

# News Release

14 April 2021

## Anglo Pacific Group PLC Results for the year ended 31 December 2020

Anglo Pacific Group PLC ('Anglo Pacific', the 'Company' or the 'Group') (LSE: APF, TSX: APY) is pleased to announce its full year results for the year ended 31 December 2020, consistent with the trading update published on 8 February 2021. The Company has also published its audited 2020 Annual Report and Accounts, which are available on the Group's website at [www.anglopacifictgroup.com](http://www.anglopacifictgroup.com) and on SEDAR at [www.SEDAR.com](http://www.SEDAR.com). The following statement should be read in conjunction with the audited financial statements.

The results for 2020 reflect the business before the completion of the US\$205m Voisey's Bay cobalt stream acquisition, announced on 12 March 2021, the Group's largest and most significant transaction, setting Anglo Pacific on the road to become the leading growth royalty and streaming company, focused on 21<sup>st</sup> century commodities.

### 2020 Portfolio Highlights

	2020 £m	YoY %	2019 £m	2018 £m	2017 £m	2016 £m
Kestrel	18.1	(51)%	37.0	32.6	28.8	13.1
Maracás Menchen	0.5	(82)%	2.8	5.9	2.0	0.8
Narrabri	3.1	(23)%	4.0	3.5	4.9	4.3
Mantos Blancos	2.9	190%	1.0	-	-	-
Four Mile	0.4	33%	0.3	0.1	-	0.3
EVBC*	-	-	-	-	1.7	1.2
<b>Royalty income</b>	<b>25.0</b>	<b>(44)%</b>	<b>45.1</b>	<b>42.1</b>	<b>37.4</b>	<b>19.7</b>
Dividends - LIORC and Flowstream	7.2	(17)%	8.7	1.9	-	-
Interest - McClean Lake & Jogjakarta	1.8	(5)%	1.9	2.1	2.2	0.3
<b>Royalty related revenue</b>	<b>34.0</b>	<b>(39)%</b>	<b>55.7</b>	<b>46.1</b>	<b>39.6</b>	<b>20.0</b>
EVBC*	2.3	5%	2.2	2.0	-	-
Principal repayment - McClean Lake**	0.7	(63)%	1.6	1.3	3.0	-
<b>Total portfolio contribution</b>	<b>37.0</b>	<b>(38)%</b>	<b>59.5</b>	<b>49.4</b>	<b>42.6</b>	<b>20.0</b>

\* Following the application of IFRS 9, the royalties received from EVBC are reflected in the fair value movement of the underlying royalty rather than recorded as royalty income.

\*\* The McClean Lake principal repayment in 2017 included £1.8m relating to tolling receipts from H2 2016

### Financial Highlights

- Results reflect lower production levels from Kestrel compared to the record level produced in 2019. 2020 volumes were 11% lower at 5.8mt which are expected to be the level the operators are targeting in the near-term
- Coal prices were significantly impacted by the closure of Indian ports for a period in mid-2020 as a measure to contain the outbreak of COVID-19
- Royalty income reflects a US\$1.3m charge at Maracás Menchen due to monies owed to Glencore upon the termination of its offtake agreement
- £34.0m in royalty related revenue (2019: £55.7m)
- Total portfolio contribution of £37.0m (2019: £59.5m)
- Operating profit of £22.1m (2019: £44.8m)
- Loss after tax, which includes valuation and impairment charges, of £18.6m (2019: profit after tax £29.0m) which reflects a £44.2m valuation charge against Kestrel and impairments of £3.4m
- Basic loss per share of 10.31p (2019: earnings of 16.06p)
- Adjusted earnings<sup>1</sup> per share of 12.35p (2019: 20.41p)
- Net debt at the year-end of £24.3m (2019: £28.8m) benefitting from the £15.2m of LIORC disposals made in December 2020, at a profit of £1.9m, in preparation for the financing of the Voisey's Bay stream acquisition
- Kestrel represented 17% of the Group's royalty assets on the balance sheet (2019: 26%) expected to reduce further to 12% upon the acquisition of the Voisey's Bay cobalt stream in March 2021

### Operating Highlights

- Minimal operational disruption caused by COVID-19 during 2020 across our portfolio
- Kestrel operator reduced production from its record levels in 2019, with production expected to be maintained at these levels in 2021
- Record sales achieved at Maracás Menchen in Q4 2020 and further growth expected in 2021 following plant expansion and targeted biproduct sales
- Another strong performance from LIORC with total dividends for 2020 of C\$3.05 (2019: C\$4.00) despite planned capex investment at the underlying operation impacting the special dividend in 2020
- 10% decrease in operating expenses to £6.4m in 2020 despite increased costs associated with the Four Mile legal dispute. In relation to the latter, we are hopeful that there will be some tangible progress made to this case over the coming months

### Investment highlights

- US\$205m acquisition of the Voisey's Bay cobalt stream completed in March 2021, the Group's largest and most significant transaction, setting Anglo Pacific on the road to become the leading growth royalty and streaming company, focused on base and battery metals
- US\$20m financing agreement entered into with Inco Performance Minerals, financing conditional upon operational milestones being achieved - could be invested as early as Q4 2021
- US\$2m further investment into Brazilian Nickel as part of the investment by the US government into a wider financing to advance this significant development project
- Given the implied undervaluation of the business, a £5m share buyback program was undertaken and completed in November 2020 at an average price of £1.09 providing an immediate return to shareholders
- £4m of non-core asset disposals, mainly Berkeley Energia and Horizonte Minerals shares, to majority finance the share buyback
- £5.7m reinvested in LIORC in Q1 2020 which yielded 14% on investment throughout 2020, and £15.2m LIORC disposal in December 2020, generating a profit of £1.9m
- £47.4m further LIORC disposals in Q1 2021 as part of the Voisey's Bay financing, resulting in total disposals of £62.6m which generated an overall return on investment of 60%

### Dividend

- Recommended final dividend for 2020 of 3.75p, which will take the total dividend for 2020 to 9p per share (2019: 9p)
- Looking ahead, we will be developing our capital allocation policy to take into account the balance between attractive shareholder returns, balance sheet discipline and growth, which is essential for the long-term future of the business
- We will continue to pay interim quarterly dividends at the rate of 1.75p per quarter, with the final dividend for 2021 to be determined based on results for the year and growth opportunities executed or being progressed
- Payment of the final dividend will be made on 18 August 2021 to shareholders on the register on 9 July 2021 with the shares going ex-dividend on 8 July 2021

### Outlook

- The outlook for most commodities looks favourable for the near-term with increased government investment likely globally as a fiscal response to COVID-19
- The Voisey's Bay transaction is expected to significantly alter the Group's revenue profile composition in 2021
- The Group's exposure to base metals has increased to over 60% following the Voisey's Bay transaction, with the outlook for base and battery metals looking favourable for the year ahead
- Kestrel volumes are expected to remain at similar overall levels in 2021, although the gradual reduction of the percentage of production sourced from within the Group's private royalty land is expected to commence in H2 2021
- Maracás Menchen operator targeting increased activity in the year ahead with increased premium vanadium product sales being targeted and the sale of bi-products now underway
- The Group has an active pipeline and financial flexibility to continue to add to its high quality royalty and streaming portfolio

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

"Anglo Pacific is a very different business to what I reported on this time twelve months ago. We have, with the Voisey's Bay cobalt stream acquisition, fundamentally repositioned our portfolio towards materials vital in providing cleaner energy for the future whilst ensuring that the Group replaces its Kestrel revenue ahead of time. This is immediately evident on our balance sheet where these materials now account for over 60% of our royalty and streaming assets.

Operationally our portfolio has performed well during the year considering the challenges presented to the industry by COVID-19, demonstrating the quality of the investment projects. The reduction in our royalty revenue during 2020 to £34.0m however, highlighted how important it was to act decisively to reduce our dependence on one single asset and commodity. The coal markets, coking coal in particular, had a turbulent year caused in large part by the closure of Indian ports and the knock-on impact of an over supplied seaborne market. Although prices recovered somewhat in early 2021, prices for coking coal remain subdued whilst thermal coal has rallied thus far this year. Our clear ambition is to reduce our coal exposure over the coming years through the acquisition of additional royalties and streams focussed on greener materials.

Although we are delighted with the quality, size and sustainability profile of the Voisey's Bay acquisition, the job is not done. We are determined to build on the momentum of this transaction to increase our base and battery metals exposure further over the course of 2021 and are working on a number of opportunities.

The wider market for base metals and strategic minerals looks favourable. The globally co-ordinated, planned infrastructure investment, as a kick start to economies post COVID-19, looks set to benefit these commodities. The movement towards the electrification of automobiles appears to be gathering pace, with an increasing number of manufacturers committing to this path and setting ambitious timetables. We also saw the US government invest directly into our Brazilian Nickel project, which is a clear sign that western countries are looking to secure vital access to strategic minerals. In the meantime, it is clear that future supply will not meet the excess demand and it is likely we will see prices remain at elevated levels.

We look forward to the remainder of the year with cautious optimism and with prospects to add further growth to our business. We were delighted with the response to our recent equity raise and the support from our existing and new shareholders to the transaction was overwhelmingly positive. We remain committed to delivering value for all stakeholders in the years ahead.

Finally, I would once again like to thank our employees and directors for adjusting so well to life in a COVID-19 environment. We know that it has been challenging but the way in which our team has adapted to this and delivered the largest and most important acquisition in our history whilst working remotely has been a phenomenal achievement."

<sup>1</sup> Adjusted earnings/(loss) represents the Group's underlying operating performance from core activities. Adjusted earnings/(loss) is the profit/(loss) attributable to equity holders less all valuation movements, non-cash impairments and amortisation charges (which are non-cash IFRS adjustments that

arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

<sup>2</sup> Free cash flow is the net increase/(decrease) in cash and cash equivalents prior to core acquisitions, equity raising and changes in the level of borrowings.

### Analyst and Investor presentation

There will be an analyst and investor presentation via conference call and webcast at 9:30am (BST) on 14 April 2021. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Marc Bishop Lafleche (Chief Investment Officer).

Please join the event 5-10 minutes prior to scheduled start time. When prompted, provide the confirmation code or event title:

<b>Event</b>	Anglo Pacific - 2020 Results Presentation
<b>Conference Title</b>	
<b>Time Zone</b>	Dublin, Edinburgh, Lisbon, London
<b>Start</b>	09:30 Tuesday, 14 April 2021
<b>Time/Date</b>	
<b>Duration</b>	60 minutes
<b>Location</b>	<b>Phone Number</b>
Dial-in	+44 (0)330 336 9434
<b>Confirmation Code</b>	5193638
<b>Webcast Link</b>	<a href="https://webcasting.brrmedia.co.uk/broadcast/606497ae560bf10fcc505ea">https://webcasting.brrmedia.co.uk/broadcast/606497ae560bf10fcc505ea</a>

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### Notes to Editors

#### About Anglo Pacific

Anglo Pacific Group PLC is a global natural resources royalty and streaming company. The Company's strategy is to become a leading natural resources company through investing in high quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles. It is a continuing policy of the Company to pay a substantial portion of these royalties and streams to shareholders as dividends.

#### **Cautionary statement on forward-looking statements and related information**

Certain statements in this announcement, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Group's expectations and views of future events. Forward-looking statements (which include the phrase 'forward-looking information' within the meaning of Canadian securities legislation) 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'. 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 Group including the outlook for the markets and economies in which the Group operates, costs and timing of acquiring new royalties and making new investments, 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.

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 Group 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 stability of the global economy; the stability of local governments and legislative background; the relative stability of interest rates; the equity and debt markets continuing to provide access to capital; the continuing of ongoing operations of the properties underlying the Group's portfolio of royalties, streams and investments by the owners or operators of such properties in a manner consistent with past practice; no material adverse impact on the underlying operations of the Group's portfolio of royalties, streams and investments from a global pandemic; the accuracy of public statements and disclosures (including feasibility studies, estimates of reserve, resource, production, grades, mine life and cash cost) made by the owners or operators of such underlying properties; the accuracy of the information provided to the Group by the owners and operators of such underlying properties; no material adverse change in the price of the commodities produced from the properties underlying the Group's portfolio of royalties, streams and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any significant property in which the Group holds a royalty or other interest, including but not limited to unusual or unexpected geological formations and natural disasters; successful completion of new development projects; planned expansions or additional projects being within the timelines anticipated and at anticipated production levels; and maintenance of mining title.

A variety of material factors, many of which are beyond the Group's control, affect the operations, performance and results of the Group, its businesses and investments, and could cause actual results to differ materially from those suggested by any forward-looking information. Such risks and uncertainties include, but are not limited to current global financial conditions, royalty, stream and investment portfolio and

associated risk, adverse development risk, financial viability and operational effectiveness of owners and operators of the relevant properties underlying the Group's portfolio of royalties, streams and investments, royalties, streams and investments subject to other rights, and contractual terms not being honoured, together with those risks identified in the 'Principal Risks and Uncertainties' section of our most recent Annual Report, which is available on our website. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations.

Forward-looking statements are provided for the purposes of assisting readers in understanding the Group's financial position and results of operations as at and for the periods ended on certain dates, and of presenting information about management's current expectations and plans relating to the future. Readers are cautioned that such forward-looking statements may not be appropriate other than for purposes outlined in this announcement. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, that may be general or specific which could cause actual results to differ materially from those forecast, anticipated, estimated or intended in the forward-looking statements. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements made in this announcement relate only to events or information as of the date on which the statements are made and, except as specifically required by applicable laws, listing rules and other regulations, the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. No statement in this communication is intended to be, nor should it be construed as, a profit forecast or a profit estimate.

This announcement also contains forward-looking information contained and derived from publicly available information regarding properties and mining operations owned by third parties. This announcement contains information and statements relating to the Kestrel mine that are based on certain estimates and forecasts that have been provided to the Group by Kestrel Coal Pty Ltd ("KCPL"), the accuracy of which KCPL does not warrant and on which readers may not rely.

2020 was a most challenging year for Anglo Pacific and its staff. As I wrote this statement last year, the scale of the COVID-19 pandemic was unfolding, but it was still not clear the extent to which society, business and markets would be affected. The human cost has been severe and the disruption to people's welfare and health truly disturbing. As a company we prioritised the safety of our staff and ensured that they were able to continue working from any location under the best conditions possible. I am pleased to say that the whole team has managed its way through in admirable fashion and we are proud of their commitment, spirit, adaptability and achievements this year.

From a business perspective we saw a sharp downturn followed by a more stable pattern as the year progressed, combined with a remarkable recovery in markets fuelled by the extraordinary stimulus measures introduced around the globe.

In our sector we have seen mixed outcomes for different commodities, but the overall picture continues to be very positive as the supply and demand fundamentals remain strong. Current expectations of a recovery in worldwide economies will further underpin demand while certain factors, such as the drive for a cleaner world, provide extra impetus for commodities required for renewable power generation and electric vehicles in particular.

We also continue to seek to significantly reduce our exposure to coal related revenues as the world progresses towards a low carbon future. Climate change is a huge challenge for the world, and we have been looking for opportunities to increase our exposure and contribution to the reduction of carbon emissions and the creation of a cleaner environment. We have concentrated for a long time on the need to diversify and grow our portfolio, particularly to address the overdependence on Kestrel, which will see declines in volumes from 2023 onwards. This search has taken time as we apply rigid discipline in terms of financial, technical, legal, operational and ESG due diligence, which leads to a number of potential opportunities being discarded.

We are delighted, however, to have recently completed the acquisition of a stream over cobalt production at the Voisey's Bay mine in Canada. We believe that this transaction largely solves Anglo Pacific's two major strategic challenges: it addresses the medium-term declining income at Kestrel and significantly repositions the Company's portfolio away from coal. The acquisition of this new cornerstone asset will underpin our ability to deliver further growth and sustainable future returns for our shareholders, along with a focus on commodities that will flourish in the 21<sup>st</sup> century.

We took advantage of the recent strong rebound in the price of iron ore and sold a large portion of our holding in Labrador Iron Ore Royalty Corporation (LIORC) to finance the acquisition in part. This represented a timely realisation of an asset exposed to a commodity arguably at peak prices and reinvestment in cobalt as it is poised for considerable growth. The remainder of the financing was achieved by means of an oversubscribed equity placement which raised £46.5m (US\$66.0m) and support from a new syndicate of leading Canadian banks.

In order to complete the Voisey's Bay acquisition we have assumed a higher debt burden than in the recent past but are confident that we will be able to reduce our leverage significantly in the near term from operational cash flows and that we remain in strong financial health.

The new portfolio provides us with a more stable outlook and substantial growth potential. In terms of performance in the near term, most of the underlying operations are performing well and continue to experience limited disruption from the COVID-19 pandemic. We look forward with confidence to a successful 2021.

Building on the momentum generated by the Voisey's Bay acquisition, we continue to actively look for growth opportunities, particularly in materials supporting a cleaner world. Given the general enthusiasm in the sector and the risk of inflated pricing, we will need to continue to apply discipline to our acquisition process.

## **2020 Performance**

The Group's royalty portfolio generated a total contribution of £37.0m for the year ended 31 December 2020, which represents a 38% decrease when compared to the £59.5m generated in 2019. While the operations at the Group's producing royalties continued largely unaffected during the COVID-19 pandemic, except for EVBC and the McClean Lake mill, some underlying commodity prices have been severely affected on the back of demand slumping and port closures. The weakness in the commodity prices most notably impacted the royalties from Kestrel and Narrabri. Maracás Menchen was also affected by price weakness, and a one-off adjustment after the operator, Largo Resources, exited its offtake agreement with Glencore.

Our reported profit after tax has swung from a profit of £29.0m in 2019, to a loss of £18.6m, which includes a downward revaluation of Kestrel of £44.2m reflecting further depletion and the major reversal in coal prices. When valuation and other non-cash items are removed, our underlying adjusted earnings were £22.3m or 12.35p per share down from £36.8m or 20.41p in 2019.

This decline is naturally disappointing, although it would be fair to observe that our high levels of income in the last two years benefited from a number of unusual factors, mainly extraordinary prices for two of our key commodities and a strong rebound in volumes. The volumes achieved in 2020 look to be sustainable and our recent acquisition will see underlying volume growth. We will see how commodity prices develop, but our focus on 21<sup>st</sup> century materials should help us benefit from a better commodity mix.

We were pleased to welcome two new Canadian banks, RBC Capital Markets, and Canadian Imperial Bank of Commerce, to our lending group alongside Scotiabank, who provided us with a US\$180m facility to facilitate the acquisition of the

Voisey's Bay stream. We are delighted with their support and we look forward to a long-term relationship.

### **Returns to Shareholders**

We have recommended that the final dividend be 3.75p. Should this be approved at the 2021 AGM, the total dividends for 2020 would be 9p, in line with last year. Looking ahead, we will be developing our capital allocation policy to take into account the balance between attractive shareholder returns, balance sheet discipline and growth, which is essential for the long-term future of the business. We will continue to pay interim quarterly dividends at the rate of 1.75p per quarter, with the final dividend for 2021 to be determined based on results for the year and growth opportunities executed or being progressed.

In addition to the total dividends of 9p per share, we returned the cash generated from the sale of non-core mining and exploration interests directly to shareholders by way of a £5.0m share buyback between September and November 2020. The share buyback equates to an additional return to shareholders ~2p per share, resulting in total shareholder distributions for 2020 of 11p per share.

### **Strategy**

Last year the Company laid out its strategy to move towards lighter, greener materials, which encompass environmental benefits. Many of these materials form part of the new wave of technologies around electrification, including renewable energy. Examples include base metals linked to energy storage or power transition, specialist alloying materials like niobium, vanadium and aluminium and battery materials like lithium, cobalt and nickel. We are delighted to have executed on the Voisey's Bay transaction which fits this strategy very neatly.

Anglo Pacific is also highly focused on ESG matters. As we have previously announced, the Group will not make any additional investments in thermal coal and with the Kestrel depletion now accelerating we would expect our coal contribution to be minimal in five years' time. In addition, we continue to apply our disciplined approach to investing in assets with strong ESG credentials and are pleased to note that in the case of the Voisey's Bay acquisition, the underlying mine ranks amongst the lowest global emitters of CO<sub>2</sub> for nickel producers.

We will continue to focus on financing those commodities which will be essential in delivering the technology required to reduce dependence on fossil fuels and ultimately improve the planet.

### **CHAIRMAN'S STATEMENT**

#### **Board**

The composition of the Board was refreshed in late 2019 with the appointment of Graeme Dacomb and James Rutherford as non-executive directors, while the Group's Chief Financial Officer, Kevin Flynn, was appointed as an executive director with effect from 1 January 2020. In addition, the chairmanships of the Board's committees were rotated following the retirement of Mike Blyth after the 2020 AGM.

Succession planning for both the non-executive and executive directors is a critical and ongoing cycle of work. Following the 2019 renewal, we believe we have an invigorated and diverse Board with an excellent collection of varied skills and experience, which is key in determining the strategy for the Company and providing guidance and oversight to management. Vanessa Dennett has indicated that she would like to retire from the Board and it is therefore proposed that she not seek re-election at the forthcoming AGM. We will be sorry to lose Vanessa, as she has been a very active and constructive member of the Board. I would like to express my sincere thanks to Vanessa for her enormous contribution to the Company and wise advice over the years. We all wish her well.

We will undertake a search for a replacement for Vanessa bearing in mind our criteria for Director appointments, including diversity. Further, the composition of the Board will be kept under constant review and further changes will be made as tenures come to an end and as the business continues to evolve.

In light of the challenges brought about by the COVID-19 pandemic in 2020, great care was taken to ensure continuity in the Board's proceedings. A full schedule of meetings, including those of the Board's committees, was held as planned, albeit in a virtual environment. The external review of the Board's effectiveness also proceeded as planned.

#### **Outlook**

2020 threw several challenges at us but our focus has not changed. We remain committed to building on the significant progress we have made recently in creating a portfolio of royalties which will replace our Kestrel income as it declines in the next five years. We believe that we are on track to do so and the recent acquisition of the cobalt stream is a significant step forward.

We have confidence in the prospects for the business and expect the sector to enjoy meaningful growth over the next few years. With our strategy to be part of the climate change solution, we are confident that our own prospects are particularly positive.

Finally, I would like to thank the Board, the executive team, under the leadership of Julian Treger, and all staff for their hard work and dedication to the success of Anglo Pacific. We have a first-class management team in place capable of sourcing and delivering the growth we are targeting in the coming years.

Our employees' response to the recent extraordinary challenges has been exemplary and their loyalty and ability to adjust to working in these difficult times has been outstanding. The health and wellbeing of all our employees has been our top concern and we have worked hard to ensure that our working practices have been amended to eliminate unnecessary risks to staff.

#### **N.P.H. Meier**

Chairman  
13 April 2021

### **CHIEF EXECUTIVE OFFICER'S STATEMENT**

2020 was an unprecedented year with much of the world grappling with the pandemic. Looking back a year ago, having just announced record results at a time when COVID-19 was in its infancy, we were confident that we would weather the storm well. The completion of the largest acquisition in the history of our company 12 months later confirms our confidence was well placed.

I am extremely proud of our team and how quickly they adapted to the new normal of remote working, whose continued collaboration and tireless efforts to drive the business forward for our stakeholders culminated in the US\$205m purchase of the Voisey's Bay cobalt stream. This transaction transforms the complexion of our portfolio decisively towards battery materials and away from our coal heritage, and as a result pivots us to become the royalty and streaming company for 21<sup>st</sup> century materials.

In completing this acquisition, we have simultaneously addressed two of our major strategic challenges: replacing Kestrel's income, which begins declining in 2023; and significantly reducing our exposure to coal. We are also delivering

on our stated strategy to become a leading natural resources company through investing in high-quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles - the Voisey's Bay nickel-cobalt-copper mine is located in Canada, operated by Vale and ranks amongst the lowest global emitters of CO<sub>2</sub> for nickel producers.

The financing of this transaction by entering a new borrowing facility with three leading Canadian banks, issuing £46.5m in equity and monetising the majority of our holding in Labrador Iron Ore Royalty Corporation has enabled us to retain some US\$55m in liquidity to continue to grow and diversify our portfolio.

#### **Financial performance**

While the majority of the mines underlying our portfolio continued to operate uninterrupted by COVID-19, they were not immune to some effects from the global pandemic, notably weaker pricing and reduced production levels. The weakness in coal prices significantly reduced the royalties generated by Kestrel and Narrabri, resulting in portfolio contribution decreasing by 38% to £37m in 2020, and led to a 39% reduction in adjusted earnings per share to 12.35p. Despite these decreases, we increased the quarterly dividend payments to 1.75p per share and are proposing a final dividend of 3.75p per share to maintain total dividends of 9p per share in respect of 2020. We will continue to pay a quarterly dividend of 1.75p per share which provides shareholders with a base level of income of 7p.

2020 was a year of very different quarters in terms of commodity prices. Q1 2020 started well with coking coal prices remaining at elevated levels as China shut down domestic coal production and had to import more supplies. Q2 and Q3 saw this process reverse as the Chinese economy opened up while others like the Indian economy shut down. The resulting surplus in seaborne coal led to much lower prices in those months. Finally, Q4 showed a strong rebound as world economies started to recover and the prospects of vaccinations created optimism, and our copper and iron ore interests in particular began to perform well.

Fortunately, the recovery in commodity prices has continued into 2021 and if maintained, we would expect improved performances from our Narrabri, Mantos Blancos and Maracás Menchen royalties this year. In addition, we expect the newly acquired Voisey's Bay cobalt stream to make a significant contribution to our performance in 2021.

We are optimistic about the prospects for cobalt and expect this commodity to outperform consensus forecasts, as economies begin to emerge from COVID-19 restrictions as vaccination programmes are rolled out and governments deploy stimulus spending focused on infrastructure that supports a low carbon future.

#### **Portfolio highlights**

Kestrel, LIORC and Mantos Blancos were responsible for generating 83% of the Group's portfolio contribution in 2020 (2019: 84%), as summarised below.

##### ***Kestrel***

Kestrel was our largest royalty related asset by portfolio contribution, generating 53% of the Group's total portfolio contribution in 2020 (2019: 66%). Lower forward-looking coal prices and depletion in the current year have resulted in Kestrel's carrying value, net of tax, on the balance sheet reducing to £38.4m at year end (2019: £66.9m). Prior to completing the acquisition of the Voisey's Bay cobalt stream, Kestrel accounted for 17% of our portfolio's value. Following completion, Kestrel now accounts for just 12% of our portfolio's value and is expected to generate 33% of our total portfolio contribution in 2021, demonstrating how far we have shifted from our coal origins to become a different business.

##### ***Labrador Iron Ore Royalty Corporation***

Our holding in LIORC generated 21% of the Group's total portfolio contribution in 2020 (2019: 16%), making it the second largest royalty related asset by contribution. With the increase in iron ore prices throughout the second half of 2020, the LIORC share price increased by 32% from the start of the year resulting in a carrying value, net of tax, of £64.2m to make LIORC the Group's largest asset by value at year end.

We made a further investment of £5.7m in LIORC during the first quarter of 2020, representing the reinvestment of the dividends expected to be received in first half of 2020. Following the 32% increase in the underlying share price, as a result of iron ore trading at around double long-term forecasts and the funding requirements of the Voisey's Bay acquisition, we commenced the disposal of 75% of our holding in late 2020 which concluded in early 2021.

The partial disposal of our holding in LIORC not only enabled us to proceed with the acquisition of Voisey's Bay, but also generated significant value for our shareholders. We made our initial investment two years ago when iron ore prices were much lower, and we successfully rode the rise of high-quality iron, generating significant income on the way. We retain around a US\$30m position in LIORC, which is a potential source of liquidity for future transactions but also allows us to add to the holding should iron ore prices decline as is possible in the years ahead.

##### ***Mantos Blancos***

Our Mantos Blancos royalty benefited from a higher copper price towards the end of the year which has continued in 2021 thus far. Mantos made a full year contribution of £2.9m in 2020 and we expect this to increase in 2021 with the much higher copper price environment.

Despite some minor delays in 2020, the expansion project for the Mantos Blancos mine continues to progress and is expected to begin production later this year. This bodes well for increased production and royalty levels in 2022. There are further expansion opportunities that Mantos intends to slowly progress throughout the rest of the year which would also benefit our royalty.

With copper prices at US\$5,700/t at the time of acquiring the Mantos Blancos royalty, and currently trading at US\$8,785/t we entered copper at an opportune time for our shareholders, particularly as we expect copper to be one of the major beneficiaries of the global move to a low carbon future. We continue to seek more copper royalty and streaming exposure.

#### **Other portfolio events**

There were a number of other positive developments in the portfolio during 2020, which could be significant in years to come. Potentially the most exciting of these was the acquisition by Fortescue Metals Group of a stake of just under 20% in Candente which owns the vast undeveloped Canariaco copper deposit in Peru, over which we have a royalty. Fortescue is an US\$80bn business and thus the prospects for this project being financed and developed appear much improved.

Since joining Anglo Pacific, one of my primary objectives has been to dramatically reduce the dependence and importance of Kestrel to the Company, whilst recycling the cashflow it has generated into new investments or distributions to shareholders as dividends. The developments during 2020 and 2021 so far have decisively shifted the composition of our portfolio away from coal and steelmaking materials towards the more exciting area of battery metals which is well positioned for the 21<sup>st</sup> century.

This transformation has been remarkable, with the coal and steelmaking related assets in our portfolio pivoting from being 66% of its value at the beginning of 2020 to 31% following the Voisey's Bay acquisition, while our proportion devoted to twenty first century materials has risen from 20% to 60% - dominating the portfolio for the first time in our history.

## Acquisitions

We made two acquisitions in 2020, the first being the reinvestment of LIORC dividends referred to above ahead of the major transformational purchase of the Voisey's Bay stream earlier this year. The second was our US\$2m participation in an equity placing by Brazilian Nickel, the operator of the Piauí nickel project over which we hold a 1.3% NSR.

Our participation in the Brazilian Nickel placing was alongside Techmet, who were funded by the US government, a sign that governments are now beginning to invest in supply chains for key strategic minerals. The placing was negotiated when nickel prices were much lower and helps accelerate the development of the mine where we have the option to invest a further \$70m over time and which could, depending on nickel prices, start to generate over \$20m annually for us from the middle of the decade.

In addition to the two acquisitions, we entered into a financing arrangement led by Orion Mine Finance Partners, which affords the Company the opportunity to invest US\$20m into Incoa, a calcium carbonate project, at a point when it is in production and generating a certain level of revenue. This project is progressing well and we expect to fund this commitment in 2022 after the initial phase of the project is up and running.

## Share buyback

In addition to the total proposed dividends for 2020 of 9p, we returned a further 2p to shareholders in the form of a £5.0m share buyback programme between September and November 2020. The buyback was financed through the partial disposal of our holding in Berkeley Energia, whose share price had doubled at the time. Over the course of programme, we acquired an aggregate of 4,629,703 shares at a volume weighted average price of 108p per share. The shares acquired under the programme have been retained in treasury and provide the Group with additional liquidity to finance new transactions.

## Outlook

As the world slowly emerges from the pandemic and growth returns, we expect the Group's portfolio contribution to increase in 2021, supported by higher base metals prices and income from our recent Voisey's Bay acquisition. In relation to the latter, it is pleasing to note that the price of cobalt is already in excess of our investment assumption. The new world is much more focused on green and environmental issues and parts of the mining sector are now being considered essential to the development of a new cleaner world. Anglo Pacific with its 60 percent exposure to battery metals is thus well positioned to benefit from this trend.

Having retained significant financing flexibility to fund further acquisitions and having made a pivotal step in our progress to reduce our reliance on Kestrel and our coal heritage, we are approaching the remainder of this year with a degree of optimism.

## J.A. Treger

Chief Executive Officer  
13 April 2021

## FINANCIAL REVIEW

### Introduction and impact of Covid-19

2020 was a most uncertain year for many businesses including Anglo Pacific with COVID-19 presenting unique challenges. For Anglo Pacific, it was vital that COVID-19 did not halt the underlying mining activity from which we derive our income. This risk included not just the potential outbreak of COVID-19 at a mine site, but also stoppages throughout the entire supply chain, including transportation and manufacturing activity at end users.

It was reassuring that mining in countries such as Australia and Canada, where the Group derives the majority of its revenue, was categorised as a key economic activity and governments determined that lockdown and other restrictions should not apply to such operations provided they could be undertaken in a COVID-secure manner. As a result, there was limited disruption to the operations underlying the Group's producing assets during the period from COVID-19, and we believe this is testament to our strict focus on well-established mining jurisdictions where mining industries are prioritised and protected, given their key economic contributions.

Whilst the majority of our assets remained relatively unimpacted from an operational perspective, we did see two instances of temporary shutdowns: EVBC was placed on care and maintenance for a period of two weeks at the beginning of the pandemic; and the Cigar Lake uranium mine, which provides the throughput to the McClean Lake mill from which the Group derives a toll revenue, was placed on care and maintenance for a period of 6 months between April and September 2020, and again at the start of January 2021 and remains on care and maintenance at the date of this report. In total, these operations represented approximately 13% of the Group's 2020 portfolio contribution (2019: 10%).

Although COVID-19 has not created widespread operational disruption, its impact was more keenly felt through lower coal prices particularly in Q2 and Q3 of 2020. This occurred largely due to Indian port closures as the country imposed severe restrictions in an attempt to manage the pandemic. With disruption to this key market, tonnages were diverted onto an already imbalanced seaborne market which pushed prices down considerably. Consequently, the Group witnessed ~35% lower pricing from the Kestrel royalty (inclusive of the impact of a lower royalty ratchet) and ~25% lower pricing from Narrabri in 2020.

As a result, and as described in further detail in this section, total portfolio contribution decreased by 38% to £37.0m in 2020. This led to adjusted earnings of 12.39p for 2020, a 39% reduction on 20.41p in 2019.

The Group ended the year in a net debt position of £24.3m, but this largely reflected the sale of £15.2m of its previously 7.1% stake in LIORC as it prepared itself to finance the Voisey's Bay transaction which was completed in March 2021.

### Voisey's Bay acquisition and financing

The acquisition of the Voisey's Bay cobalt stream in March 2021 was a significant transaction in the history of Anglo Pacific, representing the Group's largest ever acquisition at a day one consideration of US\$205m. Our hitherto cornerstone asset, Kestrel, had a net value of £38.4m at the end of 2020, with the majority of this expected to be earned over the next three to four years. Replacing Kestrel has always been a critical strategic challenge both in terms of creating earnings stability over the longer-term and also to reduce the Group's coal exposure significantly. The Voisey's Bay transaction has achieved both objectives.

The transaction was financed through a combination of equity, asset sales and a new borrowing facility, designed to minimise the quantum of equity needed to be raised, and was undertaken in a manner to reflect the need to demonstrate financing certainty to the vendor.

### Equity raise

The equity raise saw the Company issue just under 20% of its shares by way of placing to institutional investors with retail participation through the PrimaryBid online platform - the latter to specifically recognise the feedback we received at AGMs over the years in relation to retail holders being unable to participate in new equity raises. We were pleased to see high demand through the placing, with strong support from our existing shareholders. The placing ultimately raised £46.5m (~US\$66.0m), representing a modest discount of 6% to the share price prior to the placing.

#### US\$80m part disposal of LIORC

The Group's 7.1% stake in LIORC was a well-timed investment, just before the iron ore price began its run to a 9-year high recently. Although this represented the part ownership of a royalty, one key feature of this investment was its liquidity compared to the Group's other assets, capable of being recycled into other investments at relatively short notice. As the Voisey's Bay transaction became more certain, the Group commenced a program to realise US\$80.0m from its holding in LIORC with the majority of sales being made after the year end in order to capture the Q4 20 dividend.

The part disposal of LIORC was an opportune time to decrease the Group's exposure to iron ore given that the Group had earned a ~60% return on the investment over a two-year period and the commodity was trading at a 9-year high with the longer-term price forecast significantly lower than the near-term forecast. The opportunity to recycle capital was very compelling given what appears to be an attractive entry point for cobalt. Since we disposed of our holding, iron ore prices have declined by around 10%.

At today's price levels, the Group retains around US\$30m (~£22m) exposure to LIORC. This represents part of our profit on the investment, which not only provides a healthy yield based on broker consensus dividend expectations, but also the flexibility to finance future acquisitions, as demonstrated through the Voisey's Bay transaction.

#### New borrowing facility

Given the transformative nature of the Voisey's Bay transaction, the Group decided to increase its borrowing ratios to make the acquisition. This required a new borrowing facility with new lenders to allow higher operational leverage in the business than the Group previously had, which was capped at 2x adjusted EBITDA. For this reason, the Group put together a new banking syndicate comprising Scotia, CIBC and RBC. These blue-chip Canadian banks are market leaders in financing the North American royalty and streaming sector and their familiarity with the market greatly assisted in putting together a facility appropriate for the structure of the business post-acquisition.

The key features of the facility include: US\$150m commitment (day one step down from US\$180m upon completion of the equity raise); step down to US\$125m after 18 months; operating leverage of up to 3.5x; dividend restrictions if leverage exceeds 2.5x for the Q1 2021 dividend and onwards (not expected to be triggered); security against the Group's assets; and the option to extend the three-year term by one year subject to lender consent.

The facility has a cost of LIBOR plus 2.75-4.5% depending on leverage ratios but we expect the cost to normalise at LIBOR plus 2.75-3.50%. The day one borrowings of US\$123.5m implied leverage of just over 3x at closing, with leverage declining to below 2.5x by the end of Q2 21 and reducing thereafter. We have US\$26.5m undrawn and available on the facility currently.

#### **2020 Results**

As mentioned at the outset, the impact COVID-19 had on the Group during 2020 was largely in the form of lower coal prices as India imposed import restrictions during Q2 2020 which led to a shutdown of a key export market for a period of time during the middle of 2020. This contributed to a 39% decrease in royalty related revenue to £34.0m.

2019 has come to represent somewhat of an outlier year for Anglo Pacific as this was the year when the operator of Kestrel increased production levels by 40%. This was also a year when prices were 51% higher than those realised in 2020. It appeared that this was going to represent a new normal production level for the operation, however, they have now slowed down their rates of production and we do not expect this level of production again. This should however result in a more gradual decline in revenue from Kestrel than previously expected.

The weaker outlook for coking coal, together with depletion through mining, resulted in a £44.2m reduction in the Kestrel valuation (2019: £9.2m) which contributed to an overall loss after tax of £18.6m (2019: profit of £29.0m), and a loss per share of 10.31p (2019: earnings of 16.06p).

Adjusting for non-cash valuation and impairment charges, the underlying performance of the business remained highly profitable, with adjusted earnings per share of 12.35p, a decrease of 39% on 2019 earnings of 20.41p, largely mirroring the 39% fall in royalty related revenue.

	2020		2019
	£'000	%	£'000
Royalty related revenue	34,009	(39%)	55,728
Receipts from royalty financial instruments	2,308	7%	2,166
Operating expenses - excluding share-based payments	(6,109)	2%	(6,018)
Finance costs	(2,324)	74%	(1,337)
Finance income	116	238%	34
Net foreign exchange gains/losses	881		-
Other (losses)/income	(521)	216%	(165)
Tax	(6,082)	(55%)	(13,560)
<b>Adjusted earnings</b>	<b>22,279</b>	<b>(39%)</b>	<b>36,848</b>
Weighted average number of shares ('000)	180,374		180,544
	<b>12.35p</b>	<b>(39%)</b>	<b>20.41p</b>

#### Royalty related revenue

Total royalty related revenue for the year was £34.0m, a decrease of 39% compared to the £55.7m earned in 2019. Combining the EVBC royalties of £2.3m (2019: £2.2m) and the £0.7m (2019: £1.6m) repayment of principal from McClean Lake which are not reflected in the income statement, with royalty related revenue results in the Group's portfolio contribution of £37.0m (2019: £59.5m).

Kestrel is still the biggest single contributor towards royalty related revenue at 53% in 2020, but this is a noticeable reduction on the 66% equivalent in 2019. We expect Kestrel's overall contribution to royalty related revenue to continue to decline as mining moves outside the Group's private royalty lands in the coming years, combined with the impact of new sources of royalty income such as the recent Voisey's Bay cobalt acquisition.

	2020	FY 2019
	£'000	£'000
Kestrel	18,141	37,015
Narrabri	3,052	4,008
Maracás Menchen	526	2,746
Mantos Blancos	2,851	1,022
Four Mile	454	273
<b>Royalty income</b>	<b>25,023</b>	<b>45,064</b>
Denison Interest	1,782	1,926
Labrador Iron Ore & Flowstream - Dividends	7,204	8,738
<b>Royalty related revenue</b>	<b>34,009</b>	<b>55,728</b>



The individual asset performance is discussed in greater detail in the business review section, but the following are some high-level observations explaining the variances in 2020:

Kestrel:	10% decrease in volumes as the rate of mining slowed, along with a 34% price reduction
Narrabri:	4% increase in volumes, 25% decrease in price
LIORC:	24% decrease in dividends due to planned capex impacting on special dividends despite record iron ore prices
Maracás Menchen:	7.5% decrease in sales, 65% reduction in vanadium price Income impacted by a US\$1.3m one-off adjustment upon the termination of the Glencore offtake agreement
Mantos:	Full year impact of royalty (income only commenced late in Q3 19) 3% increase in price compared to H2 19 but 10% increase when comparing pricing levels between H2 20 and H1 20 Volumes increased by 15% in Q4 20 compared to Q4 19
EVBC:	16% reduction in volumes, offset slightly by higher gold prices Record copper production in period also bolstered revenue
McClellan Lake:	6 month shut down during the year as a precaution due to COVID-19 Operations recommenced in September 2020 but were shut down again in January 2021
Four Mile:	We hope to see tangible progress on our legal dispute over the coming months

The outlook for 2021 is mixed in light of the ongoing presence of COVID-19. While the pricing for commodities such as copper, nickel and cobalt appears promising, coking coal on the other hand remains subdued, with spot prices currently below consensus estimates in the near term. Overall, the Group should generate considerable cash during 2021 through its existing portfolio and the addition of the Voisey's Bay cobalt stream.

#### Outgoings

Total operating expenses for the year were down 10%. Excluding non-cash share-based payment charges, overheads were broadly in line with 2019 at just over £6.1m. A reduction in staff costs during the year reflected lower bonus levels given the Group's performance. Increased costs associated with the Four Mile legal dispute were offset slightly by a reduction in aborted deal costs. Overall, the run rate of £6m was maintained, although costs for 2021 are expected to increase modestly as the Group will continue to invest in growth and will look to resource itself appropriately.

Finance costs for the year increased to £2.3m from £1.4m in 2019. This is largely the result of a higher level of borrowings on average over the course of the year along with the release of capitalised costs upon the amendment of the borrowing facility in January 2020.

The Group's tax cost decreased to £4.6m from £12.4m previously, reflecting the reduction in revenue from Kestrel in 2020, which attracts the highest level of corporate tax. The deferred tax credit is a non-cash item primarily reflecting the tax associated with the valuation movement at Kestrel.

The small impairment charge of £3.4m in the year reflects pushing out the anticipated start date of the Pilbara royalty (£2.7m) along with the full impairment of the Groundhog royalty (£0.7m). The revaluation of royalty instruments of £0.9m includes the EVBC receipts of £2.3m. Excluding this would show a fair value loss on the valuation of the EVBC royalty of £1.5m given that it is now one year closer to the end of its mine life.

Taking all of the above into account resulted in a loss after tax for the year of £18.6m (10.31p per share) compared to a profit of £29.0m (16.06p) in 2019. Excluding non-cash valuation and impairment charges (including depreciation, amortisation and share based payments), adjusted earnings were £22.3m (12.35p per share) compared to £36.8m (20.41p per share) in 2019.

#### **Dividends and Capital Allocation**

The Board is recommending a final dividend per share of 3.75p for 2020 which when added to the 5.25p already paid, will result in total dividends for 2020 of 9p per share matching that of 2019. This was 1.4x covered based on adjusted earnings (2019: 2.3x covered).

In addition to this, the Board undertook a modest £5.0m share buyback program during 2020, which equated to ~2p per share. As such, total distributions to shareholders in 2020 were 11p.

Following the acquisition of the Voisey's Bay stream in Q1 2021, and the associated financing package, the Board is proposing to implement a formal capital allocation policy. While this is still being developed in full, it is intended to include the following principles:

Balance Sheet strength	Need to ensure a reasonable level of de-leveraging over time post the Voisey's Bay transaction
Funding for further acquisitions	The Company needs to continue the diversification of its portfolio, capitalise on the momentum provided by Voisey's Bay and consolidate its position as a leading 21 <sup>st</sup> century minerals royalty and streaming company
Quarterly dividends	The policy remains unchanged for 2021 with a quarterly dividend of 1.75p
Other shareholder returns	This will depend on the outturn for the year along with how successful the company has been in adding further growth

#### **Balance Sheet**

Net assets decreased to £215.0m at the end of 2020 compared to £225.7m a year earlier. The main reason for the decrease was the additional year of depletion from Kestrel along with lower coking coal price inputs. The carrying value on the balance sheet (net of tax) of Kestrel fell from £66.9m in 2019 to £38.4m at the end of 2020.

#### **Net assets reconciliation £m:**

[http://www.rns-pdf.londonstockexchange.com/rns/3718V\\_1-2021-4-13.pdf](http://www.rns-pdf.londonstockexchange.com/rns/3718V_1-2021-4-13.pdf)

The increase in royalty financial instruments of £7.4m largely reflected the increase in the market price of LIORC, given the strength of the iron ore price in 2020. This would have been even larger but for the Group disposing of £15.2m of this position in the run up to year end for the purposes of financing Voisey's Bay.

The reduction in royalty intangibles reflects the amortisation charges in the period. These assets are carried at amortised cost, unlike Kestrel and LIORC, and due to their depleting nature will always show a decrease in the year.

The non-current receivables relate to the Group's loan to Denison Mines, which is repaid through the toll milling receipts from McClellan Lake mill. Trade receivables of £10.8m relate to royalty receivables at the end of the year and were received in full during Q1 21.

Net assets of £215m at the end of 2020 equated to 122p per share having taken account of the dividends paid and share buyback which total £22.0m, compared to 127p at the end of 2019.

#### **Cash and borrowings**

The Group generated free cash flow in 2020 of £20.4m before acquisitions and dividends. This compares to £47.7m from 2019, although this number is distorted due to the exceptional and non-recurring levels of production from Kestrel. 2020 includes £4.2m of non-core disposals of part of the Group's stake in Berkeley Energia and Horizonte Mineral.

#### Cash Flow Sources & Usage Chart:

[http://www.rns-pdf.londonstockexchange.com/rns/3718V\\_2-2021-4-13.pdf](http://www.rns-pdf.londonstockexchange.com/rns/3718V_2-2021-4-13.pdf)

Combining the dividends paid in 2020, together with the share buyback, total shareholder distributions were £21.7m for the year. Only £8.7m was invested during the year, which includes the Maracás deferred consideration of £1.2m. This dynamic has changed significantly thus far in 2021 with the US\$205m Voisey's Bay acquisition.

Ahead of financing the Voisey's Bay acquisition, the Group commenced the partial disposal of its LIORC investment and at the end of 2020 had realised £15.2m from this sale. These funds were held in restricted accounts under the Group's existing revolving credit facility and resulted in net debt of £24.3m at the end of 2020 compared to £28.8m at the end of 2019.

As the Group's borrowings increased to US\$123.5m on closing the Voisey's Bay acquisition, a priority for 2021 will be to reduce our levels of borrowing whilst seeking to add further assets to our growing portfolio. In addition to the US\$26.5m currently undrawn under the Group's new facility, we retain around US\$30m of liquidity through our residual stake in LIORC which can also finance further growth (subject to lender consent).

With the Voisey's Bay acquisition providing long-term earnings stability, some US\$55m of liquidity available to us and the support of a syndicate of leading Canadian banks in the royalty and streaming sector, the Group is in a good position to continue to add to its diversified portfolio and become a significant 21<sup>st</sup> century minerals royalty and streaming company.

**K. Flynn**  
Chief Financial Officer  
13 April 2021

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Royalty related revenue	34,009	55,728
Amortisation of royalties	(5,522)	(3,777)
Operating expenses	(6,402)	(7,132)
<b>Operating profit before impairments and revaluations</b>	<b>22,085</b>	<b>44,819</b>
Impairment of royalty intangible assets	(3,352)	(1,367)
Revaluation of royalty financial instruments	883	2,478
Revaluation of coal royalties (Kestrel)	(44,204)	(9,215)
Finance income	116	34
Finance costs	(2,324)	(1,337)
Net foreign exchange (losses)/gains	(381)	2,703
Other (losses)/income	(28)	(480)
<b>(Loss)/Profit before tax</b>	<b>(27,205)</b>	<b>37,635</b>
Current income tax charge	(4,643)	(12,414)
Deferred income tax credit	13,249	3,774
<b>(Loss)/Profit attributable to equity holders</b>	<b>(18,599)</b>	<b>28,995</b>
<b>Total and continuing (loss)/earnings per share</b>		
Basic (loss)/earnings per share	(10.31p)	16.06p
Diluted (loss)/earnings per share	(10.31p)	15.97p

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

2020	2019
£'000	£'000

<b>(Loss)/Profit attributable to equity holders</b>	<b>(18,599)</b>	<b>28,995</b>
<b>Items that will not be reclassified to profit or loss</b>		
Changes in the fair value of equity investments held at fair value through other comprehensive income		
Revaluation of royalty financial instruments	18,637	(123)
Revaluation of mining and exploration interests	6,851	923
Deferred taxes relating to items that will not be reclassified to profit or loss	(2,182)	(22)
	<b>23,306</b>	<b>778</b>
<b>Items that have been or may be subsequently reclassified to profit or loss</b>		
Net exchange loss on translation of foreign operations	5,396	(8,703)
	<b>5,396</b>	<b>(8,703)</b>
<b>Other comprehensive profit/(loss) for the year, net of tax</b>	<b>28,702</b>	<b>(7,925)</b>
<b>Total comprehensive profit for the year</b>	<b>10,103</b>	<b>21,070</b>

**CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET**  
AS AT 31 DECEMBER 2020

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	759	955
Coal royalties (Kestrel)	55,874	96,419
Royalty financial instruments	73,203	65,801
Royalty and exploration intangible assets	95,613	102,201
Mining and exploration interests	8,019	3,642
Deferred costs	1,514	682
Other receivables	17,010	17,919
Deferred tax	3,266	3,185
	<b>255,258</b>	<b>290,804</b>
<b>Current assets</b>		
Trade and other receivables	10,778	9,546
Derivative financial instruments	10	-
Cash and cash equivalents	20,156	7,597
	<b>30,944</b>	<b>17,143</b>
<b>Total assets</b>	<b>286,202</b>	<b>307,947</b>
<b>Non-current liabilities</b>		
Borrowings	44,518	36,401
Other payables	1,599	1,659
Deferred tax	20,127	30,172
	<b>66,244</b>	<b>68,232</b>
<b>Current liabilities</b>		
Income tax liabilities	2,867	9,821
Derivative financial instruments	-	480
Trade and other payables	2,085	3,700
	<b>4,952</b>	<b>14,001</b>
<b>Total liabilities</b>	<b>71,196</b>	<b>82,233</b>
<b>Net assets</b>	<b>215,006</b>	<b>225,714</b>
<b>Capital and reserves attributable to shareholders</b>		
Share capital	3,542	3,629
Share premium	63,137	62,779
Other reserves	65,553	40,352
Retained earnings	82,774	118,954
<b>Total equity</b>	<b>215,006</b>	<b>225,714</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2020

Other reserves

	Share capital	Share premium	Merger reserve	Warrant reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Treasury Shares	Investment in own shares	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	3,629	62,779	29,134	143	(198)	4,159	16,016	632	-	(2,601)	104,415	218,108
Profit for the year	-	-	-	-	-	-	-	-	-	-	28,995	28,995
Other comprehensive income:												
Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity	-	-	-	-	800	-	-	-	-	-	-	800
Deferred tax	-	-	-	-	(22)	-	-	-	-	-	-	(22)
Foreign currency translation	-	-	-	-	-	-	(8,703)	-	-	-	-	(8,703)
<b>Total comprehensive profit</b>	-	-	-	-	<b>778</b>	-	<b>(8,703)</b>	-	-	-	<b>28,995</b>	<b>21,070</b>
Transferred to retained earnings on disposal	-	-	-	-	12	-	-	-	-	-	(12)	-
Dividends	-	-	-	-	-	-	-	-	-	-	(14,444)	(14,444)
Value of employee services	-	-	-	-	-	980	-	-	-	-	-	980
<b>Total transactions with owners of the company</b>	-	-	-	-	<b>12</b>	<b>980</b>	-	-	-	-	<b>(14,456)</b>	<b>(13,464)</b>
<b>Balance at 31 December 2019</b>	<b>3,629</b>	<b>62,779</b>	<b>29,134</b>	<b>143</b>	<b>592</b>	<b>5,139</b>	<b>7,313</b>	<b>632</b>	-	<b>(2,601)</b>	<b>118,954</b>	<b>225,714</b>
Balance at 1 January 2020	3,629	62,779	29,134	143	592	5,139	7,313	632	-	(2,601)	118,954	225,714
Loss for the year	-	-	-	-	-	-	-	-	-	-	(18,599)	(18,599)
Other comprehensive income:												
Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity	-	-	-	-	25,488	-	-	-	-	-	-	25,488
Deferred tax	-	-	-	-	(2,182)	-	-	-	-	-	-	(2,182)
Foreign currency translation	-	-	-	-	-	-	5,396	-	-	-	-	5,396
<b>Total comprehensive profit</b>	-	-	-	-	<b>23,306</b>	-	<b>5,396</b>	-	-	-	<b>(18,599)</b>	<b>10,103</b>
Transferred to retained earnings on disposal	-	-	-	-	(4,998)	-	-	-	-	-	4,998	-
Dividends	-	-	-	-	-	-	-	-	-	-	(16,707)	(16,707)
Issue of ordinary shares	6	358	-	-	-	-	-	-	-	-	-	364
Shares held in treasury	(93)	-	-	-	-	-	-	-	93	-	(4,999)	(4,999)
Value of employee services	-	-	-	-	-	(31)	-	-	-	1,435	(873)	531
<b>Total transactions with owners of the company</b>	<b>(87)</b>	<b>358</b>	-	-	<b>(4,998)</b>	<b>(31)</b>	-	-	<b>93</b>	<b>1,435</b>	<b>(17,581)</b>	<b>(20,811)</b>
<b>Balance at 31 December 2020</b>	<b>3,542</b>	<b>63,137</b>	<b>29,134</b>	<b>143</b>	<b>18,900</b>	<b>5,108</b>	<b>12,709</b>	<b>632</b>	<b>93</b>	<b>(1,166)</b>	<b>82,774</b>	<b>215,006</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group	
	2020	2019
	£'000	£'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(27,205)	37,635
<i>Adjustments for:</i>		
Finance income	(116)	(34)
Finance costs	2,324	1,337
Net foreign exchange losses/(gains)	381	(2,703)
Other losses/(income)	28	480
Impairment of royalty and exploration intangible assets	3,352	1,367
Revaluation of royalty financial instruments	(883)	(2,478)
Royalties due or received from royalty financial instruments	2,308	2,166
Revaluation of coal royalties (Kestrel)	44,204	9,215
Depreciation of property, plant and equipment	204	224
Amortisation of royalty intangible assets	5,522	3,777
Amortisation of deferred acquisition costs	13	13
Share based payment	293	1,114
<b>Operating cash flows before movement in working capital</b>	<b>30,425</b>	<b>52,113</b>
(Increase)/Decrease in trade and other receivables	(1,444)	2,106
(Decrease)/Increase in trade and other payables	(478)	718
Cash generated from operations	28,503	54,937
Income taxes paid	(10,996)	(7,851)
<b>Net cash generated from operating activities</b>	<b>17,507</b>	<b>47,086</b>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of mining and exploration interests	4,212	321
Purchase of mining and exploration interests	(1,759)	-
Purchase of property, plant and equipment	(8)	(9)
Purchase of royalty and exploration intangibles	(1,216)	(42,284)
Purchases of royalty financial instruments	(5,679)	(20,287)
Proceed on disposal of royalty financial instruments	15,170	-
Repayments under commodity related financing agreements	688	1,577
Prepaid acquisition costs	(847)	-
Finance income	116	34

<b>Net cash generated from/(used in) investing activities</b>	<b>10,677</b>	<b>(60,648)</b>
<b>Cash flows from financing activities</b>		
Drawdown of revolving credit facility	18,300	44,951
Repayment of revolving credit facility	(9,160)	(14,225)
Proceeds from issue of share capital	364	-
Share buyback payments	(4,999)	-
Dividends paid	(16,707)	(14,444)
Lease payments	(196)	(199)
Finance costs	(1,900)	(1,074)
<b>Net cash (used in)/from financing activities</b>	<b>(14,298)</b>	<b>15,009</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,886</b>	<b>1,447</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,597</b>	<b>5,223</b>
Effect of foreign exchange rates	(1,327)	927
<b>Cash and cash equivalents at end of period</b>	<b>20,156</b>	<b>7,597</b>

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