to complete those items under Form 43-101F1 that require data verification, inspection of documents or personal inspection of the property.

### *Kestrel Technical Report Summary*

#### **INTRODUCTION (ITEM 3 OF FORM 43-101F1)**

SRK Consulting (UK) Limited (“SRK”) is an associate company of the international group holding company, SRK Consulting (Global) Limited (the “SRK Group”). SRK has been commissioned by Anglo Pacific Group Plc (“Anglo Pacific”, hereinafter referred to as the “Company”) to prepare a technical report (the “Technical Report”) within the meaning of National Instrument 43-101: Standards of Disclosure for Mineral Projects (“NI 43-101”), Form 43-101F1 – Technical Report (“Form 43-101F1”), and Companion Policy 43-101CP (the “Companion Policy”), on the Company’s royalties in relation to the Kestrel Coal Mine (“Kestrel Mine”), Queensland, Commonwealth of Australia (“Australia”).

SRK has been informed by the Company that this Technical Report is required in support of the Company’s intention to secure a further listing (the “Listing”) on the Toronto Stock Exchange (“TSX”). Furthermore the Company has also stated that in support of the Listing: the Company will publish an annual information form (the “AIF”) which will incorporate by reference this Technical Report and also contain extracts from and references to this Technical Report.

This Technical Report has been prepared for the Company, which is the holder of a royalty interest (not direct ownership) on Kestrel Mine, in accordance with the guidelines provided in NI 43-101. Mining companies are not (typically) required and, as a matter of practice, do not normally disclose detailed information to companies which hold a royalty interest in their operations unless legally mandated. The

royalty holder therefore, is limited in the amount of information and details it can disclose to that which is available in the public domain. This Technical Report, therefore, relies exclusively upon general information available in the public domain.

SRK has been informed that the Company has sought in writing access to Kestrel Mine, the records of Kestrel Coal Pty Ltd (“Kestrel Coal”) and such other information which may not be sourced in the public domain. Such access has however been denied by Kestrel Coal which manages Kestrel Mine on behalf of the Kestrel Joint Venture (“Kestrel JV”). Accordingly, this Technical Report has been prepared based on the exemption available under Part 9 (Limited Exemption for Royalty Interests and Similar Interests) of NI 43-101, which provides that, where such access has not been granted to a royalty holder, the royalty holder is not required to perform an onsite visit of the project site, nor is it required to complete those items under Form 43-101F1 that require data verification, inspection of documents, or personal inspection of the property.

Therefore, this Technical Report relies exclusively upon general information available in the public domain. Studies and additional references for this Technical Report are listed in Section 19 of this Technical Report. SRK has reviewed the available project data as sourced from the public domain and incorporated the results thereof, with appropriate comments and adjustments as needed, in the preparation of this Technical Report.

SRK did not conduct a site visit nor did it review the following items as prescribed by NI 43-101 because the royalty holder does not have access to this data:

- Geological investigations, reconciliation studies, independent check assaying and independent audits;
- Estimates and classification of Mineral Resources and Mineral Reserves, including the methodologies applied by the mining company in determining such estimates and classifications, such as check calculations; or
- Life of Mine Plan (“LoMp”) and supporting documentation and the associated technical-economic parameters, including assumptions regarding future operating costs, capital expenditures and saleable products.

Also, SRK did not independently sample and assay portions of the deposit because this information is not available to the Company.

## **ANGLO PACIFIC COAL’S ROYALTY INTERESTS**

The Company, via its wholly owned Australian subsidiary Gordon Resources Limited (“GRL”) owns half of the royalty entitlement (the remaining 50% is held by three other major institutions) to the output from:

- Kestrel Mine which is operated by Kestrel Coal and for which the most recent marketable reserves over which the royalty is applicable is circa 56Mt. This is from 68Mt of ‘Coal Reserves’ and an assumed yield of 82.4%; and
- Gregory Crinum Mine which is operated by BHP Billiton Mitsubishi Alliance (“BMA”) and for which the most recent marketable reserves over which the royalty is applicable is circa 17Mt. This is from 21Mt of ‘Coal Reserves’ and an assumed yield of 82.4%.

Kestrel Coal manages Kestrel Mine on behalf of the Kestrel JV which participants are: Queensland Coal Pty Limited (“Queensland Coal”) with a 80% interest in Kestrel Coal; and Mitsui Kestrel Coal Investment (“Mitsui Kestrel”) with a 20% interest in Kestrel Coal. Queensland Coal is a wholly owned subsidiary of Rio Tinto Plc (“Rio Tinto”) which effectively manages Kestrel Mine as part of its operating division Rio Tinto Coal Australia (“RTCA”).



The basis of calculation of the royalty is 7% of the invoiced value of the coal, without deduction for any costs pertaining to rail and road freight, or any other costs incurred in relation to the sale or disposal of the coal other than port and related charges. On 3 June 2008 the Queensland Government announced that from 1 July 2008 a two tier coal royalty rate will apply. The 7% rate applies to the value of coal produced by a mine sold below A\$100 per tonne and a higher 10% rate applies to the value of coal sold above A\$100 per tonne.

## **PROPERTY DESCRIPTION**

Kestrel Mine is located 40km north east of Emerald in central Queensland, and is an underground operation supplying world markets with up to 4.2Mt of coking and thermal coal per annum. Kestrel Mine is an underground mine, using a longwall and continuous miner methods. Some 375 employees (as at 31 December 2008) work in shifts to keep the mine operational 24 hours a day, seven days a week. The coal deposit is part of the Bowen Basin, a significant Permian coal basin stretching 600km long and 250km wide. In calendar 2009 the mine produced 2.9Mt of coking coal and 0.8Mt of thermal coal. After being washed and prepared for sale, the coal is loaded onto trains for transportation 380km to the Port of Gladstone where it is shipped to international customers.

Rio Tinto reports its internationally recognised reporting code compliant statements for Kestrel Mine in accordance with the terms and definitions given in *“The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia”* and does not disclose Mineral Resources and Mineral Reserves in accordance with *“CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines”*. The JORC Code is a reporting code which has been aligned with the Committee for Mineral Reserves International Reporting Standards (*“CRIRSCO”*) reporting template. Accordingly SRK considers the JORC Code to be an internationally recognised reporting standard which is recognised and adopted world-wide for market-related reporting and financial investment.

Although not precisely the same as Canadian Institute of Mining, Metallurgy and Petroleum (*“CIM”*) definitions, the JORC Code definitions are approximately equivalent. Without access to either the authors of publicly available information in respect of Kestrel Mine or the underlying data for Kestrel Mine, SRK cannot verify or reconcile the reported Mineral Resources and Ore Reserves for the Kestrel Mine to the CIM definitions. Therefore, ore reserves and resources, as reported by Rio Tinto dated 31 December 2009 are assumed to be compliant with the JORC Code and with CIM.

As at 31 December 2009 Rio Tinto, for Kestrel Mine, reported 153Mt of Proved and Probable Coal Reserves with 31.60GJ/t calorific value (*“CV”*) and 0.59% sulphur. Coal washing yield is estimated at 83% which has been applied to the Coal Reserves of 153Mt to establish Marketable Coal Reserves of 128Mt. In addition and reporting on an exclusive basis for Kestrel Mine as at 31 December 2009, Rio Tinto reported Coal Resources comprising: 6.0Mt of Measured Coal Resources and 106Mt of Indicated Coal Resources and 36Mt of Inferred Coal Resources.

Kestrel Mine is an underground coal mining operation extracting coal from the German Creek Seam using longwall mining techniques. Access to the underground workings at Kestrel Mine is via twin declines and a vertical ventilation shaft. The coal seam has thickness of about 3m and an average depth of about 280m below the ground (between 110m to 450m). The coal is mined in panels, which are generally about 4km long and 250m wide. Each panel takes about 10 months to mine.

Kestrel Mine produces two premium coal types simultaneously: coking coal, primarily for steel manufacture; and thermal coal, which is used mainly for electricity generation. The technical description of these coals is as follows: high volatile, low ash, hard coking coal and medium ash, high-energy thermal coal, respectively. Coal from the longwall is conveyed to the surface coal washing plant (*“CWP”*), crushed, washed and sized, and stockpiled.

The CWP produces washery wastes (rejects) comprising coarse and fine particles. These are pumped in slurry form to be co-disposed in a washery waste dump. Water drains from the wastes and is recycled to the CWP.

Coal product is railed 380km on the Blackwater railway line to the RG Tanna coal terminal at Gladstone Port from where it is shipped to customers in Europe, Asia, Africa and South America. Products are held in a 100,000t-capacity stockpile before being transported 380km by rail to Gladstone. Gladstone Port is a deepwater harbour servicing up to 220,000 dead weight tonnage vessels. The sailing time from the port to Asia is ten to twelve days.

The production rate at the mine is currently approximately 4Mt of coal per year. The workforce at the mine comprises (2008) about 375 staff members which is increased from 344 in 2007.

Kestrel Coal is currently constructing a US\$0.99bn (August 2008) Kestrel Mine Expansion Project (“KMEP”), a project to access the mine’s existing resources more efficiently. The KMEP is due for completion in 2012, and would result in extending the life of the mine by 20 years, and increasing mine capacity to up to 5.7Mtpa. The KMEP involves a relocation of mining activities to better access the underground resource and includes the construction of two mine access points and surface infrastructure. The existing CWP and rail system will be upgraded to take the coal from the new mining area via an overland conveyor.

The first phase of construction for the KMEP is expected to take about two and a half years. Underground development work is expected to take two years, with longwall operations commencing in 2012. When completed in 2012, the project infrastructure will support 20 years remaining mine life to 2037 to help meet Asian demand for metallurgical coal. The current workforce will transition to the new extension.

The KMEP will result in coal being conveyed 7km to the existing coal handling and preparation plant. New infrastructure will include: a workshop, warehouse and storage facilities, administration building and services.

For the KMEP, the longwall will be 375m wide extracting the full seam, which is nominally 2.9m thick, with panel lengths from 2,000m to 6,500m. Development is to be achieved by three continuous miner units. Personnel and equipment transport with rubber tyred vehicles. Mine access is drive in drive out via the new drifts. The majority of the mine’s output will continue to be transported along the Blackwater line to the RG Tanna Coal Terminal at Gladstone Port.

## **CONCLUSIONS**

SRK has been unable to secure specific reliance consents from individuals/corporations which have published public domain data, and as a result this Technical Report is based solely on information obtained from the public domain without recourse to independent verification or validation or access to Kestrel Mine or its management. Accordingly it has not been possible for SRK to fully comply with the declaration and reliance requirements normally considered appropriate in respect of a technical report produced in the absence of such constraints.

SRK makes no further recommendations in regard to the Kestrel Mine or the royalty holder.

In relying solely on information published in the public domain SRK notes the following specific limitations with respect to compliance with requirements and guidelines as included in NI 43-101, Form 43-101 and the Companion Policy, where SRK:

- Was not able to undertake any site visits as required by Part 6.2 of NI 43-101;
- Was not able to verify and validate any underlying supporting technical information used to derive the Coal Resource and Coal Reserve statements as reported in the public domain.

Furthermore SRK was, given the limitations imposed by reliance on public domain data, unable to comply with the following aspects of NI 43-101: Part 3 (3.2), (3.3), (3.4-b, c, d); Part 6 (6.2, 6.3, 6.4); and

- Whilst relying on public domain information as reported by others, SRK has not been able to secure specific reliance consents from individuals/corporations which have published public domain data. In addition, SRK has been unable to obtain technical information relating to certain of the disclosure requirements set out in Form 43-101F1. As such, this report does not address the following items from Form 43-101F1: the property description and location disclosure requirements in Item 6(e), (f), (h) and (i); the accessibility, climate, local resources, infrastructure and physiography disclosure requirements in Item 7(e); the history disclosure requirements in Item 8(b); the exploration disclosure requirements in Item 12; the drilling disclosure requirements in Item 13; the sample method and approach disclosure requirements in Item 14; the sample preparation, analyses and security disclosure requirements in Item 15; the data verification disclosure requirements in Item 16; the adjacent property disclosure requirements in Item 17; the mineral processing and metallurgical testing disclosure requirements in Item 18; the mineral resource and mineral reserve estimates disclosure requirements in Item 19(d), (e) with respect to qualities, (f), (g) and (h); and the additional disclosure requirements on development properties and production properties in Item 25(d), (g), (h), (i) and (j).

Accordingly in compiling this Technical Report SRK has therefore not explicitly relied on other named experts in respect of technical information, all of which has been sourced from the public domain.

#### Crinum Mine

The Company owns 50% of certain mining and mineral rights which entitle it to coal royalty receipts from the Crinum mine, located in Queensland, Australia (other than Crown areas). This mine is operated by BM Alliance Coal Operations Pty Ltd (a 50/50 joint venture between BHP Billiton and Mitsubishi). The Crinum mine has been producing since 1999.

As at December 31, 2009, no value was attributed to the Crinum mine royalty by VCoal Pty Limited, coal industry advisors, due to the uncertain nature of future royalty cashflows as mining at Crinum moves onto Crown areas. As a result, the Crinum mine is not a mineral project on a property material to the Company and consequently management have not engaged an independent expert to provide a NI 43-101 Technical Report.

#### Engenho Gold Mine

The Company owns a 2.5% NSR interest (in the form of an interest-bearing convertible debenture) in the producing Engenho gold mine located in Brazil, operated by Mundo (in which the Company has a 14.5% stake). The mine is located approximately 70km north east of Belo Horizonte, Brazil's third largest city. The current producing Engenho resource is located on an area of 11ha, with a broader tenement owned by Mundo covering a total area of approximately 713ha (the "Engenho Project Area"). The main underground ore body is accessed through a modern decline development from the bottom of the existing open pit. Gold ore is processed and refined under contract at an external refinery. Initial gold bullion production began in June 2008 and the mine commenced full operations in November 2008. The Company's royalty interest applies to all production processed through the Engenho mill facilities or produced from the Engenho Project Area. The first royalty payment relating to gold sales in the December 2008 quarter was received in January 2009. In 2009, the Company received £310,000 attributable to this royalty.

#### El Valle and Carles Project

The Company owns a 2.5% NSR interest (in the form of a convertible debenture), escalating to 3% for gold prices in excess of US\$1,100 per ounce, in the developing El Valle and Carles gold and copper mines located in Spain and operated by Orvana. The mines are located in the Rio Narcea Gold Belt in Northern Spain, near the port city of Avilés. Orvana acquired the mines in September 2009 through the purchase of Kinbauri. The project has a plant and a mill with 750,000 tonnes per year capacity as well as extensive infrastructure. Orvana published an update on the

development progress of the El Valle and Carles project on February 17, 2010 and an updated resource statement for the project on March 5, 2010.

#### Jogjakarta Iron Sands Project

The Company owns a 2% NSR interest (in the form of an interest-bearing convertible debenture) in the developmental Jogjakarta Iron Sands project, located in Indonesia and operated by Indo, in which the Company has a 11.2% stake. The NSR reduces to 1% after repayment of the principal amount of the debenture if at the time liquid iron prices are below US\$700 per tonne. The mine is located approximately 30km from the major city of Jogjakarta, Indonesia. The project centres on a 22km long by 1.8km wide stretch of beach between the Kulon Progo and Serang Rivers. In November 2008, Indo signed a Contract of Work with the Indonesian Government to develop the mine which provides for certain rights over the property and agreed guidelines for the development and operation of the project. On March 23, 2009 Indo announced the results of a scoping study conducted by ProMet Engineers Pty Ltd and announced that a feasibility study is currently being conducted.

#### Malartic-Midway and McKenzie Break Projects

The Company owns a 2.5% NSR interest (in the form of an interest bearing convertible debenture), escalating to 2.75% for gold prices in excess of US\$1,250 per ounce and reducing to 1.5% when production has exceeded 2 million ounces of gold if at that time the price of gold is below US\$1,250 per ounce, in the developmental Malartic-Midway and McKenzie Break projects operated by NSM. The projects are located in the Abitibi Gold Belt of Northwestern Québec, Canada and produced gold from 1939 to 1965. Production continued intermittently subsequent to 1965 and systematic surface and underground exploration started again in 2003 with the first surface drill hole by NSM. On July 16, 2008 NSM released a resource statement and on February 5, 2010 announced its first gold pour from the project.

#### Four Mile Uranium Project

The Company owns a 1% NSR interest in the developing Four Mile uranium mine located 550km north of Adelaide in South Australia and operated by a joint venture of Quasar (75% owner) and Alliance (25% owner). The Four Mile uranium deposit, discovered in 2005, is a sandstone-hosted occurrence defined by two mineralised zones within Tertiary age sediments: Four Mile West and Four Mile East, which occur within laterally extensive, reduced sands and silty sands below the water table at 140 to 210m depth. Approval for the mine was granted by the Australian government in July 2009. On January 27, 2010 Alliance released an updated resource statement for the project.

#### Salamanca Uranium Project

The Company owns a 1% NSR interest in the developmental Salamanca uranium project located in Spain and operated by Berkeley in which the Company has a 13.3% stake. The project is located in Salamanca Province, Spain, approximately 250km west of Madrid, near the Portuguese border. The project comprises a number of State Reserve licences and a uranium processing plant, presently owned by ENUSA, a Spanish state uranium company, as well as Berkeley's tenement holdings in the area. Berkeley has agreed to acquire a 90% interest in the ENUSA assets after completion of a feasibility study on the project. Following shareholder approval in January 2009, Berkeley entered a Co-operation Agreement with ENUSA pursuant to which Berkeley will undertake a feasibility study. On March 30, 2010, Berkeley released an updated resource statement and has announced that a feasibility study is currently being conducted.

#### Advance Royalty Corporation Royalties

The Company holds the royalty rights to a number of mineral exploration tenures in the Athabasca Basin, Canada. The Athabasca Basin is considered by management of the Company to be highly prospective for uranium exploration and production and currently hosts large, high grade uranium mines and deposits. The properties covered by the royalty interests are operated by Magnum Uranium Corp. and Bayswater Ventures Corp.

## *Private Coal Assets*

The Company's private coal assets include the Trefi Coal Project and the Discovery and Panorama Coal Projects in British Columbia, Canada.

### Trefi Coal Project

The information under the heading "Trefi Technical Report Summary" is reproduced in its entirety from the technical report entitled "Resource Estimate for the Trefi Coal Property" dated March 18, 2010 as prepared by Mr. Robert J. Morris (Principal Geologist) and Mr. Robert F. Engler (Principal) of MMTS. Mr. Morris inspected the property on April 21, 2010 and April 22, 2010. The Trefi Report is incorporated by reference herein in its entirety and is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com). Each of the individuals who prepared the Trefi Report is a "qualified person" for the purposes of NI 43-101 and is independent of the Company.

#### *Trefi Technical Report Summary*

In June 2008, Moose Mountain Technical Services (MMTS) was retained by Anglo-Pacific Group Plc. (Anglo Pacific) to review the geology of the Trefi coal project area, build a 3D computer model, generate a resource estimate, and recommend an infill drilling program. Since that time five drillholes, coal quality studies, and an updated resource estimate have been completed.

Anglo-Pacific is a natural resources royalties company with its head offices in London, England. The company, through its 100% owned subsidiary Trefi Coal Corp. (Trefi Coal), holds coal licences in the Pine River area, approximately 30km southwest of the town of Chetwynd, in northeast British Columbia.

The Trefi property comprises 15 coal licences covering 7,337ha as well as three licence application areas covering a further 2,100ha. The property is approximately 30km southwest of Chetwynd, BC, centred at 6,148,000N and 572,000E (NAD 83).

This report deals with coal seams found in the Walton Member of the Commotion Formation. The Boulder Creek Formation of the Fort St. John Group hosts the coal-bearing strata on the property. Two coal seams have been modeled within a stratigraphic section up to 30m thick. The property is characterized by geology that is moderate, both with respect to stratigraphy and structure. The geology was originally defined by earlier work of geologists from Gulf Canada Resources Inc. (Gulf Canada) and Norwest Resource Consultants Ltd. Gulf Canada drilled 27 holes on the property, totaling 6,332.1m, and collected 31 coal samples, between 1980 and 1982. In 2009 five holes were completed totaling 1,006.4m and two coal core samples were collected.

Analysis of two Trefi coal core samples (from 2009) show that the coal is a mid volatile bituminous coal type. The results show that a relatively low ash clean product (7.3%) can be produced by washing at 1.60 Specific Gravity (SG) with reasonable product yield. The clean coal has low sulphur (0.25%) and a high heating value of 7855 kcal/kg on a dry basis.

Based on these initial two samples, the coal has very poor rheological properties (1.5 FSI, 1 DDPM) due to the high level of inert macerals in its petrographic composition. It would produce a very weak coke on a standalone basis (Calculated Stability Index 46).

The coal would be commercially classified as a Weak Coking Coal and could be sold into either the PCI or Thermal Power markets. These conclusions are supported by the nine coreholes drilled on the property by Gulf Canada.

MMTS has modeled the deposit as geologically moderate using MineSight™ software and resources have been estimated for the Trefi deposit. The project is considered a potential resource for underground mining.

A gridded-seam geological model has been developed which includes a review of the available data, formatting and treatment of data to support model development, a geological interpretation, and the construction of the gridded-seam model. Interpretation and modeling focused on the Caron Seam (Seam C).

Because Trefi is a potential underground project, physical parameters such as thickness of overburden and oxidized coal is not modeled. The bulk density of Seam C is 1.45g/cc (from Gulf Canada). Resource classification is based on distance to nearest composite. Measured mineral resources being within 450m of a neighbour, indicated resources are in the zone between 451m-900m, while inferred resources are 901m-2400m from a composite.

Tables 1 to 3 list the in situ delineated resources for the Trefi coal property (licence area only, not including the licence application area) of immediate interest with a minimum seam thickness of 1.5m and with less than 600m of cover (below surface).

**Table 01 Summary of Measured Mineral Resources**

Resource Category	In Situ (KTonnes)	Coal Quality
<b>Measured</b>	14,250	Weak Coking Coal

**Table 02 Summary of Indicated Mineral Resources**

Resource Category	In Situ (KTonnes)	Coal Quality
<b>Indicated</b>	24,850	Weak Coking Coal

**Table 03 Summary of Inferred Mineral Resources**

Resource Category	In Situ (KTonnes)	Coal Quality
<b>Inferred</b>	51,500	Weak Coking Coal

*Note: Minimum Seam Thickness 1.5m, Less Than 600m of Cover, Licence Area Only, Geology Type: "moderate"<sup>1</sup>*

Assurance-of-existence categories are intended to reflect the level of certainty with which mineral resource quantities are known. Intuitively, one knows that the greater the distance over which seam thickness data are extrapolated, the greater the possible error; hence, several resource classification schemes have used distance from nearest data point or distance between data points as the primary criteria for assurance-of-existence categorization. In moderate geology type deposits, the assurance of existence is based on the distance from nearest data points for these deposits (GSC Paper 88-21).

Three mineral resource categories are used to define assurance-of-existence. In order of increasing uncertainty, these mineral resource categories are: measured, indicated, and inferred. Measured resources have a high degree, indicated a moderate degree, and inferred resources a relatively low degree of geological assurance. Although the precise levels of uncertainty of these categories have not been calculated, geological experience with Canadian coal deposits suggests that measured resource quantities are known within about 10%, indicated within about 20%, and inferred within about 50% (GSC Paper 88-21).

<sup>1</sup> Moderate geology type refers to generally shallow dips and broad open folds

MMTS is of the opinion that the Trefi property hosts significant coal resources and is a property of merit, worthy of further exploration. It is recommended that the next phase of exploration consist of a follow-up drill program in several key areas along with additional coal quality testing. A two phase work program includes approximately ten diamond drillholes totaling 5,000m with an estimated cost of \$1.5 million.

### Discovery and Panorama Coal Projects

The information under the heading “Discovery and Panorama Technical Report Summary” is reproduced in its entirety from the technical report entitled “Resource Estimate for the Discovery and Panorama Coal Properties” dated March 28, 2010 as prepared by Mr. Robert J. Morris (Principal Geologist) and Mr. Robert F. Engler (Principal) of MMTS. Each of the Discovery Property and the Panorama Property are early-stage exploration properties and seasonal weather conditions prevented Mr. Morris from completing a personal inspection of the properties. A site visit has not been completed, though one is planned for early in the summer of 2010. The Discovery and Panorama Report is incorporated by reference herein in its entirety and is available on SEDAR under the Company’s profile at [www.sedar.com](http://www.sedar.com). Each of the individuals who prepared the Discovery and Panorama Report is a “qualified person” for the purposes of NI 43-101 and is independent of the Company.

#### *Discovery and Panorama Technical Report Summary*

In December 2008, Moose Mountain Technical Services (MMTS) was retained by Anglo Pacific Group Plc. to review the geology of the Discovery and Panorama coal project areas, build a computer model, generate resource estimates, and recommend infill drilling programs.

Anglo-Pacific is a natural resources royalties company with its head offices in London, England. The company, through its wholly-owned subsidiary Panorama Coal Corp. (Panorama Coal), holds two groups of coal licenses in the Groundhog area, approximately 150km northeast of the town of Stewart, B.C. and 490km northwest of the city of Prince George, B.C. The eastern group of licences is historically known as the Discovery property while the western group of licences is known historically as the Panorama property.

The properties comprise 20 coal licenses covering 9,099ha. Eight of the licences, covering 3,927ha make up the Discovery property, while twelve licences, covering 5,172ha, make up the Panorama property. Panorama Coal has a further eleven coal licences under application. The properties are centered at UTM 6,300,000 N and 536,000 E (NAD 83).

The Currier Formation of the Bowser Lake Group hosts the coal-bearing strata on both properties. On the eastern licences (Discovery), there are seven coal seams that have been modeled within a stratigraphic section approximately 150m thick. The property is characterized by geology that is moderate, both with respect to stratigraphy and structure. The geology has been mapped over an eighteen year period by geologists from a joint venture of National Coal Corporation Ltd., Placer Development Ltd., Quintana Minerals Corporation, B.C. Hydro and Power Authority, Imperial Metals Corporation, Groundhog Coal Ltd. and Gulf Canada Resources Inc. (Gulf Canada). In 1970, the joint venture drilled six diamond drillholes on the property, totaling 1,029.3m, and collected 31 coal samples. In 1981, Gulf Canada drilled six diamond drillholes on the property, totaling 1,016.84m and collected 11 samples.

There has been very little work done on the Panorama group of licences (western area). Gulf Canada carried out exploration programs in 1980 and 1981 that involved reconnaissance mapping and trenching. They recognized nine coal seams on the property in a 240m thick stratigraphic section. The structural geology of the Panorama property appears to be more complex than that of the Discovery property. Because no drilling has been done on this group of licences, no model has been made of it, nor resources estimated.

Coal resources on the Discovery property are of anthracite to semi-anthracite rank as confirmed by reflectance (Ro) measurements of trench samples ranging from 2.35% to 5.55%. Surface oxidation of these trench samples has artificially increased the volatile matter content of the coal and reduced the

calorific value. As such, the value of these samples is restricted to trending inset ash and sulphur content. The ash content of individual seams is variable ranging from 15.3% to 62.5%, and averaging 38%. The sulphur content is low, averaging 0.40%.

Records of un-oxidized coal samples are limited to three core hole completed on the Discovery property in 1970. The results show that raw coal in the 38% ash range would have a volatile matter content of 5% and a calorific value of 5000 Kcal/kg on an air dry basis.

Washability tests on two of these cores show it is possible to create a 10% ash clean coal product with a calorific value of 7500 Kcal/kg.

Significant new core hole drilling and analysis will be required to verify and confirm the quality characteristics shown in the historic data. At present, the existing data should be regarded as indicative and subject to confirmation by drilling.

Table 1 shows the range and average drilled thickness of the main coal seams in the Discovery area.

**Table 1 - Range of Seam Thickness, Discovery Property**

Seam	Number of Intercepts	Min. Thickness (m)	Max. Thickness (m)	Average Thickness (m)
7	2	0.3	0.6	0.5
6	16	0.5	2.9	1.3
5	19	0.4	2.0	0.8
4	12	0.3	1.4	0.8
3	8	0.4	2.3	1.4
2	5	0.4	1.8	1.1
1U	11	0.3	2.5	1.1
1	24	0.3	2.0	0.8

MMTS has modeled the deposit on the Discovery property as geologically “moderate” using MineSight™ software and mineral resources have been estimated. Only areas that could potentially be surface mined have been targeted for evaluation. Coal that potentially could be mined using underground methods has not been analyzed in this report. A preliminary pit shows that a potential exploration target of approximately 100 million tonnes of semi-anthracite to anthracite coal may be available in the area of the existing drillholes (this is an order of magnitude estimate and does not meet the criteria of a Mineral Resource; it is uncertain if further exploration will result in any of this tonnage being delineated as a mineral resource). Within the pit 13.7 million tonnes can be classified as indicated resources and 24.1 million tonnes as inferred resources. Tables 2 and 3 summarize the mineral resources by class within a 20:1 incremental strip ratio pit.

**Table 2 - Summary of Indicated Mineral Resources, Discovery Property  
Geology Type: “Moderate”<sup>2</sup>**

Mineral Resource Category	ROM (kTonnes)	Coal Quality
<b>Indicated</b>	13,700	Semi-anthracite to anthracite

<sup>2</sup> Moderate geology type refers to deposits characterized by homoclines or broad open folds with bedding inclinations of generally less than 30°. Faults may be present, but are relatively uncommon.



**Table 3 - Summary of Inferred Mineral Resources, Discovery Property**

Mineral Resource Category	ROM (kTonnes)	Coal Quality
<b>Inferred</b>	24,100	Semi-anthracite to anthracite

Assurance-of-existence categories are intended to reflect the level of certainty with which mineral resource quantities are known. Intuitively, one knows that the greater the distance over which seam thickness data are extrapolated, the greater the possible error; hence, several resource classification schemes have used distance from nearest data point or distance between data points as the primary criteria for assurance-of-existence categorization.

In moderate geology type deposits, it is proposed that assurance of existence be based on the availability of data points within the deposit.

Three categories are used to define assurance-of-existence of mineral resources. In order of increasing uncertainty, these categories are: measured, indicated, and inferred. Measured mineral resources have a high degree, indicated mineral resources a moderate degree, and inferred mineral resources a relatively low degree of geological assurance. Although the precise levels of uncertainty of these categories have not been calculated, geological experience with Canadian coal deposits suggests that measured resource quantities are known within about 10%, indicated within about 20%, and inferred within about 50%.

The geological interpretation uses all strike and dip data from both drillhole intercepts and trench data, as well, the general structure across the property mimics earlier interpretations. Because of the wide-spaced drilling (and lack of detailed correlation) seam correlation assumes a coal-bearing sequence with similar stratigraphy such that the lowest seam is called Seam 1 and the upper seam is Seam 6 (rarely there is a Seam 7).

Topography is from BC Government TRIM maps. The location of old exploration data was made to fit the new topography by adjusting the elevation only.

Both a GSM (gridded seam model) and a block model (3dbm) were developed for the Discovery property. The GSM was developed by completing a geological interpretation of the footwall of the bottom seam, Seam 1, on cross-section, and the footwalls from section were linked to develop a 3D surface. The GSM has grid points with elevations which can be the hanging wall or footwall of any seam. From the footwall elevation of Seam 1, the thickness of the various layers going up section are added (i.e. the thickness of Seam 1 is added to yield the top of the seam, the thickness between Seams 1 and 2 is added to give the elevation of the bottom Seam 2, etc).

Seam thickness interpolation used a very large search cell of 10km x 10km because of the sparse data. There has been no consideration of the thickness of overburden or oxidation with the present model. The bulk density of the coal was set at 1.60g/cc, while mineable coal thickness and removable parting thickness is set at 0.6m. Resource classification is based on distance to nearest composites, and because of the lack of seam correlation, the mineral resource classification has been reduced by one level such that there are no measured mineral resources, indicated mineral resources are within 450m of a neighbor, inferred mineral resources are 451-900m.

The GSM was converted to a block model so that Lerch-Grossman (LG) pits could be completed. The model is 14,700m long (in the northwest direction, X), 11,700m wide (in the northeast direction, Y), and 1,250m deep (elevation range from 750m to 2,000m, Z). The blocks are 25m x 25m x 10m (X, Y, Z) and the model has been rotated 24.75° to the west (so that cross-sections view the deposit approximately at right angles to the strike).

It should be noted that the exploration data is widely spaced and there is no correlation of seams at this point. As well, the resource estimate does not include minor seams because they are very inconsistent in

their occurrence (there is a lower seam interpreted for each of seam 1, 2, 3, 5, and 6 which range in thickness from 0.5m to 1.2m).

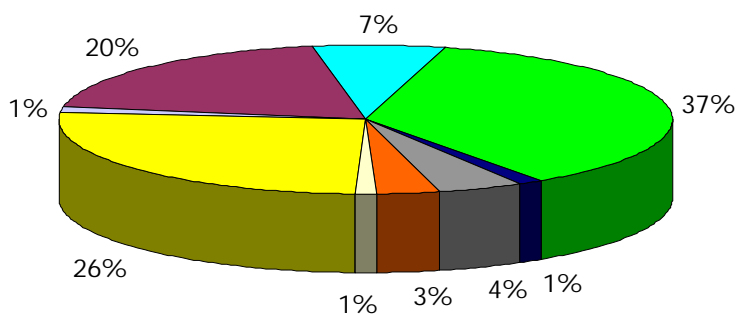
The mineral resource estimate follows CIM Definition Standards with GSC Paper 88-21 used as a guideline and have been prepared in compliance with National Instrument 43-101 and Form 43-101F1, as well as JORC.

MMTS is of the opinion that the Discovery property hosts significant coal resources and is a property of merit, worthy of further exploration. It is recommended that the next phase of exploration consist of a follow-up drill program in several key areas along with additional coal quality testing. This phase of work includes up to four diamond drillholes for a total estimated cost of \$1,000,000.

MMTS is of the opinion that the Panorama property has potential to host significant coal resources and is also a property of merit, worthy of further exploration. It is recommended that exploration work on the property be undertaken if results from exploration on the Discovery property are positive.

### *Mining and Exploration Interests*

The Company has invested in a number of strategic mining interests with a view to generating new royalty flows and maximizing value for shareholders. These investments are not intended to be static or passive. It is the Company's policy to actively support management with the necessary resources to create value. At December 31, 2009, the value of the Company's quoted equity interests disclosed on the LSE, ASX and TSX, where initial equity stake disclosure levels are 3%, 5% and 10% respectively, amounted to approximately £77 million in eighteen different holdings. The balance of APG's investments in strategic mining interests had a quoted value of approximately £23 million, which was made up of a further twenty incubator investments. There have been no significant changes to the market value of the Company's strategic investments since December 31, 2009. The following graph shows the split of interests by commodity.



Note: Where a company is focused on multiple minerals the primary commodity is referenced.

The significant holdings are detailed below:

#### Royalco Resources Limited

Royalco was listed on the ASX in 2006, its main assets consisting of a suite of royalties in Australasia and an advanced exploration portfolio in the Philippines acquired from Oxiana Ltd and Phelps Dodge Corp.

#### Atna Resources Ltd.

Atna is a small cap Canadian gold producer with two 100% owned operating gold mines in Nevada, plus a 30% interest in the Pinson project in Nevada, operated by Barrick Gold Corporation.

#### Maudore Minerals Ltd.

Maudore is a junior Canadian gold exploration company, currently drilling the Comtois property in the Abitibi Greenstone Belt in Quebec. Maudore has a large land position of 50,000ha and has announced that it intends to announce an updated resource later this year.

#### Mundo Minerals Limited

Mundo is a Perth based junior gold producer. It is focused on developing assets in Brazil and Peru. The company brought the Engenho mine into production in 2009 and is producing gold at a rate of approximately 32,000 ounces per annum. Additional deposits have been identified which should allow the company to increase production. In addition, the company has three early stage exploration targets: Torecillas in Peru; and Tocantins and Jaqueira in Brazil. See “—Royalties – Engenho Gold Mine”.

#### Berkeley Resources Limited

Berkeley is an ASX and AIM listed exploration and development company with large land holdings and advanced uranium exploration and developments in Spain. The company is focused on completing a feasibility study at its flagship Salamanca Uranium project, which incorporates the Spanish State Reserves and the Quercus Uranium processing plant. On March 30, 2010, Berkeley released an updated resource statement and announced that the feasibility study is currently being conducted. See “—Royalties – Salamanca Uranium Project”.

#### Magma Metals Limited

Magma is a mineral exploration company with precious and base metal projects in the Thunder Bay region of Ontario, Canada and the Yilgarn and East Kimberly region of Western Australia. Most of the company’s activity is currently focused on the Thunder Bay North project where Magma has claims covering an area of approximately 700 square km’s. Drilling to date has encountered platinum, palladium, nickel, and copper mineralisation and the company released an initial mineral resource estimate on September 7, 2009.

#### Indo Mines Limited

Indo owns a 70% interest in the Jogjakarta Iron Sands Project located 30km from the city of Jogjakarta in Indonesia. In November 2008, Indo signed a contract of work with the Indonesian government to develop the project. See “—Royalties – Jogjakarta Iron Sands Project”.

#### Mantra Resources Limited

Mantra is an emerging uranium company with a portfolio of projects in southern Africa. The company’s flagship project is the Mkuju River Project in southern Tanzania where multiple thick zones of sandstone-hosted uranium mineralisation occur at shallow depths. A pre-feasibility study was completed on March 1, 2010, which supported the technical and economic viability of the project. Mantra also recently announced it has commenced a definitive feasibility study.

#### Discovery Metals Limited

Discovery is focused on developing its 100% owned Boseto Copper Project in north west Botswana. The company is currently in the process of completing a bankable feasibility study on the project. Discovery also controls the Dikoloti Nickel Project in north east Botswana.

## **Employees**

As at December 31, 2009, the Company and its subsidiaries had, in aggregate, seven employees, five of whom are executive directors. More information regarding the Company's employees can be found at "Directors and Executive Officers".

## **The Environment**

The Company remains committed to an environmental policy of collaborating fully with statutory authorities, local communities and special interest groups to minimise effects of its activities on the natural and human environment associated with its operations, where appropriate.

The Company acknowledges that, even where its activities have little direct environmental impact, it does have the ability to positively influence the environmental practices and policies of companies it conducts business with. Management discussions necessarily address common environmental policy ideals, and the Company's Board remains committed to working with its fellow mining companies to ensure that the environmental impact of mineral exploration and development activities is minimised as much as possible. The Board has access to consultants with requisite mining and environmental expertise to assist the Company's partners meet their covenants in this regard.

## **Social and Community Issues**

The Company acknowledges that, even where its activities have little direct contact with communities, it can positively influence the social practices and policies of companies it conducts business with. Positive social and community relationships are essential to profitable and successful mineral extraction activities, and the Company is committed to encouraging the companies it works with to have appropriate procedures in place to facilitate such relationships. The Company understands the value of consulting with local community groups where its activities could have an impact to provide relevant parties with the opportunity to engage at the planning stage.

## **RISK FACTORS**

An investment in the Ordinary Shares involves significant risks. The following information is a summary only and should be read in conjunction with detailed information appearing elsewhere in this AIF and under "Risks and Uncertainties" on page 12 of the Company's Annual Report for the year ended December 31, 2009. If any of the following or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Ordinary Shares could decline and investors could lose all or part of their investment in the Ordinary Shares. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

### **Current Global Financial Condition**

In recent years, global financial conditions and market events have increased volatility and resulted in tightening of credit that has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing will be available or, together with internally-generated funds, will be sufficient to meet or satisfy the Company's or its investees' objectives or requirements or, if the foregoing are available, that they will be on acceptable terms. The inability to access sufficient capital on acceptable terms could have a material adverse effect on the Company's or its investees' business, prospects, dividend paying capability and financial condition and further enhancement opportunities or acquisitions.

The market price for the Company's and its investees' securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's and its investees' control. Economic conditions may adversely affect the Company or its investees, including fluctuations in foreign exchange, inflation and interest rates, as well as monetary policies, business investment and the health of global capital markets. In recent years, financial markets have experienced significant price and volume fluctuations that have affected the market prices of equity securities held by the Company and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Additionally, these factors, as well as other related factors, may cause

decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and related market turmoil continue, the Company's or its investees' operations could be adversely impacted and the trading price of the Company's and its investees' securities may be adversely affected.

### **Commodity Hedging**

The Company currently does not have a policy to hedge against variations in commodity prices. Accordingly, the Company is exposed to adverse changes in market prices for certain commodities underlying its royalties and other economic interests. Certain of such commodities are subject to significant volatility and these changes, to the extent that the Company is unhedged, could significantly affect the Company's profitability and cash flow. In certain circumstances the Company may desire to hedge commodity price risks by using forward sales contracts or other hedging strategies and, while hedging of commodity prices is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost should the Company choose or need to enter into these types of transactions. There is no assurance that any such commodity hedging program will be successful in reducing the risk associated with fluctuations in commodity prices and hedging may also prevent the Company from benefiting fully from commodity price increases. In addition, the Company may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price for the commodity.

### **Royalty Portfolio and Associated Risk**

The revenue derived from the Company's royalty portfolio is based on production by third party property owners and operators. Although the Company may in certain circumstances have a limited ability to participate in the decision-making process, the owners and operators will generally have the power to determine the manner in which the relevant properties subject to the royalty portfolio are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. The interests of third party owners and operators and those of the Company on the relevant properties may not always be aligned. As an example, it will usually be in the interest of the Company to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of the Company to control the operations of the properties in which it has a royalty or working interest may have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Adverse Development Risks**

Any adverse development affecting the operation of, production from or recoverability of reserves from any significant property in the Company's royalty portfolio from time to time, such as, but not limited to, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, hiring suitable personnel and engineering contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's profitability, financial condition and results of operations.

In addition, the Company generally has no control over operational decisions made by the third party owners and operators of these projects. Any adverse decision made by the owners and operators, including for example, alterations to mine plans or production schedules, may impact the timing and amount of royalty revenue that the Company receives and may have a material adverse effect on the Company's profitability, financial condition and results of operation.

### **Failure to Receive Payments**

The Company is dependent to a large extent upon the financial viability and operational effectiveness of owners and operators of the relevant royalty portfolio properties. Where payments from production flows through the operator, there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by, among other things, restrictions imposed by lenders, delays in the sale or delivery of products, blowouts or other accidents, recovery

by the operators of expenses incurred in the operation of the royalty properties, the establishment by the operators of reserves for such expenses or the insolvency of the operator. The Company's rights to payment under the royalties must, in some cases, be enforced by contract without the protection of a security interest over property that the Company could readily liquidate. This inhibits the Company's ability, unless it has a properly perfected security interest, to collect outstanding royalties upon a default. In the event of a bankruptcy of an operator or owner, the Company will be treated as an unsecured creditor and, therefore, have a limited prospect for full recovery of royalty revenue. Failure to receive any payments from the owners and operators of the relevant Company royalty portfolio properties may have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Royalties Subject to Other Rights**

Some future royalty interests and working interests in the royalty portfolio may be subject to: (i) buy-down right provisions pursuant to which an operator may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties to operating and royalty agreements have the right of first refusal or first offer with respect to a proposed sale or assignment of a royalty to the Company; or (iii) claw back rights pursuant to which the seller of a royalty to the Company has the right to re-acquire the royalty. Holders of these rights may exercise them such that certain royalty interests and working interests might not be available to the Company.

### **Contractual Terms May Not be Honoured**

Royalty and other interests in natural resource properties are largely contractual in nature. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalty and other interests do not abide by their contractual obligations, the Company would be required to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly and there is no guarantee of success. Should any such decision be determined adversely to the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

### **Limited Access to Data and Disclosure**

As a royalty holder, the Company generally has limited if any access to non-public data regarding the operations or to the actual properties themselves. This could affect its ability to enhance the royalty's performance. This could result in delays in cash flow from that anticipated by the Company based on the stage of development of the properties covered by the Company's royalty portfolio. The Company's royalty payments may be calculated by the royalty payors in a manner different from the Company's projections and the Company may or may not have rights of audit with respect to such royalty interests. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and, as such, the Company may not be in a position to publicly disclose non-public information with respect to certain royalties. The limited access to data and disclosure regarding the operations of the properties in which the Company has an interest may restrict the Company's ability to enhance its performance which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Other Price Risk**

The Company's mining and exploration interests are held for the purposes of generating additional royalties and are considered long-term, strategic investments. This strategy is unaffected by recent severe fluctuations in prices for mining and exploration equities. However, changes in market conditions may affect the value and recoverability of the amounts invested. The Company has detailed investment review processes in place to manage this risk.

### **Credit Risk**

The Company's principal financial assets are bank balances, trade and other receivables and investments. These represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its other receivables, including royalty receivables. In relation to certain royalties, in the event of non-payment the Company has security against plant and equipment and certain royalties are registered against mining title if possible. In addition, the Company is generally entitled to full reconciliations of amounts paid and generally retains the right to audit the royalty returns and verify the calculations.

### **Foreign Exchange Risk**

The Company's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. As each material commitment is made, the risk in relation to currency fluctuations is assessed and regularly reviewed. The Company does not have a hedging program in place at this time.

### **Government Regulation**

The Company's and its investees' mining, processing, exploration and future development activities are subject to various laws governing prospecting, mining, development, production, royalties and taxes, export licenses, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development or otherwise have a materially adverse effect on the Company's or its investees' financial condition and results of operations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company or its investees and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Failure to comply with applicable laws, regulations, agreements and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### **Exploration, Development and Operating Risk**

The exploration for, and development of, mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; commodity prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Certain mining operations of the Company, and in which the Company has invested, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the exploration for, and the development and production of, coal and base or precious metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure, changes in ore characteristics such as rock hardness and mineralogy which may impact production rates and recovery, or failure of retaining dams around tailings disposal areas which may result in environmental

pollution and consequent liability. There is no certainty that the expenditures made by the Company or the Company's investees towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

### **Uncertainty Relating to Production Estimates**

No assurance can be given that any prepared estimates of future production and future production costs with respect to any of the Company's or its investees' projects, will be achieved. Any production estimates are based on, among other things: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing. Actual production may vary from estimates for a variety of reasons, including, among other things: actual ore mined varying from estimates of grade, tonnage, dilution, metallurgical and other characteristics; short term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Uncertainty in the Estimation of Mineral Reserves and Resources**

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral resources and mineral reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, commodity prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Company's or its investees' projects. In addition, there can be no assurance that metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in base or precious metals or other commodity prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's or its investees' ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

### **Uncertainty Relating to Inferred Mineral Resources**

There is a risk that inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

### **Reliability of Feasibility Studies**

The Company relies on consultants who prepare engineering studies and technical reports. The Company's expected operating costs and expenditures, production schedules, economic returns and other projections from its or its investees' mining projects, which are contained in this AIF and in any technical reports, scoping studies, pre-feasibility studies and feasibility studies prepared for or by, or relied on by, the Company, are determined and, if applicable, valued based on assumed or estimated future commodity prices, cut-off grades, operating costs, capital costs, expenditures and other factors that may prove to be inaccurate. For example, significant declines in market prices for base or precious metals or other commodities or extended periods of inflation would have an adverse effect on the economic projections set forth in a feasibility study. In addition, material reductions in estimates of mineralization or increases in capital costs and expenditures, or in the Company's or its investees' ability to maintain a projected budget



or renew a particular mining permit, could also have a material adverse effect on projected production schedules and economic returns, as well as on the Company's overall results of operations or financial condition.

### **Need for Additional Mineral Reserves**

Because mines have limited lives based on proven and probable mineral reserves, the Company and its investees will be required to continually replace and expand their respective mineral reserves as their respective mines produce. The life-of-mine estimates included in this AIF or other Company materials, in respect of the Company's or its investees' projects, may not be correct. The Company's and its investees' abilities to maintain or increase annual production of coal, base or precious metals in the future will be dependent in significant part on their ability to bring new mines into production and to expand mineral reserves at existing mines.

### **No Assurance of Titles or Boundaries**

Although the Company has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned, and title insurance is generally not available. The Company's or its investees' mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. There may be valid challenges to the title of the Company's or its investees' properties, which, if successful, could impair development and/or operations or limit the Company's or its investees' ability, as applicable, to enforce their respective rights with respect to their respective properties.

### **Licenses and Permits**

Many of the mineral rights, interests and agreements of the Company and its investees are subject to government approvals, licenses and permits. The Company believes it holds all necessary licenses and permits under applicable laws and regulations to conduct its projects and believes that it is presently complying in all material respects with the terms of such license and permits. However, such licenses and permits are subject to change in various circumstances. The granting, renewal and continued effectiveness of such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that the Company and its investees will be successful in maintaining any or all of the various approvals, agreements, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company or its investees may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

### **Environmental Risks and Hazards**

All phases of the Company's and its investees' operations are subject to environmental laws and regulations in various jurisdictions in which they operate, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's and its investees' operations. Environmental hazards, which are unknown at the present time and which have been caused by previous or existing owners or operators of properties, may exist on the properties on which the Company or its investees hold interests, and such hazards may cause the Company's or its investees' to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations.

Production at the Company's and its investees' mines may involve the use of various chemicals, including those which are designated as hazardous substances. The Company may need to address contamination at its properties in the future, either for existing environmental conditions, or for leaks or discharges that may arise from its ongoing operations or other contingencies. Contamination from hazardous substances, either at properties of the Company or

its investees, or other locations for which Company or its investees may be responsible, may subject the operator and others to liability for the investigation and remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources.

### **Costs of Reclamation are Uncertain**

The actual costs of reclamation are uncertain and planned expenditures may differ from the actual expenditures required. It is not possible to determine the exact amount that will be required to complete reclamation activities, and the amount that the Company or its investees are required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine's operation. Although the Company includes estimated reclamation costs in its operational plans, it may in certain circumstances be necessary to revise the planned expenditures and the operating plan for certain projects, in order to fund required reclamation activities. Any additional amounts required to be spent on reclamation may have a material adverse affect on the Company's financial condition and results of operations.

### **Cost Pressures**

The Company holds a number of equity interests in its portfolio. Cost pressures include costs of labour, equipment, electricity, environmental compliance, commodity prices and numerous other capital, operating and production inputs. Such costs will fluctuate in ways that are unpredictable and are beyond the control of the Company, and can have a dramatic effect on the revenue payable to the Company on its equity interests. Any increase in the costs incurred by the operators on the applicable properties could result in a decline in the revenue received by the Company.

### **Competition**

The mining industry is competitive in all of its phases and significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, the Company and its investees face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, coal and precious and base metals. Much of this competition is from larger, better established mining companies with greater financial resources, operational experience and technical capabilities than the Company and its investees. As a result of this competition, the Company and its investees may be unable to maintain or acquire rights to explore additional attractive mining properties on acceptable terms. Accordingly, there can be no assurance that the Company or its investees will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. If the Company or its investees are not able to acquire such interests, this could have an adverse impact on future cash flows, earnings, results of operations and financial condition.

In addition, the mining industry has in the past been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tyres and skilled labour, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

### **Risk of International Operations**

The Company is focused on projects in areas with low political risk, with a strategic investment portfolio which includes projects mainly in stable developed countries such as North America, Australia and Western Europe that have defined resources and near-term production. Nonetheless, in certain countries in which the Company or its investees have assets and operations, such assets and operations are subject to certain uncertainties, including, among other things, licenses, permits, approvals and contracts, changes in royalty regimes and taxation policies, foreign exchange, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, in the event of a dispute arising from foreign operations, the Company or its investees may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or the UK.

## **Director and Officer Conflicts of Interest**

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict with the best interests of the Company and its shareholders.

## **Unknown Defects**

A defect in the interest of the Company in a royalty, working interest or equity interest and/or the underlying contract may arise to defeat the claim of the Company to such royalty, working interest or equity interest, and may have a material adverse effect on the Company's profitability, results of operation and financial condition.

## **Insurance and Uninsured Risks**

The Company's business is, directly and indirectly, subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's or its investees' properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its and its investees' insurance will not cover all the potential risks associated with its and its investees' operations, respectively. The Company and its investees may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company or its investees might also become subject to liability for pollution or other hazards which may not be insured against or which the Company or its investees may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company or its investees to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations.

## **Investees and Associated Risks**

Investors in the Company are subject to the risks attributable to the Company's investees. As a holding company of investments in the investees, the Company's ability to pay operating expenses and dividends, to meet its obligations and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon receipt of sufficient royalty payments and dividends from its investees and its ability to raise additional capital. The likelihood that shareholders of the Company will receive dividends will be dependent, in part, upon the operating performance, profitability, financial position and creditworthiness of the Company's investees and on their ability to pay royalty payments and dividends to the Company. The payment of dividends by certain of these investees to the Company is also subject to restrictions set forth in securities, corporate and other laws and regulations which require that solvency and capital standards be maintained by such companies, among other requirements.

## **Ability to Pay Dividends**

Payment of dividends on the Ordinary Shares is within the discretion of the Board and will depend upon the Company's future earnings, its cash flows, its acquisition capital requirements and financial condition, and other relevant factors. Although the Company intends to pay a regular dividend, there can be no assurance that the Company will be in a position to declare dividends due to the occurrence of one or more of the risks described herein.

## **United Kingdom Stamp Taxes on Transfer of Shares to CDS**

Persons wishing to transfer Ordinary Shares held outside CDS into CDS will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS on the transfer and to provide evidence to the

UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered. Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered. If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer. See “Capital Structure – Stamp Duty/Stamp Duty Reserve Tax”.

## **DIVIDEND POLICY**

The Company maintains a progressive dividend policy, with a strategy of paying a substantial proportion of its earnings as dividends to shareholders.

On February 2, 2007, an interim dividend of 2.60p per share was paid to shareholders, and on August 3, 2007 a final dividend of 3.75p per share was paid to shareholders, to make a total dividend of 6.35p per share in respect of the year ended December 31, 2006.

On February 1, 2008, an interim dividend of 3.00p per share was paid to shareholders, and on August 1, 2008 a final dividend of 4.35p per share was paid to shareholders, to make a total dividend of 7.35p per share in respect of the year ended December 31, 2007.

On January 7, 2009, an interim dividend of 3.45p per share was paid to shareholders, and on July 3, 2009 a final dividend of 4.35p per share was paid to shareholders, to make a total dividend of 7.80p per share in respect of the year ended December 31, 2008.

On January 13, 2010, an interim dividend of 3.70p per share was paid to shareholders in respect of the year ended December 31, 2009. At the annual general meeting of shareholders of the Company held on April 21, 2010, the 2009 final dividend of 4.65p per share was approved for payment to shareholders on July 7, 2010.

## **CAPITAL STRUCTURE**

### **General Description of Capital Structure**

The Company's issued share capital comprises 108,488,713 Ordinary Shares. This figure includes 504,277 Ordinary Shares allotted in respect of the final dividend for the year ended December 31, 2009 pursuant to the Scrip Dividend Alternative approved by shareholders at the annual general meeting of shareholders of the Company on April 21, 2010. These shares have been allotted but will not be admitted to trading on the LSE until on or about July 7, 2010. Each Ordinary Share entitles the holder to receive notice of meetings of shareholders of the Company. At meetings of shareholders of the Company, on a show of hands every holder of Ordinary Shares who is present in person is entitled to one vote and on a poll every holder of Ordinary Shares present in person or by proxy is entitled to one vote for every Ordinary Share of which he is the holder. Holders of Ordinary Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Ordinary Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Ordinary Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefor and, upon the liquidation, dissolution or winding up of the Company, are entitled to receive on a *pro rata* basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking in priority to, or equally with, the holders of Ordinary Shares with respect to liquidation, dissolution or winding up. The Ordinary Shares do not carry any subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. Holders of Ordinary Shares are entitled to pre-emption rights upon any issue by the Company of new Ordinary Shares for cash in accordance with the UK Companies Act 2006, except where such rights have been disapplied (either generally or in

relation to a specific issue of Ordinary Shares) by special resolution at a general meeting of shareholders. There are currently no restrictions on the transfer of the Ordinary Shares, other than with respect to shares held by the EBT in accordance with the JSOP, as described below under the heading “Escrowed Securities and Securities Subject to Contractual Restriction on Transfer”.

**Stamp Duty Reserve Tax**

The following statements are intended as a general guide to the current tax law and practice in the UK concerning the application of UK stamp duty or SDRT in the circumstances set out. Persons who are in any doubt about their tax position should consult their own professional advisers.

There is generally no UK stamp duty or SDRT on the issue of shares by companies incorporated in the UK. Accordingly, no UK stamp duty or SDRT should be payable by investors who are issued Ordinary Shares directly by the Company. Subsequent transfers of Ordinary Shares will give rise to stamp duty at the rate of 0.5% of the consideration paid. Where there is an agreement to sell Ordinary Shares but there is no instrument of transfer, SDRT would be payable at the rate of 0.5% of the consideration payable under the agreement.

Payments of stamp duty are rounded up to the nearest £5 and payments of SDRT are rounded up to the nearest penny. The payment of SDRT in respect of a transfer will frank any stamp duty due and vice versa.

The issue of Ordinary Shares to CDS (or any similar non-European Union based depository or clearance service) will give rise to a charge to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the offering price of such shares. Subsequent transfers of Ordinary Shares within CDS will not give rise to a charge to stamp duty or to SDRT. Transfers of Ordinary Shares held outside CDS into CDS will also give rise to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer. Persons wishing to transfer Ordinary Shares held outside CDS into CDS will be required to meet the UK stamp duty or SDRT payable by CDS on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer.

**MARKET FOR SECURITIES**

**Trading Price and Volume**

The outstanding Ordinary Shares are quoted and trade on the LSE under the symbol “APF”. The Company voluntarily de-listed from the ASX effective June 18, 2010. The following table sets forth the high and low sales prices per outstanding Ordinary Share (in pence sterling) and trading volumes for the outstanding Ordinary Shares for the periods indicated on the LSE, being the marketplace on which the greatest volume of trading generally occurred.

	<u>Price Per Ordinary Share</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<u>2009</u>			
January	110.00	90.00	2,815,336
February	110.00	88.50	3,114,236

	<u>Price Per Ordinary Share</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
March	123.00	96.00	4,985,682
April	138.00	107.00	5,021,279
May	141.25	122.00	1,120,564
June	153.00	132.25	2,029,219
July	170.00	140.00	2,780,307
August	188.00	150.00	3,762,947
September	225.00	181.50	6,302,790
October	235.00	193.00	4,838,316
November	223.00	200.00	3,123,781
December	229.00	212.00	2,947,525
<b><u>2010</u></b>			
January	247.00	224.50	2,645,604
February	258.00	233.00	2,188,618
March	260.00	225.00	3,886,692
April	270.50	231.75	4,345,233
May	260.50	228.00	5,600,005
June (1-29)	264.00	223.00	3,966,503

*Source: Bloomberg*

## Prior Sales

In the most recently completed financial year, the Company did not issue any securities that are not listed or quoted on a marketplace.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

In accordance with the terms of the JSOP, Ordinary Shares issued in connection with a JSOP Award are held by a Co-Owner (currently the EBT) and are subject to certain contractual restrictions on transfer. See “Directors and Executive Officers – Equity Compensation Plan Information – JSOP”. As of the date hereof, 508,050 Ordinary Shares have been issued under the JSOP and are subject to restrictions on transfer.

As at the date hereof, to the Company's knowledge, apart from the Ordinary Shares held by the EBT in accordance with the JSOP, no other securities of the Company are held in escrow or are subject to a contractual restriction on transfer.

## DIRECTORS AND EXECUTIVE OFFICERS

### Name, Occupation and Security Holding

The name, province and country of residence, principal occupation of each director of the Company and their years of service as directors are as follows (all executive officers of the Company are also directors of the Company):

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Date first became a Director</u>	<u># of Ordinary Shares Beneficially Held</u>
Peter M. Boycott Banbury, United Kingdom	Chairman of the Company	May 2, 1997	2,713,863
Brian M. Wides Cape Town, South Africa	Chief Executive Officer of the Company	June 13, 1997	2,910,922

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Date first became a Director</u>	<u># of Ordinary Shares Beneficially Held</u>
Matthew J. Tack London, United Kingdom	Executive Director (Finance) and Secretary of the Company	July 5, 2006	267,077 <sup>(1)</sup>
A. Chris Orchard Kent, United Kingdom	Chief Investment Officer of the Company	June 22, 2009	254,984 <sup>(1)</sup>
John Theobald Surrey, United Kingdom	Chief Operating Officer of the Company	June 22, 2009	193,692 <sup>(1)</sup>
Mike H. Atkinson <sup>(2)(3)(4)</sup> Sussex, United Kingdom	Retired	February 9, 2006	3,877
Dr. John G. Whellock <sup>(2)(3)(4)</sup> Denver, United States of America	CEO of JW Technologies (process engineering and equipment supply company for the metals, chemicals and minerals industry)	March 3, 2003	13,084
Anthony H. Yadgaroff <sup>(2)(3)(4)</sup> London, United Kingdom	Managing Director of Allenbridge Group plc (financial services specializing in the evaluation of managed funds)	March 3, 2003	159,333

Notes:

- (1) Includes 169,350 Ordinary Shares issued pursuant to the JSOP and registered in the name of the EBT. Each of Messrs. Tack, Orchard and Theobald have a restricted beneficial interest in 169,350 Ordinary Shares held by EBT. See “—Equity Compensation Plan Information – JSOP”.
- (2) Member of the Remuneration Committee.
- (3) Member of the Audit Committee.
- (4) Member of the Nomination Committee.

Each of the directors has been engaged in the principal occupation described in the table above during the last five years except as noted in the following.

**Peter M. Boycott** is a Chartered Accountant and was appointed to the Board on May 2, 1997. He became executive Chairman on June 13, 1997. During his career he has been involved as Finance Director and substantial shareholder in a number of private investment and property groups including engineering and manufacturing companies supplying furnace systems to the major mining groups world-wide. He has been a director of several public quoted companies in Australia and Canada.

**Brian M. Wides** is a Chartered Accountant (SA) and was appointed to the Board on June 13, 1997. He became Finance Director on September 5, 1997 and subsequently Chief Executive Officer on July 5, 2006. His specialist experience includes corporate finance, management consultancy and creating shareholder value for a number of private and public companies in the UK, Australia and Canada.

**Matthew J. Tack** is a Chartered Accountant (Australia) and was appointed as Company Secretary on September 27, 2004. He joined the Board as Finance Director on July 5, 2006. He has experience preparing financial statements and maintaining statutory company records across a wide range of industries in both Australia and the UK.

**A. Chris Orchard** joined the Company as Chief Investment Officer in December 2007 and was appointed to the Board on June 22, 2009. He graduated with a Mining Honours degree from Leeds University, before working in the South African mining industry. He then spent 20 years as an investment banker in London, UK, specializing in the resources sector, his last roles being Managing Director of Hambros Equity UK and a Director of RBC Dominion Securities. Prior to joining the Company, Mr. Orchard has managed the investment operations of a private wealth management group.

**John Theobald** joined the Company as Chief Operating Officer in April 2008 and was appointed to the Board on June 22, 2009. Mr. Theobald is a qualified geologist and Chartered Engineer and has held senior positions with major and junior mining companies covering a wide range of metallic and non-metallic minerals. Prior to joining the Company, Mr Theobald was an Operations Director for SCR-Sibelco, a major industrial minerals group. He has also worked for Anglo American plc, Phelps Dodge Corporation and Iscor Ltd. amongst others and has extensive experience in exploration, acquisitions and developing and operating mines in a number of different countries.

**Mike H. Atkinson** is a qualified management accountant and was appointed to the Board on February 9, 2006. He worked for 10 years for the National Coal Board as a capital investment analyst before joining the UK Department of Energy (later DTI). He was a senior civil servant for nearly 20 years until his retirement in 2004, and held a range of financial, management and policy posts including Director of Coal and later Chairman of British Coal. Mr. Atkinson currently chairs the Nomination Committee.

**Dr. John G. Whellock**, Ph.D. in Chemical Engineering, was appointed as a director on March 3, 2003. He has 30 years of experience in the development and implementation of extractive metallurgy, mineral and chemical plants and projects for major international mining groups. His firm, JW Technologies, has been responsible for the implementation of several innovative furnace designs and processes. Applications include alternative power, treatment of various hazardous wastes, cement industry by-products and production of nano-materials. Dr. Whellock currently chairs the Audit Committee.

**Anthony H. Yadgaroff** is a former equity analyst and manager of small pension funds and was appointed as a director on March 3, 2003. In 1984 he founded and is currently Group Managing Director of Allenbridge Group plc, a FSA regulated company which researches fund managers' performance and provides a rating service of hedge funds for institutional clients. As a result, he has considerable experience with respect to the interests of shareholders and related compliance issues. Anthony Yadgaroff currently chairs the Remuneration Committee.

All directors are subject to election by shareholders at the first opportunity after their appointment. Under the terms of the Company's Memorandum and Articles of Association, all directors retire by rotation on the basis of one-third their number each year, and are required to be re-appointed by the shareholders at an annual general meeting of shareholders. In practice, this means that all directors are subject to re-election by shareholders at least every 3 years. Non-executive directors are not subject to specified terms as all directors are subject to the 3 year re-election requirement. The term of office of John Whellock, Mike Atkinson and Anthony Yadgaroff will expire at the close of the 2011 Annual General Meeting, the term of office of Matthew Tack, A. Chris Orchard and John Theobald will expire at the close of the 2012 Annual General Meeting and the term of office of Peter Boycott, Brian Wides and John Whellock will expire at the close of the 2013 Annual General Meeting.

## **Director Compensation**

The fees of directors who are not employees of the Company are determined by the Board having regard to the commitment of time required and the level of fees paid to directors of similar companies. During the financial year ended December 31, 2009, directors of the Company who were not employees of the Company were paid an annual fee of £33,000. Such directors are not entitled to fees for attending meetings of the Board or for attending meetings of the Audit, Nomination and Remuneration Committees, are not eligible to participate in the Company's bonus and equity compensation plans, and are not entitled to pension contributions. They are, however, entitled to be reimbursed for expenses incurred by them in their capacity as directors. Directors who are also officers or employees of the Company received no additional compensation during the financial year ended December 31, 2009 as a result of their serving as directors of the Company.

The Company's directors who are not Named Executive Officers are employed on rolling contracts with a 30 day notice period by either party.



The following table sets out information concerning the compensation earned from the Company by the Company's directors during the financial year ended December 31, 2009.<sup>(1)</sup>

Name	Fees earned (£)	Total (£)
Mike H. Atkinson	33,000	33,000
Dr. John G. Whellock	33,000	33,000
Anthony H. Yadgaroff	33,000	33,000

Note:

(1) Messrs. Boycott, Wides, Tack, Orchard and Theobald, all of whom were directors during 2009, are Named Executive Officers and they received no additional compensation during the financial year ended December 31, 2009 as a result of serving as directors of the Company. Their compensation as officers is described in the table below under the heading "Summary Compensation Table".

### Compensation Discussion & Analysis

The Remuneration Committee is responsible for determining the Company's policy regarding remuneration of its Named Executive Officers, including service contracts and compensation in the event of early termination.

#### *Policy and Objectives*

The Company's executive compensation policies have been designed to support the Company's primary objective of generating added value for shareholders over the long term. The main underlying principles of the Company's policies and programs are:

- (i) to provide compensation packages that attract, retain and motivate full-time high quality Named Executive Officers;
- (ii) to be competitive with companies of comparable size and business; and
- (iii) to align the interests of Named Executives Officers with the long-term interests of the Company and its shareholders.

The Remuneration Committee reviews individual Named Executive Officer's compensation packages annually having regard, among other factors, to the overall performance of the Company and to the committee's assessment of such executive officer's (i) individual performance and contribution to Company objectives and (ii) level of responsibility and length of service to the Company. The Remuneration Committee also conducts an assessment of industry comparables. Such comparative evaluation is not based on a mathematical formula that integrates specific, weighted performance measures, but rather, the Remuneration Committee qualitatively considers such factors in the context of the overall achievements of the Company, whether financial, operational or strategic.

It is the Remuneration Committee's policy that Named Executive Officers should have service contracts with an indefinite term, providing for a notice period of six months. See "—Termination and Change of Control Benefits".

#### *Named Executive Officers' Remuneration*

The Company was not a reporting issuer in any jurisdiction in Canada during the Company's most recently completed financial year. However, the Company has chosen to report compensation for its Named Executive Officers for the year ended December 31, 2009.

Annual compensation packages for Named Executive Officers include a fixed basic salary, a short-term performance-related bonus award and participation in certain share-based compensation arrangements. In certain cases, the Company also makes contributions to Named Executive Officers in respect of their pension plans.

(i) Basic Salary

The basic salary represents the fixed component of compensation for Named Executive Officers and is intended to compensate executives for fulfilling their roles and responsibilities. This component is low relative to that paid by companies of a similar size and nature. The Remuneration Committee believes that a relatively lower basic salary, coupled with a larger variable compensation component, provides superior incentives for high performance and motivation.

(ii) Performance-Related Bonus

The Company has established a performance-related bonus scheme that creates a pool divisible between all Named Executive Officers at the discretion of the Remuneration Committee from time to time. The Remuneration Committee considers the performance of the Named Executive Officers against a number of criteria to evaluate individual performance. The Committee also considers the movement in the Company's share price and the following four key performance indicators: (i) value of new royalties acquired; (ii) net asset value; (iii) earnings per share; and (iv) dividends per share. To align the Named Executive Officers' interests with shareholders, a proportion of this bonus is payable in Ordinary Shares.

(iii) Share-Based Compensation Arrangements

Long-term incentives for Named Executive Officers are in the form of performance-based grants of share options and JSOP Awards. The Company's share-based compensation arrangements are designed to align the interests of Named Executive Officers and shareholders in the most cost effective manner for the Company. In determining grants of share options and JSOP Awards, the Remuneration Committee considers several factors, including the Named Executive Officer's performance, the amount and terms of the Named Executive Officer's existing options and/or JSOP Awards and the alignment of total compensation with the Company's broader compensation policies. Reference is also made to the overall competitiveness of the recipient's compensation. See "—Equity Compensation Plan Information – CSOP" and "—Equity Compensation Plan Information – JSOP".

(iv) Pension Contributions

The Company makes contributions to the pensions of certain Named Executive Officers. The purpose of these contributions is to: (i) offer an adequate and competitive level of retirement income to officers who have spent a significant portion of their career with the Company; (ii) provide an incentive for officers to remain in service with the Company; and (iii) supplement registered pension plans benefits to assist in attracting officers. As required by UK law, the Company operates a personal pension scheme that all employees, including Named Executive Officers, are eligible to join. Pursuant to this scheme, the Company facilitates the payment of Company pension contributions into a plan operated by Standard Life Assurance Limited. The Company has no ongoing contractual relationship with Standard Life Assurance Limited and does not administer or direct the plan. Although the Company made pension contributions to each of Messrs. Tack, Orchard and Theobald during the financial year ended December 31, 2009, Mr. J. Theobald was the only Named Executive Officer to participate in the scheme pursuant to which his pension contributions from the Company were directed into the plan operated by Standard Life Assurance Company. See "—Summary Compensation Table".

*Share Option Plans*

During the year ended December 31, 2009, the Company operated the Employee Share Option Plan, which had been approved by HMRC. No options were granted to directors or Named Executive Officers under the Employee Share Option Plan during the year ended December 31, 2009 and the Company can no longer issue new HMRC-approved options under the plan since it has passed the 10 year limit set by HMRC. See "—Equity Compensation Plan Information – Employee Share Option Plan".

At the annual general meeting of shareholders of the Company held on April 21, 2010, the Company's shareholders approved a new Company share option plan. The CSOP replaces the existing Employee Share Option Plan and the Company has received HMRC approval for the CSOP. For a description of the material terms of the CSOP, see “—Equity Compensation Plan Information – CSOP”.

#### *Joint Share Ownership Plan*

At the annual general meeting of shareholders of the Company held on April 21, 2010, the Company's shareholders approved the establishment of the JSOP. The JSOP replaces the Company's Executive Share Option Scheme, which closed during the year ended December 31, 2009. No share options have been granted to directors or executive officers under the Executive Share Option Scheme since 1999 and no options are currently exercisable under the Executive Share Option Scheme. The Remuneration Committee may issue JSOP Awards under the JSOP to Named Executive Officers for incentivization purposes. However, such awards will be limited in value such that the initial value of Ordinary Shares acquired jointly with the Co-owner under the award will not exceed 400% of a participant's gross annual salary. For a description of the material terms of the JSOP, see “—Equity Compensation Plan Information – JSOP”.

### **Summary Compensation Table**

The following table sets out information concerning the compensation paid, awarded or earned from the Company and any of the Company's subsidiaries during the financial year ended December 31, 2009 by the Company's Chief Executive Officer, Chief Financial Officer and the Company's other Named Executive Officers.

Name and Principal Position	Year	Salary (£)	Share-based Awards <sup>(1)</sup> (£)	Option-based Awards (£)	Non-equity Incentive Plan Compensation (£)		Pension Value (£)	All Other Compensation (£)	Total Compensation (£)
					Annual incentive plans <sup>(2)</sup>	Long-Term Incentive Plans			
Brian Wides, <i>Chief Executive Officer</i>	2009	72,500	25,000	-	50,000	-	-	49,000 <sup>(2)</sup>	196,500
Matthew J. Tack, <i>Executive Director (Finance)</i>	2009	111,667	33,000	-	66,000	-	5,583	-	216,250
Peter M. Boycott, <i>Chairman</i>	2009	147,333	25,000	-	50,000	-	-	-	222,333
Chris Orchard, <i>Chief Investment Officer</i>	2009	111,667	33,000	-	66,000	-	23,083	-	233,750
John Theobald, <i>Chief Operating Officer</i>	2009	111,667	33,000	-	83,500	-	5,583	-	233,750

#### Notes:

(1) Share-based awards made as part of performance-related bonus payments. See “— Compensation Discussion and Analysis – Named Executive Officers' Remuneration”. The fair value of the share-based awards granted has been calculated at the date of grant using the market price at such date. The grant date fair value of the awards is the same as the accounting fair value.

(2) Performance-related bonus payment. See “— Compensation Discussion and Analysis – Named Executive Officers' Remuneration”.

### **Incentive Plan Awards**

#### *Outstanding Option-Based and Share-Based Awards*

The following table sets out for each Named Executive Officer information concerning all option-based and share-based awards outstanding as of December 31, 2009.

Name	Option-based Awards <sup>(4)</sup>				Share-based Awards <sup>(5)</sup>	
	Number of securities underlying unexercised options (#)	Option exercise price (£)	Option expiration date	Value of unexercised in-the-money options (£)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (£)
Brian Wides, <i>Chief Executive Officer</i>	-	-	-	-	-	-
Matthew J. Tack, <i>Executive Director (Finance)</i>	36,923 <sup>(1)(3)</sup>	0.8125	October 4, 2014	53,446	-	-
Peter M. Boycott, <i>Chairman</i>	-	-	-	-	-	-
A. Chris Orchard, <i>Chief Investment Officer</i>	18,250 <sup>(2)(3)</sup>	1.64375	April 7, 2018	11,247	-	-
John Theobald, <i>Chief Operating Officer</i>	16,194 <sup>(2)(3)</sup>	1.8525	July 15, 2018	6,599	-	-

**Notes:**

- (1) Mr. M. Tack exercised 36,923 options on February 25, 2010.
- (2) Messrs. Orchard and Theobald each surrendered all of their outstanding options for nil consideration on April 1, 2010.
- (3) Pursuant to the CSOP, Messrs. Tack, Orchard and Theobald were each granted 12,024 options with an exercise price of £2.495 per share on May 20, 2010.
- (4) All options were issued pursuant to the Employee Share Option Plan. See “—Compensation Discussion and Analysis – Named Executive Officers’ Remuneration – Share Option Plans”.
- (5) Pursuant to the JSOP, each of Messrs. Tack, Orchard and Theobald were granted a restricted beneficial interest in 169,350 Ordinary Shares on May 19, 2010. See “—Compensation Discussion and Analysis – Equity Compensation Plan Information – JSOP”.

*Value Vested or Earned During the Year*

The following table sets out for each Named Executive Officer information concerning the value vested or earned during the financial year ended December 31, 2009 in respect of incentive plan awards – option-based and share-based awards as well as non-equity incentive plan compensation.

Name	Option-based awards – Value vested during the year (£)	Share-based awards – Value vested during the year (£)	Non-equity incentive plan compensation – Value earned during the year (£)
Brian Wides, <i>Chief Executive Officer</i>	-	25,000	50,000
Matthew J. Tack, <i>Executive Director (Finance)</i>	-	33,000	66,000
Peter M. Boycott, <i>Chairman</i>	-	25,000	50,000
A. Chris Orchard, <i>Chief Investment Officer</i>	-	33,000	66,000
John Theobald, <i>Chief Operating Officer</i>	-	33,000	66,000

## Equity Compensation Plan Information

The following table sets out an aggregate summary as at December 31, 2009 of the number and price of securities to be issued to employees and others under all equity compensation plans previously approved by shareholders.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Options, Warrants and Rights</b> (#) (a)	<b>Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights</b> (£) (b)	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in (a))</b> (#) (c)
Equity Compensation Plans Approved by Securityholders	71,367	1.2611	Nil
Equity Compensation Plans Not Approved by Securityholders	Nil	N/A	Nil
<b>Total</b>	71,367	1.2611	Nil

### *Employee Share Option Plan*

No options were granted to directors or Named Executive Officers under the Employee Share Option Plan during the year ended December 31, 2009. Since it has passed the 10 year limit set by HMRC, the Company can no longer issue new HMRC-approved options under the Employee Share Option Plan and there are no outstanding options under the plan. See “—Compensation Discussion and Analysis – Named Executive Officers’ Remuneration – Share Option Plans”.

### *CSOP*

At the annual general meeting of shareholders of the Company held on April 21, 2010, the Company's shareholders approved the CSOP. The CSOP replaced the Employee Share Option Plan.

A participant in the CSOP must be an employee or a full time director of the Company or any of its subsidiaries and may be selected for inclusion in the CSOP by the Board at their absolute discretion. No options may be granted under the CSOP more than ten years after the plan's adoption by the Board and no option may be granted within the two-month period before the release of the Company's annual or half-yearly financial results or any other “black-out” period. All awards under the CSOP must be made during either of: (a) the 30-day period following the date of approval of the CSOP by shareholders at the annual general meeting of shareholders; or (b) a period commencing on the sixth trading day after the date of announcement to the LSE of the annual or half-yearly results of the Company and ending forty two days following the date of the relevant announcement.

Options granted under the CSOP normally vest three years from the date of grant and are subject to certain performance conditions, described in greater detail below. Options are not transferable except on death nor are they relevant in connection with the calculation of pension entitlements.

The exercise price of any options granted under the CSOP shall not be less than the higher of the nominal value of an Ordinary Share and the market value of an Ordinary Share on the day on which the option is granted. Market value for the purposes of this calculation is the average mid market closing price of an Ordinary Share on LSE for the three trading days before the date of grant or as agreed with HMRC.

The Remuneration Committee may determine objective performance conditions for each option to be satisfied over a period and measured against such objective criteria as determined by the committee.

If an employee leaves employment with the Company before the exercise date of the option by reason of death, disability, ill health, retirement, redundancy, termination without reasonable cause (to be determined by the Remuneration Committee) or his or her employing company or part of the business in which he or she works ceasing to be a subsidiary of the Company, he or she, or the employee's estate, in the event of an employee's death, is entitled to exercise their options within a period of 6 months following the leaving date (12 months in the case of death), provided that during such period the vesting period has passed and the performance conditions have been satisfied or waived, otherwise the options will lapse. If a participant leaves before the exercise date of the option for any other reason, the Company has the right to request that the employee forfeits the option.

Participants in the CSOP have no voting or dividend rights in respect of the Ordinary Shares under option until the options are exercised. The CSOP provides for accelerated vesting, subject to the satisfaction of any performance condition(s), unless waived or varied, in the event of a change in control, merger, reconstruction or winding-up of the Company.

The number of Ordinary Shares that may be issued and reserved for issuance under the CSOP (or any other employee share compensation plan of the Company, including the JSOP) in any 10-year period may not exceed 10% of the issued and outstanding Ordinary Shares from time to time. The number of Ordinary Shares that may be issued or reserved for issuance to an executive under the CSOP or any other employee share compensation plan, including the JSOP, in any 10-year period may not exceed 5% of the issued and outstanding Ordinary Shares from time to time.

The CSOP may be amended by the Board, however no amendment may be made to the provisions of the CSOP if it would adversely affect the rights of a participant, or give them substantially greater rights than under the CSOP currently. Minor amendments to benefit the administration of the CSOP, to take account of legislation or to obtain or maintain favourable tax, stock exchange control, or regulatory treatment may, however, be made without the approvals set out above where such amendments do not alter the basic principles of the CSOP. No amendment to the key features of the CSOP may take effect without the prior approval of HMRC.

### *JSOP*

At the annual general meeting of shareholders of the Company held on April 21, 2010, the Company's shareholders approved the JSOP. The JSOP replaced the Company's Executive Share Option Scheme, which closed during the year ended December 31, 2009. The JSOP is administered by the Remuneration Committee. A participant in the JSOP must be an employee or officer of the Company. Actual participation in the JSOP will be at the absolute discretion of the Board or, in the case of executive directors, at the absolute discretion of the Remuneration Committee.

No JSOP Award may be made more than ten years after the passing of the resolution of shareholders approving the JSOP and no JSOP Award may be granted within the two-month period before the release of the Company's annual or half-yearly financial results or any other "black-out" period. JSOP Awards shall only be made during either: (a) a 30-day period following the date of approval of the JSOP by shareholders at the annual general meeting of shareholders; or (b) a period commencing on the sixth trading day after the date of announcement to the LSE of the annual or half-yearly results of the Company and ending forty two days following the date of the relevant announcement.

Pursuant to the terms of the JSOP, the Remuneration Committee invites selected employees to enter into an agreement with a Co-Owner to acquire a number of Ordinary Shares. Unless regulatory requirements dictate otherwise, the Co-Owner will usually be an employee benefit trust established by the Company. The Co-Owner is currently the EBT. The agreement will set out the respective rights of the Co-Owner and the participant. For legal purposes, the Ordinary Shares are held in the name of the Co-Owner, however the agreement gives the participant a beneficial interest in those shares. Provided any applicable performance targets have been met, the beneficial interest conferred will entitle the participant to receive all sale proceeds in connection with the sale of the Ordinary Shares in excess of a threshold amount. The threshold amount will be fixed by the Remuneration Committee when a JSOP Award is made. It will be set at not less than the market value of the Ordinary Shares at the time of acquisition. It may be set at more than the market value of the Ordinary Shares at the date of acquisition. In normal circumstances, the participant would therefore

benefit from growth in value in the Ordinary Shares after acquisition. On sale, the Co-Owner will be entitled to the balance of the proceeds from the sale.

There are some important differences between a JSOP Award and a share option issued under the CSOP. The JSOP requires that the participant acquires a restricted beneficial interest in Ordinary Shares from the outset. The participant is required to pay a nominal value for that interest at the date of award, rather than making payment at the date of realization of the JSOP Award as would be the case for an option. However, as with an option, the JSOP rewards the participant for growth in share value. Performance targets based on personal or corporate performance may be attached to individual JSOP Awards. The JSOP Award is non-transferable except on death and the entitlements under it are not relevant in connection with the calculation of pension entitlements.

In addition to other performance targets, the initial JSOP Awards granted on May 19, 2010 stipulate that the Company's share price must increase by a specified amount during the three-year vesting period. See “—Incentive Plan Awards – Option-Based and Share-Based Awards”.

If a participant leaves employment of the Company at any time by reason of death, disability, ill health, retirement, redundancy, if the business or subsidiary in which he or she is employed is sold outside the Company or if he or she is dismissed without reasonable cause (to be determined by the Remuneration Committee), the Co-Owner may exercise its right to require the participant to sell his or her JSOP interest. In these circumstances, the price would be determined as the excess of market value over the threshold value. The participant's benefit would be conditional on the satisfaction of the performance conditions (with the Board, acting through the Remuneration Committee, retaining general discretion in these circumstances to vary the price and conditions). If a participant leaves the employment of the Company at any time for any other reason, the Co-Owner will have the right to require the participant to sell his or her interest within a period specified by the Co-Owner, at a price equal to the price paid by the participant for his or her interest.

From the time when a JSOP Award is made, the employee and the Co-Owner will together own the JSOP Award shares on unequal terms. At any time after the awards have vested (and on satisfaction of any performance conditions) the participant may ask the Co-Owner to jointly sell his or her holdings of Ordinary Shares. If the shares have not been sold after 10 years from the date of grant of the JSOP Award, the Co-Owner can require the participant to sell the shares.

The Company may issue Ordinary Shares for the purposes of making JSOP Awards. However, the number of shares that may be issued or reserved for issuance, as applicable, to an employee under the JSOP (or any other employee share compensation plan, including the CSOP) in any 10-year period may not exceed 10% of the issued and outstanding Ordinary Shares from time to time. The number of shares that may be issued or reserved for issuance, as applicable, to an executive under the JSOP (or any other employee share compensation plan, including the CSOP) in any 10-year period may not exceed 5% of the issued and outstanding Ordinary Shares from time to time. Award shares may be sourced from existing issued share capital (to avoid dilution of share capital) of the Company or bought on the market. If shares are bought on the market, the Company will lend the Co-Owner the funds to purchase the shares. Award shares sourced from the existing issued share capital of the Company will continue to count towards the participation limitations for so long as this is required by institutional investor guidelines.

### **Termination and Change of Control Benefits**

The Company has written employment agreements with each of the Named Executive Officers. Each of the agreements is for an infinite term. Each agreement also provides that in the event of the termination of the Named Executive Officer's employment with the Company (except (i) if the Named Executive Officer is guilty of any dishonesty, gross misconduct or wilful neglect of duty or commits any serious breach of a material term of their employment agreement, other than a breach which is remedied by such Named Executive Officer within 14 days upon being called to do so in writing by the Board or such Named Executive Officer refuses or neglects to comply with any lawful order or direction given to such Named Executive Officer by the Board, (ii) the Named Executive Officer voluntary resigns or (iii) the Named Executive Officer retires), such Named Executive Officer is entitled to receive a lump sum payment equal to six months' salary (and may also receive an additional amount equal to six months' salary

should the Company, in its sole discretion, determine to make a cash payment to such Named Executive Officer in lieu of the six months' notice period required pursuant to each employment agreement).

If Mr. B. Wides, Mr. M. Tack., Mr. P. Boycott, Mr. A. Orchard or Mr. J. Theobald had been terminated on December 31, 2009 in the circumstances described above, such Named Executive Officer would be entitled to a payment of £49,500, £60,000, £74,500, £60,000 and £60,000, respectively.

Under the terms of the CSOP, if a Named Executive Officer leaves employment with the Company before the vesting date of his options (by reason of death, disability, ill health, retirement, redundancy, termination without reasonable cause, or his employing company or part of the business in which he works ceasing to be a subsidiary of the Company) he will be entitled to exercise his options for a period of 6 months following the leaving date, provided that during such period the vesting date has passed and performance conditions have been satisfied or waived, if applicable.

Under the terms of the CSOP, in connection with a change of control, outstanding options held by a Named Executive Officer become immediately vested (subject to the satisfaction or waiver of any performance conditions) and remain exercisable from the time of notification of the offer for control of the Company until such time as the person making the offer has obtained control of the Company. See "Directors and Officers – Equity Compensation Plan Information – CSOP".

Under the terms of the JSOP, if a Named Executive Officer leaves employment with the Company at any time by reason of death, disability, ill health, retirement, redundancy, termination without reasonable cause, or his employing company or part of the business in which he works ceasing to be a subsidiary of the Company, the Co-Owner may exercise its right to require the Named Executive Officer to sell his interest in the Ordinary Shares held by the Co-Owner for a price equal to the excess of market value over the threshold value established at the time of grant. Payment of the benefit to the Named Executive Officer may be conditional on the satisfaction or waiver of certain performance conditions. If a Named Executive Officer leaves the employment of the Company at any time for any other reason, the Co-Owner will have the right to require the Named Executive Officer to sell his interest within a period specified by the Co-Owner, at a price equal to the price paid by the Named Executive Officer for his interest.

Under the terms of the JSOP, in the event of a change of control the Co-Owner may exercise its right to require the Named Executive Officer to sell his interest in the Ordinary Shares held by the Co-owner for a price equal to the excess of market value over the threshold value established at the time of grant. Payment to the Named Executive Officer in connection with a change of control is not conditional on the satisfaction of performance conditions. See "Directors and Officers – Equity Compensation Plan Information – JSOP".

There are no additional agreements between the Company and its Named Executive Officers resulting in compensation to a Named Executive Officer at, following or in connection with any termination.

### **Equity Holdings of Directors and Executive Officers**

As of June 29, 2010, the directors and executive officers of the Company, as a group, own of record or beneficially, directly or indirectly, or exercise control or direction over, an aggregate of 6,516,832 Ordinary Shares (including an aggregate of 508,050 Ordinary Shares issued pursuant to the JSOP), representing approximately 6.01% of the outstanding Ordinary Shares. See "Capital Structure – General Description of Capital Structure" and "—Equity Compensation Plan Information – JSOP".

### **Indebtedness of Directors and Executive Officers**

None of the directors or Named Executive Officers of the Company, and no associate of any of them, was indebted to the Company or its subsidiaries, or to other entities if the indebtedness to such other entities is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries as at June 29, 2010 or at any time since January 1, 2009.

None of the directors or senior or executive officers of the Company, and no associate of any of them, is or has since January 1, 2010 been indebted to the Company.



## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, no director or executive officer of the Company (or a personal holding company of such person) (A) is at the date hereof or has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; (B) is at the date hereof or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; (C) is at the date hereof or has been in the last 10 years, a director, chief executive officer or chief financial officer of any company that (i) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer or (ii) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (D) is at the date hereof or has been in the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (E) has in the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

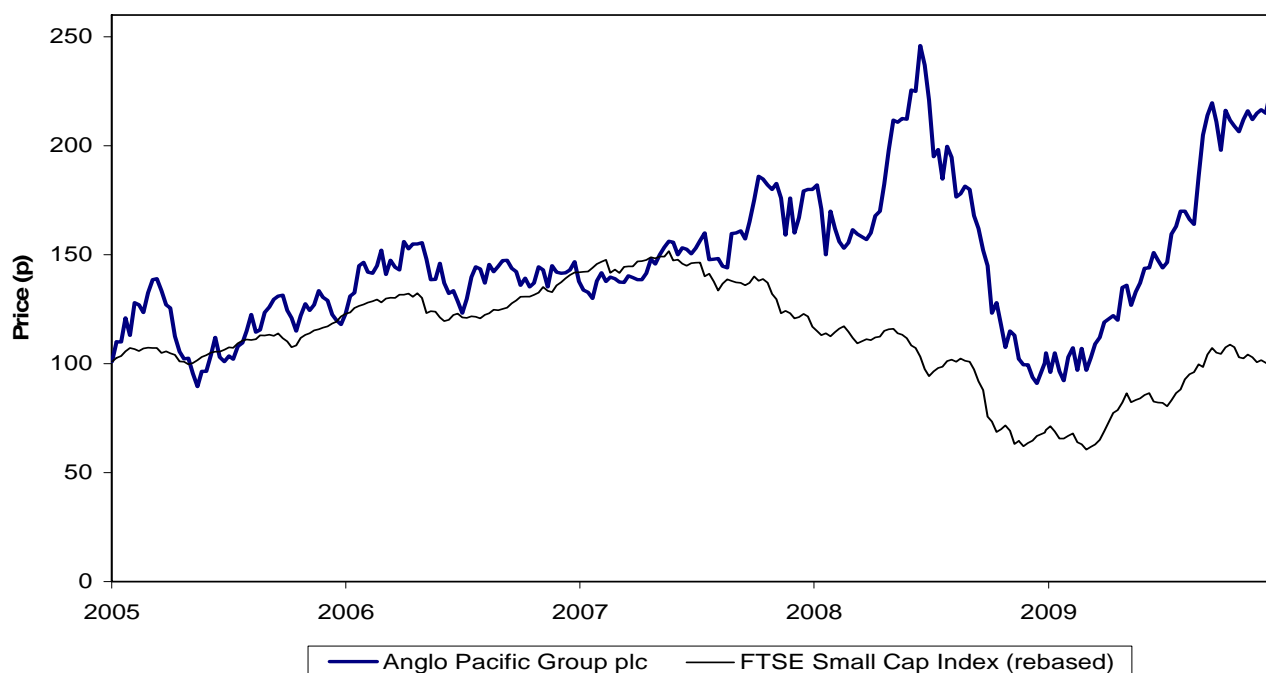
## **Conflicts of Interest**

To the Company's knowledge, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of a subsidiary of the Company.

## **Shareholder Return Performance Graph**

The following graph compares the movement in the price of the Ordinary Shares against the FTSE Small Cap Index over the period from January 1, 2005 to December 31, 2009. The FTSE Small Cap Index has been rebased to the price of the Ordinary Shares at the start of the period in order to provide a graphical measure of comparative performance. The FTSE Small Cap Index has been selected as a comparable index because it is the nearest relevant index appropriate to the Company. The Company was admitted to the FTSE Small Cap Index in December 2004. The Ordinary Share performance as set out in the graph does not necessarily indicate future price performance.

### Anglo Pacific Group plc (APG)



For the Named Executive Officers who have been with the Company throughout the last five years, the trend of such officers' cumulative total direct compensation is not consistent with the trend of the Company's Ordinary Share price over the five-year period. This is a result of the Company's executive compensation policies and procedures which are described above. These policies and procedures are designed to attract, retain and motivate full-time high quality executive officers with a competitive salary package that is strongly aligned with the interests of shareholders and compensation is not based upon the total return of the Ordinary Shares relative to any particular stock index.

### LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no pending legal proceedings or regulatory actions to which the Company is a party or of which any of the Company's properties are subject, nor have any such actions been pending during the most recently completed financial year of the Company. In addition, no such proceedings or actions are currently known by the Company to be contemplated.

### MATERIAL CONTRACTS

Except for certain contracts entered into in the ordinary course business, the Company did not enter into any material contracts on or after January 1, 2009 (or prior to January 1, 2009 if still in effect) that are material to the Company.

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, except as otherwise disclosed elsewhere in this AIF, no director or executive officer of the Company and no associate or affiliate of any of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company, or during the current financial year to date, that has materially affected or is expected to materially affect the Company.

### AUDITOR

Grant Thornton UK LLP, Registered Auditor and Chartered Accountants are the auditor of the Company. Grant Thornton UK LLP was appointed on June 15, 2007.

## **TRANSFER AGENT AND REGISTRAR**

The Company's registrar and transfer agent for the Ordinary Shares in the UK is Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

The Company's registrar and transfer agent for the Ordinary Shares in Canada is Equity Transfer and Trust Company at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1.

## **INTERESTS OF EXPERTS**

The Company's auditors are Grant Thornton UK LLP, Registered Auditor and Chartered Accountants, who have prepared an independent auditors' report dated March 12, 2010, in respect of the Company's consolidated and parent company financial statements with accompanying notes as at and for the years ended December 31, 2009 and 2008.

Dr. Iestyn Humphreys and Mr. Paul Bright, on behalf of SRK, prepared the Kestrel Report and are qualified persons as such term is defined in NI 43-101.

Robert J. Morris (principal Geologist) and Mr. Robert F. Engler (Principal), on behalf of MMTS, prepared the Trefi Report and are qualified persons as such term is defined in NI 43-101.

Robert J. Morris (principal Geologist) and Mr. Robert F. Engler (Principal), on behalf of MMTS, prepared the Discovery and Panorama Report and are qualified persons as such term is defined in NI 43-101.

As of the date hereof, to the Company's knowledge, the experts named in this section beneficially own, directly or indirectly, in the aggregate, less than one percent of the Ordinary Shares.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Company's 2009 Annual Report, which contains the Company's audited annual consolidated financial statements for the year ended December 31, 2009.

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