

**ANGLO PACIFIC GROUP PLC**

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News Release

31 August 2019

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Anglo Pacific Group PLC Acquisition of a producing copper royalty

Anglo Pacific Group PLC ("**Anglo Pacific**", the "**Company**") (LSE: APF, TSX: APY) is pleased to announce that it has entered into an agreement with a subsidiary of Mantos Copper ("**Mantos**"), to acquire a 1.525% Net Smelter Return royalty ("**NSR**") over all copper produced at the Mantos Blancos copper mine (the "**Mantos Blancos Mine**") in exchange for an upfront cash consideration of US\$50.25 million. Anglo Pacific is entitled to royalty payments on completion of the acquisition, which is expected to occur within two business days of this announcement. The Mantos Blancos Mine is an open pit operation located in Chile, producing copper with silver by-products. The NSR entitlement applies exclusively to copper production at the Mantos Blancos Mine.

The acquisition of the NSR provides Anglo Pacific with its first significant exposure to a producing copper mine at an attractive entry point in the copper price cycle and will immediately add diversification to the Company's portfolio. The transaction also fits into the Company's strategy of investing in high quality commodities with smaller environmental footprints, as the Mantos Blancos Mine produces products at the premium end of the copper market. The royalty will generate immediate cashflow following completion and will be financed entirely from internal resources, which will be accretive to earnings per share ("**EPS**").

Anglo Pacific has carried out thorough due diligence in accordance with the Company's environmental, social and governance ("**ESG**") policies and is supportive of Mantos' approach towards achieving best ESG practices. Anglo Pacific will continue to monitor and work with Mantos to maintain such standards through its audit and information rights available under the terms of the royalty agreement.

Highlights of the transaction:

- **Enhanced commodity mix with exposure to the highly attractive copper market outlook**
 - Portfolio further diversified to include a producing copper royalty
 - Global copper supply currently in a deficit position which is forecast to widen further
- **Immediately accretive and maintains low-risk geographic footprint**
 - Producing royalty immediately accretive to EPS and cashflow per share following completion
 - Chile ranks amongst the top six most attractive global jurisdictions for mining investment ⁽¹⁾
- **Mantos Blancos Mine produces high-quality copper products**
 - High grade copper concentrates with low levels of deleterious materials
 - Cathode products are primarily Grade A with 99.99% purity and are LME registered

- **Long production track record and long mine life with upside potential**
 - One of the first private copper mines in Chile with demonstrated ability to operate through the cycle
 - 16 year mine life at planned production rates with production and mine life extension upside
 - Production upside potential via a further concentrator plant expansion and treatment of oxide ore stockpiles
- **High quality management team**
 - Proven operational track record at Chilean and South American copper mines
 - Prior experience at blue-chip miners including Anglo American, BHP, Codelco, and Barrick South America
- **Demonstrates Anglo Pacific's ability to finance transactions from its balance sheet**
 - ~US\$112 million in balance sheet financed acquisitions over the past 12-months

Mantos will direct the proceeds of the royalty transaction to fund the Mantos Blancos concentrator debottlenecking project capital costs of US\$219 million (the "**Debottlenecking Project**") as well as any working capital requirements which arise as a result of its implementation. The Debottlenecking Project is expected to increase the Mantos Blancos Mine's sulphide ore concentrator plant throughput capacity to 7.3Mtpa by 2021 from 4.3Mtpa currently, prior to the expected depletion of the oxide ore in 2023, and is expected to extend the mine life to at least 2035 at reduced cash costs. The mine is expected to produce 45.4 Kt and 42.3 Kt of copper in 2019 and 2020 respectively and an average of 52.4 Kt of copper per annum during the first ten years following the completion of the Debottlenecking Project in 2021 at an average C1 cash cost of \$1.87 per pound (including silver by-product credits). The mine has both production upside and mine life extension potential.

Concurrent with Anglo Pacific's royalty acquisition, Mantos has entered into a US\$250 million financing package including a US\$150 million offtake facility with Complejo Metalurgico Altonorte S.A., and a US\$25 million agreement with a subsidiary of Osisko Gold Royalties Ltd ("**Osisko**") to upsize an existing silver stream agreement. Together with US\$25 million of committed equity funding from Mantos' majority shareholder Orion Mine Finance LLP, the combined proceeds will fund US\$219 million of capital costs and working capital associated with the Debottlenecking Project. Anglo Pacific's position as a secured creditor to Mantos is regulated pursuant to an intercreditor agreement between Complejo Metalurgico Altonorte and Osisko.

The Mantos Blancos royalty will be immediately accretive to the Company's H2-2019 EPS. The transaction has largely been funded by a US\$50 million drawdown of the Company's revolving credit facility.

Julian Treger, CEO and Director of Anglo Pacific is a Non-Executive Director of Mantos. Mantos is majority owned by Orion Mine Finance LLP. Audley Mining Advisors Limited ("**AMAL**") is a minority shareholder of Mantos with an approximate 4% holding. Mr. Treger is a potential beneficiary in a trust which is a shareholder of AMAL. Although the transaction is not a related party transaction under the Listing Rules, as a result of Mr. Treger's connection with Mantos and in accordance with the Company's internal procedures on conflicts of interest, Mr. Treger did not take part in the day-to-day negotiations relating to the transaction and abstained from voting at both Boards on matters relating to the transaction.

Commenting on the investment, Patrick Meier, Non-Executive Chairman of Anglo Pacific Group, said:

"The Mantos Blancos royalty acquisition continues Anglo Pacific's growth trajectory; it is expected to be immediately accretive to earnings and is in-line with our stated strategy of diversifying the Company's sources of income and commodity exposure.

In addition to being located in an excellent mining jurisdiction, the Mantos Blancos Mine produces a clean concentrate with very low levels of impurities and deleterious materials, further enhancing the Company's exposure to premium commodity products.

The bear market for commodities in the 2012-2016 period resulted in underinvestment by the capital-constrained mining sector into sources of new copper supply. Looking ahead, negligible supply growth and declining copper grades at existing operations are expected to drive a structural supply deficit based on industrial demand sources alone, with incremental copper demand resulting from new renewable energy power generation capacity, energy storage, and electric vehicle sales growth expected to create an even tighter supply environment.”

Analyst Call

There will be an analyst conference call at 1:00pm (BST) on 2 September 2019. The call will be hosted by Julian Treger (CEO), Marc Bishop Lafleche (Head of Development), and Juan Alvarez (Head of Investments).

Dial in details for the call are as follows:

Location you are dialling in from	Number you should dial
United Kingdom (toll free)	0800 358 9473
United Kingdom (Local)	+44 333 300 0804
All other locations please refer to the link below: http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf	

Participant Access Code: 42643335#

Presentation link: <https://www.anglopacifigroup.com/wp-content/uploads/2019/08/Anglo-Pacific-Group-Mantos-Blancos-Royalty-Acquisition.pdf>

For further information:

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About the Company

Anglo Pacific Group PLC is a global natural resources royalty and streaming company. The Company's strategy is to develop a leading international diversified royalty and streaming company with a portfolio centred on base metals and bulk materials, focusing on accelerating income growth through acquiring royalties on projects that are currently cash flow generating or are expected to be within the next 24 months, as well as investment in earlier stage royalties. It is a continuing policy of the Company to pay a substantial portion of these royalties to shareholders as dividends.

The Mantos Blancos Mine ⁽²⁾

Overview

Mantos is a copper mining company that was established in Chile in September 2015 when it acquired the Mantos Blancos and Mantoverde mines from Anglo American PLC. Mantos is majority owned by Orion Mine Finance LLP and Audley Mining Advisors Limited is a minority holder (approx. 4%).

The Mantos Blancos Mine is one of the first private copper mines in Chile, dating back to 1960. It is located in the Antofagasta Region of Chile which is an established mining jurisdiction. It is an open pit mine extracting both sulphide and oxide copper ores, and produces copper concentrate, copper cathodes and silver by-products.

The Royalty

The Company is acquiring a 1.525% NSR royalty entitlement over all copper produced at the Mantos Blancos mine in exchange for an upfront cash consideration of US\$50.25 million. The royalty covers all copper produced in concentrate from sulphide ores as well as copper cathode produced from oxide ores. The NSR covers the current 16 year life of mine as well any future sources of production expansion and mine life extensions from the project area.

Historical Production

The Mantos Blancos Mine copper production during the prior three-year period is as follows:

('000 tonnes)	Years Ended 31 December,		
	2016	2017	2018
Copper cathodes	22	23	21
Contained in concentrate	27	23	20
Total	49	46	42

Mineral Reserves and Resources

The Mantos Blancos Mine's copper and silver mineralisation is associated with diorite and granodiorite intrusives and associated hydrothermal breccias which were emplaced within the Middle to Late Jurassic La Negra Formation during the Early Cretaceous period and were controlled by regional north-west trending structures and faults. The mineralisation moved up from the underlying intrusive along permeable structures and then spread out into the volcanic rocks to form "mantos" or blanket like orebodies.

The Mantos Blancos Mine is the biggest known Cu-Ag strata-bound deposit located in the Coastal Range of Chile. The upper part of the deposit has been oxidized and contains soluble copper minerals such as atacamite and chrysocolla. Sulphide copper mineralisation mainly consists of chalcopyrite, bornite and digenite.

The Mantos Blancos Mine's total estimated Mineral Reserves and Resources as of 31 December 2018, are as follows:

- 1) The Fraser Institute.
2.) Mantos Copper.

RESERVES	Category ^(a)	Quantity ([']000 tonnes)	Cu Grade (% CuT) ^(b)	Cu Grade (% CuS) ^(b)	Ag Grade (g/t)
Sulphides	Proven	72,618	0.81	0.11	6.83
	Probable	45,904	0.65	0.09	5.18
Oxides	Proven	5,130	0.56	0.37	n/a
	Probable	2,953	0.38	0.28	n/a
Oxides (Stockpiles)	Proven	-	-	-	n/a
	Probable	33,696	0.26	0.19	n/a
Total	P&P	160,301	0.63	0.13	n/a

RESOURCES ^(c)	Category ^(a)	Quantity ([']000 tonnes)	Cu Grade (% Cu)	Ag Grade (g/t)
Sulphides	Measured	118,394	0.65	6.07
	Indicated	117,972	0.51	4.56
	M&I	236,366	0.58	5.32
	Inferred	22,511	0.41	3.33
Oxides	Measured	28,067	0.36	n/a
	Indicated	67,443	0.23	n/a
	M&I	95,510	0.27	n/a
	Inferred	41,992	0.20	n/a

Notes:

- a) The Mantos Blancos Mine Mineral Reserves and Resources are taken from the Mantos Copper Life of Mine Book 2018, dated May 2019 and are reported in accordance with the principles and guidelines of the JORC Code (2012).
b) % CuT - % total copper, % CuS - % acid soluble copper.
c) Resources are inclusive of Reserves.

Mining and Processing

The Mantos Blancos Mine's open pit contains both sulphide and oxide ore. Mining is by traditional load and haul methods and treated within processing facilities located on-site.

Oxide ore is either crushed and leached in vats, or deposited as run of mine ore on dump leach pads and the resultant solution is treated in solvent extraction and electro-winning plants to produce high purity (LME Grade A) copper cathodes which are registered on the LME. Sulphide ore is treated via crushing and screening followed by a conventional ball milling and flotation plant involving rougher flotation, concentrate regrinding, cleaner and scavenger flotation to produce a ~30% Cu in concentrate, containing silver as a by-product and very low levels of deleterious materials.

Fine tailings are thickened and pumped to a tailings dam within a disused pit with the dam wall constructed using the downstream method. Coarse tailings are dewatered to 20% moisture content and are dry-stacked.

The Mantos Blancos Mine Debottlenecking Project

The Debottlenecking Project is expected to increase sulphide ore treatment from 4.3Mtpa to 7.3Mtpa by 2021, and is expected to extend the life of the mine to at least 2035. This will be achieved by modifying some equipment and processes, as well as installing a new ball mill and four new rougher flotation cells at total capital costs of US\$219 million. While oxide ore Reserves are expected to be depleted in 2023, Mantos is currently evaluating the extension of oxide ore treatment.

Upside Potential

Mantos Blancos is evaluating a phase II sulphide ore mill expansion following the completion of the Debottlenecking Project. The phase II expansion is expected to increase the throughput capacity of the sulphide ore mill to ~9.7Mtpa. The capital costs associated with the phase II expansion are expected to be relatively low given the phase II expansion is expected to leverage excess installed capacity within certain areas of the milling and processing flowsheet, with only minimal new process equipment expected to be required in relation to dewatering, thickening, and filtration.

Mantos Blancos is also evaluating opportunities to extend SX-EW production beyond 2023 by treating additional oxide ore from the mine, oxide waste dumps as well as oxide material from surrounding areas.

Infrastructure

The project's infrastructure is well established with paved road access to the nearby Altonorte smelter, port facilities at Antofagasta and Mejillones, the Antofagasta airport, and the City of Calama via the Pan American highway. Power is supplied from the national grid (SING), and fresh water is provided by water companies FCAB and ADASA.

Community Support, Health and Safety, and Environmental Responsibility

Mantos maintains a constant dialogue with communities in the areas of its mining operations and seeks to provide economic and social development benefits to them. Mantos is committed to maintaining an open and respectful dialogue to facilitate the communication of any concerns.

Mantos has integrated safety, occupational health, environmental management and quality policies which are in line with Anglo Pacific's ESG policies and procedures and shows a very good safety track record. These are applied consistently across the organisation under an Integrated Management System in compliance with the ISO 9001 certification. Compliance with the certification is audited on an annual basis. Mantos applies mandatory occupational health and safety standards throughout its operations, and should incidents occur, takes measures to prevent reoccurrence.

Mantos has environmental performance and management policies in place, and its environmental mitigation policy seeks to minimise the environmental impact of Mantos' operations.

For more information, please visit <https://www.mantoscopper.org/>.

Cautionary statement on forward-looking statements and related information

Certain statements in this announcement, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Group's expectations and views of future events. Forward-looking statements (which include the phrase 'forward-looking information' within the meaning of Canadian securities legislation) are provided for the purposes of assisting the reader in understanding the Group's financial position and results of operations as at and for the periods ended on certain dates, and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such forward-looking statements may not be appropriate for other purposes than outlined in this announcement. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, cash flow, requirement for and terms of additional financing, performance, prospects, opportunities, priorities, targets, goals, objectives, strategies, growth and outlook of the Group including the outlook for the markets and economies in which the Group operates, costs and timing of making new investments, mineral reserve and resources estimates, estimates of future production, production costs and revenue, future demand for and prices of precious and base metals and other commodities, for the current fiscal year and subsequent periods.

Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'plans', 'believes', 'estimates', 'seeks', 'intends', 'targets', 'projects', 'forecasts', or negative versions thereof and other similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. Forward-looking statements are based upon certain material factors that were applied in drawing a conclusion or making a forecast or projection, including assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. The material factors and assumptions upon which such forward-looking statements are based include: the stability of the global economy; stability of local governments and legislative background; the relative stability of interest rates, the equity and debt markets continuing to provide access to capital; the continuing of ongoing operations of the properties underlying the Group's portfolio of royalties and investments in a manner consistent with past practice; the accuracy of public statements and disclosures (including feasibility studies, estimates of reserve, resource, production, grades, mine life, and cash cost) made by the owners and operators of such underlying properties; accuracy of the information provided to the Group by the owners and operators of such underlying properties; no material adverse change in the price of the commodities produced from the properties underlying the Group's portfolio of royalties and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any property in which the Group holds a royalty or other interest, including but not limited to unusual or unexpected geological formations and natural disasters; successful completion of new development projects; planned expansions or additional projects being within the timelines anticipated and at anticipated production levels; and maintenance of mining title.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, which could cause actual results to differ materially from those anticipated, estimated or intended in the forward-looking statements. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. No statement in this communication is intended to be, nor should it be construed as, a profit forecast or a profit estimate. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate; that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the Group's control, affect the operations, performance and results of the Group, its businesses, royalties and investments, and could cause actual results to differ materially from those suggested any forward-looking information. Such risks and uncertainties include, but are not limited to current global financial conditions, investment portfolio and associated risk, adverse development risk, financial viability and operational effectiveness of owners and operators of the relevant properties underlying the Group's portfolio of royalties and investments, royalties and investments subject to other rights, and contractual terms not being honoured, together with those risks identified in the 'Principal Risks and Uncertainties' section of our most recent Annual Report, which is available on our website. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. Readers are cautioned that the list of factors noticed in the 'Principal Risks and Uncertainties' section of our most recent Annual Report is not exhaustive of the factors that may affect the Group's forward-looking statements. Readers are also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

This announcement also contains forward-looking information contained and derived from publicly available information regarding properties and mining operations owned by third parties. The Group's management relies upon this forward-looking information in its estimates, projections, plans, and analysis. Although the forward-looking statements contained in this announcement are based upon what the Group believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements made in this announcement relate only to events or information as of the date on which the statements are made and, except as specifically required by applicable laws, listing rules and other regulations, the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Third party information

As a royalty and streaming company, the Group often has limited, if any, access to non-public scientific and technical information in respect of the properties underlying its portfolio of royalties and investments, or such information is subject to confidentiality provisions. As such, in preparing this announcement, the Group has largely relied upon the public disclosures of the owners and operators of the properties underlying its portfolio of royalties and investments, as available at the date of this announcement.