

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action is to be taken, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if applicable.

IF YOU HAVE SOLD OR TRANSFERRED some or all of your ordinary shares in Anglo Pacific Group PLC (the “Company”) on or before 28th November 2014, and those shares are included in the number shown in box 1 on the accompanying form of election (the “Form of Election”), you should contact your stockbroker, bank or other agent through whom the sale or transfer was effected for advice as to how to proceed.

IF YOU WISH TO RECEIVE THE INTERIM DIVIDEND WHOLLY IN CASH OR HAVE PREVIOUSLY COMPLETED A SCRIP DIVIDEND MANDATE, YOU NEED TAKE NO FURTHER ACTION AND MAY DISREGARD THIS DOCUMENT.

ANGLO PACIFIC GROUP PLC

Interim dividend for the year ending 31st December 2014 Scrip Dividend Alternative

The interim dividend is at a rate of 4.45p per 2p ordinary share or 1 new ordinary share for every £1.089 of cash dividend otherwise payable

Timetable

Ex-dividend date in Canada	26 th November 2014
Ex-dividend date in UK	27 th November 2014
Record date for dividend	28 th November 2014
Forms of Election posted to shareholders	12 th December 2014
Forms of Election to be returned to registrar before 5:00 p.m. on	14 th January 2015
Certificates for certificated new shares and dividend cheques dispatched	3 rd February 2015
Dividend payment date, crediting stock accounts in CREST and CDS and first day of listing and dealings for new shares	4 th February 2015

Summary

At the Annual General Meeting on 11th June 2014, shareholders authorised the Board of Directors to offer shareholders the option to take dividends in ordinary shares instead of cash for all dividends declared up to the beginning of the next Annual General Meeting; a scrip dividend alternative has been declared and a Form of Election is enclosed for those shareholders **without** an existing scrip dividend mandate.

Under the scrip dividend alternative, shareholders without an existing scrip dividend mandate will be able to elect to receive new shares instead of cash for the interim dividend, to be paid on 4th February 2015 in respect of shares held at the close of business on 28th November 2014.

IF YOU HOLD YOUR ORDINARY SHARES IN CREST OR, DIRECTLY OR INDIRECTLY THROUGH CDS, SEE “CREST SHAREHOLDERS” OR “CDS SHAREHOLDERS”, AS APPLICABLE, IN THE ATTACHED NOTES FOR INFORMATION REGARDING HOW YOU CAN ELECT TO RECEIVE YOUR INTERIM DIVIDEND IN THE FORM OF NEW ORDINARY SHARES.

ANGLO PACIFIC GROUP PLC

(Registered in England No. 897608)

Directors:

W.M. Blyth (Chairman)

D.S. Archer

M.R. Potter

R.C. Rhodes

R.H. Stan

J.A. Treger

A.H. Yadgaroff

Registered Office:

1 Savile Row

London

W1S 3JR

12th December 2014

To the holders of ordinary shares

Dear Sir or Madam

At the Annual General Meeting held on 11th June 2014, shareholders authorised the Board of Directors to offer shareholders the option to take dividends in ordinary shares instead of cash for all dividends declared up to the beginning of the next Annual General Meeting. On 10th October 2014, the Company announced the payment of an interim dividend for the year ended 31st December 2014 of 4.45p per ordinary share. I am pleased to inform you that the Directors have decided to offer a scrip dividend alternative in respect of this dividend.

The purpose of this circular is to provide shareholders with details of the scrip dividend alternative and to explain how shareholders may elect now, and in future, to receive new shares rather than cash dividends.

The scrip dividend alternative is available to shareholders who trade their shares on the Toronto Stock Exchange (the "TSX") and CREST shareholders on the register of members at the close of business on 26th November 2014 and 27th November 2014 respectively. Eligible shareholders who elect to receive dividends in the form of new ordinary shares would increase their holdings in a simple manner without incurring dealing expenses or stamp duty. The Company would benefit from the retention of cash that would otherwise be payable by way of dividend.

If you have **not** previously completed a scrip dividend mandate, you have the choice of either:

- (a) receiving your dividend of 4.45p per share in cash, which will be paid on 4th February 2015, in which case no further action is necessary; or
- (b) receiving one new ordinary share credited as fully paid for every £1.089 of cash dividend otherwise payable, in which case you should read the notes appended to this letter and complete the enclosed Form of Election or, for shareholders that hold their ordinary shares, directly or indirectly, through CDS and for holders of shares in certificated form in CREST, follow the procedure set out below.

If you would like to receive new ordinary shares instead of the cash dividend both on this occasion and automatically on each occasion a scrip dividend offer is made in the future, and you have not previously completed a scrip dividend mandate, you should also complete box (5) of the Form of Election to put in place a standing instruction to elect for a scrip dividend alternative for future dividends. Further details of this option are set out in paragraph 5 in the attached notes.

A shareholder who elects to receive the interim dividend wholly or partly in new ordinary shares will have both the benefits and the risks of an increased shareholding. This circular allows shareholders to exercise their choice whether or not to receive new shares in lieu of a cash dividend. **In the absence of an election to receive new ordinary shares, the interim dividend will be paid in cash.**

This offer relates to the interim dividend for the financial year ending 31st December 2014, and is made on the basis of a scrip dividend reference price of £1.089, being the average mid-market closing price of the ordinary shares for the five London business days commencing on 27th November 2014. Before returning the Form of Election you should take into account movements in the share price.

To be effective, the enclosed Form of Election must be completed and returned using the reply paid envelope provided (for use in the UK only), by 5:00p.m. on 14th January 2015. An election to receive new ordinary shares instead of the interim cash dividend is irrevocable and cannot under any circumstances be cancelled. Shareholders that trade their shares through the TSX and hold their ordinary shares through an intermediary should review paragraph 4 in the attached notes for information on how to elect to receive the interim dividend wholly or partly in new ordinary shares.

In respect of any period where a scrip dividend alternative is offered by the Company and the ordinary share price is equal to or less than 15 per cent below the scrip dividend reference price on the last date on which the form of election in respect of the relevant scrip dividend election must be returned to Equiniti Limited or TMX Equity Transfer Services Inc., as applicable, the scrip dividend alternative will be withdrawn and the relevant dividend will be paid in cash.

Yours faithfully,

Mike Blyth
CHAIRMAN

NOTES

1. Terms of the scrip dividend offer

Shareholders who were on either the UK or Canadian register maintained in respect of the ordinary shares at the close of business on 28th November 2014 (the “Dividend Record Date”) may elect to receive new ordinary shares.

The number of new ordinary shares that a shareholder will receive for each scrip dividend will depend on the number of ordinary shares held on the dividend record date, the amount of the cash dividend to which they are entitled, any residual cash balance brought forward from the last scrip dividend, and the scrip dividend reference price to be used in calculating scrip dividend entitlements.

For the interim dividend for the year ending 31st December 2014, the scrip dividend reference price is £1.089, being the average mid-market closing price for the five London business days commencing on 27th November 2014 (the “Scrip Dividend Reference Price”).

Formula

The formula used for calculating the maximum number of new ordinary shares to be received for each scrip dividend alternative is as follows:-

$$\frac{\text{Maximum cash available}}{\text{Scrip dividend reference price}}$$

where the maximum cash available is the number of ordinary shares held on the dividend record date multiplied by the cash dividend per ordinary share plus any residual cash balance brought forward.

No cash dividend will be paid on any fraction of a new ordinary share. Any residual cash balance remaining after the issue of new ordinary shares, or which was insufficient to acquire a whole new ordinary share, will be carried forward (without interest) and included in the calculation of the cash dividend you are entitled to in respect of the next period or next scrip dividend alternative.

All elections will be subject to fulfilment of any conditions specified in the Form of Election and this document. Shareholders who do not hold their ordinary shares in their own names and whose shares are held through one or more intermediaries (such as a bank, trust company or stockbroker) should contact their intermediary and follow the procedures outlined by such intermediary for the purpose of electing to receive their interim dividend in the form of new ordinary shares.

The election may be made by eligible shareholders in respect of all or part of their holding of ordinary shares.

2. How to make the election

You should complete the enclosed Form of Election and send it to either the Company’s UK registrar, Equiniti Limited, if you hold your shares in certificated form on London Stock Exchange, or to the Company’s Canadian registrar, TMX Equity Transfer Services Inc., if your ordinary shares trade through the Toronto Stock Exchange (the “TSX”), so as to reach them no later than 14th January 2015. If the Form of Election is not received by 5:00 p.m. on that date, the cash dividend will be paid in respect of all of the ordinary shares that you hold. All forms sent to and from shareholders are sent at the shareholders’ risk.

If in box (4) on the Form of Election you do not specify the number of ordinary shares in respect of which you are making your election, or if you make the election with respect to a greater number of ordinary shares than shown in box (1) on the form, your election will be deemed to be in respect of all of the ordinary shares shown in box (1).

3. CREST shareholders

This paragraph only applies to shareholders who hold their ordinary shares in CREST. You can only elect to receive your interim dividend in the form of the scrip dividend alternative by means of the CREST procedures to effect such an election. No other form of election (including the accompanying Form of Election) will be permitted and if received will be rejected and returned to you. If you are a CREST Personal Member, or other CREST Sponsored Member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf.

The CREST procedures require the use of the Dividend Election Input Message in accordance with the CREST Manual. The Dividend Election Input Message submitted must contain the number of ordinary shares on which the election is being made, whether this is all or part of your holding at the Dividend Record Date.

4. CDS shareholders

With respect to shareholders that trade their shares on the TSX, only shareholders on the Canadian register (shareholders who hold their ordinary shares in their own name) are permitted to use the enclosed Form of Election to elect to receive the interim dividend in the form of the scrip dividend alternative. However, in most cases, ordinary shares traded on the TSX are held through a “book-entry” system under which shares are evidenced by certificates that are registered in the name of and held by CDS & Co., the nominee of CDS Clearing and Depository Services Inc. Accordingly, most shareholders that trade their ordinary shares through the TSX do not hold them in their own name. Such ordinary shares are held by these shareholders through one or more intermediaries (such as a bank, trust company or securities dealer or broker). The Company has distributed copies of this circular to CDS & Co. and intermediaries for onward distribution to such shareholders.

If your shares trade through the TSX and you hold your ordinary shares through an intermediary, you can only elect to receive the interim dividend in the form of the scrip dividend alternative by means of the procedures set forth by your relevant intermediary to effect such an election. You should contact your intermediary to determine the procedures to receive your interim dividend in the form of new ordinary shares. No other form of election (including the accompanying Form of Election) will be permitted and if received such form of election will be rejected and returned to you. **An election for a scrip dividend standing instruction is not possible for shareholders who trade their shares on the TSX and who hold their ordinary shares through an intermediary.**

Notwithstanding the information set out above in Section 1 of these Notes, no cash balance will be carried forward for Canadian shareholders who hold their ordinary shares through an intermediary.

5. Details of the scrip dividend standing instruction

The following paragraphs only apply if you decide to give a standing instruction to receive any future dividend as new ordinary shares rather than in cash. An election for a scrip dividend standing instruction is not possible for shareholders who hold their ordinary shares, directly or indirectly, through CDS.

Your future entitlement to new ordinary shares will be calculated by taking the amount of cash dividend to which you are entitled (and any residual cash balance carried forward) in that particular period and dividing it by the scrip dividend reference price. The Company's articles of association provide that the scrip dividend reference price will be calculated by reference to the average of the middle market quotations for ordinary shares as derived from the Daily Official List of the London Stock Exchange on the day on which the ordinary shares are first quoted 'ex' the relevant dividend and the four subsequent dealing days. The scrip dividend reference price will be published on the Company's website.

No fractions of new ordinary shares will be allotted in future periods and any cash balance will be carried forward (without accruing any interest) and included in the calculation of the next scrip dividend alternative.

All new ordinary shares issued as part of a scrip dividend in future periods will automatically increase your shareholding on which the next entitlement to any future dividend will be calculated.

Dealings in new ordinary shares issued as part of any scrip dividend alternative are expected to begin on the relevant dividend payment date. In the unlikely event that the UK Listing Authority and/or the London Stock Exchange does not agree before the dividend payment date to admit the new ordinary shares to the Official List and to trading, any standing instruction you have made will be ignored and the dividend for that period will be paid in cash as soon as reasonably practicable.

You will receive a share certificate in respect of the new ordinary shares allotted to you. If you hold your ordinary shares in CREST or through an intermediary such as a bank, trust company or stockbroker, your CREST account or your account with your intermediary, respectively, will be credited electronically with the number of new ordinary shares allotted to you.

In respect of any period where a scrip dividend alternative is offered by the Company and the ordinary share price is equal to or less than 15 per cent below the relevant value on the last date on which the form of election in respect of the relevant scrip dividend election must be returned to Equiniti Limited or TMX

Equity Transfer Services Inc., as applicable, the scrip dividend alternative will be withdrawn and the relevant dividend will be paid in cash.

Any standing instruction given must be in respect of your entire holding of ordinary shares from time to time and cannot be in respect of only part of your holding.

Any new ordinary shares will have the same rights as the ordinary shares which are in issue at the time of the allotment of new ordinary shares.

Any standing instruction will continue to be effective until it is revoked by a shareholder. Details of how a standing instruction can be revoked are set out in paragraph 6 below.

Where a scrip dividend alternative is payable in any future period, the expected timetable of events in relation to that scrip dividend alternative will be published on the Company's website.

6. Revocation of scrip dividend standing instruction

A registered shareholder may revoke the standing instruction at any time by giving valid notice in writing to Equiniti Limited, if they are a UK shareholder, or to the Company's Canadian registrar, TMX Equity Transfer Services Inc., if their ordinary shares are traded through the TSX. To be valid, a notice to revoke a standing instruction must be received by Equiniti Limited or TMX Equity Transfer Services Inc., as applicable, no later than seven days before the last date on which the form of election in respect of the relevant scrip dividend election must be returned to Equiniti Limited or TMX Equity Transfer Services Inc., as applicable.

The cancellation of the standing instruction will take place immediately on receipt of a valid notice by Equiniti Limited or TMX Equity Transfer Services Inc., as applicable.

A standing instruction will be revoked immediately on notice of death, bankruptcy or insanity of a shareholder being received by the Company unless that shareholder was a joint shareholder and the joint shareholder is not similarly affected, in which case it will continue.

Completion of a scrip dividend standing instruction will not revoke any existing order pursuant to which a shareholder has instructed cash dividends be paid directly to such shareholder's bank. Such banking instructions will ordinarily take effect again automatically if the scrip dividend standing instruction is revoked.

7. Delivery and listing of the new shares

Application will be made to the UK Listing Authority and to the London Stock Exchange for admission of the new shares to the Official List and to trading, and the listing of the new shares on the TSX has been conditionally approved by the TSX. The new shares will on issue rank *pari passu* in all respects with the existing issued ordinary shares and will rank for all future dividends.

No acknowledgement of receipt of the Form of Election will be issued. Subject to the UK Listing Authority agreeing to admit the new shares to the Official List, the London Stock Exchange agreeing to admit them to trading and upon the satisfaction of the conditions set out in the TSX conditional approval letter, definitive share certificates for the new shares will be posted, at the risk of the persons entitled to them, on 3rd February 2015 (in the case of members holding their shares in certificated form) or credited to the relevant CREST accounts on 4th February 2015. If your shares trade through the TSX and you hold your ordinary shares through an intermediary, your account will be similarly credited electronically with the number of new ordinary shares allotted to you. Dealings in the new shares are expected to begin on 4th February 2015. In the unlikely event that any conditions have not been met by 11th February 2015, Forms of Election (and any existing standing instructions made by a shareholder) will be disregarded on this occasion and the full cash dividend will be paid to shareholders as soon as reasonably practicable.

8. Overseas shareholders

Shareholders who are residents, citizens or nationals of any jurisdiction outside the UK or Canada may be affected by the laws of the relevant jurisdictions. **No such shareholder receiving a copy of this document or a Form of Election may treat the same as offering a right to elect to receive new shares unless such offer could lawfully be made to such person without the Company being required to comply with any governmental or regulatory procedures or any similar formalities.** It is the responsibility of such shareholders to inform themselves about and observe any applicable legal requirements of the relevant jurisdiction(s), including the obtaining of any governmental or other required consents and compliance with other necessary formalities. It is also the responsibility of any person who receives new ordinary shares in

lieu of the interim dividend to comply with any restrictions on the resale of shares which may apply outside the UK.

9. General

If all eligible shareholders elected to receive shares as an alternative to the cash dividend in respect of their entire holding, then 4,719,937 shares would be issued representing an increase of approximately 4.05 per cent in the issued ordinary share capital of the Company. The Company holds no shares in treasury. If all shareholders wish to receive the interim dividend in cash, the cost to the Company would be £5,140,010.90 and there would be an aggregate tax credit of £571,112.32.

TAXATION

The Board of Directors have been advised that, under UK legislation, the taxation consequences for UK resident shareholders of electing to receive new shares instead of a cash dividend will broadly be as outlined below. UK resident shareholders who elect to receive shares will receive information relevant to their tax return with their new share certificate.

1. Individuals

Where individuals elect to take new shares instead of a cash dividend, they will be treated as having received gross payments of an amount which, when reduced by income tax at the rate of 10 per cent, is equal to the cash dividend foregone, the “cash equivalent”. In other words, if an individual received new shares worth £90 he will be treated as receiving gross income of £100 and as having paid tax of £10 on that grossed up amount.

Individuals who (after taking account of their receipt of new shares or dividend) have no exposure to higher rate or additional rate tax will have no further liability on the receipt of new shares.

Where individuals receive a dividend in cash or new shares, and their income tax liability is less than the tax credit attached to the dividend they are not entitled to make a repayment claim in respect of the amount by which the tax credit exceeds their tax liability.

Individuals taking new shares who are liable to higher rate income tax are subject to a tax rate of 32.5 per cent on the gross dividend income. They will be charged income tax on the basis that they have received gross dividend income calculated as shown in the first paragraph above. Thus, a higher rate tax payer’s overall tax liability in the above example would be £32.50 (£100 at 32.5 per cent) less the tax credit of £10 on the dividend, i.e. the additional tax payable would be £22.50.

Individuals taking new shares who are liable to additional rate income tax are subject to a tax rate of 37.5 per cent on the gross dividend income. They will be treated as receiving gross dividend income as shown in the first paragraph above. An additional rate tax payer’s overall tax liability in the above example will be £37.50 (£100 at 37.5 per cent) less the tax credit of £10 on the dividend, i.e. the additional tax payable would be £27.50.

In all these cases, if an election to take new shares is made, the net amount of income deemed to have been received (£90 in the above example) will be treated for capital gains tax purposes as being the consideration for the new shares.

See below in bold for the tax consequences of a cash equivalent less than the market value of the new shares.

2. Trustees

Trustees of discretionary trusts are liable to 37.5 per cent tax on the grossed up dividend income or 10 per cent if the total income of the trust is not more than £1,000 (i.e. no further tax liability). Trustees who elect to receive new shares will thus have the same grossing up procedure as outlined above for individuals liable to additional rate tax (subject to the 10 per cent rate for trusts with income not exceeding £1,000). For capital gains tax purposes, the amount treated as being the consideration given for the new shares will be the amount of the net dividend received.

See below in bold for the tax consequences of a cash equivalent less than the market value of the new shares.

3. UK resident corporate shareholders

For a corporate shareholder who is resident in the UK, new shares will not be treated as franked investment income for corporation tax purposes. Corporation tax will not be chargeable on the cash equivalent of the

new shares issued. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the new shares.

4. Gross funds

As the allotment of the new shares will not be treated as a qualifying distribution, no tax credit will attach to the new shares and no repayment claim can be made in respect thereof.

If the amount of cash dividend foregone is substantially less than the value of the new shares on the first day of dealings on the London Stock Exchange, HM Revenue & Customs may substitute that market value as the cash equivalent. A difference of 15 per cent or more would be regarded as substantial.

This summary of the taxation treatment is not exhaustive nor does it consider the position of any shareholder not resident in the UK. You should consult your own professional tax advisers in relation to the tax consequences of electing to receive new shares instead of a cash dividend as this will depend upon your individual circumstances. Shareholders who are in any doubt as to what action to take, or who are subject to tax in a jurisdiction other than the UK, should consult an independent professional adviser before deciding whether or not to make an election.