

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

For immediate release

12 July 2022

US\$185 million copper and nickel royalty portfolio acquisition from South32

Reinforces position as the leading global royalty and streaming company focused on future-facing commodities

Anglo Pacific Group PLC ("Anglo Pacific", the "Company", the "Group") (LSE: APF, TSX: APY) has agreed to acquire a high-quality portfolio of royalties over advanced development stage copper and nickel projects from South32 Royalty Investments Pty Ltd ("South32") for a fixed consideration of US\$185 million with further contingent consideration of up to US\$15 million.

The transaction further reinforces Anglo Pacific's position as the leading royalty and streaming company focused on future-facing commodities that are critical to achieving the energy transition required to support a more sustainable world. The acquisition of this portfolio provides compelling growth and complements the Group's substantial weighting to income producing assets.

The initial consideration comprises a US\$47.6 million cash payment along with an US\$82.4 million share issuance on completion to South32, which will become a 16.9% shareholder in the enlarged business. In addition, the Company will make six quarterly cash payments totalling US\$55 million, to be paid in equal instalments over the next 18 months. These will be largely self-financed by cash flow generated from the Group's current asset portfolio.

The Group has agreed with its lending syndicate to maintain the facility at US\$150 million without the previously scheduled US\$25 million facility step down which was due in August 2022. The Group has also agreed a US\$50 million accordion feature for future acquisitions.

Transaction Highlights:

- **Reinforces Anglo Pacific as the leading future-facing commodities royalty and streaming company:** Almost 100% exposure to copper, nickel, cobalt, and other future-facing commodities following the run-off of the Group's metallurgical coal exposure, anticipated in 2026.
- **World-class assets and operators:** West Musgrave project in Western Australia, owned by OZ Minerals Limited ("OZ Minerals"), and the Santo Domingo project in Chile, owned by Capstone Copper Corp. ("Capstone Copper"), enhance the Company's exposure to long-life, low-cost assets located in well-established mining jurisdictions, operated by well-regarded and well-capitalised counterparties. This is the Group's second source of royalty exposure to a Capstone Copper asset, building on the strong existing partnership.
- **Compelling growth profile:** Repositions the portfolio and, in conjunction with the Piauí and Incoa projects, provides a platform for high-quality, sustainable cash flow growth with line of sight on a total portfolio contribution of over US\$100 million per annum. The transaction is expected to be highly accretive over the medium-term.
- **Strong underlying fundamentals:** Long-term copper and nickel supply and demand dynamics are strong, with significant copper and nickel demand growth expected to be required to achieve global net zero commitments.
- **Enhanced sustainability profile:** Satisfies robust sustainability investment criteria. Capstone Copper and OZ Minerals are well-regarded operators with a strong sustainability

focus, environmental track record, an emphasis on creating shared value with local communities, and established governance frameworks.

- **Balance sheet strength:** Combination of US\$82.4 million shares consideration and US\$55 million of committed deferred cash payments to be part funded by Kestrel royalty income preserving the Company's strong balance sheet and ability to fund further growth.

The royalty portfolio acquired includes:

- A 2.0% net smelter return ("NSR") royalty on the West Musgrave copper and nickel project in Australia. Average annual production is expected to be 26,000 tonnes of nickel and 32,000 tonnes of copper with first production targeted as early as 2024. Portfolio contribution at steady state production is expected to be US\$10-15 million (based on long-term consensus pricing).
- A 2.0% NSR royalty on the Santo Domingo, fully permitted, copper project in Chile. Average annual life of mine production is expected to be approximately 140 million pounds of copper, 4.2 million tonnes of 65% pellet feed iron ore concentrate and 10.4 million pounds of cobalt. The Company's royalty area covers the highest copper grade portion of the mine plan which is expected to be mined during the initial 6 to 7 years of production. Capstone Copper is currently guiding to initial production between 2024 and 2026. Portfolio contribution at steady state production is expected to be US\$20-35 million (based on long-term consensus pricing).
- A 1.5% realised value royalty on the Nifty copper mine in Western Australia, owned by Cyprium Metals Limited ("Cyprium"). This is a restart of an existing mine and production is targeted to recommence in H2 2023. Portfolio contribution at steady state production is expected to be US\$1-3 million (based on long-term consensus pricing).
- A 5.0% NSR royalty on the producing Carlota copper mine in Arizona, owned by KGHM Polska Miedz S.A. ("KGHM"). Production in 2021 was 5.5 kt of copper cathode and final production is expected in 2024.

Marc Bishop Lafleche, Chief Executive Officer of Anglo Pacific, commented:

"Anglo Pacific is now firmly positioned as the leading, future-facing commodities royalty and streaming company with copper, nickel and cobalt at the core of its commodity exposure. The decarbonisation of the global economy will be very metal intensive, with sizable copper and nickel supply deficits expected to emerge over the next decade. We believe this is an attractive copper and nickel entry point with substantial commodity price upside potential, all the while meeting our disciplined approach to acquisitions and robust sustainability criteria."

"This transaction transforms the Group's medium-term income growth profile. The US\$55 million deferred consideration to be paid over the next 18 months will allow the Group to recycle record levels of metallurgical coal cash flows to fund the acquisition. The modifications we have made to our borrowing facility, along with the deferred structure of the consideration, ensures the Group remains well capitalised for further acquisitions."

"South32 will hold an approximate 16.9% stake in Anglo Pacific post transaction completion, demonstrating conviction in the outlook for our existing business, the acquired royalty portfolio, and our proven ability to deliver shareholder value. We are delighted to welcome South32 as a shareholder."

Graham Kerr, Chief Executive Officer of South32, commented:

"The sale of these royalties unlocks further value from South32's portfolio. The transaction will realise upfront and future cash payments for South32 while retaining our exposure to these base metals royalties through a shareholding in Anglo Pacific. We look forward to continuing our relationship with Anglo Pacific."

Analyst and Investor Presentation

There will be an analyst and investor acquisition presentation webcast at 9am (BST) on 12 July 2022. The presentation will be hosted by Marc Bishop Lafleche (CEO) and Kevin Flynn (CFO).

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

Event Conference Title	Anglo Pacific - US\$185 million copper and nickel royalty portfolio acquisition
Time Zone Start Time/Date	Dublin, Edinburgh, Lisbon, London 9am Tuesday 12 July 2022

Duration 60 minutes
Webcast Link <https://stream.brrmedia.co.uk/broadcast/62c7eb61d161177b45789ef3>

Transaction Structure

The transaction includes a fixed consideration of US\$185 million which will be settled as follows:

- US\$47.6 million in cash payable on completion of the transaction.
- US\$82.4 million to be satisfied through the Company issuing 43,622,091 new ordinary shares (the "Consideration Shares") at 154p per share (calculated based on 30-day volume weighted average price), to South32 on closing of the transaction. The Consideration Shares will represent approximately 16.9% of the enlarged, issued share capital of the Company.
- Deferred cash consideration totalling US\$55 million to be paid in six equal quarterly instalments with the first instalment due in October 2022 and the final instalment due in January 2024. This will enable the continued recycling of Kestrel cash flows into new, future-facing commodities.

The transaction also includes contingent consideration of up to US\$15 million, which may be payable subject to future nickel prices and minimum production levels at West Musgrave post commencement of production.

South32 has entered into a relationship agreement with the Company which, conditional on admission of the Consideration Shares, will grant South32 the right to appoint a director to the Board of the Company. The relationship agreement (including the appointment right) will terminate if South32 shareholding falls below 10% of the Group's issued share capital. South32 will be subject to lock-in arrangements pursuant to which they have agreed not to dispose of any interests in any of the Consideration Shares for a nine-month period following admission (subject to customary exceptions). It is the Company's understanding that South32 intends to be a supportive, long-term shareholder.

The Acquisition is expected to close in the second half of July 2022.

Canadian Imperial Bank of Commerce, London Branch ("CIBC") acted as financial advisor to the Company on the transaction.

Overview of Key Assets

West Musgrave

The West Musgrave project is located in the Musgrave Province of Western Australia and owned by OZ Minerals. It is envisaged to be an open-pit copper and nickel mine and comprises the Nebo-Babel nickel-copper sulphide and Succoth copper deposits. Average annual production is expected to be approximately 32,000 tonnes of copper and 26,000 tonnes of nickel.

Total reserves are estimated at 253 Mt at 0.32% nickel and 0.35% copper with an expected mine life of over 26 years. OZ Minerals is targeting a final investment decision before the end of 2022 and expects a two-to-three-year construction period prior to first production.

West Musgrave Ore Reserve Estimate with an effective date of December 2020¹

Deposit	Classification	Ore (Mt)	Ni (%)	Cu (%)	Au (ppm)	Ag (ppm)	Co (ppm)	Pd (ppm)	Pt (ppm)	Ni metal	Cu metal
Babel	Probable	33	0.41	0.36	0.04	0.8	150	0.10	0.10	140	120
Nebo	Probable	220	0.31	0.35	0.06	1	120	0.10	0.10	680	770
Total	Probable	253	0.32	0.35	0.06	1	120	0.10	0.10	820	890

¹ The West Musgrave Project Reserves are taken from the OZ Minerals, 2020 Mineral Resource and Ore Reserve Statement and Explanatory Notes and are reported in accordance with the guidelines defined in the JORC code (2012). Information as to the assumptions, parameters, methods and risks can be located at [WMP_MROR \(ozminerals.com\)](http://www.ozminerals.com/WMP_MROR).

The project has strong sustainability credentials and is expected to be 80% powered by renewable sources of energy, with plans to take it to 100% which will make it one of the largest fully off-grid renewable powered mines in the world. Water requirements at the site can be met from a local aquifer system and a bore field. The operation is envisioned to be a highly scalable, low-cost and low-emission mine.

The West Musgrave Province is a well-endowed mineral province that has seen relatively little exploration in the last 30 years. The West Musgrave deposits belong to a complex mineral terrain which contains numerous mineral occurrences identified by previous explorers. In addition to hosting the Nebo, Babel and Succoth deposits, the West Musgrave project includes several prospects that have returned nickel and copper intersections and additional indications of mineralization.

The Succoth copper deposit was not factored into the OZ Minerals PFS update but adds extension or expansion potential to the West Musgrave project. Further upside potential is

provided through a study OZ Minerals is progressing for the possible construction of a downstream nickel processing plant that would produce mixed hydroxide precipitate, an intermediate nickel product also containing cobalt.

The project site plan is for a mineral processing plant with a nameplate capacity of 12 Mtpa. The ore from the deposits will be processed by a grinding circuit comprising two stages of crushing. The plant will use a bulk flotation circuit designed to produce separate copper and [nickel](#) concentrates. The circuit will feature bulk rougher flotation, regrinding, a two-stage bulk cleaning process, followed by copper and nickel separation.

The nickel concentrate obtained from the processing plant will have a low magnesium oxide content and low levels of impurities while the copper concentrate will be accompanied by minor by-products of gold and silver. The concentrate will undergo thickening, filtration, and storage processes. Tailings will be sent to a hybrid, two-stage tailings storage facility ("TSF"). The facility will have an under-drainage that can capture seepage for returning back to the process.

Santo Domingo

The Santo Domingo project is expected to be an open-pit copper mine with some associated iron and gold production. It is owned by Capstone Copper and located in the Atacama region of Northern Chile, a well-established mining region, 35 km northeast of Capstone Copper's Mantoverde mine.

Average annual production is expected to be approximately 140 million pounds of copper, 4,200 tonnes of 65% pellet feed iron ore concentrate and 10.4 million pounds of cobalt. The project is fully permitted and construction ready. Total reserves are estimated to be 392 Mt of copper at 0.30% with an expected mine life of over 18 years. Copper and iron production is expected to commence as early as 2024 with cobalt production due to start two years following start up. The Company's royalty area covers the highest copper grade portion of the mine plan expected to be mined during the initial 6 to 7 years of production, with further production from year 14.

Capstone Copper has also identified a meaningful cobalt opportunity that has the potential to turn Santo Domingo into one of the world's largest and lowest cost cobalt producers. Cobalt production over the life-of-mine is forecast to total 10.4 million pounds per annum, the credits of which reduce the total mine's C1 cash costs per pound of payable copper to (\$1.56) on a by-product basis. Pre-feasibility studies are currently ongoing and should be completed by the end of 2022.

Santo Domingo Mineral Reserves Statement with an effective date of 14 November 2018²

Reserve Category	Stage	Tonnage (Mt)	Ore Grade			Contained Metal		
			Cu (%)	Au (g/t)	Fe (%)	Au (koz)	Cu (Mlbs)	Magnetite Conc. (Mt)
Proven Mineral Reserves	Santo Domingo	65.4	0.61	0.08	30.9	169.9	878.5	8.2
	Iris Norte	-	-	-	-	-	-	-
Total Proven Mineral Reserves		65.4	0.61	0.08	30.9	169.9	878.5	8.2
Probable Mineral Reserves	Santo Domingo	252.1	0.27	0.04	27.8	300.8	1,486.1	48.2
	Iris Norte	74.8	0.13	0.01	26.9	36.0	208.1	18.7
Total Probable Mineral Reserves		326.9	0.24	0.03	27.6	336.8	1,694.2	66.9
Total Mineral Reserves (Proven and Probable)	Santo Domingo	317.5	0.34	0.05	28.5	470.7	2,364.6	56.4
	Iris Norte	74.8	0.13	0.01	26.9	36.0	208.1	18.7
Total Mineral Reserves (Proven and Probable)		392.3	0.30	0.04	28.2	506.7	2,572.7	75.1

² The Santo Domingo Project Reserves are taken from the Capstone Copper Santo Domingo Project Technical Report, 19 February 2020 and are reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves (May 2014). Information as to the assumptions, parameters, methods and risks can be located at [Microsoft Word - Santo Domingo TR Final 24March2020 \(q4cdn.com\)](#).

Following the merger of Capstone Mining and Mantos Copper, Capstone Copper is completing a Mantoverde and Santo Domingo project synergy study which will consider infrastructure sharing; transportation synergies; potential enabling of product lines; potential integrated operating approach; and construction synergies. The full synergies study and integration plan is expected to be issued in 2H 2022. The project as proposed will use desalinated water from the port and will not require an application for water rights.

Nifty is an open-pit copper mine located in the north-eastern Pilbara region of Western Australia that is owned by Cyprrium. Over 700 kt of copper has been produced to date from the overall site and existing infrastructure includes a 2.8 Mtpa sulphide concentrator, a 25 ktpa solvent extraction and electrowinning ("SXEW") facility, and a 21 MW gas turbine power station.

Cyprrium released the results of a restart study in March 2022 highlighting an oxide leach operation with average annual production of 25 kt of copper cathode with a mine life of more than six years. The restart study is focused around the first phase of heap leach retreat and oxide open-pit, and it is envisaged that the mine will progress to processing a considerably larger sulphide resource which has the potential to extend life of mine to over twenty years. A resource update was released in May 2022. The royalty is payable once 800 kt of copper has been delivered (715 kt delivered to date).

Carlota

Carlota is a copper mine located 80 km east of Phoenix, Arizona and is 100% owned by KGHM. The mine commenced production in 2008 as an SXEW operation with first cathode production in Q4 of the same year. Mining operations ceased in the Carlota-Cactus pit in 2014 with residual copper production continuing via subsurface leaching injection wells into the heap leach pad, which was added in 2015. 2021 production at the Carlota mine was 5.5 kt of copper cathode and final production from Carlota is expected in 2024.

The person responsible for arranging this announcement on behalf of Anglo Pacific Group PLC is Jason Gray, Company Secretary.

Technical and Third-Party Information

As a royalty and streaming Company, the Group often has limited, if any, access to non-public scientific and technical information in respect of the properties underlying its portfolio of royalties, or such information is subject to confidentiality provisions. As such, in preparing this announcement, the Group has largely relied upon the public disclosures of the owners and operators of the properties underlying its portfolio of royalties investments, as available at the date of this announcement. Accordingly, no representation or warranty, express or implied, is made and no reliance should be placed, on the fairness, accuracy, correctness, completeness or reliability of that data, and such data involves risks and uncertainties and is subject to change based on various factors.

Capstone, the owner of the Santo Domingo project, is listed on the Toronto Stock Exchange and reports in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and the NI 43-101 standards.

OZ Minerals, the owner of the West Musgrave, is listed on the Australian Securities Exchange and reports in accordance with the JORC Code.

For further information, please contact:

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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) 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. 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 include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'plans', 'believes', 'estimates', 'seeks', 'intends', 'targets', 'projects', 'forecasts', or negative versions thereof and other similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. Forward-looking statements are based upon certain material factors that were applied in drawing a conclusion or making a forecast or projection, including assumptions and analyses made by the 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.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, which could cause actual results to differ materially from those anticipated, estimated or intended in the forward-looking statements. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. No statement in this communication is intended to be, nor should it be construed as, a profit forecast or a profit estimate.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate; that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the 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. Readers are cautioned that the list of factors noted in the section herein entitled 'Risk' is not exhaustive of the factors that may affect the Group's forward-looking statements. Readers are also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

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.

The Group's management relies upon this forward-looking information in its estimates, projections, plans and analysis. Although the forward-looking statements contained in this announcement are based upon what the Group believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements made in this 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.

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