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# News Release

4 November 2019

## Anglo Pacific Group PLC Q3 2019 Trading Update

Anglo Pacific Group PLC (“Anglo Pacific”, the “Company” or the “Group”) (LSE: APF, TSX: APY) issues the following trading update for the period 1 July to 4 November 2019. Unless otherwise stated, all unaudited financial information is for the quarter ended 30 September 2019.

### Highlights

	Q3 2019 £m	QoQ %	Q3 2018 £m	9M 2019 £m	YoY %	9M 2018 £m
Kestrel	7.6	(4%)	7.9	30.3	36%	22.2
Maracás Menchen	0.5	(66%)	1.5	2.3	(36%)	3.6
Narrabri	1.1	37.5%	0.8	3.4	48%	2.3
Four Mile	-	-	-	0.1	-	0.1
Mantos Blancos	0.3	-	-	0.3	-	-
<b>Royalty income</b>	<b>9.5</b>	<b>(7%)</b>	<b>10.2</b>	<b>36.4</b>	<b>29%</b>	<b>28.2</b>
LIORC dividends	2.3	156%	0.9	5.5	450%	1.0
Interest - McClean Lake & Jogjakarta	0.5	-	0.5	1.5	(6%)	1.6
<b>Royalty related revenue</b>	<b>12.3</b>	<b>6%</b>	<b>11.6</b>	<b>43.4</b>	<b>41%</b>	<b>30.8</b>
EVBC	0.6	50%	0.4	1.6	7%	1.5
Principal repayment – McClean Lake	-	(100%)	0.1	1.0	25%	0.8
<b>Total portfolio contribution</b>	<b>12.9</b>	<b>7%</b>	<b>12.1</b>	<b>46.0</b>	<b>39%</b>	<b>33.1</b>

- 39% increase in total portfolio contribution<sup>1</sup> in the first nine months of the year, growing to £46.0m (nine-month period to 30 September 2018: £33.1m)
- Total portfolio contribution from the Group’s royalty portfolio in Q3 2019 of £12.9m, a 7% increase on the £12.1m reported in Q3 2018
- Reduction in coal and vanadium prices to date in H2 2019 have impacted the Group’s Q3 revenues, but volumes continue to increase, notably at Kestrel where the operator remains on track to achieve its 40% growth target for 2019
- ~US\$5m additional investment in LIORC, taking the Group’s total LIORC investment year to date to US\$25m

- Previously announced US\$50m Mantos Blancos royalty acquisition, brings total investment in the year to date to US\$75m – the largest level of growth in the Company’s history
- Net debt of £33.3m at 30 September 2019 following the record level of investment in growth during 2019
- The Group has access to ~US\$50m of liquidity and remains on track to deliver strong growth for 2019 as a whole

<sup>1</sup> Total portfolio contribution includes royalty income, cashflows from Denison/McClearn Lake and other royalty financial instruments accounted for in accordance with IFRS 9, for example El Valle Boinás-Carlés

## Trading update

Anglo Pacific has enjoyed ~40% increase in portfolio contribution in the first nine months of the year. This is largely driven by volume growth from its portfolio, notably Kestrel, whilst also earning a very healthy return on its most recent acquisition, LIORC.

Prices which underpin the Group’s royalties were impacted during the third quarter, with notable decreases in both coking and thermal coal, whilst vanadium has returned to the levels we last saw in 2016. Pricing continues to be affected by the Chinese economy, which has been impacted by its ongoing trade dispute with the US. The demand for coal and vanadium imports reduced in the third quarter, and consensus pricing for 2020 now looks lower than it did at the half year, although we note there has been some recovery thus far in Q4.

Despite a lower pricing environment, the volumes underpinning our royalties have grown. The Kestrel operator had targeted 40% volume increase in 2019, and from what we have seen in the first nine months of 2019 it would appear that this target is on track.

Whitehaven has overcome their technical challenges at Narrabri and look set to deliver growth over the coming years with an initial target of 6.5mtpa – the operation is permitted for 11mtpa.

We were also pleased to see that Largo Resources completed their modifications to the plant at Maracás Menchen and we would expect to see volumes increase during Q4 as they move towards their target of increasing volumes by 20% in the short-term.

Our initial investment in LIORC in 2018 proved timely and is now our second largest source of revenue. We took the opportunity presented by the global equity sell off in the middle of 2019 to increase our investment as the price retraced to a level within our investment range. We have now invested US\$75m in this asset, which has yielded more than 15% in dividends in 2019 thus far.

The Group continued towards its growth objectives by completing US\$75m of acquisitions so far this year. This has once again been financed entirely from the Group’s balance sheet and brings the total acquisitions made over the last 18 months to US\$125m without raising equity.

The economic backdrop continues to present opportunities to acquire further royalties and streams, which remains the firm focus of the Group going forward. With access to ~US\$50m of liquidity, we remain in a strong position to take advantage of these opportunities.

### **Julian Treger, Chief Executive Officer of the Company, commented:**

“With the income we have earned year to date, along with our expectation for strong volumes to come in the fourth quarter, we would expect 2019 to be another record year of revenue for the Group. With US\$75m of acquisitions year to date, 2019 will be a record year of investment for Anglo Pacific. This is very much in line with our objectives at the beginning of the year to continue and accelerate our level of growth.

The recent weakness in certain commodity prices combined with the impact of continued ongoing global economic uncertainty, not least the US China trade tension, should continue to provide investment opportunities for Anglo Pacific, and we see this currently in our pipeline. We have the financial capacity to

do more and remain firmly focused on growth, but this will not be at the expense of our strict investment criteria which have served us well over the past number of years.”

For further information:

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**Notes to Editors**

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.

**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.