

News Release

25 August 2022

Anglo Pacific Group PLC Half year results for the six months ended 30 June 2022

Anglo Pacific Group PLC ("Anglo Pacific", the "Company", the "Group") (LSE: APF) (TSX: APY) announces half year results for the six months ended 30 June 2022 which are available on both the Group's website at www.anglopacifictgroup.com and on SEDAR at www.SEDAR.com.

Highlights:

- Record portfolio contribution in H1 2022 of \$92.8m, 303% higher than H1 2021 (\$23.0m) and 8.4% higher than the whole of FY 2021 (\$85.6m)
- Adjusted earnings per share of 28.08c per share reflecting strong commodity prices and portfolio contribution
- Net debt as at 30 June 2022 reduced to \$20.5m (31 December 2021: \$90.0m). Net debt increased to \$49.8m at the end of July 2022 following the acquisition of a portfolio of advanced development stage copper and nickel royalties from South32
- Queensland Government added new tiers to the statutory royalty regime, significantly increasing royalty revenue from the Group's Kestrel royalty entitlement at prices above A\$175/tonne from 1 July 2022
- Brazilian Nickel announced first nickel production from the small scale PNP1000 plant at the Piauí nickel and cobalt project in Brazil
- Cameco announced plans to operate the Cigar Lake mine at 75% of licensed capacity in 2024, which would reduce the volumes of ore toll milled at the McClean Lake mill
- Post period end, agreed with the Group's lending syndicate to maintain the \$150m revolving credit facility and add a \$50m accordion feature
- ~\$180m of liquidity available to finance further growth opportunities, including the residual LIORC stake of ~\$23m and ~\$7m of treasury shares
- Next quarterly dividend payment of 1.75p to be paid on 31 August 2022 to shareholders on the register at 16 June 2022
- The Board plans to rename the Company to reflect the evolution of the portfolio, from which 90% of its contribution is expected to come from future-facing commodities by 2026. We will be making a further announcement on this in the coming weeks

Marc Bishop Lafleche, Chief Executive Officer, commented:

"We are pleased to announce another record period with the portfolio contribution generated in the first half of 2022 exceeding the entirety of 2021. The outstanding financial performance has enabled us to significantly reduce debt and strengthen our balance sheet, providing the financial flexibility to pursue further growth."

"The portfolio is underpinned by attractive near and medium term organic growth prospects. These were further enhanced by the post period end acquisition of a portfolio of advanced stage development royalties from South32 marking the continued execution of the Company's strategy to be the leading future-facing commodities royalty and streaming company."

Results

	HY 2022		HY 2021	FY2021
	\$m	YoY%	\$m	\$m
Kestrel	70.9	638%	9.6	48.1
Voisey's Bay	13.9	348%	3.1	16.5
Narrabri	n/a	n/a	1.1	3.4
Mantos Blancos	3.1	11%	2.8	5.7
Maracás Menchen	2.0	43%	1.4	3.3

Four Mile	0.8	700%	0.1	0.3
Royalty and stream income	90.7	401%	18.1	77.3
Dividends - LIORC & Flowstream	1.3	(55%)	2.9	5.6
Interest - McClean Lake	1.2	-	1.2	2.4
Royalty related revenue	93.2	319%	22.2	85.3
EVBC*	1.3	(19%)	1.6	3.0
Principal repayment - McClean Lake	1.5	n/a	-	1.3
<i>Less:</i>				
Metal streams cost of sales	(3.2)		(0.8)	(4.0)
Total portfolio contribution	92.8	303%	23.0	85.6

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

Analyst presentation

There will be an analyst presentation webcast at 9:30am (BST) today (25 August 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	Anglo Pacific Interim Results
Conference Title	
Time Zone	Dublin, Edinburgh, Lisbon, London
Start	09:30 (BST) / Thursday 25 August 2022
Time/Date	
Duration	60 minutes
Webcast Link	https://stream.brrmedia.co.uk/broadcast/62fb80a6b629a70556525a17

For further information:

Anglo Pacific Group PLC **+44 (0) 20 3435 7400**
 Marc Bishop Lafleche - Chief Executive Officer
 Kevin Flynn - Chief Financial Officer
 Geoff Callow - Head of Investor Relations

Website: www.anglo-pacificgroup.com

Corporate Brokers:
Berenberg **+44 (0) 20 3207 7800**
 Matthew Armitt / Jennifer Lee / Detlir Elezi

Peel Hunt LLP **+44 (0) 20 7418 8900**
 Ross Allister / Alexander Allen / David McKeown

RBC Capital Markets **+44 (0) 20 7653 4000**
 Farid Dadashev / Jamil Miah / James Agnew

Financial PR: **+44 (0) 20 3757 4997**
Camarco
 Gordon Poole / Owen Roberts / Elfie Kent

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 portion of these royalties and streams to shareholders as dividends.

Alternative Performance Measures

Throughout this report a number of alternative financial measures are used by the Board to assess the Group's performance, particularly when determining dividend levels. Under IFRS the contribution from a number of the Group's royalty related assets is not reflected in the income statement, while fluctuations in forward looking commodity prices impacting the expected future cashflows of the Group are reflected in the income statement through valuation gains/losses, in the current reporting period, together with a number of other non-cash items. As it remains a primary objective of the Board to return a significant portion of the cash generated by the Group's royalty portfolio to shareholders in the form of dividends, the Board refers to these measures when assessing the overall contribution made by the Group's royalty portfolio. These measures are defined as follows:

Portfolio contribution

Portfolio contribution represents funds received or receivable from the Group's underlying royalty and stream related assets, and is taken into account by the Board when determining dividend levels. Portfolio contribution is royalty and stream related revenue net of metal stream costs of sales, plus royalties received or receivable from royalty financial instruments carried at FVTPL and principal repayments received under the Denison financing agreement. Refer to note 20 of the condensed consolidated interim financial statements for portfolio contribution.

Operating profit

Operating profit represents the Group's underlying operating performance from its royalty and stream interests. Operating profit is royalty and stream related revenue, less metal streams cost of sales, amortisation and depletion of royalties and streams and operating expenses. Operating profit excludes impairments and revaluations, and reconciles to 'operating profit before impairments and revaluations' on the income statement.

Adjusted earnings and adjusted earnings per share

Adjusted earnings represent the Group's underlying operating performance from core activities. Adjusted earnings is the profit/loss attributable to equity holders plus royalties received from financial instruments carried at fair value through profit or loss, less all valuation movements and impairments (which are non-cash adjustments that arise primarily due to changes in commodity prices), amortisation charges, unrealised foreign exchange gains and losses, and any associated deferred tax, together with any profit or loss on non-core asset disposals as such disposals are not expected to be ongoing. Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to note 6 of the condensed consolidated interim financial statements for adjusted earnings and adjusted earnings per share.

Dividend cover

Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share. Refer to note 7 of the condensed consolidated interim financial statements for dividend cover.

Free cash flow and free cash flow per share

The structure of a number of the Group's royalty financing arrangements, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group considers dividend cover by reference to both adjusted earnings per share and the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator.

Free cash flow per share is calculated by dividing net cash generated from operating activities, plus proceeds from the disposal of non-core assets and any cash considered as the repayment of principal, less finance costs, by the weighted average number of shares in issue. Refer to note 19 to the condensed consolidated interim financial statements for free cash flow per share.

BUSINESS REVIEW

Results

The first half of 2022 saw record portfolio contribution of \$92.8m, a 303% increase on the comparative period for last year and a figure that surpassed the contribution generated in the full calendar year for 2021. These results are in line with the trading update published on 28 July 2022. This performance was driven by a period of elevated commodity prices with coking coal and cobalt up 257% and 75% respectively on the same period in the prior year.

Importantly, the Group's core portfolio performed well in the first six months. Excluding Kestrel, the portfolio generated contribution of \$21.9m during H1 2022. On an annualised basis the assets acquired over the past eight years have now achieved the objective of replacing the Kestrel royalty, which has produced an average annual contribution of \$31.8m since 2015.

The royalty and streaming business model excels in times of heightened inflation, with our costs remaining in line with those of the comparative period. This is in stark contrast to the margin erosion and capital expenditure revisions being felt in the wider mining industry. This also becomes apparent in the 400% increase in adjusted earnings per share to 28.08c. The results are discussed in more detail in the finance review.

Acquisition of South32 royalty portfolio

The record cash flows earned in the period enabled the Group to deleverage much more rapidly than had been expected at the time of the Voisey's Bay acquisition in March 2021. Net debt was \$20.5m at the end of June 2022, down from \$90.0m at the beginning of the year. This provided the Group with the financial flexibility to fund royalty and stream acquisitions, as evidenced by the post period \$185.0m acquisition of an advanced development stage copper and nickel royalty portfolio from South32.

As part of the transaction, we acquired two key royalties, the West Musgrave copper and nickel project in Western Australia and the Santo Domingo copper project in Chile. West Musgrave is operated by Oz Minerals which announced on 15 August 2022 that it has now received all regulatory approvals and remains on schedule for a final investment decision before the end of 2022. Santo Domingo is operated by Capstone Copper and an integration plan reviewing the synergies between Santo Domingo and the nearby Mantoverde mine is due to be published in Q4 2022 with first production anticipated before 2026.

The transaction was structured to maintain the Group's strong balance sheet, leaving the Group well positioned to fund further royalty and stream acquisitions. Net debt at the end of July 2022, post transaction close, was \$49.8m, with the \$55.0m deferred payments to South32 over the next six quarters expected to be funded by free cash flow generated by the Group's producing royalty assets.

This acquisition is consistent with the Group's stated strategy of recycling Kestrel cashflows into future-facing commodities, enhancing the Company's growth profile beyond the runoff of its metallurgical coal exposure in 2026.

As part of the acquisition, the Group's \$150.0m revolving credit facility was modified such that the scheduled \$25.0m stepdown, due to take effect in August 2022, was removed. In addition, a \$50.0m accordion feature was added which would see the facility increase to \$200.0m for suitable acquisitions. With ~\$50.0m of net debt currently, the Group has access to ~\$150.0m for future permitted acquisitions, as well as a residual stake in LIORC of ~\$23.0m and ~\$7.0m of treasury shares. As a result, despite deploying ~\$400.0m over the past 18 months, the Group remains well positioned to continue its growth journey.

Commodity prices and macro environment

The price of commodities underlying the Group's key assets were strong during the period, particularly in the first four months of the year. In part, this was driven by the war in Ukraine which disrupted a number of global commodity supply chains of a magnitude not seen for several decades. The conflict also resulted in the introduction of sanctions being placed on Russia, impacting, amongst other commodities, nickel and coal prices

with uncertainty around Russian volumes being removed or displaced to different markets. The conflict has also driven significant energy cost inflation and supply chain disruption, threatening global industrial production, particularly in Europe.

Inflationary pressures remain strong, with US and UK consumer price inflation levels recently exceeding an annual rate of 10%, which is likely to trigger a significant increase in interest rates and a reduction in future consumer demand, particularly for discretionary items. Whilst no major economy has officially entered recession yet, many commentators attribute a high probability to this occurring, possibly during the second half of the year.

Thus far in Q3 2022, commodity prices underpinning the Group's portfolio have traded off significantly from recent record levels and are forecast to remain subdued for the remainder of the year.

Company Name

Anglo Pacific Group has come a long way from the coal focused business of eight years ago, evolving into a forward-looking company with a clear role to play in the energy transition through financing the development of future-facing commodities that will be vital to enable society to decarbonise.

As such, the Board feels it is time adopt a new name that is more reflective of the future of the business, and we will be making an announcement in this regard in the coming weeks.

People

The Board appointed Marc Bishop Lafleche to the role of Chief Executive Officer ("CEO") effective from 1 April 2022 following the departure of previous CEO, Julian Treger.

Outlook

Commodity prices were at elevated levels during the first half of the year which drove a record performance. Although prices have recently softened, the Group expects to deliver a strong performance in the second half of the year. The spot coking coal price is currently ~45% lower than the record average level achieved in Q2 2022 and spot cobalt prices have fallen 23%, however current price levels remain higher than those seen in recent years.

The impact of lower coking coal prices in Q3 2022 should be partially offset by the proposed addition of three new progressive royalty tiers announced by the Queensland Government on 21 June 2022, which sees three new bands of 20%, 30% and 40% when coal prices are above A\$175/t, A\$225/t and A\$300/t respectively. The increases are applicable to the Group's Kestrel royalty entitlement as of 1 July 2022. For illustrative purposes, based on a spot price of A\$300/t, would result in an additional A\$6.61/t of royalties from Kestrel.

Despite near-term macroeconomic headwinds, the structural demand trends underlying the Group's commodity mix remain strong. Fundamentally, we believe that the long-term dynamic for future-facing commodities, such as those within our portfolio, remain favourable and we would expect to see continued demand as the world continues to pursue cleaner energy policies.

Substantial supply growth of commodities such as copper, nickel, lithium and cobalt will be required to meet expected demand as global economies decarbonise. Significant capital will be required to expand capacity, and this will create additional investment opportunities for Anglo Pacific.

There are a number of potential milestones expected in the coming months as we await the final investment decision on West Musgrave following the recent granting of regulatory approvals, a synergies report for Santo Domingo and potential progress at the Incoa and Piauí projects.

Anglo Pacific is well positioned for the future, having added ~\$400m of acquisitions to the portfolio over the past 18 months. The Group's long-term portfolio (excluding Kestrel) generated total contribution of \$21.9m in H1 2022. When annualised, this is more than Kestrel's contribution on average over the past eight years. At these levels, the portfolio excluding Kestrel is in a position to cover the Group's costs and safeguard the 7p dividend.

Looking further ahead, the potential Incoa and Piauí royalty acquisitions, along with the expected revenue to come from the West Musgrave and Santo Domingo operations, should see a path towards meaningful earnings growth from the point at which the Group's Kestrel royalty entitlement runs off. With ~\$180.0m of financing flexibility and modest leverage ratios, the Group is well capitalised to continue to execute its strategy.

PORTFOLIO REVIEW

Operations at the assets within the Group's portfolio performed broadly in line with expectations during the period, with volumes across most of the portfolio increasing year on year. Adverse weather and maintenance stoppages however, resulted in slight decreases in volumes at Maracás Menchen and EVBC. Key highlights from the Group's producing assets are detailed below.

Voisey's Bay (\$10.8m net of cost of sales, 12% of portfolio contribution)

In line with guidance published by Vale, production from Voisey's Bay was impacted by the ongoing transition between the depletion of the open pit mine and ramp up of underground operations.

Due to the timing of attributable cobalt deliveries, we expect stream income in FY2022 to be significantly weighted towards H1 2022, with volumes of 0.4Mlbs to 30 June 2022 representing approximately two thirds of overall volumes expected in the year. This has allowed the Group to benefit from the high cobalt price environment in H1 2022, resulting in an average cobalt price for the Company's attributable cobalt deliveries of approximately \$38/lb, an 86% increase compared to \$20/lb in H1 2021.

Following on from the start of production from the Reid Brook underground mine in June 2021, it is continuing ramping up to full production. The Eastern Deeps mine development continues with first ore forecast to begin in mid-2023 and the production ramp up advancing in H2 2023. The full ramp up in underground production is expected to be completed in 2025 when annual production is forecast to reach around 45,000 tonnes of nickel by 2025, with about 20,000 tonnes of copper and 2,600 tonnes of cobalt as by-products.

Kestrel (\$70.9m, 76% of portfolio contribution)

Kestrel continues to move eastwards towards the boundary of Anglo Pacific's private royalty land. Longwall production in the period was lower than forecast although this has been offset by production rates through faulted ground that were above expectations. We understand that longwall panel LW410 has been completed and mining has now moved to the LW411 panel. Guidance remains at 7.0Mt of saleable coal for 2022.

Volumes within the Group's land were 2.9Mt during H1 2022 and for the full year are expected to be around 5.0Mt.

As reported in the business review, the period to 30 June 2022 saw record coking coal prices which, in the short-term, are expected to translate into additional income from the royalty as a number of new royalty tiers at higher commodity prices introduced by the Queensland Government came into effect from 1 July 2022.

Mantos Blancos (\$3.1m, 3% of portfolio contribution)

Mantos Blancos produced 21.9kt of payable copper during the first half of the year, marginally higher than in H1 2021 (21.6kt). The royalty benefited from strong copper prices with an achieved price of \$4.41/lb, approximately 19% higher than the \$3.71/lb achieved in the same period last year.

The operator has focused on optimising production from the expanded plant, which now has throughput capacity for 7.3Mtpa of sulphide ore and expects to achieve steady state production in Q3 2022.

Capstone Copper is currently reviewing Mantos Blancos Phase II which will see the throughput of the sulphide concentrator plant expand to 10Mtpa and a potential

extension of the life of copper cathode production. A pre-feasibility study was completed in Q2 2022 and will be incorporated into an Advanced Engineering Study in Q4 2022.

LIORC (\$1.1m, 1% of portfolio contribution)

During the second quarter, LIORC's financial results were impacted by lower iron ore prices, partially offset by higher pellet premiums and higher volumes of pellets and concentrate for sale. Pellet sales tonnage in Q2 2022 was 9% higher than in Q2 2021 and 1% higher than Q1 2022.

The fall in iron ore prices, from the record levels experienced in 2021, was primarily a result of lower steel production, with demand in China falling 4% in the quarter. Pellet premiums have remained strong, averaging \$87/t in July compared to \$81/t in Q2 2022.

The weaker iron ore price environment resulted in dividends declared for H1 2022 of C\$1.40 per share, a 49% drop compared to C\$2.75 in H1 2021. Broker consensus for dividends for H2 2022 is ~C\$1.35 per share.

Maracás Menchen (\$2.0m, 2% of portfolio contribution)

Production volumes in the period were impacted by weather conditions, scheduled maintenance and other operating issues. As a result of H1 impacts full year production guidance has been reduced slightly from 11,600-12,400 tonnes of V₂O₅ to 11,000-12,000 tonnes.

Vanadium pricing was up period on period with an average of \$11.64/lb in H1 2022 compared to \$8.22/lb in H1 2021.

Construction of the ilmenite concentration plant continues as planned with completion of production targeted for Q2 2023. Commissioning of the TiO₂ plant, however, has been delayed until the first half of 2025 due to delays associated with the project's land acquisition.

EVBC (\$1.3m, 1% of portfolio contribution)

The first quarter was impacted by a combination of maintenance and supply chain disruptions but production in Q2 2022 reverted back to normal levels and guidance is that the operations are on track to meet full year guidance of 44-46,000 Au oz.

Denison financing arrangement (McClean Lake Mill) (\$2.7m, 3% of portfolio contribution)

Cameco have successfully caught up on development work that had been deferred from 2021 and expects Cigar Lake production in 2022 to be in line with licensed capacity of 18Mlbs of uranium.

As part of its supply discipline strategy, however, Cameco announced that starting in 2024, it plans to operate Cigar Lake 25% below licensed capacity targeting 13.5Mlbs of production per year. The reduction in production volumes from Cigar Lake will impact volumes processed at the McClean Lake Mill, resulting in lower tolling revenues for the Group.

Four Mile (\$0.8m, 1% of portfolio contribution)

The dispute with Quasar in relation to the level of charges being applied against royalty revenues remains ongoing. In April, the Group received a favourable decision from the courts which has resulted in the Group receiving a payment of approximately A\$6.0m. Quasar is in the process of appealing this judgement and a further update will be provided once legal proceedings in relation to the appeal have been concluded which is expected to be in H1 2023.

Piauí

In June 2022, Brazilian Nickel announced production of first nickel from the small scale PNP1000 plant. Annual production guidance for 2022 is 300 tonnes of nickel and 3 tonnes of cobalt, ramping up to 1,400 tonnes of nickel and 35 tonnes of cobalt in 2023.

A Bankable Feasibility Study with regards to the full-scale project is due to be published in Q3 2022. The Group has the right to invest a further \$70.0m for an incremental 3% royalty rights to part fund the construction of the full-scale plant which would have an expected annual production capacity of up to 24Kt of nickel and 1Kt of cobalt. At current broker consensus commodity prices, the annual royalty income from the full-scale operations would be between \$12.5m and \$17.5m.

FINANCE REVIEW

The Group has now reported three consecutive record quarterly results culminating in \$49.2m of portfolio contribution generated in the second quarter of 2022 and bringing the total for the first six months to \$92.8m, an increase of 303% on the same period in 2021. In addition to record levels of portfolio contribution during the first half of 2022, the Group's cost base has remained constant at \$5.0m, highlighting the defensive nature of the royalty business model in stark contrast to inflationary pressures across the wider mining sector. Shortly following the end of the reporting period, the Group acquired a portfolio of advanced development stage royalties from South32 for a headline consideration of \$185.0m, with the financial impact discussed in more detail in the cash flow section below.

Results

The record level of portfolio contribution, along with a significant increase in the value of the Kestrel royalty which benefitted from higher pricing inputs and the increase in the royalty rate tiers announced in June 2022, resulted in profit after tax for the period of \$94.3m, a 13x increase on the same period in 2021. This generated basic earnings per share of 44.08c for the first half compared to 3.83c in H1 2021. Adjusting for the royalties from EVBC, valuation movements, non-cash items and the tax effect of these adjustments, adjusted earnings increased to \$60.1m in the first half compared to \$10.4m in H1 2021, resulting in adjusted earnings per share of 28.08c, five times that of the 5.48c generated in the same period in 2021.

The Group's financial performance continued to benefit from a high commodity price environment in the period, noticeably for coking coal and cobalt - the two commodities from which the Group's income is primarily derived. This was not the case in the same period in 2021, when the coking coal price was at a cyclical low, largely as a result of COVID-19 lockdowns in Asia and the ban on Australian coal imports into China. Prices began a gradual and prolonged period of steady gains during Q3 2021, peaking at over \$600/t in Q1 2022 which coincided with mining activities at Kestrel being predominantly within the Group's private royalty area.

The cobalt price also experienced notable gains in the same period, which benefitted the Group's Voisey's Bay stream. The price increase was mainly due to logistical issues preventing the export of cobalt from key African markets in parallel to rapid electric vehicle demand growth.

Elsewhere, performance from Mantos Blancos and Maracás Menchen were in line with our expectations, whilst the LIORC revenue was lower as a result of lower iron ore prices. Whilst we achieved a favourable ruling at Four Mile in relation to allocable charges, the verdict is being appealed and we will not be recognising additional revenues until the appeal process has concluded.

The table below outlines the key drivers of portfolio contribution increases in the period.

	HY1 2022		HY1 2021		Variance	
	\$m	% PC	\$m	% PC	%	Notes
Kestrel	70.9	77%	9.6	42%	638%	Price achieved up by 290% increasing the average royalty rate H1 2022 Volumes up 17% Current coking coal price of \$250/t is down 32% from the average New Queensland Government royalty rates apply from 1 July the current price
Voisey's Bay	13.9	15%	3.1	13%	348%	Reflects only 3 months ownership in H1 2021 12 deliveries received during H1 2022, including 1 delivery to Current cobalt price of \$25/lb is down 34% from the average
Narrabri	-	-	1.1	5%	-	Reflects the disposal of the Narrabri royalty on 31 December
Mantos Blancos	3.1	3%	2.8	12%	11%	Price achieved 19% higher Volumes largely flat as production ramps up in expanded expected in Q3 2022
Maracás Menchen	2.0	2%	1.4	6%	43%	H1 2022 volumes were down 7% due adverse weather and m 42% increase in average price achieved more than offset the Full year guidance reduced slightly to 11,000t - 12,000t from
Four Mile	0.8	1%	0.1	1%	700%	
Royalty and stream income	90.7		18.1		401%	
Dividends - LIORC & Flowstream	1.3	1%	2.9	12%	(55%)	\$1.40/shares in H1 2022 vs C\$2.75/share in H1 2021 Consensus guidance for Q3 2022 C\$0.70/share and Q4 2022
Interest - McClean Lake	1.2	1%	1.2	5%	-	
Royalty and stream related revenue	93.2		22.2		319%	
EVBC	1.3	1%	1.6	7%	(19%)	Reflects lower volumes H1 2022 vs H1 2021 due to maintenance experienced in Q1 2022 Full year guidance of 44-46,000 Au oz maintained
Principal repayment - McClean Lake	1.5	2%	-	-	-	Reflects suspension of operations at the McClean Lake mill to in response to COVID-19
Less:						
Metal streams cost of sales	(3.2)	(3%)	(0.8)	3%	300%	

Total portfolio contribution	92.8	23.0	303%
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Operating costs remained in line with the comparative period as the business continues to be run in a cost-efficient manner with staff costs the primary source of expenditure. There will invariably be some cost inflation to come across the Group's non-personnel cost base, but the impact on the Group's results should be minimal as the remaining costs mainly pertain to running the office and costs associated with being a listed business.

Finance costs were lower in the period as the Group had lower average borrowings drawn and there were no costs associated with refinancings. The higher costs in 2021 reflect the early refinancing of the previous facility as part of the Voisey's Bay acquisition, which resulted in the acceleration of amortising the capitalised costs associated with the previous facility. Although subsequent to the period end, the acquisition of the Copper and Nickel royalties from South32 did not necessitate refinancing of the existing facility.

The interest rate environment has shifted significantly over the course of the second quarter as central banks adopt monetary policies to contain inflation. This will impact on the Group's finance costs in the second half of the year. At present, the Group does not hedge interest rates, although this will be kept under review depending on the quantum of portfolio contribution generated in the third quarter and the impact this will have on deleveraging.

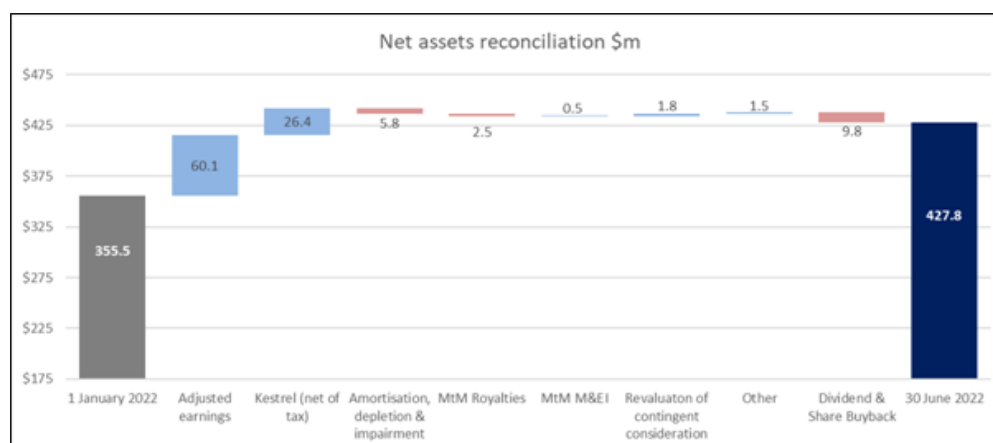
Other income of \$3.5m largely reflects the deferred and contingent consideration structure related to the Narrabri disposal whilst foreign exchange gains of \$0.6m largely reflects the translation of the McClean Lake loan and the Group's currency hedging valuations.

The increase in the tax charge in the period reflects the increase in royalty related revenue in the period, whilst the deferred tax charge mirrors the Kestrel non-cash valuation increase.

As a result, the Group generated profit after tax for the period of \$94.3m compared to \$7.3m in H1 2021. This produced basic earnings per share of 44.08c (H1 2021: 3.83c). Adjusting for the royalties from EVBC, valuation movements, non-cash items and the tax effect of these adjustments, adjusted earnings were 28.08c compared to 5.48c in H1 2021.

Balance Sheet

Net assets increased by ~\$70.0m in the first six months of the year, mainly due to record levels of portfolio contribution and an increase of ~\$20.0m in the value of the Kestrel royalty (net of tax).



Total royalty and stream related assets at the end of June were \$413.9m of which 70% represent battery metals (31 December 2021: \$425.0m; 75%). The Group's coal exposure is now 19% (31 December 2021: 13%). Whilst this is an increase over the number reported at the end of 2021, this reflects expectations for a more positive metallurgical coal pricing environment, along with a significant uplift in the Queensland royalty rate. This will benefit short-term cashflows in advance of the operation commencing its transition outside of the Group's private royalty land.

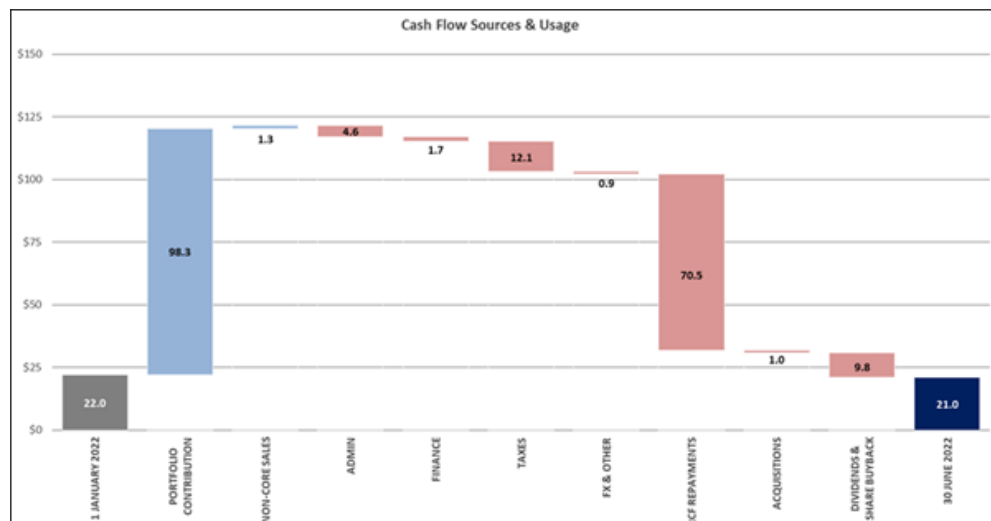
The value of the Kestrel royalty should decrease noticeably from H2 2022 onwards with FY 2022 being the last year of significant volumes within the Group's private royalty land. Volumes are expected to halve in FY 2023 and then reduce further over the next two

years before becoming insignificant thereafter. As a result, on a pro-forma basis, the Group's royalty assets will be ~92% battery metals in 2026.

The Group's Voisey's Bay asset is allocated on the balance sheet between Metal Streams and Deferred Tax. This is due to the asset being acquired through a holding structure which had accumulated tax losses available against the income from the stream. Elsewhere, the McClean Lake tolling asset is within Other Receivables.

Cash flow and liquidity

The record levels of cash flow generated by the portfolio over the past six months has facilitated a rapid reduction in the Group's net debt. The Group began the year with net debt of \$90.0m and ended June 2022 with net debt of only \$20.5m. At period close, the Group's leverage ratio was under 0.2x and as such the lowest margin ratchet of 275bps applied to drawings under the facility.



During the period, the average cobalt price and Voisey's Bay cobalt production volumes triggered contingent payments under the terms of Voisey's Bay stream acquisition. Contingent payments to the vendor of the stream amounted to \$1.0m in the period. A further \$2.3m was paid in July 2022 in relation to amounts accruing during H1 2022, slightly offset by the receipt of deferred and contingent consideration to which the Group is entitled under the terms of the Narrabri royalty disposal.

The acquisition of the West Musgrave and Santo Domingo royalties, together with the Nifty and Carlotta royalties, from South32 for \$185.0m occurred in July 2022, after the balance sheet date. The transaction was structured from a financing perspective in a way which only resulted in an upfront cash payment of ~\$48.0m, with a further ~\$82.0m by way of equity placing to the vendor. As such, upon closing of the transaction, the Group's net debt at the end of July 2022 only increased to \$49.8m.

At current spot commodity price levels, the six committed deferred consideration payments of \$9.2m are expected to be primarily financed from cash flow generated from Kestrel over the upcoming 18-months. As such, the Group's net debt is expected to remain below \$100.0m, inclusive of the \$20.0m Incoa royalty funding which we expect to make in early 2023.

In conjunction with the South32 acquisitions, the revolving credit facility was amended slightly. The \$25.0m step down, which was due to take place in August 2022 was removed and a \$50.0m accordion feature was added which will be available to the Group for future permitted acquisitions at the discretion of our lenders. As such, the Group now has \$200.0m of borrowing potential for further growth and, with ~\$50.0m of net debt presently, has access to ~\$150.0m of liquidity. There remains further financing flexibility through the Group's stake in LIORC of ~\$23.0m. When combined with ~\$7.0m of shares held in treasury, the Group's total financing flexibility is ~\$180.0m.

Principal risks and uncertainties

Anglo Pacific is exposed to a variety of risks and uncertainties which may have a financial, operational or reputational impact on the Group. The principal risks and uncertainties facing the Group relate to the following:

- Catastrophic and natural catastrophe risks
- Future demand for our product
- Commodity prices
- Operator dependence and concentration risk

- Geopolitical events
- Financing capability
- Stakeholder support
- Investment approval
- Pandemic

The Group is exposed to changes in the economic environment, including to tax rates and regimes, as with any other business.

Details of any key risks and uncertainties specific to the period are covered in the Business and Portfolio review sections. Details of relevant tax matters are included in note 6 to the Condensed financial statements. The principal risks and uncertainties facing the Group at the 2021 year end are set out in detail on pages 62 to 64 of the strategic report in the 2021 Annual Report and Accounts. The 2021 Annual Report and Accounts is available on the Group's website www.anglo-pacific-group.com

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended	
		30 June	30 June
	Notes	2022	2021
		\$'000	\$'000
Royalty and metal stream related revenue	2	93,171	22,222
Mineral streams cost of sales	20	(3,160)	(767)
Amortisation and depletion of royalties and streams	9, 11	(5,760)	(5,698)
Operating expenses		<u>(4,986)</u>	<u>(5,029)</u>
Operating profit before impairments and revaluations		79,265	10,728
Revaluation of royalty financial instruments	10	7,002	16,315
Revaluation of coal royalties (Kestrel)	8	42,327	(9,132)
Finance income	3	1	-
Finance costs	4	(2,722)	(4,024)
Net foreign exchange gains/(losses)		605	(1,927)
Other income/(losses)	5	<u>3,543</u>	<u>(143)</u>
Profit before tax		130,021	11,817
Current income tax charge		(22,333)	(2,869)
Deferred income tax charge	15	<u>(13,364)</u>	<u>(1,687)</u>
Profit attributable to equity holders		<u>94,324</u>	<u>7,261</u>
Total and continuing earnings per share			
Basic earnings per share	6	44.08c	3.83c
Diluted earnings per share	6	44.00c	3.82c

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended	
		30 June	30 June
		2022	2021
	Notes	\$'000	\$'000
Profit attributable to equity holders		94,324	7,261
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments held at fair value through other comprehensive income			
Revaluation of royalty financial instruments	10	(7,499)	9,143
Revaluation of mining and exploration interests	12	520	(1,333)
Deferred tax relating to items that will not be reclassified to profit or loss	15	954	636
		(6,025)	8,446
Items that have been or may be subsequently reclassified to profit or loss			
Net exchange loss on translation of foreign operations		(9,186)	(1,418)
		(9,186)	(1,418)
Other comprehensive (loss)/profit for the period, net of tax		(15,211)	7,028
Total comprehensive profit for the period		79,113	14,289

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2022

		30 June	Audited	30 June
		2022	31	2021
			December	
	Notes	\$'000	2021	\$'000
			\$'000	
Non-current assets				
Property, plant and equipment		802	797	1,040
Coal royalties (Kestrel)	8	120,730	84,465	65,385
Metal streams	9	169,706	170,567	166,287
Royalty financial instruments	10	50,753	53,791	62,904
Royalty and exploration intangible assets	11	66,613	69,518	124,843
Mining and exploration interests	12	3,418	4,396	8,118
Deferred costs		3,893	4,415	5,132
Other receivables	13	35,185	39,127	24,195
Deferred tax	15	37,478	36,478	47,019
		488,578	463,554	504,923
Current assets				
Trade and other receivables		33,477	34,913	12,486
Cash and cash equivalents		20,976	21,992	14,556

		54,453	56,905	27,042
Total assets		543,031	520,459	531,965
Non-current liabilities				
Borrowings	14	41,500	112,000	123,500
Other payables		3,546	2,910	5,791
Deferred tax	15	47,998	36,711	27,261
		93,044	151,621	156,552
Current liabilities				
Income tax liabilities		15,516	7,103	5,332
Derivative financial instruments		129	-	-
Trade and other payables	16	6,532	4,632	14,534
		22,177	11,735	19,866
Total liabilities		115,221	163,356	176,418
Net assets		427,810	357,103	355,547
Capital and reserves attributable to shareholders				
Share capital	17	5,718	5,706	5,706
Share premium	17	87,883	87,883	87,883
Other reserves		104,191	118,637	137,081
Retained earnings		230,018	144,877	124,877
Total equity		427,810	357,103	355,547

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Other reserves							
		Share capital	Share premium	Merger reserve	Warrant reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2021		4,670	83,214	38,416	189	25,800	6,759	24,365	833
Profit for the period		-	-	-	-	-	-	-	-
Other comprehensive income:									
Changes in fair value of equity investments held at fair value through other comprehensive income									
Valuation movement taken to equity		-	-	-	-	7,810	-	-	-
Deferred tax	15	-	-	-	-	636	-	-	-
Foreign currency translation		-	-	-	-	-	-	(1,418)	-
Total comprehensive profit		-	-	-	-	8,446	-	(1,418)	-
Transferred to retained earnings on disposal		-	-	-	-	(14,795)	-	-	-
Dividends		-	-	-	-	-	-	-	-
Issue of ordinary shares	17	1,028	4,669	56,431	-	-	-	-	-
Utilisation of treasury shares to satisfy	17	8	-	-	-	-	(159)	-	-

employee related share
base payments
Value of employee
services
**Total transactions
with owners of the
company
Balance at 30 June
2021**

23

-	-	-	-	-	(6,365)	-	-
1,036	4,669	56,431	-	(14,795)	(6,524)	-	-
5,706	87,883	94,847	189	19,451	235	22,947	833

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Notes	Share capital \$'000	Share premium \$'000	Other reserves						
			Merger reserve \$'000	Warrant reserve \$'000	Investment revaluation reserve \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Special reserve \$'000	Treas share \$'000
Balance at 1 July 2021	5,706	87,883	94,847	189	19,451	235	22,947	833	-
Profit for the period	-	-	-	-	-	-	-	-	-
Other comprehensive income:									
Changes in fair value of equity investments held at fair value through other comprehensive income									
Valuation movement taken to equity	-	-	-	-	(11,269)	-	-	-	-
Deferred tax	15	-	-	-	985	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	(8,640)	-	-
Total comprehensive profit	-	-	-	-	(10,284)	-	(8,640)	-	-
Transactions with owners of the company:									
Transferred to retained earnings on disposal	-	-	-	-	396	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Expiration of warrants	-	-	-	(189)	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Shares held in treasury	17	-	-	-	-	-	-	-	-
Value of employee services	-	-	-	-	-	273	-	-	-
Total transactions with owners of the company	-	-	-	(189)	396	273	-	-	-
Balance at 31 December 2021	5,706	87,883	94,847	-	9,563	508	14,307	833	-

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Share capital \$'000	Share premium \$'000	Other reserves						
				Merger reserve \$'000	Warrant reserve \$'000	Investment revaluation reserve \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Special reserve \$'000	Treasury share \$'000
Balance at 1 January 2022		5,706	87,883	94,847	-	9,563	508	14,307	833	1
Profit for the period		-	-	-	-	-	-	-	-	-
Other comprehensive income:										
Changes in fair value of equity investments held at fair value through other comprehensive income										
Valuation movement taken to equity		-	-	-	-	(6,979)	-	-	-	-
Deferred tax	15	-	-	-	-	954	-	-	-	-
Foreign currency translation		-	-	-	-	-	-	(9,186)	-	-
Total comprehensive profit		-	-	-	-	(6,025)	-	(9,186)	-	-
Transferred to retained earnings on disposal		-	-	-	-	(621)	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-
Utilisation of treasury shares to satisfy employee related share base payments	17, 23	12	-	-	-	-	(230)	-	-	(12)
Utilisation of shares held by the employee benefit trust to satisfy employee related share based payments		-	-	-	-	-	(194)	-	-	-
Value of employee services		-	-	-	-	-	287	-	-	-
Total transactions with owners of the company		12	-	-	-	(621)	(137)	-	-	(12)
Balance at 30 June 2022		5,718	87,883	94,847	-	2,917	371	5,121	833	1

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		30 June 2022 \$'000	Six months ended 30 June 2021 \$'000
	Notes		
Cash flows from operating activities			
Profit before taxation		130,021	11,817
<i>Adjustments for:</i>			
Finance income	3	(1)	-
Finance costs	4	2,722	4,024
Net foreign exchange (gains)/losses		(605)	1,927
Other (income)/losses		(3,248)	143
Revaluation of royalty financial instruments	10	(7,002)	(16,315)
Royalties due or received from royalty financial instruments	10	1,326	1,592
Revaluation of coal royalties (Kestrel)	8	(42,327)	9,132
Depreciation of property, plant and equipment		11	2
Amortisation and depletion of royalties and streams	9, 11	5,760	5,698
Amortisation of deferred acquisition costs		9	9
Share based payment		353	48
		<u>87,019</u>	<u>18,077</u>
Decrease in trade and other receivables		5,410	4,654
Increase in trade and other payables		474	622
Cash generated from operations		92,903	23,353
Income taxes paid		(12,093)	(5,566)
Net cash generated from operating activities		<u>80,810</u>	<u>17,787</u>
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests	12	1,265	1,694
Purchase of property, plant and equipment		(16)	(7)
Payment of contingent consideration		(950)	-
Proceeds on disposal of royalty financial instruments	10	-	62,984
Purchase of metal streams	9	-	(208,060)
Repayments under commodity related financing agreements	13	1,443	-
Prepaid acquisition costs		(284)	(62)
Finance income	3	1	-
Net cash from/(used) in investing activities		<u>1,459</u>	<u>(143,451)</u>
Cash flows from financing activities			
Drawdown of revolving credit facility	14	-	123,500
Repayment of revolving credit facility	14	(70,500)	(60,994)
Proceeds from issue of share capital	17	922	62,128
Dividends paid	7	(9,806)	(4,288)
Finance costs		(1,675)	(7,951)
Net cash (used in)/from financing activities		<u>(81,059)</u>	<u>112,395</u>
Net increase/(decrease) in cash and cash equivalents		1,210	(13,269)
Cash and cash equivalents at beginning of period		<u>21,992</u>	<u>27,513</u>
Effect of foreign exchange rates		(2,226)	312
Cash and cash equivalents at end of period		<u>20,976</u>	<u>14,556</u>

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

NOTES TO THE ACCOUNTS

1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended 30 June 2022. They have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021. The annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards.

This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved on 29 March 2022. Those accounts, which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

1.1 Going concern

The financial position of the Group and its cash flows are set out on pages 17 and 21. The Directors have considered the principal risks of the Group which are set out on pages 62 to 64 of the 2021 Annual Report, and considered key sensitivities which could impact on the level of available borrowings. As at 30 June 2022 the Group had cash and cash equivalents of \$21m and borrowings under its revolving credit facility of \$41.5m leaving \$108.5m undrawn as set out in note 14.

Subsequent to the period end, the Group made partial repayments totalling \$18.2m of these borrowings and borrowed a further \$43.2m to partially fund the completion payment due in relation to the acquisition of a portfolio of royalties detailed in note 25. As a result of these transactions, total borrowings under the Group's revolving credit facility as of the date of this report are \$66.5m.

In addition to consenting to the acquisition of the portfolio of royalties, the Group's lending syndicate agreed to maintain the revolving credit facility at \$150m and would no longer require the previously scheduled \$25m facility step down which was due in August 2022. The lending syndicate also agreed a \$50m accordion feature for future acquisitions. As at the date of this report the Group has ~\$50.0m of net debt, and subject to continued covenant compliance, has access to ~\$150.0m for future permitted acquisitions, along with a residual stake in LIORC of ~\$23m and ~\$7m of treasury shares providing the Group with total financing flexibility of ~\$180m.

The Directors have considered the Group's cash flow forecasts for the period to the end of 31 December 2023 under base and downside scenarios, including the demand for the commodities produced and the prices realised by the underlying operations of the Group's royalty and stream portfolio, and the ongoing operations themselves, including production levels. In all of the scenarios modelled (including price and volume reductions of 20% and 15% respectively), the Group continues to operate within its banking covenant limits with no debt redemption or amortisation commitment within the 12-month period from the date of approval of these interim condensed consolidated financial statements.

The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance and other uncertainties, together with the Group's cash position and access to the revolving credit facility, show that the Group will be able to operate within the levels of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its condensed interim financial statements.

1.2 Alternative Performance Measures

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. Further information on APMs is provided on page 4 of these condensed consolidated interim financial statements.

1.3 Changes in accounting policies

The accounting policies applied are materially consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2021. New accounting pronouncements, principally minor amendments to existing standards, also became effective on 1 January 2022 and have been adopted by the Group. The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group. The Group has adopted amendments to IFRS 3, IAS 16, IAS 37 and IFRS 16 with no significant impact. The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

1.4 Key sources of estimation uncertainty and critical accounting judgements

Key areas of critical accounting judgement and estimation uncertainty that have the most significant effect on the Group's consolidated financial statements remain as disclosed in note 4 of the consolidated financial statements of the Group for the year ended 31 December 2021.

2 Royalty and metal stream related revenue

	Six months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Royalty revenue	76,752	15,021
Stream sales	13,929	3,118
Interest from royalty related financial assets	1,145	1,227
Dividends from royalty financial instruments	1,345	2,856
	<u>93,171</u>	<u>22,222</u>

Interest from royalty related financial assets for the six months ended 30 June 2022 of \$1.1m (30 June 2021: \$1.2m) relates to interest earned on the Group's 13-year amortising loan of C\$40.8m with an interest rate of 10% per annum, to Denison Mines Inc ("Denison"), which is classified as non-current other receivables (note 13).

Dividends from royalty financial instruments for the six months ended 30 June 2022 of \$1.3m (30 June 2021: \$2.9m) relates to the dividends received from the Group's investments in Labrador Iron Ore Company (2022: \$1.1m; 2021: \$2.3m) as described in note 10, together with the dividends received from the Group's investment in Flowstream Vintage (2022: \$0.2m; 2021: \$0.6m), an unquoted oil and gas streaming company.

3 Finance income

	Six months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Interest on bank deposits	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>

4 Finance costs

	Six months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Professional fees	(1,016)	(1,591)
Revolving credit facility fees and interest	<u>(1,706)</u>	<u>(2,433)</u>
	<u>(2,722)</u>	<u>(4,024)</u>

Professional fees represent legal and arrangement fees relating to the Group's revolving credit facility. These fees are capitalised and amortised over the term of the facility.

5 Other income/(losses)

	Six months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Revaluation of foreign exchange instruments	(180)	(143)
Other gains/ (losses)	<u>3,723</u>	<u>-</u>
	<u>3,543</u>	<u>(143)</u>

Included in other gains is a gain of \$3.6m on revaluation of contingent consideration receivable as detailed in note 13.

6 Earnings per share

Earnings per ordinary share is calculated on the Group's profit after tax of \$94.3m for the six months ended 30 June 2022 (30 June 2021: \$7.3m) and the weighted average number of shares in issue during the period of 215,683,666 (2021: 189,756,480).

	Six months ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Net profit attributable to shareholders		
Earnings - basic	94,324	7,261
Earnings - diluted	<u>94,324</u>	<u>7,261</u>
	2022	2021
Weighted average number of shares in issue		
Basic number of shares outstanding	213,971,106	189,424,759
Dilutive effect of Employee Share Option Scheme	<u>409,850</u>	<u>331,721</u>
Diluted number of shares outstanding	<u>214,380,956</u>	<u>189,756,480</u>
Earnings per share - basic	44.08c	3.83c
Earnings per share - diluted	44.00c	3.82c

During 2022 all shares held by the Anglo Pacific Group Employee Benefit Trust were used to settle employee share options and are included in the weighted average number of shares as at 30 June 2022 (see note 23). As at 30 June 2021 the weighted average number of shares in issue excludes shares held by the Anglo Pacific Group Employee Benefit Trust, as the trust has waived its right to receive dividends on the 444,726 ordinary 2p shares it held.

Adjusted earnings per share

Adjusted earnings represent the Group's underlying operating performance from core activities. Adjusted earnings is the profit/loss attributable to equity holders plus the royalty receipts from the EVBC royalty, less all valuation movements and impairments (which are non-cash adjustments that arise primarily due to changes in commodity prices), amortisation charges, share-based payments, unrealised foreign exchange gains and losses, and any associated deferred tax, together with any profit or loss on non-core asset disposals as such disposals are not expected to be ongoing.

Valuation and other non-cash movements such as these are not considered by management in assessing the level of profit and cash generation available for distribution to shareholders. As such, an adjusted earnings measure is used which reflects the underlying contribution from the Group's royalties during the period.

	Earnings	Earnings	Diluted
	\$'000	per	earnings
		share	per
		c	share
			c
Net profit attributable to shareholders			
Earnings - basic and diluted for the six months ended 30 June 2022	94,324	44.08c	44.00c
<i>Adjustment for:</i>			
Amortisation and depletion of royalties and streams	5,760		
Amortisation of finance costs	(254)		
Receipts from royalty financial instruments	1,326		
Revaluation of royalty financial instruments	(7,002)		
Revaluation of coal royalties (Kestrel)	(42,327)		
Revaluation of contingent consideration	(3,494)		
Revaluation of foreign currency instruments	180		
Effective interest on contingent consideration	65		
Unrealised foreign exchange (gains)/losses	(656)		
Tax effect of the adjustments above	<u>12,157</u>		
Adjusted earnings - basic and diluted for the six months ended 30 June 2022	<u>60,079</u>	<u>28.08c</u>	<u>28.02c</u>
	Earnings	Earnings	Diluted
	\$'000	per	earnings
		share	per
		c	share
			c
Net profit attributable to shareholders			
Earnings - basic and diluted for the six months ended 30 June 2021	7,261	3.83c	3.82c

Adjustment for:

Amortisation and depletion of royalties and streams	5,698		
Amortisation of finance costs	600		
Receipts from royalty financial instruments	1,592		
Revaluation of royalty financial instruments	(16,315)		
Revaluation of coal royalties (Kestrel)	9,132		
Revaluation of foreign currency instruments	143		
Unrealised foreign exchange (gains)/losses	1,796		
Tax effect of the adjustments above	470		
Adjusted earnings - basic and diluted for the six months ended 30 June 2021	<u>10,377</u>	<u>5.48c</u>	<u>5.46c</u>

In calculating the adjusted earnings per share, the weighted average number of shares in issue takes into account the dilutive effect of the Group's employee share option schemes in those periods where the Group has adjusted earnings. In periods where the Group has an adjusted loss, the employee share option schemes are considered anti-dilutive as including them in the diluted number of shares outstanding would decrease the loss per share, as such they are excluded.

The weighted average number of shares in issue for the purpose of calculated basic and diluted adjusted earnings per share are as follows:

	2022	2021
Weighted average number of shares in issue		
Basic number of shares outstanding	213,971,106	189,424,759
Dilutive effect of Employee Share Option Scheme	<u>1,712,560</u>	<u>331,721</u>
Diluted number of shares outstanding	<u>215,683,666</u>	<u>189,756,480</u>

7 Dividends and adjusted dividend cover

On 17 February 2022, an interim dividend of 1.75p per share was paid to shareholders (\$5.1m) in respect of the year ended 31 December 2021.

The Board recommended and the Company's shareholders approved a final dividend in respect of the year ended 31 December 2021 of 1.75p at the Annual General Meeting on 12 May 2022. The final dividend totalling \$4.7m was paid on 31 May 2022.

Three interim dividends of 1.75p per share have been declared for the year ended 31 December 2022 and will be paid on 31 August 2022, 26 October 2022 and 15 February 2023.

Dividend cover

Adjusted dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share. The Group's adjusted earnings per share for the six months ended 30 June 2022, is 28.08c per share (note 6) with interim dividends totalling 4.59c (3.5p), resulting in dividend cover of 6.12x (30 June 2021: adjusted earnings per share 5.48c, interim dividend 4.86c (3.5p), dividend cover of 1.12x).

8 Coal royalties (Kestrel)

	\$'000
At 1 January 2021	76,268
Foreign currency translation	(1,751)
Loss on revaluation of coal royalties	<u>(9,132)</u>
At 30 June 2021	65,385
Foreign currency translation	(3,089)
Gain on revaluation of coal royalties	<u>22,169</u>
At 31 December 2021	84,465
Foreign currency translation	(6,062)
Gain on revaluation of coal royalties	<u>42,327</u>
At 30 June 2022	<u>120,730</u>

The carrying value of the Group's coal royalty of \$120.7m (A\$175.2m) is based on a valuation completed during June 2022 by an independent coal industry advisor, amended for management's assessment of the nominal discount rate and future commodity price assumptions. The independent coal industry advisor's assumptions relating to volumes and foreign exchange were not changed.

The valuation is on a net present value of the future pre-tax cash flows from Kestrel discounted at a nominal rate of 10.00% (30 June 2021: independent discount rate 6.00%; 31 December 2021: independent discount rate 6.00%). The key assumptions in the valuation relate to price, foreign exchange rates and discount rate.

Price assumptions

The independent coal industry advisor's price assumptions were based on the June 2022 Consensus Economics forecast of U\$367/t for the second half of 2022. Given the volatility

in the commodity prices management have assumed an average price for the second half of 2022 of U\$227/t based on the Australian Premium Coking Coal FOB Financial Future price, before reverting to Consensus Economics pricing which decreases to an average nominal price U\$215/t between 2023 and 2026, and a long-term flat nominal price of U\$181/t.

If the price were to increase or decrease 10 per cent over the life of the mine the valuation effect would be:

- a 10% reduction in the coal price would have resulted in the coal royalties being valued at A\$141.0m (\$97.2m) and a \$24.6m decrease to the revaluation gain in the income statement, resulting in a revaluation gain of \$17.8m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A\$212.6m (\$146.5m) and a \$26.9m increase to the revaluation gain in the income statement, resulting in a revaluation gain of \$69.2m.

Foreign exchange rate assumptions

The independent coal industry advisor's AUD:USD exchange rate assumptions used in the 30 June 2022 valuation assume a strengthening in the Australia dollar from a short-term rate of 0.70 to a long term rate of 0.74 against the US dollar. If the Australian dollar were to strengthen or weaken by 10% against the US dollar over the life of the mine that valuation effect would be:

- a 10% strengthening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at A\$143.9m (\$99.1m) and a \$22.5m decrease to the revaluation gain in the income statement, resulting in a revaluation gain of \$19.8m; and
- a 10% weakening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at A\$216.9m (\$149.5m) and a \$30.0m increase to the revaluation gain in the income statement, resulting in a revaluation gain of \$72.3m.

Discount rate assumptions

The independent coal industry advisor's pre-tax nominal discount rate was 8.00%, however, as this was outside the range of discount rates determined by management, a pre-nominal discount rate of 10.0% was used for the valuation. If the discount rate used were to increase or decrease by 1% the valuation effect would be:

- a 1% reduction in the nominal discount rate would have resulted in the coal royalties being valued at A\$178.2m (\$122.8m) and a \$2.2m increase in the revaluation gain in the income statement to \$44.5m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at A\$172.2m (\$118.7m) and a \$2.1m decrease in the revaluation gain in the income statement to \$40.2m.

The net royalty income from this investment is currently taxed in Australia at a rate of 30%. The revaluation of the underlying Australian dollar asset is recognised in the Income Statement with the retranslation to the Group's USD presentation currency recognised in the foreign currency translation reserve.

Were the coal royalty to be realised at the revalued amount, there are \$7.4m (A\$9.9m) of capital losses potentially available to offset against taxable gains. As the Directors do not presently have any intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation (note 15). Were the coal royalty to be carried at cost the carrying value would be \$0.3m (2021: \$0.3m).

Refer to note 21 for additional fair value disclosures relating to Kestrel.

9 Metal streams

	Cost	Contingent Consideration	Total
	\$'000	\$'000	\$'000
Gross carrying amount			
At 1 January 2021	-	-	-
Additions	164,069	4,137	168,206
At 30 June 2021	164,069	4,137	168,206
Change in accounting estimate	11,516	-	11,516
Revaluation of contingent consideration	-	(1,829)	(1,829)
At 31 December 2021	175,585	2,308	177,893
Revaluation of contingent consideration	-	3,193	3,193
At 30 June 2022	175,585	5,501	181,086

Depletion and impairment

At 1 January 2021	-	-	-
Depletion	(1,601)	(318)	(1,919)
At 30 June 2021	(1,601)	(318)	(1,919)
Change in accounting estimate	(112)	-	(112)
Depletion	(5,484)	189	(5,295)
At 31 December 2021	(7,197)	(129)	(7,326)
Depletion	(4,002)	(52)	(4,054)
At 30 June 2022	(11,199)	(181)	(11,380)
Carrying amount 30 June 2022	164,386	5,320	169,706

On 12 March 2021, the Group completed the acquisition of a holding company that, in turn, holds a 70% net interest in a stream on cobalt production from the Voisey's Bay mine in Canada for cash consideration of \$205.6m at closing and further potential contingent consideration subject to cobalt prices over the next five years. Cost directly associated with the acquisition were \$2.1m, resulting in a total payment of \$207.7m.

On acquisition it was estimated that the holding company acquired had carried forward tax losses of \$163.9m, resulting in \$43.4m of the cash consideration being allocated to deferred tax assets on acquisition. Subsequently management obtained updated information from the seller that the carried forward tax losses were \$120.5m and as a result the deferred tax on acquisition was adjusted to \$31.9m (note 15). The \$11.5m adjustment is disclosed in the table above as a change in accounting estimate in the period of the change.

Under the stream agreement, the Group is entitled to 22.82% of all cobalt production from Voisey's Bay. This will step down to 11.41% once 7,600 tonnes of finished cobalt has been delivered. The stream covers Voisey's Bay's open pit and underground production. The Group will pay 18% of an industry cobalt reference price until the original upfront amount paid for the stream, by its original holder, of US\$300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter. This payment is reflected in mineral streams cost of sales in the income statement. The cobalt delivered under the stream is currently sold through an offtake agreement with a global metals trader on a take or pay basis.

The contingent consideration in relation to the acquisition is determined by reference to minimum production thresholds and cobalt prices, and has been classified as a financial liability that is carried at fair value based on the discounted expected cash outflows. The fair value of the contingent consideration is remeasured at each reporting date, and depreciated on a units-of-production basis over the total expected deliveries to be received from the metal stream. As at 30 June 2022, \$2.4m of contingent consideration was due as a result of the production levels and cobalt price achieved during the first half of 2022 and is included in current trade and other payables. The remaining \$2.4m in the fair value of contingent consideration, which includes associated effective interest of \$0.1m, is included in non-current other payables.

The metal stream and contingent consideration are being depleted on a units-of-production basis over the total expected deliveries to be received of 15.6Mlbs (30 June 2021: 15.8Mlbs; 31 December 2021: 15.8Mlbs). During the period to 30 June 2022, the Group received 0.37Mlbs of cobalt resulting in a depletion charge of \$4.1m (30 June 2021: 0.15Mlbs resulting in a depletion charge of \$1.9m; six months to 31 December 2021: 0.5Mlbs resulting in a depletion charge of \$5.4m)

10 Royalty financial instruments

Fair value	\$'000
At 1 January 2021	99,923
Disposals	(62,984)
Royalties due or received from royalty financial instruments	(1,592)
Revaluation of royalty financial instruments recognised in profit or loss	16,315
Revaluation of royalty financial instruments recognised in equity	11,233
Foreign currency translation	9
At 30 June 2021	62,904
Disposals	(1,800)
Royalties due or received from royalty financial instruments	(1,523)
Revaluation of royalty financial instruments recognised in profit or loss	1,186

Revaluation of royalty financial instruments recognised in equity	(8,471)
Foreign currency translation	1,495
At 31 December 2021	53,791
Royalties due or received from royalty financial instruments	(1,326)
Revaluation of royalty financial instruments recognised in profit or loss	7,002
Revaluation of royalty financial instruments recognised in equity	(7,499)
Foreign currency translation	(1,215)
At 30 June 2022	50,753

The details of the Group's royalty financial instruments, which are held at fair value are summarised below:

		Original Cost '000	Royalty Rate	Escalation	Classification	30 June 2022 Carrying Value \$'000
EVBC	Gold, Silver, Copper	C\$7,500	2.50%	3% gold >US\$1,100/oz	FVTPL	12,139
Dugbe 1	Gold	U\$15,000	2.00%	2.5% >U\$1,800/oz & production <50,000oz/qrt	FVTPL	1,651
McCLea Lake	Uranium	C\$2,700	-	22.5% of toll milling receipt on production >215Mlbs	FVTPL	2,370
Piauí	Nickel- Cobalt	U\$2,000	1.25%	-	FVTPL	11,895
Labrador Iron Ore	Iron Ore	C\$66,105	7.00%	-	FVTOCI	22,698
						50,753

The Group's royalty instruments are represented by four royalty agreements, EVBC, Dugbe 1, McCLea Lake and Piauí which entitle the Group to either the repayment of principal and a net smelter return ("NSR") royalty for the life of the mine or a gross revenue royalty ("GRR") where the project commences commercial production or the repayment of principal where it does not. All four royalty agreements are classified as fair value through profit or loss ('FVTPL').

The Group's entitlements to cash by way of the repayment of the principal and the NSR royalty or the GRR have been classified as fair value through profit or loss in accordance with IFRS 9 and are carried at fair value in accordance with the Group's classification of royalty arrangements criteria adopted in the last annual financial statements for the year to 31 December 2021.

The Group's fifth royalty financial instrument is its equity investment in Labrador Iron Ore Company ('LIORC'), which entitles the Group to a share of the 7% GRR LIORC receives from the Iron Ore Company of Canada ('IOC') mine and distributes to its shareholders via dividends. As LIORC is a single asset company, being the GRR over the IOC mine, which is owned and operated by Rio Tinto, the Group has classified its investment in LIORC as a royalty financial instrument and made an irrevocable election to designate it as FVTOCI. As at 30 June 2022, the fair value of the Group's interest in LIORC decreased by \$7.3m as a result of the decreased share price.

The resulting dividends from the Group's investment in LIORC have been classified as royalty related revenue (refer to note 2) as a result of LIORC's primary source of income being the 7% GRR described above.

During the six months ended 30 June 2021 the Group sold 2,510,700 shares LIORC in the first quarter of 2021 generating C\$82.4m (\$63.0m) in proceeds to fund the Voisey's Bay acquisition and retained 1,032,190 shares. The Group's partial sale of its holding in LIORC in the first quarter of 2021, resulted in a capital gain of C\$19.2m (\$15.5m) which was transferred directly to retained earnings.

11 Royalty and exploration intangible assets

	Exploration and Evaluation Costs \$'000	Royalty Interests \$'000	Total \$'000
Gross carrying amount			
At 1 January 2022	919	135,561	136,480
Foreign currency translation	-	(2,608)	(2,608)
At 30 June 2022	919	132,953	133,872

Amortisation and impairment

At 1 January 2022	(919)	(66,043)	(66,962)
Amortisation charge	-	(1,706)	(1,706)
Foreign currency translation	-	1,409	1,409
At 30 June 2022	(919)	(66,340)	(67,259)
Carrying amount 30 June 2022	-	66,613	66,613

	Exploration and Evaluation Costs \$'000	Royalty Interests \$'000	Total \$'000
Gross carrying amount			
At 1 January 2021	919	207,222	208,141
Foreign currency translation	-	(4,400)	(4,400)
At 30 June 2021	919	202,822	203,741
Amortisation and impairment			
At 1 January 2021	(919)	(76,710)	(77,629)
Amortisation charge	-	(3,779)	(3,779)
Foreign currency translation	-	2,510	2,510
At 30 June 2021	(919)	(77,979)	(78,898)
Carrying amount 30 June 2021	-	124,843	124,843

	Exploration and Evaluation Costs \$'000	Royalty Interests \$'000	Total \$'000
Gross carrying amount			
At 1 January 2021	919	207,222	208,141
Foreign currency translation	-	(7,151)	(7,151)
Disposals	-	(64,510)	(64,510)
At 31 December 2021	919	135,561	136,480
Amortisation and impairment			
At 1 January 2021	(919)	(76,710)	(77,629)
Amortisation charge	-	(7,519)	(7,519)
Impairment charge	-	(5,232)	(5,232)
Disposals	-	20,534	20,534
Foreign currency translation	-	2,884	2,884
At 31 December 2021	(919)	(66,043)	(66,962)
Carrying amount 31 December 2021	-	69,518	69,518

Royalty intangible assets

On 31 December 2021 the Group completed the sale of its 1% gross revenue royalty over the Narrabri mine to the operator, Whitehaven Coal Limited, for fixed consideration of \$21.6m of which \$4.4m was received on completion with the remaining balance receivable in instalments until 31 December 2026 and further contingent consideration also receivable over the period to 31 December 2026.

The contingent consideration is receivable in instalments, upon the approval of the Narrabri South extension project by state and federal authorities in Australia, prior to 31 December 2026. In addition, the Group is entitled to receive bi-annual contingent payments linked to future realised coal prices during the period from closing to 31 December 2026. Subject to minimum volumes of 3.0Mt per half year being achieved, where the realised prices exceed \$90/t the Group will be entitled to \$0.05/t, increasing to \$0.25/t if realised prices exceed \$150/t. Both elements of the contingent consideration in relation to the sale of the Narrabri royalty have been classified as a financial asset that is carried at fair value based on discounted expected cash flows.

As at 30 June 2022, the Group assessed the probability of the Narrabri South Extension being approved at 50% (31 December 2021: 50%) and applied this to the discounted future cash flows with a 10% pre-tax nominal discount rate (31 December 2021: 8.50%) resulting in a fair value of \$2.3m (31 December 2021: \$2.3m) for this element of the contingent consideration. The price and sales volume linked contingent consideration was also valued by applying an 10% pre-tax nominal discount rate (31 December 2021: 8.50%) to the expected future cash flows, resulting in a fair value of \$4.5m (31 December 2021: \$1.7m) for this element of the contingent consideration.

The price and sales volumes thresholds were met during the first half of 2022, resulting in contingent consideration totalling \$0.6m being receivable as at 30 June 2022, and is included in current trade and other receivables.

Amortisation of royalty intangible assets

The amortisation charge for the period, of \$1.7m (30 June 2021: \$3.8m) relates to the Group's producing royalties, Mantos Blancos, Maracás Menchen and Four Mile (including Narrabri in 2021). Amortisation of the remaining interests will commence once they begin commercial production.

Impairments of royalty intangible assets

All intangible assets are assessed for indicators of impairment at each reporting date. The key sources of estimation uncertainty impacting the assessment for indicators of impairment as at 30 June 2022 are detailed in note 1.4. As at 30 June 2022 no further impairment charges were recognised (31 December 2021: \$5.2m). The Group's intangible assets will be assessed for indicators of impairment again at 31 December 2022.

12 Mining and exploration interests

	\$'000
Fair value through other comprehensive income	
At 1 January 2021	10,946
Disposals	(1,694)
Revaluation adjustment	(1,333)
Foreign currency translation	199
At 30 June 2021	<u>8,118</u>
Disposals	(818)
Revaluation adjustment	(2,838)
Foreign currency translation	(66)
At 31 December 2021	<u>4,396</u>
Disposals	(1,265)
Revaluation adjustment	520
Foreign currency translation	(233)
At 30 June 2022	<u>3,418</u>

The fair values of listed securities are based on quoted market prices. Unquoted investments and royalty options are initially recognised using cost where fair value cannot be reliably determined. In the absence of an active market for these securities, the Group considers each unquoted security to ensure there has been no material change in the fair value since initial recognition.

Mining and exploration interests are held at fair value through other comprehensive income, with the effect that the gains and losses on disposal and impairment losses are transferred directly to retained earnings.

Total mining and exploration interests are represented by:

	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
Quoted investments	914	1,648	5,311
Unquoted investments	<u>2,504</u>	<u>2,748</u>	<u>2,807</u>
	<u>3,418</u>	<u>4,396</u>	<u>8,118</u>
Number of investments	8	8	9

13 Non-current other receivables

	\$'000
At 1 January 2021	23,219
Interest	1,227
Repayments of principal and interest	(912)
Amortisation of deferred costs	(9)

Expected credit losses	-
Foreign currency translation	670
At 30 June 2021	24,195
Interest	1,206
Repayments of principal and interest	(2,463)
Amortisation of deferred costs	(8)
Deferred and contingent consideration recognised	16,838
Expected credit losses	(43)
Foreign currency translation	(598)
At 31 December 2021	39,127
Interest	1,145
Repayments of principal and interest	(2,588)
Amortisation of deferred costs	(9)
Expected credit losses	(211)
Revaluation of contingent consideration	3,559
Reclassification to current other receivables	(4,600)
Foreign currency translation	(1,238)
At 30 June 2022	35,185

Denison Financing Agreement

In 2017, the Group completed a C\$43.5m (\$33.3m) financing and streaming agreement with Denison. The streaming agreement is classified as a royalty financial instrument (note 9), with an initial value of C\$2.7m (\$2.1m).

The financing agreement is structured as a 13-year secured loan of C\$40.8m (\$31.2m) with an interest rate of 10% per annum payable to the Group. The loan contains mandatory repayment provisions in any period where the equivalent toll revenues exceed the interest liability. Conversely, in any period when toll revenues are less than the interest payment, the shortfall is capitalised and carried forward to the next period. The loan principal, along with any capitalised interest, is repayable in full at maturity.

The McClean Lake mill from which the toll revenue is generated was suspended for operation between January 2021 and April 2021 in response to the COVID-19 pandemic, as a result tolling milling receipt totalled \$0.9m for the six months ended 30 June 2021, while interest revenue totalled \$1.2m. The shortfall between the toll milling revenue and the interest for the period was capitalised and carried forward.

In contrast, the McClean Lake mill remained fully operational during the six months ended 30 June 2022. The Group earned \$1.1m in interest revenue and received total toll milling receipts of \$2.6m, resulting in a principal repayment of \$1.5m.

The Group assesses the carrying value of the Denison financing agreement for expected credit losses over the next 12 months by making reference to the security held by the Group and the financial position of Denison at each reporting date. As at 30 June 2022, the provision for expected credit losses is \$0.9m (31 December 2021: \$0.9m). The implied probability of default has been assessed at 2.7% (31 December 2021: 1.2%).

Narrabri disposal - deferred consideration and contingent consideration

As described in note 11, the Group disposed of its 1% gross revenue royalty over the Narrabri mine to the operator, Whitehaven Coal Limited, for fixed consideration of \$21.6m of which \$4.4m was received on completion with the balance payable in annual instalments until 31 December 2026 and further contingent consideration also payable over the period to 31 December 2026.

The Group assessed the carrying value of the deferred consideration for expected credit losses over the next 12 months by making reference to the security held by the Group and the financial position of Whitehaven Coal Limited. As at 30 June 2022 the provision for expected credit losses is \$251,000 (31 December 2021: \$43,000). The implied probability of default has been assessed at 2.7% (31 December 2021: 1.2%).

As at 30 June 2022, the total outstanding deferred consideration net of expected credit losses is \$16.9m (31 December 2021: \$17.2m), of which \$8.4m (31 December 2021: \$4.4m) is included in current trade and other receivables. The total fair value of the contingent consideration, including that due for the six months ended 30 June 2022 was \$7.4m (31 December 2021: \$4.0m) as detailed in note 11, of which \$1.3m is included in current trade and other receivables (31 December 2021: nil).

14 Borrowings

	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
Secured borrowing at amortised cost			
Revolving credit facility	41,500	112,000	123,500
	<u>41,500</u>	<u>112,000</u>	<u>123,500</u>

In conjunction with the Voisey's Bay cobalt stream acquisition, the Group repaid its borrowings in full and cancelled its existing facility in March 2021, before entering a new \$180m revolving credit facility which was reduced to \$150m following the completion of the equity placing detailed in note 17.

To part finance the Voisey's Bay cobalt stream acquisition, the Group drew down \$123.5m on the new facility, of which \$82m was repaid between 1 July 2021 and 30 June 2022. Subsequent to the period end, the Group made further repayments of \$18.2m and borrowed a further \$43.2m to partially fund the completion payment due in relation to the acquisition of a portfolio of royalties as detailed in note 25.

In addition to consenting to the acquisition of the portfolio of royalties, the Group's lending syndicate agreed to maintain the revolving credit facility at \$150m and would no longer require the previously scheduled \$25m facility step down which was due in August 2022. The lending syndicate also agreed a \$50m accordion feature for future acquisitions.

The Group's facility has a three-year term, maturing on 24 February 2024 and is available at LIBOR plus 2.75% to 4.50% depending on leverage ratios and is secured by way of a floating charge over the Group's assets and is subject to a number of financial covenants, all of which have been met during the period ended 30 June 2022.

The Directors consider that the carrying amount of the Group's borrowings approximates their fair value.

The Group's net debt position after offsetting interest bearing liabilities against cash and cash equivalents is as follows:

	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
Revolving credit facility	(41,500)	(112,000)	(123,500)
Cash and cash equivalents	20,976	21,992	14,556
Net debt	<u>(20,524)</u>	<u>(90,008)</u>	<u>(108,944)</u>

15 Deferred tax

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
Deferred tax liabilities	(47,998)	(36,711)	(27,261)
Deferred tax assets	<u>37,478</u>	<u>36,478</u>	<u>47,019</u>
	<u>(10,520)</u>	<u>(233)</u>	<u>19,758</u>

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

	Revaluation of coal royalty \$'000	Revaluation of royalty instruments \$'000	Accrual of royalty receivable \$'000	Other revaluations \$'000	Other tax losses \$'000	Total \$'000
At 1 January 2021	22,881	(846)	982	-	-	23,017
Deferred tax assets on acquisition	-	-	-	-	(43,446)	(43,446)
Charge/(credit) to profit or loss	(2,739)	3,955	(440)	-	720	1,496
Charge/(credit) to other comprehensive income	-	(636)	-	-	-	(636)
Exchange differences	(526)	160	(14)	-	-	(380)
Effect of change in tax rate:						
- income statement	-	191	-	-	-	191
At 30 June 2021	<u>19,616</u>	<u>2,824</u>	<u>528</u>	<u>-</u>	<u>(42,726)</u>	<u>(19,758)</u>
Change in accounting estimate - deferred tax						
Asset on acquisition	-	-	-	-	11,516	11,516
Charge/(credit) to profit or loss	6,650	(108)	5,137	-	(1,168)	10,511
Charge/(credit) to other comprehensive income	-	(985)	-	-	-	(985)
Exchange differences	(926)	71	(196)	-	-	(1,051)
At 31 December 2021	<u>25,340</u>	<u>1,802</u>	<u>5,469</u>	<u>-</u>	<u>(32,378)</u>	<u>233</u>
Charge/(credit) to profit or loss	12,762	1,765	(775)	917	(1,305)	13,364

Charge/(credit) to other comprehensive income	-	(954)	-	-	-	(954)
Exchange differences	(1,883)	44	(246)	(38)	-	(2,123)
At 30 June 2022	<u>36,219</u>	<u>2,657</u>	<u>4,448</u>	<u>879</u>	<u>(33,683)</u>	<u>10,520</u>

Deferred tax assets on acquisition

On 12 March 2021, the Group completed the acquisition of a holding company that, in turn, holds a 70% net interest in a stream on cobalt production from the Voisey's Bay mine in Canada. On acquisition it was estimated that the holding company acquired had carried forward tax losses of \$163.9m, resulting in \$43.4m of the cash consideration being allocated to deferred tax assets on acquisition. Subsequently management obtained updated information from the seller that the carried forward tax losses were \$120.5m and as a result the deferred tax on acquisition was adjusted to \$31.9m. The impact of the adjustment is disclosed in the table above as a change in accounting estimate in the period of the change.

Uncertain tax positions

The Group operates across many tax jurisdictions. Application of tax law can be complex and requires judgement to assess risk and estimate outcomes, particularly in relation to the Group's cross-border operations and transactions. The evaluation of tax risks considers both amended assessments received and potential sources of challenge from tax authorities. In some cases, it may not be possible to determine a range of possible outcomes or a reliable estimate of the potential exposure.

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreement with tax authorities. Tax obligations assessed as having probable future economic outflows capable of reliable measurement are provided for. As at 31 December 2021 the Group recognised a provision for uncertain tax positions of \$4.2m (30 June 2021: \$3.1m); this provision remained unchanged at 30 June 2022.

During 2017 on advice from professional advisors, the Group undertook the capital restructuring of a number of subsidiaries with significant historical losses and impairment charges. This advice involved the interpretation of certain tax legislation for which there is no clear precedent or guidance. Absent clear guidance from relevant tax authorities there is the possibility that those tax authorities could interpret the legislation in a different way from the Group. With the utilisation of certain other tax losses since the capital restructure was undertaken, should the relevant tax authorities interpret the legislation in a different way from the Group, this could result in an income tax charge of \$8.6m (2021: \$8.6m).

The Group does not currently have any material unresolved tax matters or disputes with tax authorities. Recent changes to and the interpretation of tax legislation in certain jurisdictions where the Group has established structures may however, be a potential source of challenge from tax authorities. Due to the complexity of changes in international tax legislation, the Group has taken local advice and has recognised provisions where necessary. None of these provisions are material in relation to the Group's assets or liabilities.

16 Trade and other payables

	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
Current			
Other taxation and social security payables	43	33	137
Trade payables	220	96	197
Accruals and other payables	1,850	3,553	14,200
Deferred income	2,046	-	-
Deferred and contingent consideration	<u>2,373</u>	<u>950</u>	<u>-</u>
	<u>6,532</u>	<u>4,632</u>	<u>14,534</u>

On 13 April 2022, the Supreme Court of Western Australia handed down a favourable judgment in relation to the Group's legal dispute with Quasar Resources Pty Ltd ('Quasar'), the owner of the Four Mile uranium mine over which the Group has a 1% net smelter return royalty. The judgement ruled that none of the processes at the Beverley plant or Four Mile mine amount to refining which means that Quasar have wrongly claimed charges, costs and penalties that were for, or related to the extraction or processing of uranium ore into yellowcake or uranium concentrate as "Allocable Charges".

Quasar were ordered to pay A\$2.7m in additional royalties and interest in the amount of A\$0.3m for the original claim which runs from Q4 2015 to Q4 2018. The funds for the judgement amount were received in May 2022. Prior to paying the original judgement amount, Quasar lodged an appeal. As a result, the judgement amount received has been and will remain classified as deferred income until the appeal is decided and the Group's entitlement to the monies becomes irrevocable.

17 Share capital, share premium and merger reserve

	Number of shares	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Total \$'000
Group and Company					
Ordinary shares of 2p each at 1 January 2021	177,129,016	4,670	83,214	38,416	126,300
Issue of share capital under private placing (a)	33,664,371	952	-	56,431	57,383
Issue of share capital under retail offer (a)	2,687,372	76	4,669	-	4,745
Utilisation of shares held in treasury on exercise of employee options (b)	300,000	8	-	-	8
Ordinary shares of 2p at 30 June 2021	213,780,759	5,706	87,883	94,847	188,436
Ordinary shares of 2p at 31 December 2021	213,780,759	5,706	87,883	94,847	188,436
Utilisation of shares held in treasury on exercise of employee options (c)	453,307	12	-	-	12
Ordinary shares of 2p at 30 June 2022	214,234,066	5,718	87,883	94,847	188,448

- (a) On 24 February 2021, the Company completed a private placing of 33,664,371 new ordinary shares of 2p each and a retail offer of 2,687,372 new ordinary shares of 2 each. Both the private placing and the retail offer were price at 128p per share raising total proceeds of \$62.1m net of costs. As the shares issued in relation to the private placing were placed in return for acquiring over 90% of the share capital of a related entity, the proceeds raised in excess of the nominal value issued was recorded in the merger reserve. The funds raised through the private placing and the retail offer were used to part finance the Voisey's Bay acquisition (note 9).
- (b) On 11 March 2021, the Company utilised 300,000 ordinary shares of 2p each from treasury, following the exercise of options awarded to employees under the Company's Unapproved Share Option Plan.
- (c) On 21 February 2022, the Company utilised 19,974 ordinary shares of 2p each from treasury, following the exercise of options awarded to employees under the Company's Share Ownership Plan. On 25 February 2022, the Company utilised a further 433,333 ordinary shares of 2p each from treasury, following the exercise of options awarded to employees under the Company's Unapproved Share Option Plan.

18 Segment information

The Group's chief operating decision maker is considered to be the Executive Committee. The Executive Committee evaluates the financial performance of the Group based on a portfolio view of its individual royalty arrangements. Royalty income and its associated impact on operating profit is the key focus of the Executive Committee. The income from royalties is presented based on the jurisdiction in which the income is deemed to be sourced as follows:

Australia:	Kestrel, Narrabri, Four Mile, Pilbara
Americas:	Voisey's Bay, Mantos Blancos, Maracás Menchen, LIORC, Flowstream, McLean Lake, Piauí Ring of Fire, Canariaco, Ground Hog
Europe:	EVBC, Salamanca
Other:	Dugbe I, and includes the Group's mining and exploration interests

The following is an analysis of the Group's results by reportable segment. The key segment result presented to the Executive Committee for making strategic decisions and allocation of resources is operating profit as analysed below.

The segment information provided to the Executive Committee for the reportable segments for the six months ended 30 June 2022 is as follows (noting that total segment operating profit corresponds to operating profit before impairments and revaluations which is reconciled to profit/loss before tax on the face of the consolidated income statement):

Australia Royalties \$'000	Americas Royalties \$'000	Europe Royalties \$'000	All other segments \$'000	Total \$'000
----------------------------------	---------------------------------	-------------------------------	---------------------------------	-----------------

Royalty and stream related revenue	71,668	21,503	-	-	93,171
Amortisation and depreciation of royalties and streams	(51)	(5,709)	-	-	(5,760)
Mineral streams cost of sales	-	(3,160)	-	-	(3,160)
Operating expenses	(2,023)	(84)	-	(2,879)	(4,986)
Total segment operating profit/(loss)	69,594	12,550	-	(2,879)	79,265
Total segment assets	168,321	344,497	12,686	17,527	543,031
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	16	16
Total segment liabilities	58,710	49,741	3,035	3,735	115,221

The segment information provided to the Executive Committee for the reportable segments for the six months ended 30 June 2021 is as follows:

	Australia Royalties \$'000	Americas Royalties \$'000	Europe Royalties \$'000	All other segments \$'000	Total \$'000
Royalty and stream related revenue	10,811	11,411	-	-	22,222
Amortisation and depreciation of royalties and streams	(1,700)	(3,998)	-	-	(5,698)
Mineral streams cost of sales	-	(767)	-	-	(767)
Operating expenses	(2,346)	(83)	-	(2,600)	(5,029)
Total segment operating profit/(loss)	6,765	6,563	-	(2,600)	10,728
Total segment assets	130,966	363,639	17,327	20,033	531,965
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	164,069	-	7	164,076
Total segment liabilities	23,637	133,634	3,226	15,921	176,418

The segment information for the twelve months ended 31 December 2021 is as follows:

	Australia Royalty \$'000	Americas Royalty \$'000	Europe Royalty \$'000	All other segments \$'000	Total \$'000
Royalty and stream related revenue	51,774	33,521	-	-	85,295
Amortisation and depreciation of royalties and streams	(3,311)	(11,534)	-	-	(14,845)
Metal streams cost of sales	-	(4,046)	-	-	(4,046)
Operating expenses	(5,061)	(386)	-	(5,293)	(10,740)
Total segment operating profit/(loss)	43,402	17,555	-	(5,293)	55,664
Total segment assets	145,532	340,137	14,514	20,276	520,459
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	181,083	-	38	181,121
Total segment liabilities	35,164	119,247	3,480	5,465	163,356

The amounts provided to the Executive Committee with respect to total segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Executive Committee with respect to total segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The royalty related income in Australia for the six months ended 30 June 2022 of \$71.7m (2021: \$10.8m) is substantially derived from the Kestrel royalty, which generated \$70.8m for the six months ended 30 June 2022 (2021: \$9.6m). The royalty and stream related income derived from the Kestrel royalty represent greater than 10% of the Group's revenue for the six months ended 30 June 2022 and 30 June 2021.

The royalty related income from the Americas for the six months ended 30 June 2020 of \$21.5m (2021: \$11.4m) is substantially derived from the Voisey's Bay metal stream sales

of \$13.9m (2021: \$3.1m), Mantos Blancos royalties of \$3m (2021: \$2.8m) and dividends received from the Group's investment in LIORC of \$1.1m (2021: \$2.3m). The stream related income derived from the Group's Voisey's Bay metal stream represents greater than 10% of the Group's revenue for the period ended 30 June 2022. For the period ended 30 June 2021, the royalty and stream related income derived from Voisey's Bay metal stream, Mantos Blancos royalty and investment in LIORC each represent greater than 10% of the Group's revenue.

19 Free cash flow

The structure of a number of the Group's royalty financing arrangement, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group considers dividend cover by reference to both adjusted earnings per share and the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator.

Free cash flow per share is calculated by dividing net cash generated from operating activities, proceeds from the disposal of non-core assets, less finance costs divided by the weighted average number of shares in issue.

	2022 \$'000	Free cash flow per share c
Net cash generated from operating activities		
Net cash generated from operating activities for the period ended 30 June 2022	80,810	
<i>Adjustment for:</i>		
Proceeds on disposal of mining and exploration interests	1,265	
Finance income	1	
Finance costs	(1,675)	
Repayments under commodity related financing agreements	1,443	
Free cash flow for the period ended	<u>81,844</u>	<u>38.25c</u>
	2021 \$'000	Free cash flow per share c
Net cash generated from operating activities		
Net cash generated from operating activities for the period ended 30 June 2021	17,787	
<i>Adjustment for:</i>		
Proceeds on disposal of mining and exploration interests	1,694	
Finance costs	(7,951)	
Free cash flow for the period ended	<u>11,530</u>	<u>6.08c</u>

The weighted average number of shares in issue for the purpose of calculating the free cash flow per share is as follows:

	30 June 2022	30 June 2021
Weighted average number of shares in issue	<u>213,971,106</u>	<u>189,502,818</u>

20 Portfolio contribution

Portfolio contribution represents the funds received or receivable from the Group's underlying royalty and stream related assets. A number of the Group's royalty financing arrangements result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. In addition, following the adoption of IFRS 9, royalty receipts from those royalty financial instruments classified as FVTPL such as EVBC, are no longer recognised in the income statement. The Group considers total portfolio contribution as a means of assessing the overall performance of the Group's underlying royalty related assets.

Portfolio contribution is royalty and stream related revenue (note 2), less metal stream cost of sales, plus royalties received or receivable from royalty financial instruments carried at FVTPL (note 10) and principal repayment received under the Denison financing agreement (note 13) as follows:

	Six months ended	
	30 June 2022 \$'000	30 June 2021 \$'000
Royalty and stream related revenue (note 2)	93,171	22,222
Royalties due or received from royalty financial instruments (note 10)	1,326	1,592
Repayments under commodity related financing agreements (note 13)	1,443	-
Mineral streams cost of sales	(3,160)	(767)
	<u>92,780</u>	<u>23,047</u>

Metal streams costs of sales represent the cost of cobalt purchases under the Voisey's Bay stream agreement, marketing costs and insurance. The cost of cobalt purchases is 18% of an industry cobalt reference price until the original upfront amount paid for the stream, by its original holder, of US\$300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter.

21 Financial risk management

The Group's principal treasury objective is to provide sufficient liquidity to meet operational cash flow and dividend requirements and to allow the Group to take advantage of new growth opportunities whilst maximising shareholder value. The Group's activities expose it to a variety of financial risks including liquidity risk, credit risk, foreign exchange risk and price risk. The Group operates controlled treasury policies which are monitored by management to ensure that the needs of the Group are met while minimising potential adverse effects of unpredictability of financial markets on the Group's financial performance.

Financial instruments

The Group held the following investments in financial instruments (this includes investment properties):

	30 June 2022 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
<i>Investment property (held at fair value)</i>			
Coal royalties (Kestrel)	120,730	84,465	65,385
<i>Fair value through other comprehensive income</i>			
Royalty financial instruments	22,697	30,494	39,111
Mining and exploration interests	3,418	4,396	8,118
<i>Fair value through profit or loss</i>			
Royalty financial instruments	28,056	23,297	23,793
Contingent consideration - royalty intangible disposal	6,744	4,018	-
Cash at bank and on hand	20,976	21,992	14,556
<i>Financial assets at amortised cost</i>			
Trade and other receivables	55,975	63,267	30,901
Contingent consideration - royalty intangible disposal	629	-	-
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	220	96	197
Borrowings	41,500	112,000	123,500
Contingent consideration - metal stream acquisition	2,373	950	-
<i>Financial liabilities at fair value through profit or loss</i>			
Derivative financial instruments	129	-	-
Contingent consideration - metal stream acquisition	2,419	1,534	4,137

Cash and cash equivalents comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair value.

The Directors consider that the carrying amount of trade and other receivables and trade and other payables approximates their fair value.

Liquidity and funding risk

The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. As at 30 June 2022, the Group had

borrowings of \$41.5m (31 December 2021: \$112m; 30 June 2021: \$123.5m) and cash and cash equivalents of \$20.9m (31 December 2021: \$21.9m; 30 June 2021: \$14.6m).

Subsequent to the period ended 30 June 2022, the Group repaid \$18.2m of its borrowings and borrowed a further \$43.2m to fund the acquisition of a high-quality portfolio of royalties over advanced development stage copper and nickel projects (see note 25). As at the date of this report the Group has ~\$50.0m of net debt, and subject to continued covenant compliance, has access to ~\$150.0m for future permitted acquisitions, along with a residual stake in LIORC of ~\$23m and ~\$7m of treasury shares providing the Group with total financing flexibility of ~\$180m. Further details on the Group's revolving credit facility are included in note 14.

Credit risk

The Group's principal financial assets are bank balances, royalty financial instruments (excluding the investment in LIORC), trade and other receivables. These represent the Group's maximum exposure to credit risk in relation to financial assets and total \$112.4m at 30 June 2022 (31 December 2021: \$71.7m; 30 June 2021: \$69.3m).

Foreign exchange risk

The Group's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. With royalty income from Kestrel accounting for over 76% of the Group's income (30 June 2021: 43%), the Group's primary foreign exchange exposure is to the Australian dollar, in which these royalties are denominated. In addition to the Group's exposure to the Australian dollar, it is also exposed to the Canadian dollar through the royalty related revenue from LIORC and McClean Lake which is denominated in Canadian dollars and accounted for 2.4% of the Group's income (30 June 2021: 16%).

The Group's hedging policy allows foreign exchange forward contracts to be entered into with a maximum exposure of 70% of forecast Australian and Canadian dollar denominated royalty revenue expected to be received during a period not exceeding 12 months from contract date to settlement. Outstanding forward contracts at 30 June 2022 are valued at \$129,000 (30 June 2021: no outstanding forward contracts).

Price risk

The royalty and metal stream portfolio exposes the Group to other price through fluctuations in commodity prices, particularly the prices of coking coal, cobalt, vanadium, copper, iron ore, gold and uranium. As the Directors obtain independent commodity price forecasts, the generation of which takes into account fluctuations in prices, limited analysis of the impact of fluctuations on the valuations of the royalties has been undertaken - refer to note 8.

In addition to the commodity price risk, the Group is exposed to share price risk in respect of its mining and exploration interests (note 12) which include listed and unlisted equity securities, together with its investment in LIORC which is classified as a royalty financial instrument (note 10). No specific hedging activities are undertaken in relation to these interests and the voting rights arising from these equity instruments are utilised in the Group's favour.

Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2022:

Group		Level 1	Level 2	Level 3	Total
Assets	Notes	\$'000	\$'000	\$'000	\$'000
Coal royalties (Kestrel)	(a)	-	-	120,730	120,730
Royalty financial instruments	(b)	22,697	-	28,056	50,753
Mining and exploration interests - quoted	(c)	914	-	-	914

Mining and exploration interests - unquoted	(d)	-	2,504	-	2,504
Contingent Consideration - royalty intangible disposal	(e)	-	-	6,744	6,744
Liabilities					
Derivative financial instruments	(f)	-	(129)	-	(129)
Contingent consideration - metal stream acquisition	(g)	-	-	(2,419)	(2,419)
Net fair value		<u>23,611</u>	<u>2,375</u>	<u>153,111</u>	<u>179,097</u>

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2021:

Group	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	65,385	65,385
Royalty financial instruments	(b)	39,111	-	23,793	62,904
Mining and exploration interests - quoted	(c)	5,311	-	-	5,311
Mining and exploration interests - unquoted	(d)	-	2,807	-	2,807
Liabilities					
Derivative financial instruments	(e)	-	-	-	-
Contingent consideration	(f)	-	-	(4,137)	(4,137)
Net fair value		<u>44,422</u>	<u>2,807</u>	<u>85,041</u>	<u>132,270</u>

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2021:

Group	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	84,465	84,465
Royalty financial instruments	(b)	30,494	-	23,297	53,791
Mining and exploration interests - quoted	(c)	1,648	-	-	1,648
Mining and exploration interests - unquoted	(d)	-	2,748	-	2,748
Contingent consideration - royalty intangible disposal	(e)	-	-	4,018	4,018
Liabilities					
Contingent consideration - metal stream acquisition	(f)	-	-	(1,534)	(1,534)
Net fair value		<u>32,142</u>	<u>2,748</u>	<u>110,246</u>	<u>145,136</u>

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purposes of measuring fair value of royalty financial instruments gives more prominence to the probability of production by applying a risk weighting to the discounted net present value outcome in order to fully reflect the risk that the operation never comes into production, rather than factoring this risk into the discount rate applied to the future cash flow.

(a) Coal royalties (investment property)

The Group's coal royalties derive from its ownership of certain sub-stratum land in Queensland, Australia. In accordance with IAS 40, this land is revalued at each reporting date on the basis of future expected income discounted at 10% (30 June 2021: 6% and 31 December 2021: 6%) by an independent valuation consultant. See note 8 for further details. All unobservable inputs are obtained from third parties.

(b) Royalty financial instruments

At the reporting date, the royalty financial instruments are valued based on the net present value of pre-tax cash flows discounted at a rate between 10% and 26.5%. The discount rate of each royalty arrangement is derived using a capital asset pricing model specific to the underlying project, making reference to the risk-free rate of return expected on an investment with the same time horizon as the expected mine life, together with the country risk associated with the location of the operation.

For those royalty financial instrument not in production, the outcome of this net present value calculation is then risk weighted to reflect management's current assessment of the overall likelihood and timing of each project coming into production and royalty income arising. This assessment is impacted by news flow relating to the underlying operation in the period, in conjunction with management's assessment of the economic viability of the project based on commodity price projections.

The table below outlines the discount rate and risk weighting applied in the valuation of the Group's royalty financial instruments:

	Classification	30 June 2022		31 December 2021		30 June 2021	
		Discount Rate	Risk Weighting	Discount Rate	Risk Weighting	Discount Rate	Risk Weighting
EVBC	Fair Value through Profit or Loss	12%	100%	8.5%	100%	7.5%	100%
Dugbe 1	Fair Value through Profit or Loss	26.5%	42.5%	21.5%	25%	30.0%	75%
McLean Lake	Fair Value through Profit or Loss	10%	50%	8%	50%	7.5%	50%
Piaui	Fair Value through Profit or Loss	17%	45%-100%	13.5%	25%-90%	13.5%	50%

The Group has reviewed the impact on the carrying value of its royalty financial instruments and does not consider a +/- 1% change in the discount rate or a +/- 10% change in the underlying commodity prices to have a material impact.

(c) Mining and exploration interests - quoted

All the quoted mining and exploration interests have been issued by publicly traded companies in well-established security markets. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(d) Mining and exploration interests - unquoted

All the unquoted mining and exploration interests are initially recognised using cost as the best approximation of fair value. The Group notes any trading activity in the unquoted instruments and will value its holding accordingly. At present, the Group holds these investments with a view to generating future royalties and there is no present intention to sell. The vast majority of these are investments which the Group anticipates a realistic possibility of a future listing.

(e) Contingent Consideration - royalty intangible disposal

Contingent consideration - royalty intangible disposal, relates to the sale of the Narrabri royalty intangible completed on 31 December 2021 (note 13). For the period from completion date until 31 December 2026, the Group may receive additional consideration following state and federal government approvals in Australia of the Narrabri South extension, together with price and volume linked consideration. The contingent consideration has been classified as a financial asset that is carried at fair value based on the net present value of the discounted future cash flows estimated based on the probability of the Narrabri South extension being approved and the forward-looking thermal coal prices and expected production volumes. The financial asset in relation to the contingent consideration will be remeasured at each reporting date, with movements recognised in profit or loss over the period to 31 December 2026 during which the additional consideration may be received.

(f) Derivative financial instruments

The derivative financial instruments consist of foreign exchange forward contracts entered into to hedge the Group's Australian and Canadian dollar royalty related income. At reporting date, the foreign exchange forward contracts are valued based on the net present value of the discounted future cash flows estimated based on forward exchange rates and contract forward rates, discounted at rates that reflect the credit risk of various counterparties.

(g) Contingent consideration - metal stream acquisition

Contingent consideration - metal stream acquisition, relates to the acquisition of the Voisey's Bay metal stream completed on 11 March 2021 (note 9). For the period from completion date until 30 June 2025, the Group may become liable for additional consideration payments determined by reference to minimum production thresholds and cobalt prices. This contingent consideration has been classified as a financial liability that is carried at fair value based on the net present value of the discounted future cash outflows estimated based on forward looking cobalt prices and expected production volumes. The financial liability in relation to the contingent consideration will be remeasured at each reporting date, with movements recognised in carrying value of metal stream and depreciated on a unit-of-production basis over the total expected deliveries to be received.

Fair value measurements in Level 3

The Group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2022.

	Royalty financial instruments	Coal royalties (Kestrel)	Contingent consideration - royalty intangible disposal	Contingent consideration - metal stream acquisition	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2022	23,297	84,465	4,018	(1,534)	110,246
Revaluation gains or losses recognised in:					
Income statement	7,002	42,327	3,713	(3,193)	49,849
Royalties due or received from royalty financial instruments	(1,326)	-	-	-	(1,326)
Reclassified to current receivables/payables	-	-	(629)	2,373	1,744
Effective interest	-	-	-	(65)	(65)
Foreign currency translation	(917)	(6,062)	(358)	-	(7,337)
At 30 June 2022	<u>28,056</u>	<u>120,730</u>	<u>6,744</u>	<u>(2,419)</u>	<u>153,111</u>

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2021.

	Royalty financial instruments	Coal royalties (Kestrel)	Contingent consideration - royalty intangible disposal	Contingent consideration - metal stream acquisition	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2021	9,251	76,268	-	-	85,519
Revaluation gains or losses recognised in:					
Income statement	16,315	(9,132)	-	-	7,183
Royalties due or received from royalty financial instruments	(1,592)	-	-	-	(1,592)
Acquisition of metal stream (note 9)	-	-	-	(4,137)	(4,137)
Foreign currency translation	(181)	(1,752)	-	-	(1,933)
At 30 June 2021	<u>23,793</u>	<u>65,385</u>	<u>-</u>	<u>(4,137)</u>	<u>85,041</u>

The following table presents the changes in Level 3 instruments for the year ended 31 December 2021.

	Royalty financial instruments	Coal royalties (Kestrel)	Contingent consideration - royalty intangible disposal	Contingent consideration - metal stream acquisition	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2021	9,251	76,268	-	-	85,519
Revaluation gains or losses recognised in:					
Income statement	17,501	13,037	-	-	30,538
Royalties due or received from royalty financial instruments	(3,115)	-	-	-	(3,115)
Fair value on initial recognition	-	-	4,018	(1,534)	2,484
Foreign currency translation	(340)	(4,840)	-	-	(5,180)
At 31 December 2021	<u>23,297</u>	<u>84,465</u>	<u>4,018</u>	<u>(1,534)</u>	<u>110,246</u>

There have been no transfers into or out of Level 3 in any of the reporting periods.

The Group measures its entitlement to the royalty income and any optionality embedded within the royalty instruments using discounted cash flow models. In determining the discount rate to be applied, management considers the country and sovereign risk associated with the projects, together with the time horizon to the commencement of production and the success or failure of projects of a similar nature.

22 Related party transactions

The Group received £20,459 from Audley Capital Advisors LLP, a company of which Mr J.A. Treger, former Chief Executive Officer, is both a director and shareholder, for the subletting of office space during the period ended 30 June 2022 (2021: £107,713). Transactions with Audley Capital Advisors have ceased since Mr J.A. Treger's resignation.

As at 30 June 2022, Audley Capital Advisors LLP, had no amounts outstanding to the Group (31 December 2021: £nil and 30 June 2021: £19,110).

23 Share-based payments

On 21 February 2022, the Company utilised 19,974 ordinary shares of 2p each from treasury, following the exercise of options awarded to employees under the Company's

Share Ownership Plan. On 25 February 2022, the Company utilised a further 433,333 ordinary shares of 2p each from treasury, following the exercise of 800,000 options awarded to employees under the Company's Unapproved Share Option Plan ('USOP') - refer to note 17. The balance of 366,667 ordinary shares of 2p each to satisfy options exercised under the USOP were transferred from the Anglo Pacific Group Employee Benefit Trust ('EBT').

On 25 February 2022, the EBT transferred a further 78,059 ordinary shares of 2p each to satisfy the awards under the Company's Deferred Bonus Share Plan. Following the transfer, the EBT's investment in the Company's own shares was reduced to nil.

On 11 March 2021, certain employees exercised 300,000 options under the Company's Unapproved Share Option plan. The exercise of these option was settled through the use of 300,000 ordinary shares of 2p each held in treasury (refer to note 16).

On 15 June 2021, the performance period for awards granted in 2014 and 2016 under the Group's Value Creation Plan ended with applicable performance conditions not having been met and the awards lapsing in full. As a result, \$6.4m was released from the Group's share-based payment reserve to retained earnings.

24 Contingent Liabilities

On 2 March 2020, the Group together with Orion Mineral Royalty Fund LP - Series 1 and Orion Mineral Royalty Fund LP - Overflow Series 1 (collectively "Orion"), entered into a financing agreement with Incoa Performance Minerals LLC and certain of its affiliates ("Incoa") which will fund the construction of Incoa's calcium carbonate mine and associated infrastructure in the Dominican Republic as well as a processing facility located in Mobile, Alabama, in the United States of America.

The financing agreement is structured into two tranches, with Tranche 1 proceeds financing the project through construction and into production. Orion funded Tranche 1 in full in the first half of 2020.

The Group's \$20m Tranche 2 commitment follows construction completion when the operation is in production and generating cash flow and will provide Incoa with additional capital to bring its ground calcium carbonate products to market. Under the terms of the financing agreement, the Group is entitled to receive quarterly payments of approximately 1.23% of Incoa gross revenue following funding of the Anglo Pacific Tranche 2 Commitment.

The Tranche 2 Commitment is subject to a number of conditions, including Incoa's successful construction and operation of the project, which is expected to be achieved in early 2023. As the Group's requirement to fund Tranche 2 is dependent upon the successful construction and operation of the project, a liability has not been recognised on the balance as at 30 June 2022.

25 Events occurring after period end

Royalty portfolio acquisition

On 19 July 2022, the Group acquired 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 \$185m with further contingent consideration of up to \$15m.

The fixed consideration of \$185m which will be settled as follows:

- \$47.6m in cash payable on completion of the transaction.
- \$82.4m in an equity issue of 44 million of shares at £1.54/share to South32. These new shares will represent approximately 16.9% of the share capital of Anglo Pacific. South32 will have the right to appoint a director to the Board, a right that will terminate if shareholding falls below 10%. The company will also be subject to a lock in agreement of 9 months.
- Deferred cash consideration totalling \$55m to be paid in six equal quarterly instalments with the first instalment due in October 2022 and the final instalment due in January 2024.

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

Four Mile litigation

Following the favourable ruling by the Western Australian Supreme Court on 13 April 2022, in relation to the Group's dispute with the owner of the Four Mile mine, as detailed in note 16, on 12 August 2022 the judge handed down his decision on the rate of interest to be applied from the date the under paid royalties were due until the date of payment, being 6%. As a result, the Group will receive additional interest payments to make up for the shortfall in interest amounts already paid by Quasar.

On 15 August 2022, the parties entered into a settlement agreement, which required Quasar to pay A\$3.1m plus interest in respect of the underpaid royalties during the period Q1 2019 to Q4 2021, which was not covered by the original claim. The settlement agreement calculates the royalties in line with the judgement in relation to the original claim. Under the terms of the settlement agreement, should Quasar's appeal be successful, the settlement amounts will be repaid with interest. The settlement payment will, therefore, be classified as deferred income similar to the judgement amount, until the appeal is decided and the Group's entitlement to the monies becomes irrevocable. Management expect the appeal to be heard in the first half of 2023.

McClellan Lake

On 27 July 2022, Cameco announced its intention to scale back production at the Cigar Lake mine to 75% of licenced capacity from 2024. While this scale back would reduce the Group's tolling receipts from the McClellan Lake mill in the near-term, is not expected to materially impact the value of the Group's McClellan Lake related assets.

26 Availability of financial statements

This statement will be sent to shareholders and will be available at the Group's registered office at 1 Savile Row, London W1S 3JR.

Responsibility statement

The Directors are responsible for preparing the Interim Results for the six months ended 30 June 2022 in accordance with applicable law, regulations and accounting standards. In preparing the condensed interim Financial Statements, the Directors are responsible for ensuring that they give a true and fair view of the state of affairs of the Group at the end of the period and the profit or loss of the Group for that period, as required by DTR 4.2.4R.

The Directors confirm that the condensed interim Financial Statements have been prepared in accordance with United Kingdom adopted IAS 34 'Interim Financial Reporting' and that the Interim Results includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed interim Financial Statements, and a description of principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions for the first six months of the year and any material changes in the related party transactions described in the last annual report.

The Directors are listed in the Group's 2021 Annual Report and Accounts. A list of the current Directors is maintained on the Anglo Pacific website: www.anglo-pacificgroup.com. The maintenance and integrity of this website is the responsibility of the Directors.

On behalf of the Board

M. Bishop Lafleche
Chief Executive Officer
24 August 2022

Independent review report to Anglo Pacific Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 26.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor

London, United Kingdom
24 August 2022

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