

FINANCING PRODUCTION OF ESSENTIAL RESOURCES FOR A MORE SUSTAINABLE WORLD

2020 Annual Report & Accounts

Anglo Pacific Group PLC

OUR STRATEGY IN ACTION

The Voisey's Bay stream acquisition is our new cornerstone asset, that repositions our portfolio.

With an improved environmental footprint, and positive earnings impact, this new acquisition is taking the business towards 21st century commodities.

We continue to seek and invest in high-quality projects capable of sustainably delivering resources over the long-term, that are run by capable and responsible operators committed to strong ESG standards. We seek out projects in well established mining jurisdictions, where the political and social context is stable and a full partnership approach is achievable.

J.A. Treger

MORE P12

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PERFORMANCE MEASURES

Throughout this report a number of financial measures are used to assess the Group's performance. The measures are defined as follows:

Portfolio contribution

Portfolio contribution represents the funds received or receivable from the Group's underlying royalty related assets which is taken into account by the Board when determining dividend levels.

Portfolio contribution is royalty related revenue (refer to **note 5**) plus royalties received or receivable from royalty financial instruments carried at fair value through profit or loss ('FVTPL') and principal repayment received under the Denison financing agreement (refer to **note 21**). Refer to **note 35** to the financial statements for portfolio contribution.

Operating profit/(loss)

Operating profit/(loss) represents the Group's underlying operating performance from its royalty interests. Operating profit/(loss) is royalty income, less amortisation of royalties and operating expenses, and excludes impairments, revaluations and gain/(loss) on disposals. Operating profit/(loss) reconciles to 'operating profit/(loss) before impairments, revaluations and gain/(losses) on disposals' on the income statement.

Adjusted earnings per share

Adjusted earnings represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit/(loss) attributable to equity holders, plus royalties received from royalty 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), together with amortisation charges, share-based payments, foreign exchange gains/(losses), any associated deferred tax and any profit or loss on non-core asset disposals.

Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to **note 12** to the financial statements for adjusted earnings/(loss) 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 13** to the financial statements for dividend cover.

Free cash flow per share

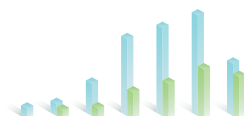
Free cash flow per share is calculated by dividing net cash generated from operating activities, plus proceeds from the disposal of non-core assets and any cash considered as repayment of principal, less finance costs, by the weighted average number of shares in issue. Refer to **note 34** to the financial statements for free cash flow per share.



THE HIGHLIGHTS...

03 EVOLUTION...

Our royalty portfolio
contribution evolution
2014-2020



12 REDUCING THE RELIANCE ON KESTREL

The complexion of our portfolio
has decisively pivoted away
from our coal heritage

J.A. Treger



22 INVESTING RESPONSIBLY

We believe long-term value can
only be achieved through sustainable
and responsible investment with a
strong focus on ESG standards

38 DRIVING 21STC COMMODITIES

Marking a fundamental
transformation by repositioning
the business towards 21st
century commodities



40 NEW CORNERSTONE ASSET

The Voisey's Bay stream acquisition
is our new cornerstone asset that
addresses two of our major strategic
challenges

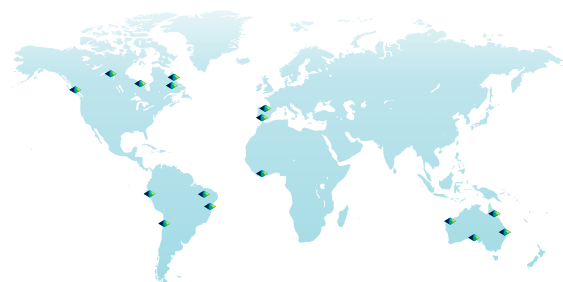
Our business at a glance

Key highlights

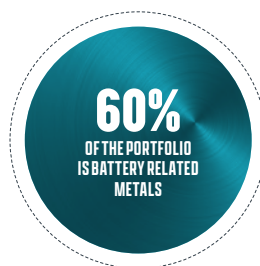
PRIMARY LISTING

LSELondon Stock Exchange
(LSE: APF)

SECONDARY LISTING

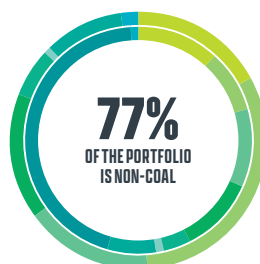
TSXToronto Stock Exchange
(TSX: APY)**16**
ASSETS16 royalty and streaming
related assets**5**
CONTINENTSAssets across five
continents**INTEGRATED
SUSTAINABILITY**We systematically integrate ESG factors
into our investment decisions

MORE P20-27

Re-positioning APG towards
21st century commodities

Cobalt	45%
Copper	11%
Vanadium	4%

MORE P40/52/55/63



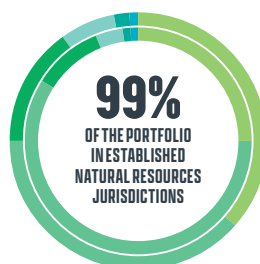
COMMODITY EXPOSURE

by asset value at
31 December 2020

Coking coal	17%
Iron ore	32%
Copper	16%
Thermal coal	16%
Vanadium	6%
Gold	1%
Uranium	10%
Cobalt	0%
Other	2%

by asset value
inc. Voisey's Bay

Coking coal	12%
Iron ore	9%
Copper	11%
Thermal coal	11%
Vanadium	4%
Gold	1%
Uranium	7%
Cobalt	45%
Other	1%



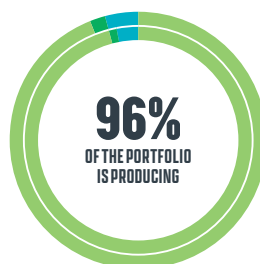
GEOGRAPHIC EXPOSURE

by asset value at
31 December 2020

Australia	37%
Canada	39%
Chile	15%
Brazil	7%
Spain	2%
Other	1%

by asset value
inc. Voisey's Bay

Australia	25%
Canada	59%
Chile	10%
Brazil	4%
Spain	1%
Other	1%



STAGE OF PRODUCTION

by asset value at
31 December 2020

Producing	94%
Development	2%
Early-stage	4%

by asset value
inc. Voisey's Bay

Producing	96%
Development	1%
Early-stage	3%



COBALT ACQUISITION

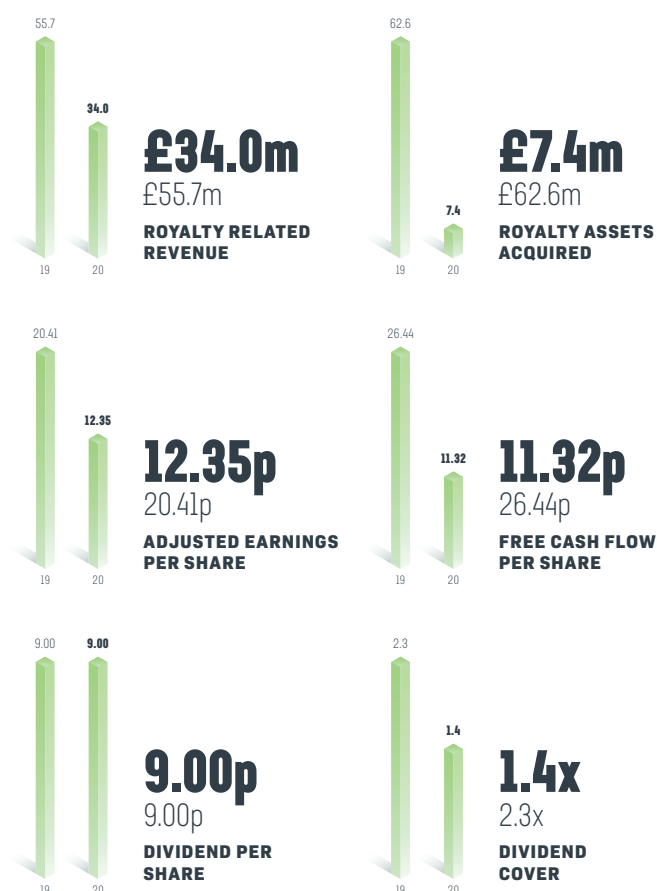
The US\$205m acquisition of the Voisey's Bay cobalt stream pivots the business from its coal heritage towards 21st century commodities needed for a sustainable future

MORE P40



Financial highlights 2020

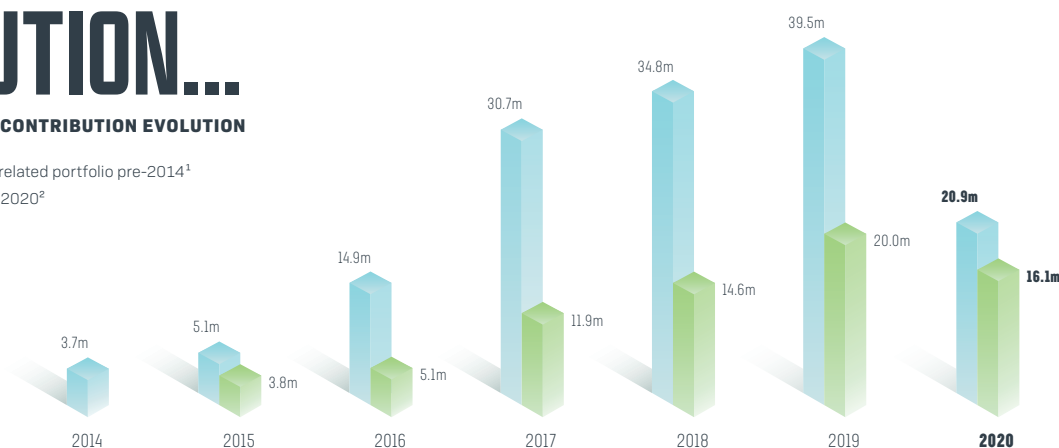
MORE P37 FOR FIVE-YEAR TRACK RECORD



EVOLUTION...

ROYALTY PORTFOLIO CONTRIBUTION EVOLUTION

- Anglo Pacific royalty related portfolio pre-2014¹
- Acquisitions 2014 to 2020²



Portfolio contribution (£m)	£3.7m	£8.9m	£20.0m	£42.6m	£49.4m	£59.5m	£37.0m
Asset	Maracás Menchen	Narrabri		McClean Lake	LIORC 4.25%	Mantos Blancos	
Commodities	Vanadium	Thermal & PCI coal		Uranium	Iron ore	Copper	
Transaction date	June 2014	March 2015		February 2017	August 2018	August 2020	
Acquisition consideration (£m)	15.6m ³	41.7m		26.6m	50.9m ⁴	42.3m	
Cumulative income (£m)	12.5m	22.9m		14.2m	16.9m ⁵	3.9m	

1. Includes Kestrel, EVBC, Four Mile and Jogjakarta royalties.

2. Includes Narrabri, Maracás Menchen and Mantos Blancos royalties, Denison/McClean Lake royalty financing agreement and investment in LIORC.

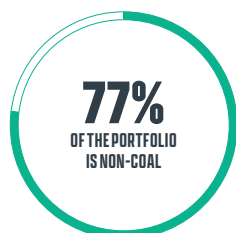
3. US\$22m payable in cash on completion plus up to US\$3m in milestone payments. First US\$1.5m deferred payment paid in Q3 2017. Second US\$1.5m deferred payment paid in Q2 2020.

4. Represents the cost of the Group's cumulative investment in LIORC acquired between 2018 and Q1 2020 of £64.4m, less the cost base of the partial disposal in Q4 2020 of £13.5m.

5. Represents the total dividends received since the Group's initial investment in 2018.

WE SEEK TO CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS

BY GENERATING SUPERIOR CASH RETURNS
FROM A DIVERSE AND GROWING PORTFOLIO
OF ROYALTY AND STREAMING INVESTMENTS,
AND OTHER INNOVATIVE STRUCTURES IN
THE NATURAL RESOURCES SECTOR



Following the acquisition of the Voisey's Bay cobalt stream, the Group's exposure to coal has been significantly reduced

MORE P40

DILIGENT APPROACH TO A DIVERSIFIED PORTFOLIO

Our disciplined investment approach

Commodity

- Bulk materials
- Base and battery related metals
- Industrial minerals
- Opportunistically considering other commodities that also support a more sustainable world

Asset specific considerations

- Compliance with ESG criteria
- Management's operating track record
- Profit margin & position on the industry cost curve
- Counterparty risk
- Jurisdictional risk

Valuation considerations

- Detailed due diligence on mine production profile
- Site visits by technical team and independent technical advisors
- Production assumptions based on existing mineable reserves, resource conversion assumptions evaluated on case-by-case basis
- Consider other factors such as geology, infrastructure and permitting, which could impact production volumes or mine life
- Detailed understanding of commodity outlook

INVESTMENT APPROACH FOCUSED ON STRONG ESG PRINCIPLES

An agent for positive change

We look to be an influencer to our royalty and stream counterparties and seek to be an agent for positive change in the mining sector

- 1 **Identify risks in relation to new investments**
 - ESG due diligence aimed at identifying key risk areas
 - Anglo Pacific primarily targets jurisdictions where political risk and corruption/bribery are considered low
- 2 **Mitigate risks in relation to new investments**
 - Seek or require counterparty implementation of ESG practices and standards
- 3 **Monitor and influence**
 - Encourage royalty/stream counterparties to adopt best practices voluntarily
- 4 **Communicate**
 - Disclose Anglo Pacific ESG policies and due diligence processes in relation to new investments as well as highlight best performing counterparties

Our sustainability initiatives

Anglo Pacific continues to focus on how best to align our business with the development of socially responsible mining as part of our efforts to help address the challenges around carbon dependence and sustainability by:

- 1 **Focusing on more sustainable commodities**
 - An increased focus on commodities that support a more sustainable world
- 2 **Committing to no further investment in thermal coal**
 - Consistent with our track record over the past five years, no further investment in thermal coal assets
- 3 **Establishing a Sustainability Committee**
 - The establishment of a Sustainability Committee to further strengthen the Company's already rigorous ESG due diligence processes

Key areas of focus in our ESG due diligence

- Impact of mining, operations and related activities on surrounding communities
- Tailings impoundments and waste rock storage at the project
- Water requirements, water sourcing and water discharge
- Ethical track record and any history of corruption
- Workplace standards, protections and policies
- Community initiatives and engagement with indigenous peoples
- Safety and human rights records
- Mine closure plans
- Climate change risks specific to a project and plans adopted by the operator to manage such risks
- Impact of development and operations on fauna, flora and biodiversity

FUTURE PERSPECTIVES, FUTURE BENEFITS

**Our ability to adapt
will define our future**

[MORE P26](#)

**New cornerstone
asset**

[MORE P40](#)

**Our approach
delivers returns**

[MORE P51](#)



16 royalty and streaming related assets across five continents.
99% of the portfolio is located in well-established mining jurisdictions,
providing diversified commodity exposure.

Producing

Royalty	Commodity	Operator	Location	Royalty rate and type	Balance sheet classification
Kestrel	Coking coal	Kestrel Coal Pty Ltd	Australia	7 – 15% GRR ¹	Investment property
Labrador Iron Ore Royalty Corporation ('LIORC')	Iron ore & iron ore pellets	Iron Ore Company of Canada ('IOC') / Rio Tinto	Canada	Indirect interest in 7% GRR	Royalty financial instrument
Mantos Blancos	Copper	Mantos Copper	Chile	1.525% NSR	Royalty intangible
Maracás Menchen	Vanadium	Largo Resources	Brazil	2% NSR	Royalty intangible
McClean Lake mill	Uranium	Orano	Canada	Tolling revenue	Loan & royalty financial instrument
Narrabri	Thermal & PCI coal	Whitehaven Coal	Australia	1% GRR	Royalty intangible
Four Mile	Uranium	Quasar Resources	Australia	1% NSR	Royalty intangible
El Valle-Boinás / Carlés ('EVBC')	Gold, copper & silver	Orvana Minerals	Spain	2.5 – 3% NSR ²	Royalty financial instrument

Our largest and latest transaction repositioning the business towards 21st century commodities...

Voisey's Bay	Cobalt	Vale	Canada	22.82% attributable production	Mineral stream interests (P,P&E)
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Development

Royalty	Commodity	Operator	Location	Royalty rate and type	Balance sheet classification
Salamanca	Uranium	Berkeley Energia	Spain	1% NSR	Royalty intangible
Píaiú	Nickel & cobalt	Brazilian Nickel	Brazil	1.00% GRR	Royalty financial instrument
Groundhog	Anthracite	Atrum Coal	Canada	1% GRR or US\$1.00/t	Royalty intangible

Early-stage

Royalty	Commodity	Operator	Location	Royalty rate and type	Balance sheet classification
Pilbara	Iron ore	BHP	Australia	1.5% GRR	Royalty intangible
Cañariaco	Copper, gold & silver	Candente Copper	Peru	0.5% NSR	Royalty intangible
Dugbe 1	Gold	Hummingbird Resources	Liberia	2 – 2.5% NSR ³	Royalty financial instrument
Ring of Fire	Chromite	Noront Resources	Canada	1% NSR	Royalty intangible

1. Kestrel: 7% of the value up to A\$100/tonne, 12.5% of the value over A\$100/tonne and up to A\$150/tonne, 15% thereafter.

2. EVBC: 2.5% escalates to 3% when the gold price is over US\$1,100 per ounce.

3. Dugbe 1: 2% except where both the average gold price is above US\$1,800 per ounce and sales of gold are less than 50,000 ounces, in which case it increases to 2.5% in respect of that quarter.

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**WE SEEK TO SIGNIFICANTLY
REDUCE OUR EXPOSURE TO COAL
RELATED REVENUES AS THE
WORLD PROGRESSES TOWARDS
A LOW-CARBON FUTURE**

N.P.H. Meier
Chairman
13 April 2021

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We have been looking for opportunities to increase our exposure to commodities that will contribute to the reduction of carbon emissions and the creation of a cleaner environment.

DIVERSIFY & GROW



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

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

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

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

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

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

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

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

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

Chairman's statement

continued

KEY RESULTS IN 2020

(39%)

Royalty related revenue decreased by 39% from £55.7m to £34.0m

(51%)

Operating profit decreased from £44.8m to £37.1m

(10.31p)

Basic loss per share 10.31p (2019: earnings 16.06p)

12.35p

Adjusted earnings per share 12.35p (2019: 20.41p)

9p

Total proposed dividends of 9p per share (2019: 9p)

1.4x

Dividend cover 1.4x (2019: 2.3x)

2020 performance

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

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

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

We were pleased to welcome two new Canadian banks, RBC Capital Markets, and Canadian Imperial Bank of Commerce, to our lending group alongside Scotiabank, who provided us with a US\$180m facility to facilitate the acquisition of the Voisey's Bay stream. We are delighted with their support and we look forward to a long-term relationship.

Returns to shareholders

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

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

Strategy

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

Anglo Pacific is also highly focused on ESG matters. As we have previously announced, the Group will not make any additional investments in thermal coal and with the Kestrel depletion now accelerating we would expect our coal contribution to be minimal in five years' time. In addition, we continue to apply our disciplined approach to investing in assets with strong ESG credentials and are pleased to note that in the case of the Voisey's Bay acquisition, the underlying mine ranks amongst the lowest global emitters of CO₂ for nickel producers.

Our employees' response to the recent extraordinary challenges has been exemplary and their loyalty and ability to adjust to working in these difficult times has been outstanding.

THE HEALTH AND WELL-BEING OF ALL OUR EMPLOYEES HAS BEEN A PRIORITY FOR US

We will continue to focus on financing those commodities which will be essential in delivering the technology required to reduce dependence on fossil fuels and ultimately improve the planet. More information on our approach and investment strategy can be found on [pages 04 to 05](#), together with our business model on [pages 16 and 17](#).

Board

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

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

We will undertake a search for a replacement for Vanessa bearing in mind our criteria for Director appointments, including diversity, as laid out in the Corporate Governance report on [page 76](#). Further, the composition of the Board will be kept under constant review and further changes will be made as tenures come to an end and as the business continues to evolve.

In light of the challenges brought about by the COVID-19 pandemic in 2020, great care was taken to ensure continuity in the Board's proceedings. A full schedule of meetings, including those of the Board's Committees, was held as planned, albeit in a virtual environment. The external review of the Board's effectiveness also proceeded as planned. More information on the operation and activities of the Board can be found on [pages 74 and 75](#).

Outlook

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

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

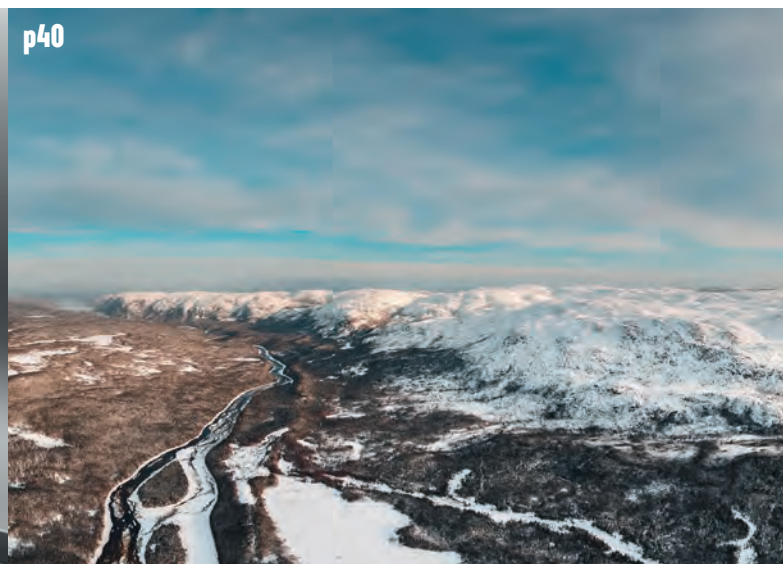
Finally, I would like to thank the Board, the executive team, under the leadership of Julian Treger, and all staff for their hard work and dedication to the success of Anglo Pacific. We have a first-class management team in place capable of sourcing and delivering the growth we are targeting in the coming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

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

Our 2020 Strategic Report from [pages 02 to 71](#) was reviewed and approved by the Board on 13 April 2021.

N.P.H. Meier
Chairman

13 April 2021



THE VOISEY'S BAY TRANSACTION TRANSFORMS THE COMPLEXION OF OUR PORTFOLIO DECISIVELY TOWARDS 21ST CENTURY COMMODITIES

J.A. Treger

Chief Executive Officer

13 April 2021



I am extremely proud of our team and how quickly they adapted to the new normal of remote working, whose continued collaboration and tireless efforts to drive the business forward for our stakeholders culminated in the US\$205m purchase of the Voisey's Bay cobalt stream.

PIVOTING FROM OUR COAL HERITAGE



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

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

In completing this acquisition, we have simultaneously addressed two of our major strategic challenges: replacing Kestrel's income, which begins declining in 2023; and significantly reducing our exposure to coal. We are also delivering on our stated strategy to become a leading natural resources company through investing in high-quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles – the Voisey's Bay nickel-cobalt-copper mine is located in Canada, operated by Vale and ranks amongst the lowest global emitters of CO₂ for nickel producers.

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

Financial performance

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

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

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

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

Chief Executive Officer's statement

continued

Portfolio contribution

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

Kestrel

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

Labrador Iron Ore Royalty Corporation

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

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

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

Mantos Blancos

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

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

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

The business review on [pages 46 to 67](#) provides further details on the performance of material assets during 2020.

Other portfolio events

There were a number of other positive developments in the portfolio during 2020, outlined on [pages 06 and 07](#), which could be significant in years to come. Potentially the most exciting of these was the acquisition by Fortescue Metals Group of a stake of just under 20% in Candente which owns the vast undeveloped Cañariaco copper deposit in Peru, over which we have a royalty. Fortescue is a US\$80bn business and thus the prospects for this project being financed and developed appear much improved.



45.6%
KESTREL ACCOUNTED
FOR 45.6% OF TOTAL
ASSETS IN 2016

19.5%
KESTREL ACCOUNTED
FOR 19.5% OF TOTAL
ASSETS IN 2020

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

This transformation has been remarkable, with the coal and steelmaking related assets in our portfolio pivoting from being 66% of its value at the beginning of 2020 to 31% following the Voisey's Bay acquisition, while our proportion devoted to 21st century materials has risen from 20% to 60%, dominating the portfolio for the first time in our history.

Acquisitions

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

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

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

Share buyback

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

Outlook

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

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

J.A. Treger

Chief Executive Officer

13 April 2021

WE SEEK TO CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS

BY GENERATING SUPERIOR CASH RETURNS
FROM A DIVERSE AND GROWING PORTFOLIO
OF ROYALTY AND STREAMING INVESTMENTS,
AND OTHER INNOVATIVE STRUCTURES IN
THE NATURAL RESOURCES SECTOR



HOW WE CREATE VALUE FOR OUR SHAREHOLDERS

Our track record demonstrates how management has created value to date by adhering to exacting investment criteria and conducting rigorous due diligence. We adopt a strong focus on operations producing high-quality, lower-polluting products which are operated ethically and responsibly. We will look to leverage this experience and our reputation in the market to execute our strategy over the coming years.

Generating long-term cash returns

The Group is seeking to grow its portfolio of cash-generative royalties and streams by investing in producing or near-term producing assets with long time horizons. Given the relatively low overhead requirements of the business, the Group believes cash flow to shareholders can be maximised through economies of scale, which would allow for growth in the portfolio without significantly increasing our cost base.

Lower risk through top-line, revenue participation

Revenue-based royalties limit the Group's direct exposure to operating or capital cost inflation of the underlying operations, as there is no ongoing requirement for the Group to contribute to capital, exploration, environmental or other operating costs post investment.

Lower volatility through commodity and geographic diversification

The Group is building a diversified portfolio of royalties across a variety of different commodities and geographic locations. This diversification reduces the dependency on any one asset or location and any corresponding cyclicity. A fully diversified portfolio can help to reduce the level of income volatility, stabilising cash flows which contribute towards investment returns and dividend payments.

Exposure to increases in mineral reserves and production

Royalties holders generally benefit from improvements made to the scale of a project. Exploration success, or lower cut-off grades as a result of rising commodity prices, can serve to increase economic reserves and resources. Increased reserves will extend a project's life, or facilitate an expansion of the existing operations. Any subsequent increases in production will generally result in higher royalty payments, without the requirement of the royalty holder to contribute to the cost of expanding or optimising the operation.

Exposure to commodity prices

Royalties and streams provide exposure to underlying commodity prices. Anglo Pacific offers the opportunity for investors to gain exposure to commodities which do not have a liquid Exchange Traded Fund (ETF) without having to invest in the underlying operation.

HOW WE CREATE VALUE FOR OUR COUNTERPARTIES

An investment by Anglo Pacific, after conducting thorough due diligence, can be seen as an endorsement of the project, which can provide other stakeholders with greater confidence and possibly result in a re-rating for the operator.

We serve as a partner to the operators

Royalties and streams reduce the upfront capital financing required to fund the development of a project. These are generally structured as asset (or even by-product) specific, often leaving the remaining assets of the operator unencumbered for raising additional finance.

An alternative form of financing to conventional debt and equity

Compared to the issuance of new equity, royalties and streams do not depend on the prevailing state of the capital markets but are rather the result of bilateral negotiations. Royalties and streams are not dilutive, unlike the issuance of new equity. In addition, royalties and streams are not regarded as debt nor do they encumber assets.

Primary royalties

Alternative form of finance to conventional debt providing greater flexibility and which does not impact on credit ratings

Royalties and streams do not typically levy interest, nor do they typically require principal repayments or have a maturity date. More importantly, unlike conventional debt arrangements where interest payments tend to start immediately or are capitalised until cash payments can be made from a project's cash flow, most royalties are payable only once the project comes into production and is generating sales. In addition, many forms of debt, such as project finance, include restrictive covenants and may require commodity price hedges to be put in place. These are not only typically costly in terms of fees, but can also limit the operator's exposure to upside in the prices of their core commodities.

Secondary royalties

Source of liquidity for holders of existing royalties

The value of a royalty is realised over the duration of the project's life. Often royalty owners may have a need to free up cash in order to recycle capital. There is a limited secondary market for royalties and Anglo Pacific can be a source of valuable liquidity for private royalty holders.

Innovative structures

Our primary focus is on royalty and streaming transactions, however, we will also review alternative structures that deliver superior long-term cash flows. An example would be the Denison financing arrangement executed in 2017 which was structured as a long-term loan with a separate stream element, deriving income from a tolling agreement on the McClean Lake uranium mill, which processes ore from the world class Cigar Lake uranium operation in Canada. We will always look for ways of gaining exposure to tier one natural resource projects and sometimes this will involve creative thinking and structuring to support our main objective of acquiring royalties and streams.

Engaging with our stakeholders

ANGLO PACIFIC AIMS TO CREATE BOTH SHORT AND LONG-TERM VALUE FOR ITS STAKEHOLDERS

IN DOING SO, WE ACTIVELY ENGAGE WITH OUR STAKEHOLDERS TO UNDERSTAND THE ISSUES AND FACTORS THAT ARE SIGNIFICANT FOR THEM AND TO ENSURE THE GROUP'S PURPOSE, CULTURE AND VALUES ARE ALIGNED WITH THIS OBJECTIVE.

EMPLOYEES

How we engage

With only nine employees, the Board is often in direct contact with the Group's entire workforce. To further enhance the Board's interaction with the Group's employees, Ms. Dennett was appointed as the Designated Non-Executive Director responsible for workforce engagement in 2018. During 2020, on the recommendation of the Nomination Committee, the Board agreed to rotate the role of the Designated Non-Executive Director between the Company's Non-Executive Directors to increase the exposure employees have to the Board. Following this decision, Mr. Stan assumed the role of Designated Non-Executive Director in November 2020. The terms of reference for the Group's Designated Non-Executive Director for workforce engagement can be found on our website www.anglopacifigroup.com/our-approach

The Designated Non-Executive Director for workforce engagement is responsible for meeting with employees at least twice per year through one-on-one meetings and town halls. In light of the travel restrictions in response to COVID-19, virtual meetings were held with the Group's employees in 2020.

Significant topics raised

- Engagement and alignment with the Group's purpose and values
- Proposed changes to the Group's workforce related policies and procedures
- Opportunities for personal development
- Workforce remuneration policies, particularly focused on long-term retention

DIVERSITY

The Group's employees are instrumental to its success, and it respects and values the individuality and diversity that every employee brings to the business. As at 31 December 2020, 55% of the Group's employees were female as the Group had 9 employees, 5 of whom were female. In terms of the Company's Board of Directors, there were seven Directors, six of whom were male. The Group recognises that it has more to do in encouraging and support diversity at both the Board and Executive Committee level and hopes to be able to identify and develop talent at all levels in the organisation as the Group continues to grow. More information on the Nomination Committee's approach to diversity can be found on [page 79](#).

INVESTORS

How we engage

AGM, investor roadshows, one-on-one meetings, conferences and results webcasts.

Significant topics raised

- Progress on the diversification of the Group's royalty portfolio
- Acquisition of the Voisey's Bay cobalt stream
- Capital returns to shareholders – dividends and share buybacks
- Revisions to the Directors' remuneration policy

Due to the lockdown measures imposed by the UK government in response to the COVID-19 pandemic, the Company was unable to host the AGM in its usual format in 2020. Instead, shareholders were invited to attend a live webcast during which the Chairman and Chief Executive Officer provided an overview of the Group's performance in 2019 and an outlook for 2020. Following the presentation, all members of the Board were available to respond to questions from shareholders.

COUNTERPARTIES & MINE OPERATORS

How we engage

Contract negotiation, site visits and ongoing monitoring of developments, with a focus on ESG at the operations generating our royalty related income.

Significant topics raised

- Evidence of environmentally and socially responsible performance and risk management
- Performance of the underlying operations and outlook
- Terms and conditions of royalty and streaming agreements

COMMUNITIES

How we engage

As a royalty and streaming company, Anglo Pacific does not operate any of the underlying assets within its portfolio. While this limits the direct involvement the Group has with the communities impacted by the operations underlying the portfolio, the Board, through the Executive Committee led by the Chief Executive Officer, engages with the mine operators seeking to influence and encourage compliance with relevant ESG standards.

Significant topics raised

- Updates on significant environmental or community related incidents
- The standards adopted by the Group in relation to ESG matters and the standards expected of our operators

INDUSTRY PEERS

How we engage

We are currently engaging with other royalty and streaming companies globally with the intention to establish a Global Streaming and Royalty Council.

Significant topics raised

- Educating the markets to the benefits of royalty and streaming financing arrangements
- The ability of the royalty and streaming industry to positively influence the ESG performance of mine operators

ANGLO
PACIFIC

HAVING REGARD TO OUR STAKEHOLDERS IN BOARD DECISION-MAKING

Section 172(1) statement

When making decisions, the Directors have acted in a way that they considered to be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with or are impacted by its business. In doing so the Board had regard, amongst other matters, to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with its counterparties;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

You can find out more about how Anglo Pacific engages with its stakeholders on the [page opposite](#).

Considering a broad range of stakeholder interests is an important part of the Board's decision-making process however, in doing so, it will not always be possible to deliver the desired outcomes of all stakeholders.

How does the Board engage with stakeholders?

Due to the size of the Group's operations and the niche position it has as one of the few natural resources royalty and streaming companies on the London Stock Exchange, the Board will occasionally engage directly with certain stakeholders on certain issues. Where this is not possible or efficient, stakeholder engagement takes place at the Executive Committee level, led by the Chief Executive Officer.

The Board considers and discusses information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting and through in-person presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

Engagement in action

The following are some examples of how the Directors have considered matters set out in sections 172(1)(a)-(f) when discharging their section 172 duties and the effect of such considerations on certain decisions taken by them. These examples also illustrate how the views and interests of some of the stakeholders set out on [page 18](#) impact the Directors' decision-making.

Principal decisions

Distributions to shareholders and capital allocation

It is a continuing policy of Anglo Pacific to pay a substantial portion of our royalties and streams to shareholders as dividends. Despite the wider disruption to and volatility in the macro-economic environment, there was limited disruption to the operations underlying the Group's producing assets during the period from COVID-19, and we believe this is testament to our strict focus on well-established mining jurisdictions where mining industries are prioritised and protected, given their key economic contributions. As a result, the Board had the confidence to approve the payment of interim dividends totalling 5.25p per share and is recommending a final dividend per share of 3.75p for 2020.

In addition to the total proposed dividends for 2020 of 9p, the Board approved the return of a further 2p per share to shareholders in the form of a £5.0m share buyback programme between September and November 2020. The buyback was financed through the partial disposal of our holding in Berkeley Energia, whose share price had doubled at the time and did not impact the Group's ability to finance new transactions.

Revised Directors' remuneration policy

Ahead of the Group's long-term incentive plan expiring in June 2021, the Remuneration Committee has led the development of the revised remuneration policy set out on [pages 88 to 89](#), which will be put to shareholders for a binding vote at the AGM on 26 May 2021.

The revised remuneration policy has been designed to further promote the long-term success of the Group by aligning reward with the Group's values and the successful delivery of the

Group's strategy. In developing the new remuneration policy, we have consulted extensively with our shareholders and the wider workforce to ascertain their views and are grateful for the support, engagement and feedback we received during the process.

Acquisition of Voisey's Bay cobalt stream

In February 2021, the Board approved the £148.4m (US\$205.0m) acquisition of a stream on cobalt production from the Voisey's Bay mine in Canada. Before approving this acquisition, the Board considered its alignment with and the achievement of the Group's purpose, strategy and values; full details on these considerations are provided in the case study on [pages 40 to 41](#).

The transaction represents the largest acquisition in the Group's history and simultaneously addressed two of our major strategic challenges: replacing Kestrel's income, which begins declining in 2023; and significantly reducing our exposure to coal.

Further supporting the Board's decision to approve this acquisition is the Group's positive medium to long-term outlook for cobalt given the limited supply of non-DRC sourced cobalt and the anticipated increase in demand underpinned by growth in the electrical vehicle market, as the world transitions towards a low-carbon future. Such outlook provides a reasonable prospect that cobalt will outperform consensus prices over time. In addition, the stream is immediately cash flow generative, provides a platform for long-term earnings growth with a mine life out to 2034 and most importantly replaces Kestrel's income, becoming the Group's new cornerstone asset. Weighing up all the above considerations, the Board concluded that the acquisition of Voisey's Bay cobalt stream is an excellent opportunity to create both short and long-term value for our stakeholders.

Prior to the announcement of the acquisition of the Voisey's Bay cobalt stream, the directors engaged with significant shareholders to ascertain their views on the transaction and the associated placing, with the feedback being overwhelmingly positive. In determining how to raise the financing required for the Voisey's Bay cobalt stream acquisition, the directors took account of previous feedback from retail investors and offered retail shareholders the opportunity to participate in the placing through the use of PrimaryBid.

We systematically integrate ESG factors into our investment decisions to ensure that we allocate capital in accordance with the highest environmental, social and governance standards.

ASSETS WE INVEST IN MUST DELIVER ON ESG STANDARDS

We believe that a strong focus on ESG is vital for the long-term success of our underlying assets and the maximisation of shareholder value. As a result, we are committed to integrating ESG considerations into our strategic decision-making and capital allocation.

More sustainable commodities

An increased focus on commodities that support a more sustainable world

No further investment in thermal coal

Consistent with our track record over the past five years, no further investment in thermal coal assets

Establishing Sustainability Committee

The establishment of a Sustainability Committee to further strengthen the Company's already rigorous ESG due diligence processes



We are committed to
INTEGRATING ESG CONSIDERATIONS
into our strategic decision-
making and capital allocation

COUNTERPARTIES COMMITTED TO STRONG ESG PRINCIPLES



Vale

Vale has committed to investing at least US\$2bn to reduce by 33% the company's carbon emissions by 2030 and 15% the emissions of its supply chain by 2035. This is the largest investment ever undertaken by the mining industry to tackle climate change and is part of Vale's commitment to becoming carbon-neutral by 2050.



Mantos Blancos

At least 50% of power provided to Mantos Copper S.A will be from renewable energy sources from 2025.



Maracás Menchen

Between 91% and 96% of the water drawn at Maracás is reused.
Focus on local employment: 99%+ Brazilian employees, 79% from Bahia state.



McClean Lake

Ore mined at Cigar Lake is milled at McClean Lake. There is no tailings management facility and the jet boring mining method employed generates less waste rock than other methods.



Labrador Iron Ore

Pellet products typically result in lower Scope 3 carbon emission in steel production relative to sinter feed products.

Sustainability progress – Our approach

WE BELIEVE THAT A STRONG FOCUS ON SUSTAINABLE AND RESPONSIBLE INVESTMENTS IS VITAL

FOR THE LONG-TERM SUCCESS OF OUR UNDERLYING ASSETS AND THE MAXIMISATION OF SHAREHOLDER VALUE, WITH A STRONG FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS.

As a result, we are committed to integrating ESG considerations into our strategic decision-making and capital allocation.

We operate solely within office environments with a small workforce and whilst we do not control or directly operate any of the assets in which we have an interest, we recognise that our main ESG exposure results from the investments we make.

Our investment decision-making is guided by our **ESG policy**, which outlines how we mitigate risk through our investment decisions, due diligence, contractual agreements and ongoing engagement with our operating partners.



WELL-BEING OF OUR EMPLOYEES

The health, well-being and safety of our employees is of upmost importance at Anglo Pacific and such focus of the Group is even more paramount in light of the current pandemic.

We recognise the significant impacts that the pandemic has had on the lives of many of Anglo Pacific's employees and stakeholders. We have set out below some of the key measures and actions that Anglo Pacific has taken to try to combat the virus and to preserve the health, well-being and safety of our employees:

- We took the decision and steps in March 2020 to ensure all employees work from home until further notice
- We have maintained proactive engagement with our counterparties during this difficult time and made efforts to keep informed of their response to the pandemic

Here are some examples of the approach taken by some of our counterparties to prevent the spread of COVID-19:

- Cameco, operator of the Cigar Lake Mine, put the health and safety of its people and communities ahead of profits and made the decision to put the mine on care and maintenance for a period of time during 2020 to prevent the spread of COVID-19
- To help enhance workplace safety, Vale has deployed an on-site COVID-19 testing lab at the Voisey's Bay mine and implemented a radio frequency track and trace programme

OUR GREENHOUSE GAS EMISSIONS

Anglo Pacific is a small organisation, with nine employees and two Executive Directors, which means that any emission sources within its operational and financial control, such as business travel, purchase of electricity, heat or cooling by the Group, are limited. Management of the operations underlying the Group's royalty and stream portfolio is outside its control. During the year ended 31 December 2020, the Group consumed less than 40,000Kwh of energy (2019: <40,000Kwh) and is therefore exempt from reporting under the UK Government's Streamlined Energy and Reporting Statutory Instrument: 2018/1155.

COMMITMENT TO CONTINUOUS IMPROVEMENT

Anglo Pacific recognises the role that everyone has to play in reducing their environmental and carbon impact and, even though the Group itself has only a small footprint with one office and nine employees, it is looking at ways to do what it can on energy efficiency and carbon reduction.

As part of this we continue to seek to significantly reduce our exposure to coal related revenues. Climate change is a huge challenge for the world, and we have been looking for opportunities to increase our exposure and contribution to the reduction of carbon emissions and the creation of a cleaner environment.

Last year we introduced three new strategic initiatives that form a critical part of our approach to sustainable and responsible investment:

1 A focus on more sustainable commodities

Increased focus on seeking opportunities for investment in commodities that support a more sustainable world. We achieved this with the acquisition of the Voisey's Bay cobalt stream in Canada. Not only does the investment provide exposure to one of the largest sources of cobalt outside of the Democratic Republic of the Congo ('DRC'), Skarns Associates estimates Voisey's Bay to be amongst the lowest emitters of carbon per unit of nickel production compared to all global nickel mining operations.

2 No further investment in thermal coal

Consistent with our strategy over the past five years, we continue our commitment to no further investment in thermal coal assets.

3 Further enhancing our governance approach

The Sustainability Committee will be undertaking further work in 2021, with the support of a third party adviser, to refresh its due diligence processes and monitoring tools to ensure that its approach and tools evolve at the same pace as the rapidly evolving external ESG frameworks. We are committed to doing business with integrity and aim to ensure that all of our counterparties have strong ethics and compliance programmes in place.

INVESTING RESPONSIBLY

FOR A MORE SUSTAINABLE FUTURE

We systematically integrate ESG factors into our investment decisions to ensure that we allocate capital in accordance with the highest environmental, social and governance standards. Over the past 12 months, Anglo Pacific has continued to progress work on further strengthening its approach to sustainability. We have used an enhanced set of ESG due diligence tools across various investment opportunities that we have considered. We have also continued to monitor the ESG performance of our portfolio companies.

ESG-FOCUSED INVESTMENT DECISIONS

Our robust due diligence process enables us to select projects and operators facing low levels of ESG risk and which have strong ESG management processes in place.

HOW WE DO IT

Our investment decision-making process involves the following steps:

- We employ a rigorous screening tool to evaluate initial investment opportunities
- Following this, we use a tailored and detailed due diligence framework to assess the full range of ESG risks facing particular assets
- We assess potential investments using a set of qualitative and quantitative criteria, which look at the level of a particular ESG risk and the way in which it is being managed
- We actively chose not to pursue a number of investment opportunities in 2020 as a result of ESG risks identified during our due diligence process
- Our screening and due diligence tools are periodically reviewed and updated to ensure that they continue to reflect the most up-to-date developments and good practice in the ESG space.

PORTFOLIO WITH A STRONG ESG PERFORMANCE

We are focused on building a diversified portfolio comprised of projects characterised by strong ESG performance. All our assets meet a set of stringent ESG investment criteria.

HOW WE DO IT

In our due diligence process and our ongoing monitoring of the portfolio, we look for counterparties that:

- Take adequate measures to avoid adverse impacts on stakeholders and the environment
- Effectively mitigate climate risks and seek to play a positive role in the energy transition
- Implement international best practice on water and waste management, including tailings management
- Respect and protect internationally recognised human rights and labour rights
- Conduct their operations in accordance with high health and safety standards
- Establish positive social and community relationships, and demonstrate high levels of shared value for stakeholders
- Maintain high integrity standards in all areas of their business

ENGAGEMENT WITH OPERATING PARTNERS

We aim to positively influence our operating partners and ensure their continued strong ESG performance.

HOW WE DO IT

To the maximum extent achievable, we aim to:

- Incorporate ESG-related audit and inspection rights into our agreements
- Conduct regular site visits subject to COVID-19 restrictions and gather periodic reports from our operating partners on their ESG activities
- Insert change of control clauses which help us ensure that the assets will continue to be operated by responsible companies in cases of ownership change
- Encourage our counterparties to align with leading ESG initiatives, including the ICMM Sustainable Development Framework, IFC Performance Standards, the Voluntary Principles on Security and Human Rights and the Global Industry Standard on Tailings Management among others

TAKING A LEADERSHIP ROLE

We work with our peers to encourage and promote best practice in the mining industry.

HOW WE DO IT

- We participate in roundtable discussions with sector participants, our peers and our investee companies
- We have been instrumental in setting up a streaming and royalty council (whose members constitute several of the global major streaming and royalty companies). The council's main purpose is to promote and develop streaming and royalties as an alternative form of financing for the mining sector and to encourage and prioritise best practice in the industry
- We regularly review our approach to sustainability and develop our ESG systems and processes to ensure that these meet the evolving stakeholder expectations, including providing ESG training sessions to our employees and the Board
- We ongoingly monitor industry developments to ensure that we are continuously improving our ESG performance

OUR PORTFOLIO

We proactively engage with our operating partners to stay informed of their overall ESG performance and to encourage ESG best practice. Sustainability progress of our operators include:

E

ENVIRONMENTAL

Reducing carbon emissions

- Vale, the operator of the Voisey's Bay mine, has committed to investing at least US\$2bn to reduce by 33% the company's carbon emissions by 2030 by 15% the emissions of its supply chain by 2035. This is the largest investment ever undertaken by the mining industry to tackle climate change and is part of Vale's commitment to becoming carbon-neutral by 2050.

Clean energy

- In 2020, Largo Resources launched Largo Clean Energy, creating an industry-leading, vertically integrated VREB business to provide clean energy storage systems to the fast-growing, long-duration renewable energy storage market.

Environmental protection

- At Mantos Blancos, over 50% of power provided to Mantos Copper S.A. will be from renewable energy sources from 2025.
- Environmental protection at Cigar Lake operation is assured through an ISO 14001-certified environmental management system. The programme ensures that the environmental aspects associated with the facilities are systematically identified, controlled and monitored. Ore mined at Cigar Lake is milled at McClean Lake. The jet boring mining method used generates less waste rock than other methods. There is also no tailings management facility. The Cigar Lake Mine regularly monitors water, flora and fauna around the project to effectively mitigate any environmental impacts. Its environmental monitoring results are regularly reviewed by relevant regulatory authorities.

Water management

- Largo Resources, the operator of the Maracás Menchen asset, reused between 91% and 96% of the water drawn at Maracás Menchen.

Climate resilience testing

- Whitehaven Coal, the operator of the Narrabri asset, mitigates climate risk by testing the resilience of its portfolio under the International Energy Agency climate scenarios. Whitehaven Coal also aligns its climate reporting with the guidelines set by the Task Force for Climate-related Financial Disclosures (TCFD) and is a member of the COAL21. The objective of this fund is to:
 - Build community confidence in Carbon Capture Utilisation and Storage (CCUS) technology for safe, long-term CO₂ storage
 - Demonstrate safe abatement of fugitive emissions from coal mines
 - Assist in making the case for coal to remain a key part of Australia's future energy supply.

S

SOCIAL

Partnership with aboriginal people

- Voisey's Bay is located in an area subject to land claims by both the Innu Nation and the Nunatsiavut Government. Impacts and Benefits Agreements (IBA) have been agreed with each aboriginal group. Vale encourages the establishment of capacity building aboriginal joint ventures to meet the supply and service needs for its Labrador operations. Approximately 80% of the operations support contracts at the Voisey's Bay mine and concentrator were with aboriginal businesses.

Community initiatives/ programmes

- Vale regularly supports cultural and community events through sponsorships and donations, and provides financial support to many organisations in the province in 2020, including food banks, the Canadian Red Cross, the Canadian Cancer Society's Air Labrador Program, and the Gathering Place community initiative.
- Whitehaven Coal, the operator of the Narrabri asset, supports local communities through strong social investment practices. Over the last three years, they have contributed nearly A\$1.0m to local groups, and since 2012 have contributed more than A\$1.5bn to the local economy in north-west New South Wales.

Local support

- Largo Resources, the operator of the Maracás Menchen asset, actively pursues the hiring of local people and puts a strong focus on fostering local economic development. Last year, 79% of the workforce was local to the Bahia state.

G

GOVERNANCE

Alignment with leading industry standards

- The Iron Ore Company of Canada is a member of the Mining Association of Canada and complies with the Association's Toward Sustainable Mining programme's guiding principles.
- Inco Performance Minerals LLC is committed to ESG practices and to adopt IFC Performance Standards for its non-US operations.
- Brazilian Nickel has committed to adopting ESG best practices at its operations, including a commitment to comply with DFC's environmental and social policies and procedures as well as IFC Performance Standards and IFC EHS Guidelines for Mining.

Health & safety

- In June 2020, Cigar Lake Mine celebrated its third consecutive win of the John T. Ryan Regional Safety Trophy.
- The Voisey's Bay Mine has an outstanding safety record and has been awarded the national John T. Ryan Trophy in the Select Mines category for six consecutive years. In each category, the award is given to the mine that experiences the lowest injury frequency in a given year in all of Canada.
- Mantos Copper has integrated safety, occupational health, environmental management and quality policies which are in line with Anglo Pacific's ESG policies and procedures and demonstrates a very good safety record. These are applied consistently across the organisation under an integrated management system in compliance with the ISO 9001 certification.

Reporting standards

- Largo Resources, the operator of our Maracás Menchen asset is guided by the Sustainability Accounting Standards Board (SASB), Metals & Mining Industry Standard, and the Global Reporting Initiative's (GRI).

40%

2013

**In 2013, 40% of the Group's
portfolio was non-coal**

We have pivoted from our coal heritage by focusing on opportunities to increase our exposure to commodities that will contribute to the reduction of carbon emissions and enable a sustainable future.

**OUR ABILITY TO ADAPT
WILL DEFINE OUR FUTURE**

77%

2020

**In 2020, 77% of the Group's
portfolio was non-coal**

Principal risks and uncertainties

FOCUSED APPROACH

TO IDENTIFY AND MANAGE OUR RISKS

Overview and response to COVID-19

Managing risks appropriately is always at the forefront of the Board's priorities. The COVID-19 pandemic presented major economic and social risks to many businesses, including Anglo Pacific, in 2020 at both a micro and macro level.

At a micro level, Anglo Pacific closely monitored risks of its underlying assets in our portfolio being placed on care and maintenance, given the potential impact a temporary break in revenue might have on the Group's borrowing covenants. Fortunately, instances of assets being placed on care and maintenance were low and did not materially impact the Group's overall performance. This was primarily due to the Group's strategic investments in jurisdictions that view the mining industry as a key contributor to economic growth. In line with UK government guidelines, Anglo Pacific also encouraged its staff to work remotely, where possible. Anglo Pacific proactively dealt with the challenges of working from home and promoting staff well-being. The team took advantage of the technology available to connect more regularly on team and Board calls and establish new ways of collaborating, including adopting flexible working hours that meet childcare and other personal needs. Anglo Pacific was able to ensure that the business was and can continue to operate as close to normal as possible. Finally, travel restrictions impacted Anglo Pacific's ability to conduct on-site inspections of existing portfolio assets and potential investments. We worked with our local consultants to address this gap, putting in place a fulsome consultation process to ensure that all aspects of technical risk were addressed.

On a macro level, the pandemic certainly disrupted the coking coal market. Import restrictions in India resulted in large quantities of product being diverted onto the seaborne market, impacting pricing and, consequently, the Group's revenue.

COVID-19 has undoubtedly been an unprecedented event impacting almost every region on the planet. Never have lockdowns and travel restrictions been imposed for such a long time. There was little precedent as to how to respond to the threat posed by the virus and as such governments and businesses were learning as they went along. This created a period of enormous uncertainty.

The uncertainty caused by the COVID-19 pandemic tested many businesses' risk frameworks. Anglo Pacific responded by effectively increasing communication internally and externally, closely monitoring portfolio operations, and regularly engaging with the Board to monitor the ever-changing risk landscape in light of the pandemic.

2020 approach to risk

Despite COVID-19 presenting significant potential risks to our business, there has been limited impact on the Group's business model other than our exposure to changing commodity prices and currencies. Consequently, our overall focus on risk in 2020 was firmly on the Group's main strategic challenges: the replacement of Kestrel; and reducing the Group's coal exposure and carbon footprint.

The two challenges coincide to the extent that a large acquisition linked to the Group's target commodities would naturally reduce the coal component in the Company's portfolio. The strategic imperative of replacing Kestrel was the clear focus of the Board during the year (and indeed in previous years).

Climate change, ESG and investing for the future

Climate change is undoubtedly a significant threat given the Group's portfolio has historically been weighted towards coal. As the world progresses towards a low carbon future, if the Group's portfolio had not diversified and adapted there was the risk of eroding stakeholder support and market value, both key to sustaining and growing the business for the benefit of all our stakeholders. Climate change also presents an opportunity as it drives innovation, developing technologies that aim to reduce carbon usage and substitute fossil fuel consumption. Anglo Pacific's focus remains on contributing to a more sustainable future and, as a result, the Group has proactively responded to the risk and the opportunity posed by climate change. The Group has strategically aligned its portfolio towards those commodities which will form a key part of the technological innovation required to significantly de-carbonise energy consumption. This movement has firmly embedded itself in the electric vehicle and battery storage revolutions. Advances in battery chemistry and trends towards hydrogen power are seen as more sustainable potential alternatives.

To date, Anglo Pacific has successfully financed vanadium, copper and nickel supplies and, most recently, completed the acquisition of a cobalt stream. As a result, the majority of the Group's revenues and asset value are derived from non-coal assets – a first in the Group's history.

Anglo Pacific continues to embed a strong ESG framework that is strictly applied to all potential new investments to ensure that the underlying operations are conducted to high ESG standards and have a clear social licence to operate.

This was at the forefront of our attention when we acquired the Voisey's Bay cobalt stream. We conducted thorough diligence around all aspects of ESG and were particularly encouraged to see that Voisey's Bay is amongst the lowest carbon intensive producers of cobalt globally. Further, much of the global supply of cobalt originates from the Democratic Republic of the Congo (DRC) and, whilst certain operators apply strict ethical standards in the DRC, some investors may have concerns regarding the DRC's human rights indicators. As such, we believe that Anglo Pacific is strategically placed as a supplier of cobalt originating from a Canadian mine with strong ESG credentials.

INVESTING FOR THE FUTURE

THE BIGGEST STRATEGIC CHALLENGE, AND THEREFORE RISK, FACING THE GROUP OVER THE PAST FEW YEARS HAS BEEN THE IMPERATIVE TO MEANINGFULLY ACQUIRE ROYALTIES AND STREAMS TO REPLACE THE KESTREL REVENUE WHICH HAS A RELATIVELY SHORT REMAINING LIFE.

As a Group, we do not envisage investing in the DRC and have a strong preference for investing in OECD jurisdictions. We believe the rarer, 'conflict-free' commodities originating from operators with strong ESG credentials, such as cobalt from Voisey's Bay, create a premium market which will continue to attract demand.

Kestrel replacement and Voisey's Bay transaction

In recent years, Anglo Pacific's primary challenge has been to replace revenue from our Kestrel asset, which has a relatively short remaining life, and diversify our portfolio further towards 21st century commodities. Being the primary challenge, it also presented risks and uncertainty regarding the Group's revenue profile and stakeholder support.

Anglo Pacific have always maintained a disciplined and patient approach to potential investments, with shareholder value at the core of our approach.

During the first half of 2020, the Board continued to consider replacement opportunities for Kestrel and evaluated the effectiveness of the Group's investment criteria and its impact on deal flow. The conclusion of these strategic sessions was that there is a tolerance to take slightly more risk for certain acquisitions, specifically those that had a good track record of production, in OECD jurisdictions and provided exposure to commodities required for a more sustainable future.

The Group worked extensively on the Voisey's Bay opportunity during 2020. The deal represents the single largest acquisition in the Group's history and the Group's first significant stream transaction. Given the profile of the transaction, the Group undertook extensive diligence, which included considering industry reports on cobalt, detailed studies into the chemistry behind battery technology, risk analysis associated with the transition to underground mining and an assessment of any potential threat to the operation posed by COVID-19.

The Board was involved at all stages of the transaction and met on a regular basis to ensure that key risks were addressed appropriately by management and with the assistance of external advisers and specialists. The Board unanimously approved the transaction.

Focus for 2021 and emerging risks

Although Voisey's Bay is a significant transaction and materially deals with the risk posed by a shortened Kestrel mine life, Anglo Pacific continues to explore new investment opportunities to further build our portfolio.

Deal flow

We consider there to be a unique opportunity to build on the momentum of the Voisey's Bay transaction and become a leading royalty and streaming company focused on 21st century commodities. As such, there is a risk associated to losing this momentum, and if further deals do not come to fruition in the near-term, the Board would look to re-assess its risk appetite and pipeline strategy to ensure these elements are not hindering deal-flow.

Threat of substitution

The risk of longer-term substitution and technological advancement will need close supervision and attention, given that the Group's value is now predominantly derived from base metals rather than bulk materials. It is possible that some commodities and technologies will become obsolete, impacting the demand, and therefore, price, for certain commodities. This also presents an opportunity to be at the forefront of anticipating demand for future strategic minerals.

Increased competition

Royalty and streaming is becoming more of an accepted feature of the capital structure within the mining industry. As such, we are seeing a more competitive landscape emerging, although the majority of start-ups appear to be focusing on precious metals.

Commodity prices

The underinvestment in new supply over the past number of years is creating a real possibility that the demand forecast for some commodities linked to EV and batteries could result in prices increasing significantly, impacting on the demand for alternative finance or making the return on investments prohibitively low.

COVID-19

COVID-19 remains at the forefront of our minds, in terms of ensuring that our operations remain unaffected but also that our employees remain supported both in terms of their well-being and their ability to work remotely.

Principal risks and uncertainties

continued

Principal risks summary table

2020 Rank	Risk	Risk category	Examples	ESG interaction	2019 Rank	Comments
1	CATASTROPHIC EVENT	Market	<ul style="list-style-type: none"> • Extreme weather / natural disasters impacting on both mining operations and supply channels • Serious event at mine site which results in the loss or destruction of reserves and resources 	<ul style="list-style-type: none"> • Environmental or natural disaster could result in loss of ability or social licence to operate. 	1	<ul style="list-style-type: none"> • The Group now derives its revenue from two main operations. It is key that these operations, along with their ability to ship, remain undisrupted.
2	GLOBAL PANDEMIC	Market	<ul style="list-style-type: none"> • Extended periods of care and maintenance due to COVID-19 • Lower demand for commodities and so lower pricing which could result in lower revenue for the Group 	<ul style="list-style-type: none"> • Widespread consequences include the health and well-being of our personnel, operator personnel and local communities, social unrest and potential for increased resource nationalism. 		<ul style="list-style-type: none"> • The Group now derives revenue from two main operations. It is key that these operations remain undisrupted by COVID-19.
3	SUPPLY & DEMAND FOR ROYALTIES	Market	<ul style="list-style-type: none"> • Availability of conventional capital • General level of M&A • Cyclical nature of the commodity / mining industry 	<ul style="list-style-type: none"> • Demand for primary royalties will usually require wider activity in the equity and debt market – but ESG issues are impacting on the investment mandates within conventional capital providers. • ESG discipline could be tested by the prospect for greater financial returns. 	2	<ul style="list-style-type: none"> • Although the Group has progressed replacing its Kestrel revenue, it continues to develop its growth strategy. • The Group still needs to add growth in order to execute on its strategy and to achieve meaningful scale compared to peers in North America. • Many commentators are predicting the beginning of a new cycle for commodities which could see prices increase and the requirement for alternative financing reducing.
4	FINANCING CAPABILITY	Financial	<ul style="list-style-type: none"> • Accessing capital for acquisitions • Complying with financial covenants 	<ul style="list-style-type: none"> • Increasing levels of ESG compliance within borrowing terms (aligned with Anglo Pacific's investment criteria). • Some institutions are withdrawing entirely or from parts of the sector (e.g., fossil fuels) in line with stakeholder demand. 	4	<ul style="list-style-type: none"> • The Group successfully raised the finance for its Voisey's Bay acquisition, which has, however, seen the Group's borrowings increase. • Financing future growth will need active capital markets and favourable market conditions.
5	TRADE DISPUTES AND COMMODITY TARIFFS	Market	<ul style="list-style-type: none"> • Trade tensions between commodity importing countries and Western countries resulting in imposition of tariffs, import bans or retaliation measures 	<ul style="list-style-type: none"> • Import bans from jurisdictions such as Australia could result in the incentivisation for lower quality domestic production of commodities which apply less rigorous ESG policies. 		<ul style="list-style-type: none"> • While the risk of global trade tensions has somewhat reduced since President Biden took office, trade tensions have been ongoing between China and Australia over the last 12 months which has seen restrictions and limits being placed on Australian commodity imports. With supply needing to find an end market, the seaborne market faces the risk of being swamped which can adversely impact on pricing.
6	INCREASED COMPETITION	Strategic	<ul style="list-style-type: none"> • Some precious metal royalty companies and private equity houses are considering branching out into other commodities • Several start-up ventures have launched over the last 12 months, gaining some traction at the smaller end of the market 	<ul style="list-style-type: none"> • Competitive bidding processes or limited deal flow could challenge ESG objectives in favour of growth or financial returns. • Co-investors might have less stringent ESG criteria. 	5	<ul style="list-style-type: none"> • New start-up ventures, though predominantly focused on precious metals, are now diversifying across commodities, including those which the Group is targeting. • Although we have not encountered direct competition as yet, we are not being complacent in monitoring the industry. • We will continue to ensure we are competitive in processes and that we are pro-active in seeking out new opportunities.
7	STAKEHOLDER SUPPORT	Operating	<ul style="list-style-type: none"> • Changing perception of the mining industry among some stakeholder groups • Continuing trend of passive investment indexation jeopardises liquidity for small / medium cap companies 	<ul style="list-style-type: none"> • Ever increasing numbers of institutions are withdrawing support from the mining industry on ESG / climate change grounds, potentially shrinking the pool of capital which Anglo Pacific can access to execute on its strategy. • Danger that institutions will prevent themselves from supporting the supply of key commodities required to provide greener energy technology. 	3	<ul style="list-style-type: none"> • This risk has reduced for Anglo Pacific somewhat as we have materially repositioned our business away from coal and firmly towards base metals. This delivery on our strategy was evidenced in our recent equity raise associated with Voisey's Bay where we had widespread stakeholder support. • However, for some investors, any level of coal exposure is a barrier to investment for some institutions.

Principal risks summary table *continued*

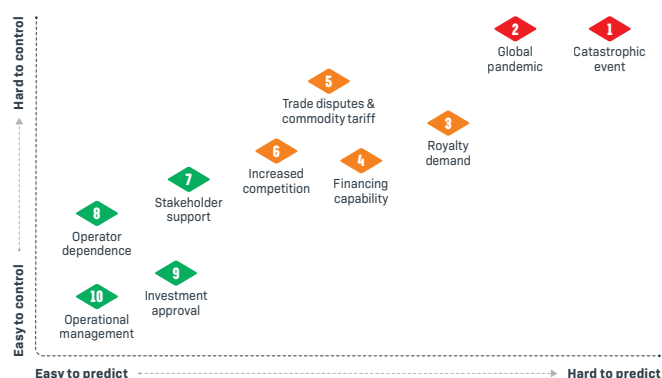
2020 Rank	Risk	Risk category	Examples	ESG interaction	2019 Rank	Comments
8	OPERATOR DEPENDENCE	Financial / Strategic	<ul style="list-style-type: none"> Operating the mine in accordance with the Group's ESG criteria Honouring royalty obligations Change of control and smooth transition Remaining focused on maximising the social and economic returns of the project 	<ul style="list-style-type: none"> It is vital that the operators of the projects subject to our royalties operate in a way which is in line with our ESG criteria and remain fully integrated with the local communities which allow them to operate – any environmental or social violations could impact the Group's reputation and jeopardise stakeholder support. 	5	<ul style="list-style-type: none"> We continue to seek to work with counterparties that are committed to operating with strong ESG principles. Our operators have all navigated their way through the COVID-19 pandemic, in large without any operational disruption, a testament to strength of management.
9	INVESTMENT APPROVAL	Strategic	<ul style="list-style-type: none"> Incorrect judgement on ESG / jurisdiction / commodity / price / counterparty / tax 	<ul style="list-style-type: none"> Failure to identify environmental or social issues or to predict the likely future governmental commitment to a sustainable mining industry could result in reputational damage for Anglo Pacific and jeopardise stakeholder support. Going forward, and in conjunction with the Sustainability Committee, the Group will seek greater contractual influence in relation to compliance with ESG and, in some instances, sanctions for breaches. 	7	<ul style="list-style-type: none"> Investment criteria effectively applied to date. This was tested further in the year with the Voisey's Bay transaction.
10	OPERATIONAL MANAGEMENT	Operational	<ul style="list-style-type: none"> Monitoring performance of portfolio Internal controls/cost control/FX Focused and motivated to deliver strategy 	<ul style="list-style-type: none"> Compensation packages for the executive team include ESG targets to ensure alignment with stakeholder criteria. 	8	<ul style="list-style-type: none"> Investment criteria effectively applied to date.

The Group's approach to recording its principal risks focuses on a 'prediction vs control' concept, as illustrated in the **diagram opposite**.

This approach acknowledges that the impact of market events on the Group's prospects, pre and post-acquisition, is both difficult to predict and, once occurred, is difficult to control. It is risks that fall into this category which are primarily outside of management's ability to either manage or mitigate, other than by monitoring.

Some risks which are easier to predict (i.e. 'operational' and 'financial') can still be harder to control, such as stakeholder support and financing capability.

The **diagram opposite** demonstrates how there will always be a level of risk tolerated by the Board in executing the Group's strategy. It also identifies techniques which management should be looking to implement when addressing risks which have some element to either control or predict.



	Characteristics	Management / mitigation	2021 Action points
1 2 3 5 MARKET AND EVENT	<ul style="list-style-type: none"> Difficult to predict outside of the short-term Tend to be driven by market forces or extreme localised events 	<ul style="list-style-type: none"> Limited ability to manage or mitigate other than through on-going monitoring The Group modified its strategy during 2020 as it saw pressure from the market in relation to coal / fossil fuel exposure 	<ul style="list-style-type: none"> Continue being proactive in anticipating industry trends
4 8 FINANCIAL	<ul style="list-style-type: none"> Easier to predict through regular cash flow projections, pipeline review and operator updates Harder to control as dependent on counterparties 	<ul style="list-style-type: none"> Increasing control is important, with regular dialogue with lenders and shareholders (both existing and potential) considered important in anticipating the availability of finance Dialogue with counterparties is also equally important to discover any early warning signs of underperformance 	<ul style="list-style-type: none"> Regular forecasting to ensure full visibility on covenant compliance post the Voisey's Bay acquisition
6 6 9 STRATEGIC	<ul style="list-style-type: none"> Easier to control as the Board can influence strategic direction based on market conditions Deal-flow is harder to predict 	<ul style="list-style-type: none"> Increasing prediction of strategic risks (deal-flow, ESG) is a core focus. The Group invested significantly in growth during the year both in terms of deal-flow and costs associated with sourcing potentially transformational acquisitions 	<ul style="list-style-type: none"> Build on the momentum of the Voisey's Bay acquisition to continue growing the business in the year ahead
7 10 OPERATIONAL	<ul style="list-style-type: none"> Risks for which good governance and internal controls should limit any financial or reputational loss 	<ul style="list-style-type: none"> Board Committees, along with management focus and internal controls, are designed to mitigate and prevent loss due to operational events or mismanagement 	<ul style="list-style-type: none"> Zero-tolerance for escalation i.e. ensure that operational risk remains in the 'green box'

Principal risks and uncertainties

continued

MARKET AND EVENT

Risk

CATASTROPHIC EVENT**IMPACT : HIGH**

A significant event which causes revenue to halt from one of the Group's key income producing royalties would have a profound impact on the Group's prospects

Possible cause

- Mine collapse
- Impact of environmental disasters and climate change (extreme weather, increasing sea levels etc.)
- Natural disaster
- Destruction of infrastructure
- Resource nationalisation
- Resource contamination

Mitigation

MONITOR

- These risks, by their nature, are difficult to predict or influence. The Group monitors its royalty portfolio and underlying performance regularly.
- The impact of climate change is also difficult to predict with certainty and ESG targets will often be subjective and difficult to measure accurately. We engage specialist technical advisors to assist us in understanding risk around permitting and social licence to operate.

Management comment and actions

LIKELIHOOD : MEDIUM

- Ordinarily, by continuing to focus on investing in well-established mining jurisdictions with stable political and geological history, along with investing in good operations with strong management and community support, the Group may reduce the likelihood of the occurrence of this risk.

COVID-19**IMPACT : MEDIUM / LOW**

Enforced care and maintenance due to COVID-19 which causes the revenue to halt from one of the Group's key income producing royalties would have a large impact on the Group's prospects

- Significant/ operational disruption/ enforced care and maintenance due to COVID-19
- Lower demand for commodities could lead to lower pricing and subsequently a possible decrease in the Group's revenue

MONITOR

- The global pandemic risk is difficult to predict or influence. The Group monitors its royalty portfolio and underlying performance regularly.

LIKELIHOOD : MEDIUM

- COVID-19 has been a unique challenge for the mining industry, particularly given the risk of COVID outbreaks in often isolated regions. However, the impact on the Group has been minimal to date and we hope that this risk is now starting to subside. We were pleased that other than a minor disruption at EVBC and some disruption at McClean Lake due to COVID-19, our royalties remained in production during the year.

SUPPLY AND DEMAND OUTLOOK FOR THE GROUP'S ROYALTY PRODUCT**IMPACT : HIGH**

In order to execute its strategy, the Group needs to acquire further royalties

Demand for royalties can change depending on macro-economic conditions at any point in the cycle

The Group must be sufficiently connected in the investment communities from which it seeks to source investment opportunities

- Recovery in market conditions for conventional sources of capital
- M&A activity
- Demand for commodities
- Global GDP growth
- Maintaining Anglo Pacific's brand and reputation in being able to identify and execute successful royalty transactions
- Having financial credibility in bidding processes

MONITOR

- The Group monitors the market closely and pays close attention to trends and commentary.
- Secondary royalties are less sensitive to market conditions and are generally available through the cycle.
- Anglo Pacific has built a credible global brand and network, backed by a successful track record of identifying and executing royalty transactions.

LIKELIHOOD : MEDIUM

- Demand for royalties can never be predicted, but demand is usually greater when the underlying market conditions are challenging for small/mid-sized operators.
- The recent Voisey's Bay transaction has raised the Group's profile and should hopefully provide a platform for further growth as it has demonstrated the Group's ability to identify, execute and finance significant transactions.
- The Group believes it is generally aware of all significant royalty transactions that take place, we receive regular inbound calls for financing and we participate in most of the material opportunities.

STRATEGIC

INVESTMENT APPROVAL**IMPACT : MEDIUM**

Anglo Pacific's success will depend on the performance of the royalties acquired matching or exceeding expectations at the point of acquisition

Misjudging:

- Projected operating assumptions, environmental compliance and best practice;
- Social licence to operate;
- Geology & technical process;
- Long-term commodity price assumptions;
- Country risk;
- Time to production;
- Counterparty covenant;
- Economic viability (project or counterparty); and
- Tax regime
- The importance of ESG when appraising investments, alongside more value and operating based criteria, is increasingly important as underperformance in this area post-acquisition threatens the Group's reputation and jeopardises stakeholder support

THOROUGH DUE DILIGENCE

- The Group has considerable in-house technical, financial and tax expertise to identify potential fatal flaws and uses consultants to assist with due diligence.
- The Group has worked with specialist consultants throughout the year and has developed a bespoke ESG template to help appraise the environmental and social risks associated with each potential investment.
- The Board also has significant experience and constructively challenges management on the due diligence process.
- The governance and due diligence process adopted by the Group when considering each unique investment is key to reduce the risk of making a bad investment.

LIKELIHOOD : MEDIUM / LOW

- Anglo Pacific has well defined investment and ESG criteria that it carefully applies and avoids overly competitive bidding processes where these could result in sub-optimal outcomes or compromising on fundamental strategic principles.

STRATEGIC

Risk

INCREASED COMPETITION**IMPACT : MEDIUM**

Anglo Pacific does not compete with the well-established precious metals royalty companies, instead focusing on the base and bulk sector

New competition can always arise, and Anglo Pacific is not complacent in driving the growth of its business

Possible cause

- Recovery in the mining sector
- Inflows into private equity funds
- Low bond yields entice life assurance / pension funds
- Change of focus from precious metal peers

Mitigation

CONTINUE TO SCALE

- Anglo Pacific has an advantage in a capital-intensive business model, with a cash generative portfolio to leverage and facilitate growth.
- It also has considerable contacts throughout the sector to generate deal-flow along with expertise in terms of appraising and valuing royalty transactions.

Management comment and actions

LIKELIHOOD : MEDIUM / LOW

- Some direct competition exists but this has not had a material impact on our ability to identify and execute transactions, as demonstrated by our recent US\$205m Voisey's Bay transaction.
- The Voisey's Bay transaction should give the Group significant profile and credibility in the market and help de-risk transactions from a financing risk perspective vis a vis smaller start-ups.
- Increased competition can also result in opportunities and we have enjoyed working with other capital providers recently (such as Orion Resources in the Incoa transaction) such that the risk of financing projects can be spread amongst several counterparties, helping in reducing the risk.

OPERATIONAL

OPERATIONAL MANAGEMENT**IMPACT : LOW**

Inadequate attention to detail in managing the business

Ensuring that management is performing to the standards expected of them for the benefit of all stakeholders

- Monitoring accuracy of royalty payments
- Monitoring news flow impacting counterparties
- Insufficient interaction with counterparties
- Lax cost control
- Managing risky investment processes
- Appropriateness and functioning of internal controls
- Poor leadership

MAINTAINING HIGH STANDARDS

- The Group undertakes a thorough budgeting process each year which highlights the reasons for variances.
- Management performance is monitored by the Board and the Remuneration Committee.
- Compensation is aligned to strategic objectives of the Company.

LIKELIHOOD : LOW

- Management is committed to the highest standards of internal control in running the Company as would be expected of a FTSE listed organisation.
- Despite our considerable growth over the past five years, our cost base has remained largely unchanged over the same period.
- Any underperformance should be readily evident and dealt with by the CEO and Board promptly.

STAKEHOLDER SUPPORT**IMPACT : MEDIUM / LOW**

Anglo Pacific needs to be well supported by all stakeholders including:

- Royalty counterparties
- Employees
- Shareholders
- Lending banks
- Brokers
- Analysts
- Media

- Reputational consequences of mining disasters / poor standards of social responsibility
- Failure to respond to emerging trends within the investment community (particularly around ESG)
- Underperformance
- Deviation from strategy
- Alterations to dividend
- Excessive risk-taking
- Poor communications

CLOSE DIALOGUE WITH STAKEHOLDERS

- Anglo Pacific keeps in close contact with all stakeholders and this has shaped the current strategy to pivot towards an EV and battery metals business.
- We spend a considerable amount of time working with our bankers, brokers and analysts, explaining our strategy, progress and development plans which gives us a gauge for what the likely market reaction to our plans will be.

LIKELIHOOD : MEDIUM

- Anglo Pacific, like many other businesses, was not able to meet with stakeholders in person during 2020. Instead, meetings were held online. This was very effective. Nonetheless, we look forward to meeting with all stakeholders again in person when travel restrictions are lifted.
- The response of stakeholders to our Voisey's Bay acquisition was encouraging and was in-line with what the market was expecting from management in terms of accelerating the diversification away from coal and creating the market leading royalty and streaming EV and battery metals business.
- We took onboard our previous retail shareholder feedback and offered retail investors direct participation in our recent equity raise through the PrimaryBid online platform.

Principal risks and uncertainties

continued

FINANCIAL

Risk

OPERATOR DEPENDENCE**IMPACT : MEDIUM / HIGH**

The Group is dependent on the operators of the mines over which it has royalties to continue to operate effectively and thereby provide the expected sustainable royalty income and to operate in line with our ESG principles

We also rely on operators to honour royalty contracts and make timely and accurate royalty payments

Possible cause

- Substandard CSR/ environmental record
- Overleveraging
- Inaccurate royalty calculation
- Non-payment/disputes

Mitigation

DIVERSIFY DEPENDENCE

- The best way the Group can mitigate dependence on any one operator is to continue to expand and diversify its royalty portfolio to ensure that it has a well-balanced source of income. This is particularly important in light of COVID-19 and its potential to disrupt mining operations.
- The Group has audit rights which it generally exercises on the identification of any unexpected royalty outcome. It has also developed an ESG template which assists pre- and post-acquisition reporting on matters which are fundamental to the Group's investment thesis.
- The Group tries to insert change of control clauses into its new royalty agreements to help ensure its exposure continues to be to counterparties of good reputation.

Management comment and actions

LIKELIHOOD : MEDIUM

- The Group has a good relationship with most of the underlying operators.
- Our over-reliance on one operator has changed significantly in light of the Voisey's Bay transaction.
- Our operators put in place procedures to safeguard their workforce and ensure operations remained undisturbed throughout the COVID-19 pandemic. Other than a minor disruption at EVBC and some disruption at McClean Lake, our royalties remained in production during the year. This is testament to our strategy of investing in jurisdictions which define their mining industry as key economic activity. It is also testament to the quality of the management teams which underline the Group's revenue.

FINANCING CAPABILITY**IMPACT : MEDIUM / HIGH**

The Group is dependent on access to capital in order to finance its growth ambitions

- Coal exposure limiting the universe of potential investors
- Sudden adverse change in equity market conditions
- Production issues or significant price volatility could adversely impact the Group's borrowing capacity
- Execution risk through inadequate immediate access to finance

HIGH-QUALITY DEAL-FLOW

- We regularly meet with advisers, shareholders and lenders to discuss the types of deals we are considering to gauge their support.
- We have invested time in building global relations in the industry both from a lender, coverage and potential shareholder perspective. We actively market our story in Europe, North America and Australia and will continue work on increasing our corporate profile especially in light of the Voisey's Bay acquisition.

LIKELIHOOD : MEDIUM

- To finance the Voisey's Bay acquisition, we successfully raised equity and also took the opportunity to refinance our borrowing facility with new lenders who are market leaders in the North American royalty and streaming sector.
- It is clear that the markets support the Group's strategy to position itself in the EV and battery metals sector with leading ESG credentials and a clear path towards <10% coal exposure.
- Although internal resources are limited for the next transaction, we believe that our track record, the recent Voisey's Bay transaction and our blue-chip lending syndicate should provide finance for the next acquisitions in our journey to becoming the leading EV and battery metals royalty and streaming company.

CREDIT RISK**IMPACT : LOW**

There is a risk of default by those owing the Group money or those institutions holding the Group's cash reserves

- Royalty payment default
- Bank collapse

- Our due diligence process focuses on the creditworthiness of counterparties with whom we transact and ensure ongoing monitoring.
- The Group operates controlled treasury policies which spread the concentration of the Group's cash balances amongst separate financial institutions with sufficiently high credit ratings.

LIKELIHOOD : LOW

- The risk of counterparty default is assessed when entering into new royalty agreements. Absent the potential for operational disruption as a result of COVID-19, the Group is comfortable that our material royalties, which represent the majority of the Group's receivables, are at relatively low risk of default due to the nature of the operators involved and their track record over the past number of years.

FINANCIAL

Risk

FOREIGN EXCHANGE RISK**IMPACT : MEDIUM**

That foreign exchange movements adversely impact on the Group's cash flow projections

Possible cause

- Cash flow risk associated with dollar derived income and costs (including dividend) largely payable in GBP
- Translation risk of having a presentational currency in GBP but assets denominated in other currencies
- Financing risk when raising equity in GBP to fund dollar denominated acquisitions

Mitigation

- The Board approved a currency hedging policy which looks to enter into forward contracts sufficient to acquire the majority of the sterling required to meet the Group's dividend and overhead cost.
- Under the policy, the Group can hedge up to 70% of the next quarter's income, 60% of the second quarter followed by 30% and 25% thereafter.

Management comment and actions

LIKELIHOOD : MEDIUM

- Commodity price risk represents the primary risk and the objective is to keep foreign exchange as a secondary risk.
- Currency has been very volatile over the past year and the outlook for currencies remains difficult to anticipate given varying economic responses to the COVID-19 pandemic.
- Following the Voisey's Bay acquisition, the majority of our income is now expected from USD, for the first time in the Company's history. We will modify our hedging strategy given that revenue from our latest acquisition will be more regular than the other assets, which pay once a quarter.
- We have no requirements to hedge under our borrowing facility.

INTEREST RATE RISK**IMPACT : LOW**

That an increase in interest rates could adversely impact on the Group's prospects

- The Group is exposed to the US and UK LIBOR rate as part of its bank facility

- Interest rates are not expected to increase significantly in the short-term, and remain at historically low levels.

IMPACT : LOW

- Given the universal responses to COVID-19, we would expect interest rates to remain at relatively low levels for a period of time as government debt has increased significantly. We will monitor inflation levels closely to determine whether there is a risk of interest rate increases.
- We have no obligations to hedge under our borrowing facility, but retain the flexibility to do so.

COMMODITY AND OTHER PRICING RISK**IMPACT : HIGH**

The group's results are impacted by commodity and certain other pricing inputs which could result in lower earnings and cash flow and unrealised losses at each reporting date

- The Group's asset values are underpinned by the forward commodity price outlook at each reporting date. A decline in these prices could result in further impairment or revaluation charges
- The Group has a portfolio of certain publicly quoted equity investments which are marked to market at each reporting date, the most significant of which is LIORC where there is a residual US\$30m investment
- Lower commodity prices could result in less revenue

- The Group uses independent third-party consensus prices at each reporting date in assessing for impairment.
- The success of the Group's investment will largely depend on the point of entry in relation to the commodity at the time of investment. To date, the Group's investments have largely proved to be well timed.

IMPACT : HIGH

- The Group is exposed to commodity prices and a significant decrease in commodity prices is likely to result in lower earnings and cash flow and further impairment charges and a narrowing of dividend cover.
- Conversely, when commodity prices increase, demand for royalties can decrease or making investment decisions can be much more difficult.
- The Group does not hedge against specific commodity risk, as de-risked commodity price exposure is what we understand our stakeholders to be looking for, and will continue to review this position in light of market conditions.

Principal risks and uncertainties

continued

Context

Viability for Anglo Pacific is to have a long-term diversified stream of income producing royalty assets aligned to the EV and battery storage technologies, which creates a sustainable business that can grow and provide investors with a compelling investment story with ESG at its core.

The acquisition of the Voisey's Bay stream should materially address our key strategic challenge of replacing the Kestrel revenue when it begins to move outside of our private royalty land. However, the Group's ambition is to build on the platform it has created in the EV and battery metals space to continue to add commodities such as copper, zinc, lithium, cobalt, nickel and similar strategic minerals to our portfolio, which is now over 50% weighted towards these commodities.

The Board regularly receives cash flow projections which show the Group's expected net debt position. Upon completion of the Voisey's Bay transaction, the Group had US\$123.5m drawn under its new borrowing facility which has a three-year maturity

As such, the Group must be sure that it will either generate enough cash flow to repay its borrowings in full by that time or be sufficiently confident that any refinancing risk is low. To conduct a base case review, we have held the cost base (overheads and dividends) constant and assumed no further investment. On this basis, the Group would expect to remain firmly covenant compliant throughout the tenure of the facility with a manageable refinance ratio at maturity. There is also the opportunity to request a one-year extension.

The assessment process and key assumptions

Assessment of the Group's viability is based on a financial forecast covering the next three years, which is consistent with the Group's medium-term planning horizon and the terms of its borrowing facility. The financial forecast has been stress tested on a 'severe but plausible' scenario to see whether the same conclusion would be reached should this materialise. In normal circumstances this scenario would be the Group's base case financial model adjusted for:

- 15% reduction in volumes (this does not impact on LIORC which is not volume based)
- 15% reduction in consensus commodity price assumptions (Denison is not impacted by this as it is a toll)
- 10% weakening in the pound from its current level

VIABILITY STATEMENT

OUR FOCUS IS ON THE EXISTING BUSINESS OF THE GROUP AND THE ABILITY OF THE CURRENT PORTFOLIO TO GENERATE SUFFICIENT CASH TO MEET THE GROUP'S OUTGOINGS, INCLUDING THE DIVIDEND.

On this basis, it would be expected that absent corrective action, there would be a number of covenant breaches and dividend restrictions and the refinancing ratio would not be met. The Group retains certain flexibility to address this, including suspending its dividend and would work with the banks to agree to the sale of the residual ~£22m (~US\$30m) position in LIORC and the shares which are held in treasury such that no default would exist under the borrowing facility.

Directors' statement on viability

The Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the next three years, despite the uncertainties associated with production assumptions as a result of COVID-19.

From a non-financial perspective, the execution of the Group's strategy is vital to sustain Anglo Pacific as a viable concern for all stakeholders in the longer term. With an ever-closer alignment to the interests of stakeholders following recent strategic modifications, along with the recent successful Voisey's Bay transaction, the Directors remain confident that management will generate the deal flow required to continue growing and diversifying the Company's sources of revenue for the long-term benefit of all stakeholders.

Risk appetite

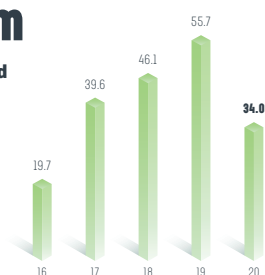
Although the ultimate success of Anglo Pacific will depend on its ability to continue to add value enhancing royalties and streams to its portfolio, the focus of the viability statement is on the existing business of the Group and the ability of the current portfolio to generate sufficient cash to meet the Group's outgoings, including the dividend. Under our 'severe but plausible' case it would be expected that there would be a need to negotiate covenant waivers and refinance the Group's facility at maturity or take other corrective action which would remedy any defaults.

The Directors' risk appetite is therefore capped with reference to an acceptable and supportable level of borrowings relative to the Group's income profile over the next three years on a 'severe but plausible' basis.

Key performance indicators

£34.0m

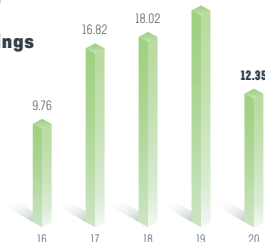
Royalty related revenue (£m)



Royalty related revenue reflects the revenue from the Group's underlying royalty and streaming assets on an accruals basis, including the interest earned on royalty financing arrangements and the dividend income received from the Group's investment in LIORC (refer to **note 5** for further details).

12.35p

Adjusted earnings per share (p)



Adjusted earnings per share excludes any non-cash valuation movements, impairments, amortisation, foreign exchange gains/(losses) and share-based payment expenses.

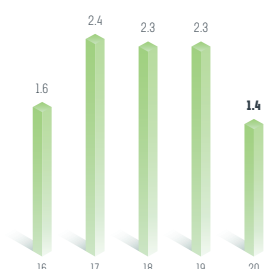
It also adjusts for any profits or losses which are realised from the sale of equity instruments within the mining and exploration interests.

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 year.

Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share (refer to **note 12** for further details).

1.4x

Dividend cover (x)



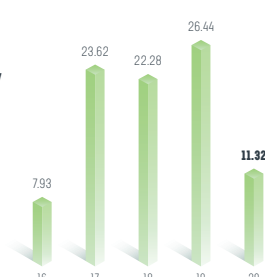
It is a policy of the Group to pay a significant portion of its royalty income as dividends. Just as important as maintaining the dividend is maintaining the quality of the dividend.

Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share (refer to **note 13** for further details).

In any period where there is an adjusted loss, the dividend cover will be reported as nil.

11.32p

Free cash flow per share (p)

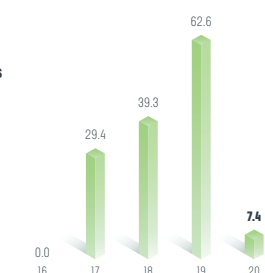


The structure of a number of the Group's royalty financing arrangements, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. Management have determined that free cash flow per share is a key performance indicator, as the Board considers the free cash flows generated by its assets when recommending dividends.

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 repayment of principal, less finance costs by the weighted average number of shares in issue (refer to **note 34** for further details).

£7.4m

Royalty assets acquired (£m)

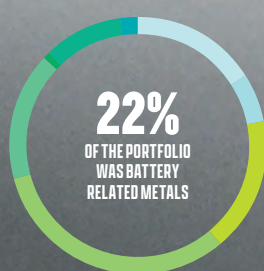


The Group's strategy is to acquire cash or near-cash producing royalty related assets which will be accretive and in turn enable dividend growth. The graph shows how much the Group invested in royalty acquisitions in each period.



Re-positioning towards 21st century commodities

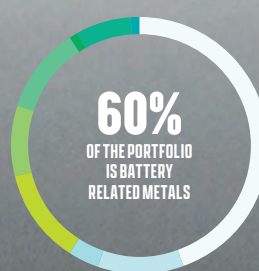




2020

Commodity exposure by asset value at 31 December 2020

● Copper	16%	● Coking coal	17%
● Vanadium	6%	● Iron ore	32%
		● Thermal coal	16%
		● Gold	1%
		● Uranium	10%
		● Other	2%



2020

inc Voisey's Bay

Repositioned towards 21st century commodities

● Cobalt	45%	● Coking coal	12%
● Copper	11%	● Iron ore	9%
● Vanadium	4%	● Thermal coal	11%
		● Gold	1%
		● Uranium	7%
		● Other	1%

DRIVING 21STC COMMODITIES

Voisey's Bay, the largest transaction in the Company's history, marks a fundamental transformation, repositioning the business towards 21st century commodities.

Patrick Meier, Chairman

Cobalt is used in electronic devices and batteries that power our digital world, forming part of the circuitry and the semi-conductors that make computers work.

In the form of cobalt sulphate, it is particularly important in lithium batteries, where it acts as a cathode stabiliser. These lithium-ion batteries are increasingly in demand for electric cars, laptops and mobile phones.

As we move towards a zero-emissions future, cobalt-based batteries will become increasingly in-demand to help decarbonise travel and help integrate renewable energy into national electricity grids.

VOISEY'S BAY

An operating nickel-cobalt-copper mine, located in the Province of Labrador and Newfoundland, Canada, operated by Vale Canada, a subsidiary of Vale S.A., one of the world's largest mining companies

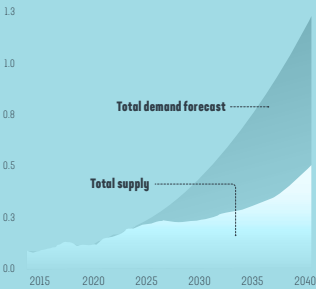


NEW CORNERSTONE ASSET

The Voisey's Bay stream acquisition is our new cornerstone asset, that repositions our portfolio. With an improved environmental footprint, and positive earnings impact, this new acquisition is taking the business towards 21st century commodities.

Stage
Producing
Commodity
Cobalt
Operator
Vale
Location
Canada
Royalty rate and type
22.82% attributable production
Production payment –
18% of spot price
Balance sheet classification
Mineral stream interests (P,P&E)

ELECTRIC VEHICLES EXPECTED TO UNDERPIN COBALT DEMAND GROWTH AND DRIVE COBALT SUPPLY DEFICIT



Forecast cobalt supply and demand in millions of tonnes

WORLD CLASS

STRATEGIC RATIONALE

IMPROVED ENVIRONMENTAL FOOTPRINT



Industry leading global nickel mine cost curve position

Ranked by cash cost. Total cash costs in US\$/lb, on co-product basis. Cumulative paid nickel production in 000's of tonnes.



With leading carbon footprint and ESG credentials

Ranked by CO₂ intensity. In tonnes of CO₂ eq. per tonne of saleable nickel. Cumulative nickel production in 000's of tonnes.

A new cornerstone asset

- An established world-class, low-cost operation
- One of the largest non-DRC sources of cobalt

Repositions the portfolio

- Rebalances towards 21st century commodities
- Addresses Kestrel medium-term royalty run-off

Improved environmental footprint

- Exposure to the fast-growing EV market
- Voisey's Bay is one of the lowest CO₂ emitters

Positive earnings impact

- Expected to be immediately earnings accretive
- Creates a platform for long-term earnings growth

TRANSACTION OVERVIEW

Voisey's Bay

- An operating nickel-cobalt-copper mine, located in Canada, a well-established mining jurisdiction
- Operated by Vale Canada Ltd, a subsidiary of Vale S.A., one of the world's largest mining companies
- Projected mine life to 2034, based on current reserves, with potential for further mine life extensions

Stream mechanics

- APG is entitled to 22.82% of total cobalt produced, with a step down to 11.41% once certain delivery thresholds reached
- Ongoing payment of 18% of the cobalt reference price, increasing to 22% when the original upfront amount is reduced to nil
- Downside protection if mill throughput does not reach 85% of targeted levels by Dec 2025
- Expected annual run-rate portfolio contribution of approximately \$23m (2021E \$13-16m)

Transaction terms

- Total upfront cash consideration of US\$205m
- Potential additional payments of up to \$27m over a period to June 2025, subject to higher cobalt prices and minimum production volumes

A TIER 1 MINE LOCATED IN CANADA AND OPERATED BY VALE

16-year production track record

- Nickel mine with copper and cobalt by-products
- Produces premium alloy grade cobalt metal products
- Current open pit operations expected to deplete in 2022

Mine life extension project underway

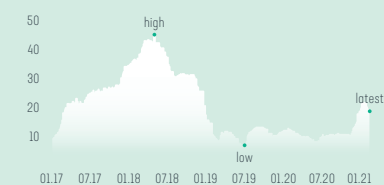
- Transition to underground mining expected to start in 2021
- Projected mine life to 2034, based on current reserves, with potential for further mine life extensions
- Production costs in 2nd lowest quartile of global nickel mine cost curve

Market overview

Demand for industrial commodities should be well supported by economic stimulus packages and infrastructure spending, the first time in decades that there could be a coordinated infrastructure investment policy across the US, Europe and China.

2017-2021

COMMODITY PRICES



Cobalt (US\$/lbs)

9.43
low

45.55
high

22.88
at 30 March 2021

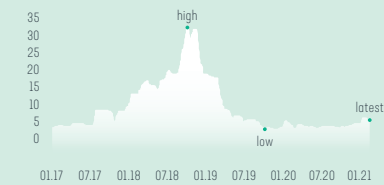


Copper (US\$/lbs)

1.96
low

4.29
high

4.02
at 30 March 2021



Vanadium (US\$/kg)

2.35
low

33.9
high

7.10
at 30 March 2021



Iron ore (US\$/t)

41
low

169
high

156
at 30 March 2021

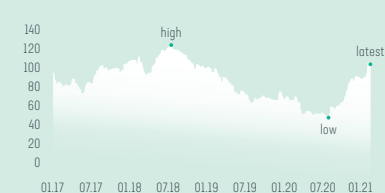


Coking coal (US\$/t)

75
low

300
high

117
at 30 March 2021



Thermal coal (US\$/t)

47
low

122
high

98
at 30 March 2021

GROWTH AMBITIONS

21ST CENTURY COMMODITIES ARE THE FOCUS OF OUR INVESTMENT STRATEGY

The impact of COVID-19 on the mining sector saw an initial rally in gold markets as money was diverted to safe havens. This position unwound in the second half of the year and most commodities, other than coal, then experienced a surge in pricing.

This was largely down to two factors: it became apparent that there is to be a period of coordinated global infrastructure investment as part of an economic stimulus to get economies back on their feet; and the increasing movement towards investing in green projects such as renewable energy and the electrification of automobiles looks set to stay.

Added to this, the sector is now starting to feel the pinch from years of underinvestment by the mining majors to meet the demand likely to materialise in the coming years. We are now starting to see some activity by governments in order to protect the supply of certain strategic minerals, which could compensate for the lack of investment from the traditional mining companies and form part of the capital pool available to certain mining projects.

All of the above is leading many commentators to revise their commodity price forecasts upwards for certain strategic commodities aligned to green energy, the electric vehicle and battery storage.

By far the most defining theme of 2020 was the COVID-19 pandemic and its impact on the global economy.

The first half of the year saw a significant reduction in economic activity as lock downs were imposed and travel restrictions enforced. This led to global GDP falling by ~10%, primarily due to reduced activity in the retail and leisure sectors, and a reduction in M&A activity for a period of time. Capital markets activity, both in the form of new equity and debt issuances, stalled for a period whilst the markets digested the likely impact and long-term consequences of the pandemic.

Importantly for the mining industry, despite a slow period around the Chinese New Year, manufacturing activity in China rebounded strongly. Furthermore, major supply regions classified mining as a key economic activity and most operations remained unimpacted by COVID-19. Economies stabilised somewhat in the second half of the year as industrial activity gathered pace, aided by economic stimulus in response to the pandemic.

The year was, therefore, characterised by significant uncertainty and volatility in commodity prices and equity valuations. This presented opportunities for the alternative finance sector either as a result of an increased need for financing, or due to a reduced availability of traditional debt and equity funding to the non-precious metals subsector in particular.

With the vaccination rollout now underway, recovery is expected to continue in 2021, putting downward pressure on gold prices in favour of cyclical and strategic commodities.

Demand for industrial commodities should be well supported by economic stimulus packages targeting infrastructure spending and the transition to green energy, in addition, for the first time in decades there could be a coordinated infrastructure investment policy across the US, Europe and China. A considerable part of this stimulus is expected to be directed towards initiatives focused on de-carbonisation and should see continued strong growth in demand for commodities such as copper.

Market balances could tighten as the delayed impact of reduced exploration budgets, delays to expansion projects and maintenance activities, as well as supply chain disruptions caused by the pandemic feed into the availability of raw materials supply. This bodes particularly well for 21st century commodities that support a more sustainable world, such as battery metals, which remain the focus of our investment strategy.

Market overview

continued

\$4.5bn

IN TRANSACTIONS ACROSS SECTOR

MARKET CONDITIONS IN 2020 WERE GENERALLY FAVOURABLE FOR THE ROYALTY AND STREAMING SECTOR LEADING TO \$4.5BN IN TRANSACTIONS, THE HIGHEST LEVEL SEEN IN A DECADE

MINING FINANCE REVIEW

Market financing activity was heavily weighted towards the second half of the year and was dominated by precious metals and battery material plays.

Funds raised by junior and intermediate mining companies increased 35% year over year, mainly weighted towards the second half of 2020, with gold representing over half of these funds as the combination of economic uncertainty, low yields, and loose monetary policy attracted asset allocation towards precious metals. This was followed by funds raised for copper, nickel and lithium projects, all benefitting from strengthening battery demand. Financing of rare earth element projects also recorded a steep increase from last year with Lynas Rare Earths Ltd. raising US\$270m in equity for the development of a new rare earths processing facility in Australia.

M&A activity was also dominated by gold transactions, however, the total deal value in the broader mining sector declined by almost a third year on year and the number of base metals deals hit a 17-year low. The drop was due to the disruption caused by the pandemic in the first half of the year but also due to the lack of large deals seen in previous years with the Barrick-Randgold and Newmont-Goldcorp mergers resulting in subsequent asset divestitures.

In addition to regular financing activity, the operational impact of COVID-19 coupled with commodity price volatility brought about new financing and refinancing needs across the mining industry.

Projects that suffered from disruption to their operations due to lockdowns or social distancing measures, or those whose profitability was severely eroded by low commodity prices in the first half of the year, had to seek additional financing to fund their working capital needs or to refinance their existing capital structure. On the other hand, elevated gold prices and the remarkable rise in commodity prices towards the end of the year have moved certain projects into the development pipeline or have otherwise been the catalyst for operation restarts or expansions.

ROYALTY AND STREAMING REVIEW

Market conditions in 2020 were generally favourable for the royalty and streaming sector leading to \$4.5bn in transactions, the highest level seen in a decade.

The market experienced a return of large-scale deals which complemented the recent trend of small-scale transactions, although a number of these were sales of secondary royalties and streams by operators or private equity firms rather than new financing. The largest transaction was the acquisition of Trona land grant assets in the US by Orion Mine Finance for US\$1.33bn, followed by four precious metals royalty and stream transactions of similar combined value. Although announced and completed in the first quarter of 2021, Anglo Pacific's acquisition of the Voisey's Bay cobalt stream for US\$205m stands out both in terms of size and commodity in the context of the limited number of battery metals transactions closed in 2020 (refer to case study on [page 40](#)).

The sector remained a key source of financing for the mining industry as the royalty and stream model continued to become better understood and more widely accepted, not least amid an uncertain and low commodity price environment experienced in the first half of the year, making equity and debt financing for non-precious metals companies more difficult to access. Much of the financing from the sector was directed towards balance sheet strengthening or the development of near-construction assets as part of wider project financing. In line with last year, most development opportunities were brownfield-focused rather than greenfield, with the only exception being gold, yet still limited to well-established mining jurisdictions. In the second half of the year, the number of small-scale royalty transactions used to fund early-stage development projects reduced as equity markets returned on the back of economic stimulus campaigns.

The trend of increasing competition in the alternative finance sector saw new entrants added to the growing list of royalty and streaming companies including non-precious metals focused Deterra Royalties and Nomad Royalty. The number of listed royalty and streaming companies has almost tripled over the last five years with almost 70% of the 2020 transaction value attributable to deals closed by new entrants. Whilst the majority of these companies remain focused on precious metals and some invest primarily in early-stage opportunities due to limited balance sheet capacity, competition is also starting to increase in the base metals remit and transactions financed through a combination of cash and shares have become more commonplace.

52

IPOs IN MINING SECTOR

THE NUMBER OF IPOs IN THE MINING SECTOR INCREASED TO 52 IN 2020 WITH MORE THAN HALF REPRESENTED BY GOLD COMPANIES

EQUITY MINING MARKETS REVIEW

The number of IPOs in the mining sector increased to 52 in 2020 with more than half represented by gold companies capitalising on record high gold prices, followed by base metals. Most of the IPOs were completed in the final quarter of the year with the ASX accounting for the largest volume; predominantly raising funds for gold and copper exploration.

By the end of the year, market capitalisation of the mining industry reached the highest level in over a decade. High equity valuation levels have been supported by the stimulus measures employed towards economic recovery including low interest rates which have led to the allocation of new money into asset classes offering higher yields. We expect this trend to continue in 2021 although with sentiment around the global economy improving and green spending at the fore, momentum has started to shift away from gold and into other sectors including battery metals.

Despite the record market capitalisation milestone, indexation capital continued to divert funding away from miners as investors opted for exposure to gold and silver through exchange traded funds rather than direct equity holdings, and record ETF flows were observed in the first nine months of 2020. Cryptocurrencies attracted significant investment as an alternative to gold in terms of store of value, and an alternative to the dollar in terms of medium of exchange. Other emerging sectors such as cannabis also garnered interest from speculative capital flows.

A boost to equity capital raised by non-precious metals mining companies may come from special purpose acquisition companies (SPACs), an alternative to the traditional IPO market, which is becoming increasingly popular. The first quarter of 2021 saw a record number of SPAC IPOs with significant fund volumes earmarked for investment in the natural resources sector by ESG and green metals focused SPACs. Recognising the historic underinvestment in the industry and the need for incremental mining projects to support the green revolution, this new route to financing could prove particularly effective for small to medium-sized mining companies looking for development capital.

OUTLOOK AND OPPORTUNITIES

A significant degree of uncertainty remains around the speed of global economic recovery which is likely to vary from region to region based on the roll out of vaccination programmes and the effect of individual stimulus packages. The combination of recovering demand, COVID-related supply issues and quantitative easing has the potential to create an environment supportive of strong commodity prices, as has been the case thus far in 2021.

A strong commodity cycle and a risk-on sentiment could help miners access traditional forms of capital and lead to opportunities for the alternative finance industry, such as royalties and stream, to form a part of the full financing solution. We expect to see more development opportunities being brought to market although there is a risk of valuations being elevated by high commodity prices, improved availability of capital, and increased competition, particularly around projects with strong ESG credentials.

The recent shift towards accelerating the global energy transition bodes well for commodities that are at the centre of Anglo Pacific's investment strategy. Green energy and electrification are metal-intensive and the ability of the mining industry to meet the estimated growth in demand for these metals hinges on new, capital-intensive projects being developed and brought online. We expect the number of transactions in this space to increase in years to come, supporting our growth ambitions and transition into an increasingly battery metals focused royalty and streaming company.

WE ARE TAKING A DIFFERENT VIEW

During the year, the Group took the opportunity to evaluate and refine its strategy with respect to future investments, especially in view of our increased focus on environmental, social and governance best practices.

The Group's investment strategy now reflects an increased focus on commodities that support a more sustainable world and no further investment in thermal coal assets.

There was limited disruption to the operations underlying the Group's producing assets during the period from COVID-19, and we believe this is testament to our strict focus on well-established mining jurisdictions where mining industries are prioritised and protected, given their key economic contributions.

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

The world is moving in a new direction and we are moving with it, making sure we finance the right kind of commodities, the right kind of operations and the right kind of partners: cleaner commodities that the world needs, delivered by responsible operations, led by trustworthy, responsible management.

PRODUCING ROYALTIES

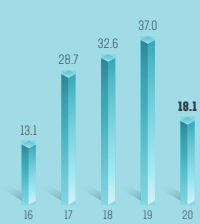
KESTREL



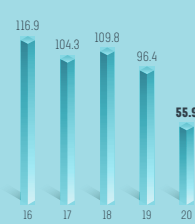
An underground coal mine located in the Bowen Basin at Crinum, 51km north-east of Emerald in Central Queensland, Australia



Coal royalty related revenue
£18.1m

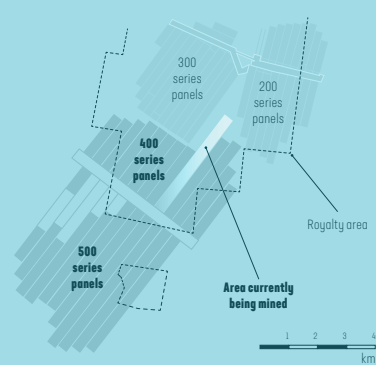


Coal royalty valuation
£55.9m



Stage
Producing
Commodity
Coking coal
Operator
Kestrel Coal Pty Ltd
Location
Australia
Royalty rate and type
7 - 15% GRR
Balance sheet classification
Investment property

Kestrel mine plan
Showing area being mined compared to private land boundary



What we own

Kestrel is an underground, predominantly metallurgical coal mine located in the Bowen Basin of Queensland, Australia. The Group owns 50% of certain sub-stratum lands which, under Queensland law, entitle it to coal royalty receipts from the mine. The majority of coal sales from the operation are on a contract basis and are delivered to India, Japan and South Korea.

The royalty rate to which the Group is presently entitled is that prescribed by the Queensland Mineral Resources Regulations. These regulations currently stipulate that the basis of calculation is a three-tiered fixed percentage of the invoiced value of the coal as follows:

Average price per tonne for period		Rate
Up to and including A\$100	First A\$100	7.0%
	Balance	12.5%
Over A\$100 and up to and including A\$150	First A\$100	7.0%
	Next A\$50	12.5%
	Balance	15.0%
More than A\$150	First A\$100	7.0%
	Balance	12.5%

The Kestrel Mine is operated by Kestrel Coal Resources (KCR), a private joint venture between EMR Capital (an Australian private equity investment company) and Adaro Energy (a major coal mine operator and developer based in Indonesia). KCR acquired the operation from Rio Tinto in the second half of 2018 for US\$2.25bn.

Performance

Although COVID-19 did not result in any operational disruption at Kestrel, its impact was more keenly felt through lower coal prices particularly in Q2 and Q3 of 2020. This occurred largely due to Indian port closures as the country imposed severe restrictions in an attempt to manage the pandemic. With the disruption to this key market, tonnages were diverted onto an already imbalanced seaborne market which pushed prices down considerably. Consequently, there was a ~35% reduction in the prices realised by Kestrel in 2020, which not only reduced the sales revenue to which the Group's royalty is applied but also the applicable royalty rate, leading to a 51% decrease in the royalties earned from £37.0m in 2019 to £18.1m in 2020.

The Group's royalty income from Kestrel was also impacted by slightly lower volumes, with sales from the Group's private royalty lands decreasing from 6.2Mt in 2019 to 5.6Mt in 2020. Overall sales volumes from Kestrel have fluctuated over the past 12 months with 3.1Mt sold in H1 2020 and 2.5Mt in H2 2020. The relatively subdued saleable coal volumes in H2 were due to a longwall changeover from LW408 to LW409 in Q3 as well as the presence of expected difficult geological conditions which affected the productivity of the longwall.

Although Adaro had expressed a target to increase volumes in FY 2020 by around 6% (pre-COVID-19), in August 2020, Adaro revised its production base case for Kestrel to 6Mt for 2020. Of saleable production, 95% of this was subject to the Group's private royalty.

REDUCING OUR RELIANCE ON KESTREL

2016

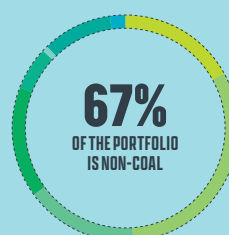


2020



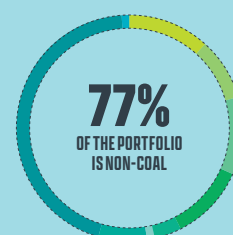
Commodity exposure
by asset value at 31 December 2020

2020



Commodity exposure
by asset value including Voisey's Bay

2020 inc Voisey's Bay



Outlook

The outlook for sales volumes for 2021 looks to be slightly below the levels achieved in 2020, with Adaro releasing sales production guidance of 5.7Mt of saleable coal production in CY 2021. We expect that the level of production within the Group's private royalty lands will continue to be in excess of 90% of total saleable production for the entirety of 2021.

Coking coal prices recovered somewhat in early 2021, reaching a high of ~US\$150/t on the back of increased demand ex China, weather events such as Cyclone Kimi off the coast of Australia, and news of a potential unloading of stranded cargoes into China. The prices have since retreated to their current level of US\$145/t.

The outlook for coking coal prices remains robust, with the nominal, long-term Australian coking coal contract price mean forecast sitting at US\$161/t. This is mainly as a result of expected recovery of ex China steel demand, particularly from India and Europe.

Valuation

The Kestrel royalty was independently valued at £55.9m (A\$98.9m) as at 31 December 2020 and accounts for 20% of the Group's total assets (2019: £96.4m; A\$181.3m; 31%).

The decrease in the Kestrel valuation is primarily attributable to depletion, with overall impact on valuation being a A\$52.2m (£28.0m) reduction to the carrying value of Kestrel. The valuation was also impacted by reductions in the underlying coal price assumptions which further reduced the valuation by A\$25.3m (£13.6m).

The independent valuation of Kestrel was undertaken by a Competent Person in accordance with the Valmin Code (AusIMM, 2005), which provides guidelines for the preparation of independent expert valuation reports. The Group monitors the accuracy of this valuation by comparing the actual cash received to that forecasted. The value of the land is calculated by reference to the discounted expected royalty income from mining activity, as described in **note 15**.

As the asset has a nominal cost base, the carrying value almost entirely represents the valuation surplus. The Group recognises a deferred tax provision against the valuation surplus and, as such, the net value on the balance sheet is £38.4m (2019: £66.9m).

IOC produces a high-quality iron ore pellet which is highly sought after, which reduces the carbon footprint of the steel produced. Its quality is supported by its low levels of impurities, noticeably low in phosphorus, alumina and sulphur. These attributes are very desirable in the steel sector.

SIGNIFICANT RETURN ON INVESTMENT

26
Fe
Iron

THE BENEFITS OF IRON ORE

We use 20 times more iron, in the form of steel, than all other metals put together

98% of iron ore is converted into pig iron for steel-making

Steel is used in energy infrastructure such as wind turbines and electricity pylons

Steel is used in the construction of buildings, bridges and other infrastructure, in the manufacture of cars, trucks, trains, ships and planes

LABRADOR

Iron Ore Royalty Corporation (LIORC)



Mined and produced in Newfoundland and Labrador, Canada, the pellets are transported 418km by rail to the port at Sept-Îles, Quebec, where they are shipped to various markets throughout the world

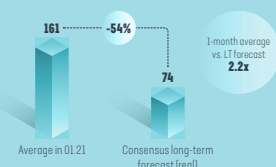


TOTAL RETURNS

~60% total return realised on the Labrador Iron Ore Royalty Corp. monetisation



1. Bloomberg



Proactive capital reallocation following strong outperformance of iron ore
Iron ore price* (US\$/tonne)

2. Consensus Economics, March 2021

Stage
Producing

Commodity
Iron ore & iron ore pellets

Operator
Iron Ore Company of Canada ('IOC') / Rio Tinto

Location
Canada

Royalty rate and type
Indirect interest in 7% GRR

Balance sheet classification
Royalty financial instrument

What we own

Anglo Pacific acquired a 7.01% equity stake in Labrador Iron Ore Royalty Corporation (LIORC) between May 2018 and February 2020, investing a total C\$109m (£64.4m). LIORC is a Toronto listed company which holds both a royalty and equity interest in the Labrador Iron Ore (IOC) project. This entitles LIORC to revenue from its 7% gross revenue royalty (along with a small commission) on revenue from the operation, along with dividend income from its equity stake.

LIORC is effectively a pass-through vehicle in so much that it has limited mandate other than to pass through its net cash to shareholders by way of dividend, subject to retaining sufficient working capital. Given the restricted investment mandate available to its management, Anglo Pacific considers this to effectively be a part ownership of the IOC royalty and accounts for this income as such.

Underlying operation

As the investment in LIORC is considered to be a part ownership of the royalty, an understanding of the underlying operation and product is important. This was a key focus of our due diligence when considering making this investment.

IOC is one of Canada's top iron ore producers, operated by Rio Tinto, and is among the top five producers of seaborne iron ore pellets in the world. It is a long-life operation with reserves sufficient for ~25 years at the current rate of production. The operation extracts ~55Mt of crude ore annually and processes this into concentrate and pellets before transporting this on rail to port at Sept-Îles in Quebec. All of the infrastructure is owned by the operation, another key attraction of this investment.

IOC produces a high-quality iron ore pellet which is highly sought after due to its efficient use in steel mills, which reduces the carbon footprint of the steel produced. Its quality is supported by its low levels of impurities, noticeably low in phosphorus, alumina and sulphur. These attributes are very desirable, particularly in Asia.

Performance

The Group earned income of £7.0m (C\$12.0m) in 2020 from its investment in LIORC, compared to £8.0m (C\$13.5m) in 2019. The decrease due to the total dividends declared by LIORC reducing to C\$3.05/share in 2020 from C\$4.00/share in 2019.

In addition to the decrease in the dividends declared by LIORC, the Group had sold 21% of its holding prior to the record date to receive the final dividend, as it prepared to fund the Voisey's Bay acquisition. Subsequent to year end, the Group disposed of a further 55% of its holding to retain an interest of 1.6% in LIORC. Total proceeds generated by the Group's disposal were C\$108.6m (£62.6m) and resulted in the Group realising a gain of C\$24.7m (£14.3m) which when combined with the dividends received represents a total return on the Group's investment of ~60%.

Outlook

Iron ore prices remain well above those that existed at the time the Group made its initial investment and we continue to believe in the long-term outlook for premium iron ore pellets given that they reduce the carbon footprint associated with steel manufacturing from reduced energy consumption versus iron ore concentrate.

LIORC declared a Q1 2021 dividend of C\$1.00/share and the full year consensus is for dividends to total C\$4.10/share.

Valuation

The investment in LIORC is classified as a royalty financial instrument on the balance sheet. It is carried at fair value by reference to the quoted bid price of LIORC at the reporting date.

On initial recognition, the Group made the irrevocable election to designate its investment in LIORC as fair value through other comprehensive income (FVTOCI). As a result, all fair value movements accumulate in the investment revaluation reserve, with 'Other Reserves'.

MANTOS BLANCOS

Mantos Blancos is located 45km from the port city of Antofagasta in Chile's north and is 800m above sea level



COMMANDING PREMIUMS

The copper concentrate produced at Mantos Blancos is very high-quality, with low levels of impurities and should remain in high demand by consumers.

Stage
Producing

Commodity
Copper

Operator
Mantos Copper

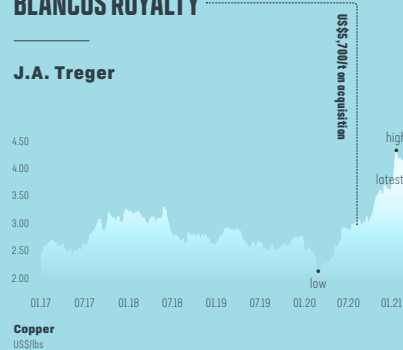
Location
Chile

Royalty rate and type
1.525% NSR

Balance sheet classification
Royalty intangible

WE ENTERED COPPER AT AN OPPORTUNE TIME FOR OUR SHAREHOLDERS, WITH COPPER PRICES INCREASING ~54% SINCE ACQUIRING THE MANTOS BLANCOS ROYALTY

J.A. Tregler



EVER EFFICIENT

THE BENEFITS OF COPPER

- Copper is recyclable without any loss of quality, both from raw state and from manufactured products
- An estimated 80% of all copper ever mined is still in use today
- Copper is an efficient conductor of energy therefore is used in electrical equipment as well as uses in construction and industrial machinery
- It would be difficult to imagine a successful transition to green energy production and consumption, smart electricity grids and electric vehicles without copper



What we own

The Group acquired a 1.525% royalty over the Mantos Blancos copper mine in Chile for US\$50.3m in 2019. 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 mine. The operation is owned by Mantos Copper, which in turn is majority owned by Orion Mine Finance LLP, who acquired the asset from Anglo American plc.

Performance

As the Group acquired the Mantos Blancos royalty in Q3 2019, 2020 represents the first full year of ownership for Anglo Pacific. Income from the royalty totalled £2.9m in 2020, compared to £1.0m in 2019.

In total the Group received royalty payments on 41.3Kt of payable copper in 2020. Operations at the mine were impacted by two unplanned stoppages during H1 2020, requiring maintenance and repair remedies to be carried out. Works have now been completed and production levels are back to normal levels.

There was strong upward momentum in copper prices throughout 2020, starting the year at ~US\$6,165/t and finishing the year at ~US\$7,741/t. Prices have continued their strong run into 2021, hitting a peak of US\$9,615/t in late February, and are at US\$8,866/t at the time of writing. The key reason for the substantial increase in price during 2020 was due mainly to expectations of a global economic recovery tied to a US fiscal stimulus programme coupled with a vaccine-driven demand recovery. This is bolstered by growing expectation of copper-intensive green stimulus across the globe.

Outlook

Mantos Blancos has a current capacity to produce around 40-45Kt of copper per annum. The debottlenecking project, which was in part funded by Anglo Pacific's royalty, is now well underway and commissioning of the new ball mill and associated processing infrastructure is anticipated in late Q4 2021.

Following the Phase 1 debottlenecking programme through 2021, Mantos is expected to produce at a nameplate production rate of ~52Kt of copper per annum over the next 10 years. Anglo Pacific expects that the commissioning of the debottlenecking project will happen at the end of 2021 with ramp up to the full production levels in Q1 of 2022.

Mantos Copper could also potentially build a Phase 2 debottlenecking plant. This could see average mine output as high as 59Kt per annum through 2030, and a life of mine extension beyond 2035.

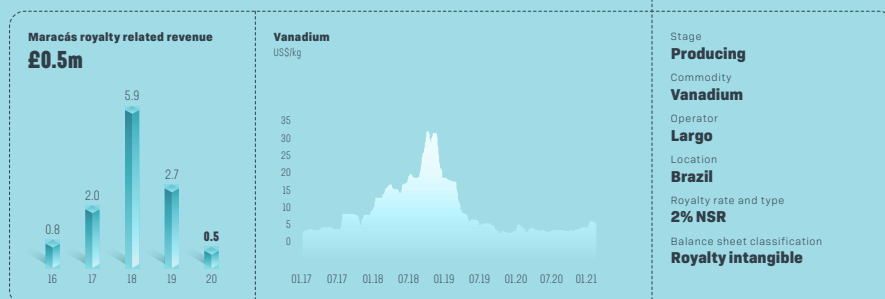
Valuation

The Mantos Blancos royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

MARACÁS MENCHEN



The mine is located in the eastern Bahia State of Brazil, 250km south-west of Salvador, the capital of Bahia, and 800km north-east of Brasília, the capital of Brazil



What we own

The Group has a 2% NSR royalty on all mineral products sold from the area of the Maracás Menchen mine to which the royalty interest relates. The project is located 250km south-west of the city of Salvador, the capital of Bahia State, Brazil and covers an area in excess of the current mining permits which offers the Group the potential for exploration upside. Maracás Menchen is 99.97% owned and operated by TSX listed Largo Resources Limited ('Largo').

Performance

Royalties from the Maracás Menchen mine totalled £0.5m for the year ended 31 December 2020, compared to £2.7m in 2019, a fall of 78%, despite Largo reporting slightly higher sales of 10.3Kt compared to 10.2Kt in 2019. The reduction in the Group's royalties from the Maracás Menchen mine is primarily attributable to the one-off pricing adjustment of US\$1.3m which arose on the termination of the offtake agreement between Largo and Glencore.

The level of royalty income payable to Anglo Pacific in 2020 compared to 2019 was also impacted by the sustained weakness in the underlying vanadium price during 2020, which reduced from an average price in 2019 of US\$20.35/Kg to US\$12.27/Kg in 2020.

The production level in 2020 from the Maracás Menchen mine represents a new annual record of 11.8Kt, and was within Largo's announced production guidance for 2020 of 11.8-12.3Kt. Largo also achieved a record production quarter in Q4 2020 of 3.3Kt following the successful completion of its expansion and optimisation of the processing plant, which has increased the nameplate capacity of the plant to ~1Kt V₂O₅ per month, an increase of 20%. Largo continues to optimise the plant in 2021 and has flagged further growth this year from the commissioning of a V₂O₃ plant, as described in more detail below.

The stark difference between production and sales levels is due to the building of V₂O₅ stockpiles in Q2 and Q3 2020 as Largo transitioned to an in-house sales and marketing function following the expiry and termination of the Glencore offtake arrangement in April 2020. As a result, there was an expected time lag between shipping product and the receipt of proceeds which resulted in limited sales in May and June.

Following the payment to Anglo Pacific of royalty related to sales of 3.2Kt of V₂O₅ in Q1 2020, the Group triggered the second and final of two deferred US\$1.5m (£1.2m) payment instalments to the previous owner of the royalty as agreed at the time of the original royalty acquisition. This consideration was paid in May 2020.



An industry preferred, vertically integrated vanadium company, realising a lower carbon future with Largo's high-quality vanadium products. Vertically integrated VRFB systems to meet the world's fast-growing energy storage needs.

POWERING UP

In 2020, Largo Resources launched Largo Clean Energy, creating an industry-leading, vertically integrated VRFB business to provide clean energy storage systems to the fast-growing, long-duration renewable energy storage market.

Largo Clean Energy combines access to high purity vanadium products with one of the most advanced VRFB technologies on the market. We believe this can address some of the key disadvantages of first-generation VRFB technology such as lack of high purity vanadium supply, large footprint and relatively low energy density.

The VRFB is a type of rechargeable flow battery that employs vanadium ions in different oxidation states to store chemical potential energy.

The VRFB contains a reusable electrolyte and has an infinite number of cycling capabilities, allowing the battery to last more than 20 years.

[MORE LARGOCLEANENERGY.COM](https://www.morelargocleanenergy.com)

Outlook

Largo has provided production guidance for 2021 of between 12.0-12.5Kt V_2O_5 equivalent, and sales guidance of 12.3-12.8Kt of V_2O_5 equivalent. Cash operating cost excluding royalties are expected to be US\$3.10-3.30/lbs V_2O_5 sold.

Following conclusion of discounts associated with the Glencore offtake arrangement and the transition to an in-house sales function in 2020, the Group expects to see increased volumes sold into high purity, premium quality end user markets, with newly developed vanadium product brands such as VPURE and VPURE+. This should result in enhanced margins from vanadium products sold by Largo, which should in turn translate to higher royalty revenue on a like-for-like volume sales basis.

Largo planned further improvements to the process plant, including replacing the kiln and cooler refractories in January 2021, which will allow for feed rate improvements on the kiln and an expected increase in the nameplate production capacity to 1.1Kt of V_2O_5 per month from 1.0Kt per month.

Largo also expects to complete the construction, ramp up and commissioning of its V_2O_3 plant in Q3 2021. Total capital expenditures are expected to be in the range of approximately US\$10.0-11.0m. One of the main applications of V_2O_3 is vanadium electrolyte, which is required in the manufacturing of VRFB systems. Largo expects its V_2O_3 nameplate production capacity will be 14 tonnes per day, an increase of 100% from the 7 tonnes per day as originally planned.

Recently, Largo announced the first sale of 14,000 tonnes of iron ore derived from our royalty area, which was sold to a leading steel producer. This iron ore is part of a ~2Mt stockpile held on site. Largo also announced in March 2021, that it had approved the construction of a new ilmenite extraction plant, which is expected to cost approximately US\$25m and commence commercial production in early 2023. Anglo Pacific is very supportive of these initiatives by Largo which adds to its sources of revenue and extracts additional value from the resources subject to our royalty.

Valuation

The Maracás Menchen royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

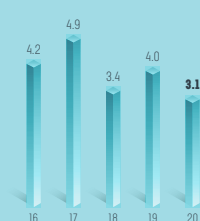
NARRABRI



Located 17km south-east of Narrabri, 70km north-west of Gunnedah, New South Wales, Australia



Narrabri royalty related revenue
£3.1m



Stage
Producing

Commodity
Thermal & PCI coal

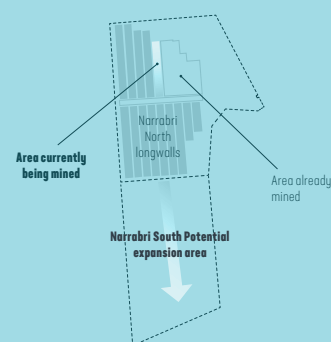
Operator
Whitehaven Coal

Location
Australia

Royalty rate and type
1% GRR

Balance sheet classification
Royalty intangible

Narrabri mine plan
Showing South potential expansion area



What we own

In March 2015, the Group acquired a royalty interest in the Narrabri coal project, a thermal and pulverised coal injection ('PCI') mine located in New South Wales, Australia, operated by ASX-listed Whitehaven Coal Limited ('Whitehaven'). The Narrabri royalty entitles the Group to royalty payments equal to 1% of gross revenue on all coal produced from within the area covered by the Narrabri royalty.

Performance

Total royalties from Narrabri decreased by 23% in the year to £3.1m (2019: £4.0m), despite sales volumes increasing slightly to 6.4Mt (2019: 6.2Mt). The decrease in royalties was the result of sustained lower thermal coal prices throughout 2020, exacerbated by the COVID-19 pandemic.

The price for Australian 6000kcal thermal coal FOB Newcastle reached a multi-year low of under US\$49/t in August 2020, before recovering to its present level of ~US\$98/t. Narrabri achieved an average realised sale price of US\$62/t in 2020. Following the closure of a number of Indian ports and the deferral of shipments by customers as a result of the COVID-19 pandemic, Whitehaven sold into a weakened spot market, replacing its high value PCI sales with lower value thermal coal sales.

The Narrabri mine was not impacted by the COVID-19 pandemic during 2020 however, a weighting event occurred in March 2020 resulting in 20 days of lost production, equivalent to 500-600Kt of production. Production was also affected in the December quarter by a mid-face 3 metre upthrow fault that resulted in reduced productivity and increased out of seam dilution. Higher ash coals resulting from mining through this fault has led to lower than expected realised pricing for the Narrabri product.

Despite these challenges, Narrabri achieved full year ROM production of 6.1Mt, which was in line with their guidance of 6.0-6.5Mt for Whitehaven's year ended 30 June 2020.

Outlook

Due to the geological conditions encountered through the mid face fault between September 2020 and March 2021, Whitehaven have issued revised production guidance for Narrabri for the financial year ended 30 June 2021, reducing production to 5.3-5.5Mt from the previously announced 5.4-6.0Mt.

At the time of writing the impact of the severe flooding in New South Wales which has resulted in disruption to both the rail and port infrastructure used by Narrabri, was being assessed, with Whitehaven expected to release further guidance in April 2021.

For the longer-term future of the mine, Whitehaven is seeking to convert Narrabri's existing Exploration Licence into a Mining Lease using the existing infrastructure. The project involves extending the longwall panels planned for the mining lease south of the current mine plan into the Narrabri South area, which would extend the life of the mine out to 2045.

Whitehaven submitted the Stage 3 Extension Project Environmental Impact Statement (EIS) to the NSW Department of Planning, Industry and Environment (DPIE) and at the time of writing the permitting process is ongoing.

Valuation

The Narrabri royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

While Whitehaven remains committed to the Narrabri South expansion, with the ever-increasing focus on climate change, for the purposes of undertaking the Group's assessment for indicators of impairment, it is assumed that the expansion does not proceed. Further details of Group's consideration of the impact of climate change in its impairment review are provided in **note 17** to the financial statements.

All sources of energy – fossil fuels, nuclear, renewables – have environmental impacts, therefore it is essential that clean coal technologies are more widely deployed and included as a key part of our clean energy transition.

ON POINT

6

C

Carbon

LOWER CO₂ EMISSIONS

An important first step in reducing CO₂ emissions from coal is improving the thermal efficiencies of coal fired power stations.

The higher the pressure and temperature of steam used, the higher the efficiency and the lower the CO₂ emissions. Higher efficiencies allow a greater amount of energy to be produced from a single unit of coal.

A one percentage point improvement in the efficiency of a conventional pulverised coal combustion plant results in a 2-3% reduction in CO₂ emissions. These technologies are in existence, widely available and financially viable.

HELE technologies have been developed to increase the efficiency of coal fired plants, therefore reducing CO₂ and other greenhouse gas emissions and pollutants. Efficiency in electricity generation means that less fuel is used to produce the same amount of electricity.

McCLEAN LAKE MILL

A world-class mine located in the Athabasca Basin, Saskatchewan, Canada, approximately 660km north of Saskatoon. The McClean Lake mill is located 69km north-east of the mine site by road



Stage
Producing

Commodity
Uranium

Operator
Orano

Location
Canada

Royalty rate and type
Tolling revenue

Balance sheet classification
Loan & royalty financial instrument

What we own

In 2017, Anglo Pacific provided Denison Mines Inc (‘Denison’) with a C\$40.8m, 13-year loan bearing interest at a rate of 10% per annum. The interest payments are payable from the cash flows received by Denison from the toll revenue generated from its 22.5% interest in the McClean Lake mill, located in Canada and operated by Orano Group (previously Areva). The mill processes all ore produced from the nearby Cigar Lake uranium mine, operated by Cameco, and pays a \$/lbs toll rate for use of the mill. In any period where the cash flow from the toll revenue exceeds the interest payment, the balance is received by Anglo Pacific as a repayment of principal. In any period where the cash flows are less than the interest, the interest will capitalise and be repaid out of cash flows in the following period. Any amounts outstanding at maturity are due and payable regardless of the cash generated from the toll.

As the income from the toll revenue is based on a \$/lb of throughput, it is not sensitive to movements in the uranium price. As such, the Group’s cash flows will not alter with uranium price fluctuations. The risk to the Group’s cash flow from this asset is from any shut down of the mine or the mill.

In addition to the loan, the Group also entered into a financial transaction with Denison to purchase the entire share of their toll receipts received from Cigar Lake for C\$2.7m. This allows for a potential mine life extension at Cigar Lake.

Performance

The McClean Lake mill was placed on care and maintenance between March 2020 and mid-September 2020 following the Cigar Lake uranium mine also being placed on care and maintenance by the operator, Cameco, in response to the risks posed by COVID-19.

Despite not receiving toll milling receipts during the shutdown, the interest on the Denison loan continued to accrue. The Group received £1.9m in capital and interest payments during the year (2019: £3.5m) from tolling receipts on throughput of 10.0Mlbs (2019: 17.8Mlbs). Total interest earned under the loan for the year was £1.8m (2019: £1.9m).

Outlook

Operations at the Cigar Lake uranium mine were placed back on care and maintenance in December 2020. As a result, the McClean Lake mill was again placed on care and maintenance in January 2021 after processing the final shipments from Cigar Lake. On 9 April 2021, Cameco announced their intention to restart production at Cigar Lake during April 2021. Once production ramps up at the mine, we would expect operations to resume at the McClean Lake mill.

Valuation

The loan instrument is accounted for as a receivable and carried at amortised cost. The stream is considered a financial instrument in accordance with the Group’s accounting policies and is therefore carried at fair value. All valuation movements are recognised directly in the income statement.



Cameco's close engagement with indigenous people helped to ensure the socio-economic benefits of its Cigar Lake Mine reached aboriginal communities.

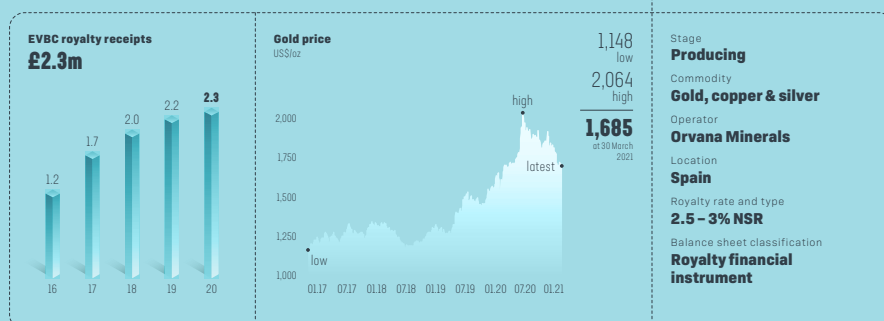
Clearly defined contributions are enshrined in collaboration agreements and memorandums of understanding.

Many aboriginal people are employed at the uranium mine. Across its four mines Cameco is the largest industrial employer of aboriginal people in the region. The company also contributes to community investment initiatives and spends millions of dollars with aboriginal owned businesses and organisations.

COMMUNITY MATTERS

EL VALLE-BOINÁS /CARLÉS (EVBC)

The El Valle-Boinás/Carlés project is located in the Rio Narcea Gold Belt in Northern Spain, near the port city of Avilés



What we own

The Group has a 2.5% life of mine NSR royalty on the EVBC gold, copper and silver mine owned by TSX-listed Orvana Minerals Corp ('Orvana'). EVBC is located in the Rio Narcea Gold Belt of northern Spain and was previously mined from 1997 to 2006 by Rio Narcea Gold Mines. The royalty rate increases to 3% when the gold price is over US\$1,100 per ounce.

Performance

Income from the EVBC royalty totalled £2.3m, a 5% increase on the £2.2m of royalty income received in 2019. This is based on sales of 51.5koz of gold and 6.76Mlbs of copper. This compares to sales of 61.5koz of gold and 4.53Mlbs of copper reported to Anglo Pacific in 2019.

COVID-19 impacted the EVBC operation which suffered a 10-day shutdown in March 2020 imposed by the Spanish authorities as part of their efforts to curtail the spread of the virus. Production at the mine restarted in early April and the mine is currently running at normal levels.

Quarterly production rates during 2020 ran below targeted guidance levels of 15.0kt to 16.5kt of gold production per quarter. This has been attributed to lower grade oxide ore being mined and fed through the process plant, although this has been partially offset by higher throughput following mill expansion works over the past few years.

Orvana also reported in December 2020 that it had completed an updated Mineral Resource and Mineral Reserve estimate ('MRMR') and life-of-mine plan ('LOMP') on the EVBC operation in accordance with National Instrument 43-101. The independent NI 43-101 Technical Report was completed by Roscoe Postle Associates, (now part of SLR Consulting). The key highlights of the MRMR and LOMP are:

- The LOMP includes oxide and skarn ore from the El Valle Boinás and Carlés mines at an average annual rate of 686,000 tonnes, for an extended mine life of five years

- The total production schedule estimates 3.4Mt of ore, containing an estimated 307koz of gold, 756koz of silver, and 27.6Mlbs of copper
- Proven and Probable Reserves total 3.4Mt containing 307koz of gold, 27.6Mlbs of copper and 756koz of silver
- Inferred Mineral Resources total approximately 3.4Mt containing 410koz of gold, 24.8Mlbs of copper and 934koz of silver, providing potential opportunities to further extend mine life

Outlook

Orvana announced production guidance for FY 2021 for the EVBC operation of 50koz to 55koz of gold, and 7.0-8.5Mlbs of copper. This is an especially strong copper forecast compared to the 2020 guidance of 5.5-6.0Mlbs and actual production of 5.61Mlbs during the fiscal year.

Orvana's FY Q1 2021(CY Q4 2020) showed very strong production results, especially for copper, reflecting the increased guidance. Quarterly gold production totalled 14.1koz, 5% higher than previous quarter due to 9% higher throughput, partially off-set by 4% lower grade. Copper production was 2.0Mlbs, 15% higher than previous quarter, due to higher throughput and grade.

Orvana continues its near mine exploration programme with 7.2km drilled at the El Valle deposit in the first quarter of fiscal 2021, pointing to the potential to extend mine life even further than the current five-year plan.

The Group earns a royalty over all throughput from the EVBC process plant and is not restricted to licence geographic boundaries.

Valuation

The EVBC royalty is classified as a financial asset within royalty financial instruments on the balance sheet. It is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. All valuation movements are recognised directly in the income statement.

FOUR MILE



Located in the Frome Basin in far north of the state of South Australia, 600km north of the state capital, Adelaide



Stage
Producing

Commodity
Uranium

Operator
Quasar Resources

Location
Australia

Royalty rate and type
1% NSR

Balance sheet classification
Royalty intangible

What we own

The Group has a 1% life of mine NSR royalty on the Four Mile uranium mine in South Australia. Four Mile is operated by Quasar Resources Pty Ltd ('Quasar').


Performance

The Group received £0.5m in royalty income from Four Mile in 2020, compared to £0.3m in 2019, although we remain in dispute with Quasar in relation to the level of charges which are being applied against the royalty revenue. Anglo Pacific remains of the view that this amount should be considerably higher as Quasar, in our view, treats the contract as akin to a profit interest, whereas the Group remains of the view that this is an NSR and that refining or processing costs should not be allowable deductions.

Anglo Pacific has applied to the courts in Australia and remains committed to pursuing this matter in full. We are hopeful that there will be some tangible progress made in relation to this case over the coming months.

Valuation

The Four Mile royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.



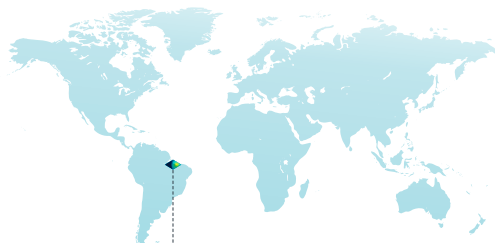
The progress made by a number of the Group's development royalties during the year was encouraging, given these royalties represent considerable upside to the Group's future portfolio contribution. In addition, the Group was pleased to enter a financing agreement, giving it the option to acquire a ~1.23% gross revenue royalty over Incoa, a calcium carbonate mine in Brazil, further diversifying its commodity exposure.

DEVELOPMENT & EARLY-STAGE ROYALTIES

PIAUÍ



The project is an open-pit nickel-cobalt mining operation located in the state of Piauí, in north-eastern Brazil



27
Co
Cobalt

28
Ni
Nickel

PURE PRODUCTS

High purity nickel and cobalt hydroxide products to be produced from Piauí are expected to be used for lithium ion batteries and used in electric vehicles.



Stage
Development

Commodity
Nickel & cobalt

Operator
Brazilian Nickel

Location
Brazil

Royalty rate and type
1.00% GRR

Balance sheet classification
Royalty financial instrument

What we own

The Group has a royalty over the Piauí nickel project in Brazil owned by Brazilian Nickel PLC ('BRN'), a privately held UK company. Anglo Pacific contributed an initial investment of US\$2.0m for a 1.25% GRR on the project in 2017 and has, at its election, the right to increase this investment by a further US\$70.0m for a total gross royalty of 4.25% upon the satisfaction of certain developmental milestones. The transaction is very much in keeping with the Group's strategy of investing in materials closely aligned to 21st century technological developments around electric vehicles and mass storage infrastructure.

Performance

The highlight of the year for BRN was the completion of an equity investment funding totalling US\$27.5m in December 2020, including a US\$25.0m investment from BRN's funding partner TechMet Limited, which in turn was funded by the U.S. International Development Finance Corporation ('DFC'), and a US\$2.0m (£1.8m) share subscription into BRN from Anglo Pacific.

BRN has allocated the funds towards accelerating the project's development through the completion of a definitive feasibility study ('DFS') for the full-scale project, as well as expanding its existing demonstration plant to provide early, small scale production from the PNP1000 project, which is BRN's initial, small scale commercial production project.

The involvement of the DFC is a strong validation of the Piauí project and its technology, and a recognition of the robustness of Anglo Pacific's original royalty investment thesis. Anglo Pacific's further equity investment also underlines our confidence in the growth potential of the project.

Outlook

BRN expects the DFS engineering work to take approximately 12 months and is aiming to publish the final study in Q1 2022. In addition, BRN is targeting operational start-up of the PNP1000 in Q1 2022 with first nickel and cobalt hydroxide products produced in Q2 next year.

Under Anglo Pacific's existing 1.25% GRR, the US\$2m investment is expected to contribute US\$4.3m per annum once fully ramped up, and US\$67.2m over the life of mine assuming a long-term nickel price of 17,848 per tonne.

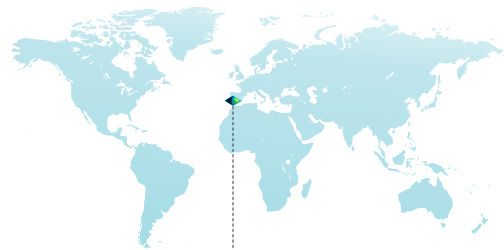
If Anglo Pacific decides to exercise its upside option by investing a further US\$70.0m, the royalty on the project is expected to contribute US\$14.5m per annum once fully ramped up, and US\$228.0m over the life of mine assuming a long-term nickel price of 17,848 per tonne.

Valuation

The Piauí royalty is classified as a royalty financial instrument on the balance sheet. It is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. The option to invest further amounts is also classified as a royalty financial instrument on the balance sheet and carried at fair value. All valuation movements relating to the royalty and the option are recognised directly in the income statement.

SALAMANCA

The world-class uranium project is being developed in an historic mining area located in Salamanca Province in western Spain, 250km west of Madrid



Stage
Development

Commodity
Uranium

Operator
Berkeley Energia

Location
Spain

Royalty rate and type
1% NSR

Balance sheet classification
Royalty intangible

What we own

The Group has a 1% life of mine NSR royalty on the Salamanca uranium project located in Spain and operated by ASX-listed Berkeley Energia Limited ('Berkeley'). The project consists of four main deposits (Retortillo, Alameda, Zona 7 and Gambuta) and is located in the Salamanca Province, Spain, approximately 250km west of Madrid.

Performance

Permitting of the Salamanca project continues albeit slowly. In July 2020, the Nuclear Safety Council ('NSC') issued a favourable report for the extension of the validity of the Initial Authorisation for the uranium concentrate plant as a radioactive facility ('NSC I'). The NSC I was originally granted in September 2015, with a five-year validity period.

In August 2020, the key Urbanism License ('UL') was granted by the Municipality of Retortillo. The UL is a land use permit needed for construction works at the Salamanca mine. Following the grant of the UL, the Authorisation for Construction for the uranium concentrate plant as a radioactive facility ('NSC II') is now the only pending approval required to commence full construction of the Salamanca mine.

Valuation

The Salamanca royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

CAÑARIACO



The Cañariaco Sur deposit and Quebrada Verde prospect is located 3.5km south of Cañariaco Norte and immediately south-southwest of Cañariaco Sur



Stage
Development

Commodity
Copper, gold & silver

Operator
Candente Copper

Location
Peru

Royalty rate and type
0.5% NSR

Balance sheet classification
Royalty intangible

What we own

The Group has a 0.5% life of mine NSR royalty over the Cañariaco copper project ('Cañariaco') located in Northern Peru and owned by TSX-listed Candente Copper Corp. ('Candente'). Cañariaco is a large-scale copper project which includes the Cañariaco Norte deposit, the Cañariaco Sur deposit and Quebrada Verde prospect located 3.5km south of Cañariaco Norte and immediately south-southwest of Cañariaco Sur. Cañariaco Norte has a delineated Resource estimate totalling 7.5bn pounds of contained copper in the Measured and Indicated category, plus 1.4bn pounds of contained copper in the Inferred category.

Under the royalty acquisition agreement, Anglo Pacific agreed to additional contingent consideration as follows:

- 20% of royalty payments received up to 31 December 2029;
- 15% of royalty payments received between 1 January 2030 and 31 December 2034; and
- 10% of royalty payments received between 1 January 2035 and 31 December 2039.

Performance

In May 2020 Candente announced that Nascent Exploration Pty Ltd, a wholly owned subsidiary of Fortescue Metals Group Ltd had increased its holding in Candente Copper to 19.92%. Additionally, Fortescue allocated two engineers at its cost to work on a part time joint technical committee with Candente, with the goal of identifying the optimum strategy for the development of the project.

Valuation

The Cañariaco royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

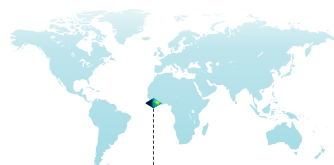
Business review

continued

DUGBE 1



The Dugbe Shear Zone is located in south-eastern Liberia, located 64km by road from the deep water port of Greenville, the capital city of County Sinoe



Stage
Early-stage
Commodity
Gold
Operator
Hummingbird Resources
Location
Liberia
Royalty rate and type
2 – 2.5% NSR
Balance sheet classification
Royalty financial instrument

What we own

The Group entered into a royalty financing agreement with AIM-listed Hummingbird Resources PLC ('Hummingbird') in December 2012 in relation to its Dugbe 1 gold project in Liberia. In exchange for US\$15m, paid in three tranches of US\$5m, the Group is entitled to a 2% life of mine NSR royalty from any sales of gold mined within a 20km radius of a specified point within the Dugbe 1 Resource.

Performance

2020 saw renewed interest from third parties for the Dugbe 1 project. In June 2020, Hummingbird announced that it had entered into a conditional earn-in agreement with ARX Resources Limited ('ARX') in respect of the project, which required ARX to pay Hummingbird US\$2m in cash, complete a DFS, and cover all project costs over the two-year earn-in period in exchange for up to 49% of the project.

In September 2020, ARX was acquired by Pasofino Gold Limited ('Pasofino'), who also raised C\$10m in new equity for exploration and development work at Dugbe 1.

Results have been received for the first drill holes of the planned 5,500 metres drill programme with best results so far of 26.7 metres at 1.44 g/t gold from 86.9 metres. These are the first holes drilled at Dugbe 1 since 2014.

Our royalty would survive any change of control, and depending on how this is structured, could result in Anglo Pacific electing to terminate its royalty in return for the US\$15m invested.

Valuation

The Dugbe 1 royalty is classified as a financial asset within royalty financial instruments on the balance sheet. It is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. All valuation movements are recognised directly in the income statement.

PILBARA



An integrated system of four processing hubs and five mines connected by more than 1,000km of rail infrastructure and port facilities in the Pilbara region of northern Western Australia



Stage
Early-stage
Commodity
Iron ore
Operator
BHP
Location
Australia
Royalty rate and type
1.5% GRR
Balance sheet classification
Royalty intangible

What we own

The Group has a 1.5% life of mine GRR over three exploration tenements in the central Pilbara region of Western Australia, owned by a wholly-owned subsidiary of BHP Group Limited ('BHP'), which is dual-listed on the LSE and ASX.

The tenements, covering 263km², host a number of known iron occurrences, including the Railway deposit. The tenements are supported by extensive rail infrastructure including the rail lines from Rio Tinto's West Angeles and Yandicoogina mines and BHP's rail line serving its current operations at Mining Area C, which lie immediately to the east of the Railway deposit.

Performance

Although no tangible progress on the royalty tenements was seen in 2020, BHP continue to progress the permitting of their South Flank licences. Whilst this will have minimal consequences for Anglo Pacific's tenements, we are encouraged that BHP are expanding their plans adjacent to Mining Area C, and that it remains likely they will focus on higher grade deposits, that the Group's royalties cover.

Valuation

The Pilbara royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

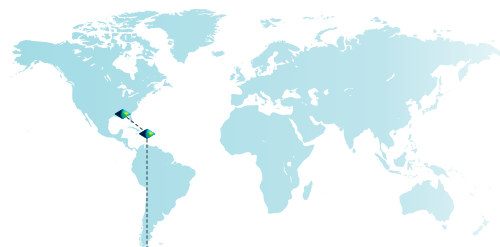
In the absence of any publicly available information, the Group has revised its estimate of the likely start date for production from the tenements covered by the Group's royalty, delaying the start date by 10 years to 2040 (2019: 2030). Applying this start date to the Group's valuation model, together with a pre-tax nominal discount rate of 7.50% and a long-term iron ore price of US\$136/t for lump and US\$108/t resulted in a net present value of the discounted future royalty cash flows of A\$12.5m compared to the carrying value of A\$17.5m.

As a result of the net present value being lower than the carrying value, the Group recognised an impairment charge of A\$5.0m (£2.7m) for the year ended 31 December 2020.

INCOA



The project consists of a calcium carbonate mine and associated infrastructure in the Dominican Republic and a processing facility located in Mobile, Alabama, USA



Stage
Development

Commodity
Calcium carbonate

Operator
Incoa Performance Minerals LLC

Location
Dominican Republic / USA

Royalty rate and type
~1.23% GRR

The opportunity

The Group, together with Orion Mineral Royalty Fund ('Orion'), entered into a financing agreement with Incoa Performance Minerals LLC ('Incoa') in 2020, whereby Anglo Pacific will contribute US\$20m to Incoa's calcium carbonate mine in the Dominican Republic and processing facility in Alabama, USA, following construction completion, in exchange for ~1.23% of gross revenue from the project.

Anglo Pacific's participation provides us with our first exposure to industrial mineral products and fits into our strategy of investing in high-quality products with reduced environmental footprints.

Development progress

Anglo Pacific's US\$20m commitment follows construction completion when the operation is in production and generating cash flow, and will provide Incoa with additional capital to bring its calcium carbonate products to market. The commitment is subject to a number of conditions, including Incoa's successful construction and operation of the project.

To date, construction activities at the mine and processing facilities have been progressing well and Anglo Pacific's commitment is expected to be funded in late 2021 or early 2022.

After funding, the Group anticipates receiving average annual cash flow of approximately US\$1.75 to 2.0m over the first 10 years, and approximately US\$2.75 to 3.0m per annum longer-term over the life of the project (in real terms).

Incoa is expected to produce high-quality ground calcium carbonate to be marketed principally to the domestic US calcium carbonate market. High-quality ground calcium carbonate is used as a functional filler agent in a variety of end-products, including sealants and caulks, adhesives, rubber and as an active ingredient in food and pharmaceutical products which primarily serve to supplement dietary calcium consumption products.

ENSURING LONG-TERM STABILITY

ANGLO PACIFIC EMERGED FROM A YEAR OF SIGNIFICANT UNCERTAINTY WELL PLACED TO COMPLETE THE US\$205M VOISEY'S BAY COBALT STREAM ACQUISITION

K. FLYNN

Chief Financial Officer



Introduction and impact of COVID-19

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

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

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

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

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

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

Voisey's Bay acquisition and financing

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

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

Equity raise

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

US\$80m part disposal of LIORC

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

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

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

New borrowing facility

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

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

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

2020 RESULTS

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

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

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

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

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

ROYALTY RELATED REVENUE

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

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

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

Financial review

continued

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

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

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

Outgoings

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

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

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

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

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

DIVIDENDS AND CAPITAL ALLOCATION

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

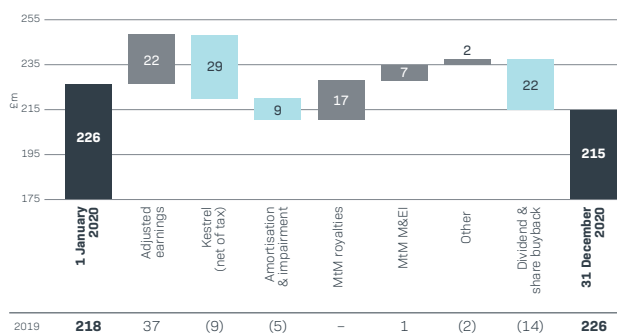
In addition to this, the Board undertook a modest £5.0m share buyback programme during 2020, which equated to ~2p per share. As such, total distributions to shareholders in 2020 were 11p.

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

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

BALANCE SHEET

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

Net assets reconciliation £m

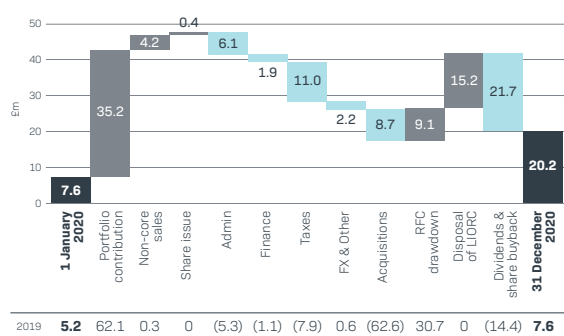
The increase in royalty financial instruments of £7.4m largely reflected the increase in the market price of LIORC, given the strength of the iron ore price in 2020. This would have been even larger but for the Group disposing of £15.2m of this position in the run up to year end for the purposes of financing Voisey's Bay. The reduction in royalty intangibles reflects the amortisation charges in the period. These assets are carried at amortised cost, unlike Kestrel and LIORC, and due to their depleting nature will always show a decrease in the year.

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

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

CASH AND BORROWINGS

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

2020 cash flow sources and usage £m

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

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

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

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

K. FLYNN

Chief Financial Officer

13 April 2021

Corporate governance report

OUR APPROACH TOWARDS CORPORATE GOVERNANCE

As a standard listed company on the London Stock Exchange, the Company is required to comply with, at a minimum, the relevant Listing Rules, the Disclosure, Guidance and Transparency Rules and the Prospectus Rules. However, it is not required by law to comply with the super-equivalent provisions of the Listing Rules which apply to companies with a premium listing.

The Company is, however, complying on a voluntary basis with related party requirements that are substantially equivalent to those set out in Chapter 11 of the Listing Rules.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board supports the principles and provisions of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council (FRC), which is available on the FRC's website (www.frc.org.uk). Although the Company is not subject to the Code on account of its standard listing on the London Stock Exchange, the Company has voluntarily agreed to adhere to the requirements of the Code.

It is the Board's view that the Company has complied throughout the year with the Code, with the exception of Provision 38 which relates to pension contribution rates. The Group's position in respect of this matter is detailed in the Directors' Remuneration Report on [page 86](#).

The Code specifically requires companies to report on how it complies with five main areas of governance: board leadership and company purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration.

1. BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

The Company's governance is structured to deliver an effective and entrepreneurial Board which:

- is effective in providing challenge, advice and support to management
- drives informed, collaborative and accountable decision making
- creates long-term sustainable value for our shareholders, having regard to our other stakeholders

The Board is collectively responsible for approving the Group's purpose, long-term objectives and strategy and for reviewing performance against them. The Board is also responsible for the general oversight of the Group's operations and management.

The Company's purpose, values and strategy and alignment with culture

Through the Anglo Pacific Group Code of Conduct, the Board sets the Company's purpose, values, and standards for the Group's employees, contractors, consultants and agents. The Company's purpose and values are detailed on [page 18](#). The Board is committed to acting in accordance with these values, championing, and embedding these in the organisation. The Board assesses and monitors the ongoing alignment of the Company's culture with its purpose, values and standards. The Company has an open culture where employees are encouraged to provide their views on strategic direction and ways in which communication can be improved. This is overseen by the Designated Non-Executive Director responsible for workforce engagement, as described below in 'Stakeholder engagement' and on [page 18](#).

Company performance and risk management

The Board oversees the Company's performance and reviews material investments at several stages prior to transacting. It aims to make informed, quality decisions in a timely manner, to achieve the Company's objectives, in alignment with our purpose, values and strategy.

The role of the Board in establishing and monitoring the internal control environment is set out in more detail on [pages 78 and 83](#). The way in which the Company assesses and manages risk is set out in the Principal risks and uncertainties section on [pages 23 and 38](#).

The formal schedule of matters reserved for the Board's decision, available on our website, covers areas including: setting the Group's purpose and strategic vision; monitoring performance of the delivery of the approved strategy; approving major investments, acquisitions and divestments; the oversight of risk and the setting of the Group's risk appetite; and reviewing the Group's governance framework.

Stakeholder engagement

The Group recognises the importance of developing a fuller understanding of its business model and risks amongst investors, through effective two-way communication with fund managers, institutional investors and analysts. This is particularly important in ensuring that the Company's values and objectives are aligned with our current and prospective stakeholders, as further explained in our section 172 (1) statement, set out on **pages 18 to 19**.

All investor engagements were conducted through virtual platforms from mid-March 2020, allowing the Group to continue with its scheduled programme of roadshow meetings and presentations, including at the time of publishing the 2019 Annual Report and Accounts and the interim results for the year ended 31 December 2020. The Chairman, Senior Independent Director and Chief Executive Officer also continued to meet with stakeholders on a regular basis, albeit virtually.

The Company has three joint brokers, RBC Capital Markets, Berenberg and Peel Hunt, and the Board remains satisfied that the United Kingdom, Europe and North America, which are the jurisdictions likely to make up most of our shareholder base, are well covered by brokers with significant local expertise.

At the same time, the Board continues to receive regular investor relations reports, including commentary on the perception of the Company, views expressed by the investment community, media reports, share price performance and analysis, so as to ensure that all Directors are made aware of the major shareholders' issues and concerns.

The Committee chairs also engage with their relevant stakeholders and details of this engagement are provided in each of the Committee reports on **pages 79 to 85**. During 2020, the chair of the Remuneration Committee engaged extensively with the Company's shareholders and took on board their feedback in the development of a revised remuneration policy, including the replacement of the long-term incentive plan which expires in June 2021, as detailed on **pages 85 to 87**.

The Company's small number of employees are centrally located at the Company's Head Office, which aids regular direct engagement with the whole Board. To further enhance the Board's interaction with the Company's employees, Ms. Dennett was appointed as the Designated Non-Executive Director responsible for workforce engagement in 2018. During 2020, on the recommendation of the Nomination Committee, the Board agreed to rotate the role of the Designated Non-Executive Director between the Company's Non-Executive Directors to increase the exposure employees have to the Board. Following this decision, Mr. Stan assumed the role of Designated Non-Executive Director in November 2020 and held a virtual townhall with all employees, with feedback from the meeting and action items arising placed on the Board's agenda. The terms of reference for the Designated Non-Executive Director are available on the Group's website:

www.anglo-pacific-group.com/governance.

Annual General Meeting (AGM)

The Company's AGM is typically the highlight of the year for the Board, as it provides an excellent opportunity for active engagement with investors and to further the investors' understanding of the current business activity of the Group. Due to the lockdown measures imposed by the UK government in response to the COVID-19 pandemic, the Company was unable to host the AGM in its usual format in 2020.

The Board values the AGM as an opportunity for its retail shareholders to raise questions and comments to the Board and instead shareholders were invited to attend a live webcast during which the Chairman and Chief Executive Officer provided an overview of the Group's performance in 2019 and an outlook for 2020. Following the presentation, all members of the Board were available to respond to questions from shareholders.

Our workforce policies and practices

All of the Company's workforce related policies are approved by the Board. The Board is ultimately responsible for our whistleblowing process, with day-to-day oversight by the Audit Committee, and every member of the workforce has access to 'safe call', an independent third-party provider enabling all employees to raise any matters of concern anonymously. There were no instances of whistleblowing over the past year.

Conflicts of interest

In accordance with the Companies Act 2006 and the Articles of Association, conflicts of interest must be authorised by the Board and this ensures that the influence of third parties does not compromise the independent judgement of the Board. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Group. The Company Secretary and the General Counsel maintain a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period but are reviewed annually by the Board, which also considers the effectiveness of the process of authorising Directors' conflicts of interest. The Board retains the power to vary or terminate these authorisations at any time.

Corporate governance report

continued

THE BOARD

CHAIRMAN

N.P.H. MEIER

71, was appointed Non-Executive Director in April 2015 and assumed the role of Non-Executive Chairman at the conclusion of the 2017 AGM. Mr. Meier has over 30 years of experience in investment banking with specialist knowledge of the mining sector. He has an MA in Natural Sciences from Cambridge University. Mr. Meier headed up the investment banking activities for RBC Capital Markets in Europe and Asia and drove a major expansion of RBC's European presence. Prior to this role, he headed up RBC's activities in the Metals and Mining sector in Europe, Africa and Asia for many years, and continues to enjoy strong relationships within the sector. Mr. Meier also served as a Director on the Board of RBC's main operating subsidiary in Europe. In addition to his role at Anglo Pacific Mr. Meier acts as a non-executive chairman of Firestone Diamonds plc and as a Senior Adviser to Bacchus Capital Advisers, an advisory boutique, and in various other advisory roles from time to time.

Committee Chair: Nomination Committee

CHIEF EXECUTIVE OFFICER

J.A. TREGER

58, joined the Group as Chief Executive Officer and Executive Director on 21 October 2013. He has an MBA from Harvard Business School and a BA from Harvard University. He began his career working for Lord Rothschild as an in-house corporate financier, managing a portfolio of public and private equity investments before co-founding Active Value Advisors Ltd. to invest in undervalued, predominantly UK-listed companies, where he advised on more than US\$900.0m of funds over a 12-year period. He currently serves as Non-Executive Chairman of Audley Capital Advisors LLP, an investment advisory firm, which he co-founded in 2005, which specialises in managing value-orientated, special situations investment strategies through hedge fund and co-investment vehicles, with a principal focus on the natural resources sector. Mr. Treger holds external Non-Executive Directorships with Mantos Copper S.A., EBT Digital Communications Retail Group, Broadwell Capital and Ilari Exploration OY for which he earned fees during the year. These directorships do not affect Mr. Treger's ability to perform his role as CEO of the Company, as they form part of his 10% time commitment outside Anglo Pacific.

CHIEF FINANCIAL OFFICER

K. FLYNN

40, joined Anglo Pacific as Chief Financial Officer in January 2012, and was appointed Executive Director in January 2020. He sits on the Executive Committee. Mr. Flynn is a Chartered Accountant with almost 20 years of experience of corporate finance both in practice and in the London listed market, most recently in senior roles within FTSE 100 and FTSE 250 real estate businesses. In his time with Anglo Pacific he has originated and negotiated all of the Group's borrowing facilities and played a leading role in raising equity. Mr. Flynn is involved in all investment decisions, specifically in relation to structuring and tax.

SENIOR INDEPENDENT DIRECTOR

J.E. RUTHERFORD

61, was appointed Non-Executive Director in October 2019. He is also the Group's Senior Independent Director. He has over 25 years' experience in investment management and investment banking, specialising in the global mining and metals sector. Mr. Rutherford brings to the Board considerable financial and capital markets insight and a deep understanding of the mining industry. He has held senior appointments with various companies including senior vice president with Capital International Investors (a division of Capital Group) and vice president of Equity Research at investment bank HSBC James Capel in New York. Mr. Rutherford has also held investment analyst roles with Credit Lyonnais, covering diversified industrials, and with CRU International, covering the copper industry. James was a non-executive director of Anglo American plc from 2013 to 2020. In addition to his role with Anglo Pacific, Mr. Rutherford acts as non-executive chairman of Centamin plc and as a non-executive director of GT Gold Corp.

Committee Chair: Sustainability Committee

Committee Member: Remuneration Committee, Nomination Committee, Audit Committee

NON-EXECUTIVE DIRECTORS

R.G. DACOMB

65, was appointed Non-Executive Director in November 2019. He was a partner at Ernst and Young for 26 years where, for his last 12 years, he was a lead partner in the extractive industry, responsible for coordinating the provision of a full suite of services to multinational mining and oil and gas clients including Xstrata, Fresnillo, and BP across a broad range of countries including emerging markets. In addition to audit services, Graeme provided critical advice for his clients on corporate governance structures, risk management, acquisitions, disposals and financial systems and controls. From 2011 to 2018, Mr. Dacomb was a member of the Financial Reporting Review Panel. Mr. Dacomb was appointed a non-executive director of Ferrexpo plc with effect from 10 June 2019.

Committee Chair: Audit Committee

Committee Member: Remuneration Committee, Nomination Committee

V.A. DENNETT

56, was appointed Non-Executive Director in November 2018. She spent her executive career as a corporate lawyer and has extensive global expertise in mergers, acquisitions and disposals, business transformations, strategy, crisis management and business operations in multiple geographies and multiple commodities. Before joining the board, she was Senior Legal Counsel at international FTSE 100 mining company Anglo American PLC and prior to that, a consultant in London at international law firm Hogan Lovells (then Lovells) and a Partner at Webber Wentzel, a leading South African law firm with a long history of acting for mining clients. Ms. Dennett is admitted as a solicitor in England and Wales (non-practising) and as an attorney, notary and conveyancer (non-practising) in South Africa.

Committee Chair: Remuneration Committee

Committee Member: Audit Committee, Nomination Committee, Sustainability Committee

R.H. STAN

67, was appointed Non-Executive Director in February 2014. He has a B.Comm from the University of Saskatchewan and has over 45 years' experience in mining and resource development. He held several senior positions with Fording Coal Limited, Westar Mining Ltd. and TECK Corporation before becoming a founding shareholder and director of publicly quoted Grande Cache Coal Corporation ('GCC'), an Alberta-based metallurgical coal mining company. At GCC, he served as President, CEO and Director from 2001 to 2012 and in 2012 negotiated the sale of the company to an Asian-backed strategic investor consortium (Winsway Coking Coal and Marubeni Corp) for US\$1.0bn. Mr. Stan served two terms as Chairman of the Coal Association of Canada Board of Directors, was a board member of the International Energy Agency's Coal Industry Advisory Board and represented the mining industry on the Alberta Economic Development Agency. He currently serves on the board of several private companies, including Quantex Resources Ltd, CanWhite Sands Corp. and Spruce Bluff Resources Ltd.

Designated Non-Executive Director – workforce engagement

Committee Member: Audit Committee, Nomination Committee, Remuneration Committee

PATRICK MEIER



**THE BOARD IS COMMITTED TO
CHAMPIONING AND EMBEDDING
THE COMPANY'S PURPOSE AND
VALUES WITHIN THE ORGANISATION**

JULIAN TREGER



GRAEME DACOMB



KEVIN FLYNN



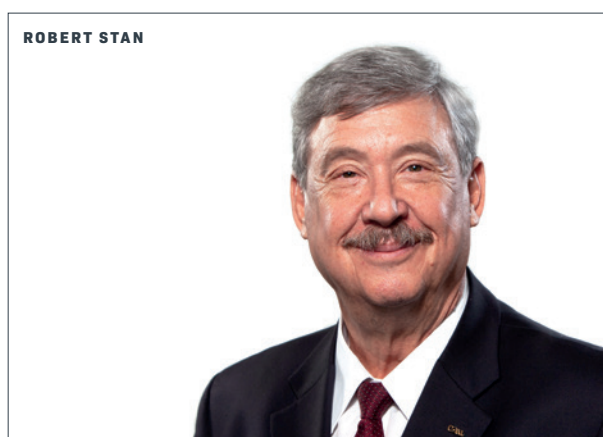
VANESSA DENNETT



JAMES RUTHERFORD



ROBERT STAN



Corporate governance report

continued

2. DIVISIONS OF RESPONSIBILITY

The Chairman, Mr. Meier, leads the Board and is responsible for its overall effectiveness. He was independent on the date of his appointment. He recognises the importance of creating a boardroom culture which encourages openness and debate and facilitates constructive relations between Executive and Non-Executive Directors.

The Chairman is responsible for: the management of the Board and its Committees; Director performance; induction; training and development; succession planning; engagement with external stakeholders; and attendance by the Board at shareholder meetings. The Chairman is supported by the Senior Independent Director, the Chief Executive Officer and the Company Secretary.

The day-to-day management of the Group is delegated to the Chief Executive Officer ('CEO'), save for certain matters reserved for consideration by the Board. The Chairman and CEO have distinct roles which have been defined in writing and agreed by the Board. The CEO is supported by the Chief Financial Officer, the Chief Investment Officer and Head of Technical and Portfolio, who meet as an Executive Committee. The Executive Committee remains an informal Board Committee because it is not comprised of a majority of Executive Directors.

Other responsibilities are devolved to the Nomination, Remuneration, Audit and Sustainability Committees; their members are all Non-Executive Directors, save for the Sustainability Committee where the CEO is a member, and their work is described more fully in the respective Committee reports on **pages 79 and 85**. The terms of reference of each Committee, and the matters reserved to the Board, are available on the Group's website.

The Senior Independent Director, Mr. Rutherford, is responsible for acting as a sounding board for the Chairman and engages with shareholders to develop a balanced understanding of their interests and concerns. The Senior Independent Director is not required to seek meetings with shareholders, however is available to do so if required in order to understand shareholder concerns and take them to the Board for discussion.

Time commitment

All potential new Directors are asked to disclose their other significant commitments. The Nomination Committee then takes this into account when considering a proposed appointment to ensure that the potential new Directors can discharge their responsibilities to Anglo Pacific effectively. This means not only attending and preparing for formal Board and Committee meetings, but also making time to understand the business, and to undertake training. The time commitment is agreed with each Non-Executive Director on an individual basis. In addition, all Directors must seek approval before accepting any significant new commitment.

Where circumstances require it, all Directors are expected to commit additional time as necessary to their work on the Board. The Company Secretary and the General Counsel maintain a record of each Director's commitments. For the year ended 31 December 2020 and as at the date of publication, the Board is satisfied that none of the Directors is over-committed and that each of the Directors allocates sufficient time to his or her role in order to discharge their responsibilities effectively.

Directors' attendance at Board and Committee meetings which they were eligible to attend during 2020 was as follows:

	Full Board	Audit	Nomination	Remuneration	Sustainability
Total meetings held	12	5	2	8	2
Attendance:					
W.M. Blyth¹	8	2	2	3	–
R.G. Dacomb	12	5	2	8	–
V.A. Dennett	12	5	2	8	2
K. Flynn	12	–	–	–	–
N.P.H. Meier	12	–	2	–	–
J.E. Rutherford	12	5	2	8	2
R.H. Stan	11	5	2	8	–
J.A. Treger	12	–	–	–	2

¹ W.M. Blyth retired from the Board on 27 May 2020.

3. COMPOSITION, SUCCESSION AND EVALUATION

Appointments to the Board

All Directors are subject to election by shareholders at the first opportunity after their appointment. Under the terms of the Company's Articles of Association, all Directors are required to retire and seek reappointment by shareholders at an AGM on the third anniversary of their appointment. All current Non-Executive Directors were appointed for an initial three-year term, renewable at the Board's discretion for up to two further three-year periods thereafter, and the Board intends that all future Non-Executive Director appointments will be on similar terms. Notwithstanding this, it is the Board's intention that all Directors, including the Non-Executive Directors, shall be subject to re-election at each AGM.

The Nomination Committee ensures a formal, rigorous and transparent procedure for the appointment of new Directors. It is also responsible for Board and senior management succession planning, regularly assessing the balance of skills, experience, knowledge, diversity and capacity required to oversee the delivery of Anglo Pacific's strategy.

The remit of the Nomination Committee includes reviewing proposals for appointments to the Executive Committee, and monitoring executive succession planning, including ensuring that both of these are based on merit and objective criteria and within this context seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. All Non-Executive Directors are members of the Nomination Committee. The Committee is chaired by the Chairman, apart from when the Committee is dealing with the appointment of his or her successor. The Nomination Committee report on **page 79** sets out the Board's approach to succession planning and how this supports the development of a diverse pipeline, at all levels.

With the exception of Mr. Blyth's retirement following the 2020 AGM, the composition of the Board remained largely unchanged. The Board was refreshed in late 2019 with the appointment of Mr. Dacomb and Mr. Rutherford as Non-Executive Directors, while the Group's Chief Financial Officer, Mr. Flynn, was appointed as an Executive Director with effect from 1 January 2020. In addition, the chairmanships of the Board's Committees were rotated following Mr. Blyth's retirement.

Ms. Dennett has informed the Board of her decision to retire as a Non-Executive Director and will not be seeking re-election at the 2021 AGM. Ms. Dennett has most recently served as chair of the Remuneration Committee overseeing a full review of our compensation structure and the design of the new long-term incentive plan, which will be put to the 2021 AGM for approval. We will be initiating a search for a replacement for Ms. Dennett on her retirement.

Skills, experience and knowledge of the Board and its Committees

The Group's succession planning aims to bring a diverse and complementary range of skills, knowledge and experience to the Board, so that the Board is equipped to navigate current and future challenges, and maximise value from current and future opportunities. Achieving the right blend of skills, experience, knowledge and diversity to support effective decision-making is a continuing process and forms part of the annual Board effectiveness review, which also attempts to identify any skills gaps, and is described below.

In anticipation of the eventual retirement of Mr. Blyth, the Nomination Committee considered the capabilities and attributes that would be lost and identified the need to recruit a Non-Executive Director with recent and relevant financial experience in accordance with the Code. This led to the appointment of Mr. Dacomb in 2019, and allowed the Board to maintain the right balance of skills and experience following Mr. Blyth's retirement in 2020. The composition of the Board will be kept under constant review and further changes will be made as tenures come to an end and as the business continues to evolve.

The Chairman regularly reviews the Directors' training needs and, where appropriate, the Group provides the resources to meet the Directors' requirements. At least biannually external subject matter experts are engaged to update and advise the Board on governance and secretarial changes. In addition, the Board has in place a formal induction process for new Directors on joining the Board, which is tailored to the needs of the individual.

Independence of the Non-Executive Directors

At the date of this report, just under two-thirds of the Board are independent Non-Executive Directors. The Board determines all of the Non-Executive Directors (other than the Chairman) to be independent of management and free from any business or other relationship which could materially interfere with the ability to exercise independent judgement. The Code does not consider a chairman to be independent due to the unique position the role holds in corporate governance. Mr. Meier met the independence criteria contained in the Code when he was appointed as the Group's Chairman in 2017.

The Chairman and the Non-Executive Directors regularly meet without the Executive Directors present. On an annual basis, the Senior Independent Director leads the other Non-Executive Directors in the appraisal of the Chairman's performance.

Board effectiveness

A Board and Committee effectiveness evaluation is carried out each year. The evaluation considers (but is not limited to): the balance of Board members' skills and experience; independence; diversity; the running of the Board; and Directors' knowledge of the Company. Every third year, the Board evaluation is externally facilitated. In 2020, an external evaluation exercise was undertaken. The process for how the review was conducted and its findings are detailed below.

The 2020 Board evaluation was externally facilitated by Clare Chalmers Limited, a consultancy with no other connection to the Company or any of the Directors, and conducted in accordance with guidance contained in the Code.

Process

In July 2020, the evaluation team met with the Chairman to agree a comprehensive brief and agenda for the review. Detailed interviews were held with each Director, according to a set agenda tailored to the Company. In addition, the evaluation team interviewed the acting Company Secretary.

In August 2020, the evaluation team observed Board and Committee meetings. Supporting materials for briefing purposes were provided by the Company. Following completion of the exercise, the evaluation team collated the results and draft conclusions were discussed with the Chairman, prior to presenting the results at a meeting of the full Board in November.

Key highlights

The review confirmed that the Board is believed to be effective and well-functioning, and that the leadership provided by Mr. Meier, as Chairman, is having a positive impact on the organisational culture of the Company as a whole.

The most positive feedback was about Board composition, noting that the 2019 Board refresh has significantly enhanced the skills, experience and knowledge of the Board. Some scope for improvement was identified in the areas of strategic direction, Board diversity and Director development.

Following the 2020 evaluation, the Board identified the effectiveness priority areas below for 2021:

Topic	Areas identified for action	Planned actions for 2021
Strategy	Enhanced focus on potential acquisitions to further the Group's strategy. Increased discussion of impact of the Board's risk appetite on delivering strategic objectives.	The Board's forward-looking agenda, together with the two designated strategy meetings, to prioritise the review of the pipeline, how to increase successful transaction outcomes and include ongoing discussion and debate as to the Board's risk appetite.
Definition of roles and accountability	Enhance support provided to the Executive Directors and the Board by human resources and the company secretarial function, to clarify roles and accountability.	Increase the human resources support in line with the growth and needs of the Group. Separate the role of Company Secretary from the Chief Financial Officer. Further improve communication between the Board and management.
Succession planning	Aim to improve the Board's gender diversity.	The Nomination Committee will review the succession plan for both the Board and senior management annually. In doing so a longer-term view of succession will be taken to enable diversity as well as considering skills mix.

4. AUDIT, RISK AND INTERNAL CONTROL

Internal and external audit

The Audit Committee monitors the independence and effectiveness of the external auditors, and makes an annual assessment of whether an internal audit function is required. The Audit Committee is responsible for reviewing key judgements within the Group's financial statements and narrative reporting, with the aim of maintaining the integrity of the Group's financial reporting.

The Group's policies and system of internal control are designed to provide the Directors with reasonable assurance that the Group will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances that may reasonably be foreseen. However, no system of internal control can eliminate the possibility of poor judgement in decision-making, human error, fraud or other unlawful behaviour, management overriding controls, or the occurrence of unforeseeable circumstances and the resulting potential for material misstatement or loss.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility and appropriate delegation of authority.
- There are established procedures for planning and approving investments and information systems for monitoring the Group's financial performance against budgets and forecasts.
- The Chief Financial Officer is required to undertake an annual assessment process, to identify and quantify the risks that face the Group's businesses and functions, and to assess the adequacy of the prevention, monitoring and mitigation practices in place for those risks. This process covers all material controls, including financial, operational and compliance controls.
- The Board is responsible for reviewing the risk assessment and risk management processes for completeness and accuracy.
- In addition to its work on the above, the Audit Committee also receives reports about significant risks and associated control and monitoring procedures. The Group's internal controls and procedures documentation are regular agenda items for the Committee. The Committee also receives regular reports from the external auditors.
- The Audit Committee reports regularly to the Board on these matters, so as to enable the Directors to review the effectiveness of the system of internal control. The Board also receives regular reports or updates from its other Committees and directly from management in addition to carefully considering the Group's risk register at regular intervals.
- The Group's internal control system accords with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2020 and up to the date of approval of the report and financial statements that have required the Board to deal with any material internal control issues.

The Directors confirm that the Board has reviewed the effectiveness of the system of internal control during the period and concluded that the controls and procedures are adequate. The Board will continue to review the adequacy of the Company's internal controls on an ongoing basis and will test the controls and procedures again during 2021.

For further detail, please refer to the Audit Committee report on [page 82](#).

Fair, balanced and understandable assessment

The Board is responsible for the presentation of a fair, balanced and understandable assessment of the Company's position and prospects, not only in the Annual Report. The Company has a thorough process in place for the preparation of the interim and annual reports, together with quarterly trading updates and other market announcements, to ensure that this is the case.

Risk management and internal control framework

The Board is ultimately responsible for aligning the risk appetite of the Company with its long-term strategic objectives, taking into account the principal and emerging risks faced by the Company and the risks it is willing to take in achieving its strategic objectives and how these support the Group's longer-term viability statement. Risk and volatility have been a particular feature of the markets to date in 2020 and the Board has risk as a regular agenda item in order to respond to risk as and when significant and sudden changes materialise which may need action to be taken. The Audit Committee monitors the work that the Board does in relation to risk on a regular basis.

The Group's principal risks are discussed in detail on [pages 28 to 38](#). These are determined based on two formal reviews undertaken each year, once around the AGM and the other at the Group's strategy day in the fourth quarter. The session in November 2020 benefitted from the input from our new Directors for the first time and it was pleasing that there were no significant gaps identified.

5. REMUNERATION

The Remuneration Committee is responsible for establishing and developing the Group's general policy on executive and senior management remuneration, together with determining the specific remuneration packages for the Chairman, Executive Directors and members of the Group's Executive Committee. In determining the executive remuneration, the level of pay and conditions throughout the Group are taken into consideration.

In addition to the consideration given to the remuneration of the wider workforce, the Remuneration Committee consults with the Company's shareholders to obtain feedback on the existing remuneration policy and any revisions. During 2020, the Remuneration Committee engaged extensively with the Company's shareholders in the development of the revised remuneration policy, including the replacement of the long-term incentive plan which expires in June 2021. Further details on the Remuneration Committee's work in 2020, together with the revised remuneration policy are set out on [pages 85 to 87](#).

Nomination Committee

COMMITTEE MEMBERS

N.P.H. Meier – Chairman

R.G. Dacomb

V.A. Dennett

J.E. Rutherford

R.H. Stan

W.M. Blyth – retired 27 May 2020

The Chief Executive Officer and the Company Secretary also attend meetings of the Committee.

For more on biographies and Board experience details refer to [pages 74 to 78](#).

ROLE AND RESPONSIBILITIES

The role of the Nomination Committee is to review the composition of the Board and of its Committees. The Committee leads the process for appointments, making recommendations to the Board as part of succession planning for both Non-Executive and Executive Directors. It also monitors the succession planning and development of senior management.

The Committee's objectives and responsibilities are set out in our terms of reference, which are available to view online. For more information, visit www.anglo-pacificgroup.com/our-approach

OUR APPROACH TO DIVERSITY

Anglo Pacific is committed to promoting behaviours that support an inclusive and diverse workplace and that reflect our values of sustainability, integrity and respect, diversity and collaboration. This commitment is set out in our Code of Conduct.

The Board aims to lead by example and recognises the benefits of having a diverse membership and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other attributes of the Directors. These differences will be considered in determining optimum composition of the Board and, when possible, should be balanced appropriately.

Anglo Pacific considers true diversity to encompass more than gender. As a result, we make our appointments to the Board and throughout the business on merit and against objective selection criteria to identify and recruit the most suitable candidate, regardless of gender. Through such selection criteria, we have achieved gender equality amongst the Group's employees, and hope to increase female representation on the Board as vacancies arise using the same selection criteria.

APPOINTMENTS TO THE BOARD

We base our appointments to the Board on merit, and on objective selection criteria, with the aim of bringing a range of skills, knowledge and experience to Anglo Pacific. This involves a formal and rigorous process to source strong candidates from diverse backgrounds and conducting appropriate background and reference checks on the shortlisted candidates. We aim to appoint people who will help us to achieve the Group's strategic objectives now and in the future. Further details of the process followed for the Board appointments are included in the Corporate Governance report on [pages 72 to 78](#).

With the exception of Mr. Blyth's retirement following the 2020 AGM, the composition of the Board remained unchanged. Following the appointment of Mr. Dacomb and Mr. Rutherford as Non-Executive Directors in late 2019 and Mr. Flynn's appointment as an Executive Director effective from 1 January 2020, the Committee considered and concluded that the Board maintained the right balance of skills and experience despite Mr. Blyth's retirement.

Ms. Dennett has informed the Board of her decision to retire as a Non-Executive Director and will not be seeking re-election at the 2021 AGM. A search will be initiated for a suitable successor for Ms. Dennett during the next few months. In addition to the search for Ms. Dennett's successor, succession planning for both the non-executive and executive directors is a critical and ongoing cycle of work, which the Committee will continue to prioritise in 2021.

COMMITTEE FOCUS IN 2020

The Committee met twice during 2020. Discussions at the meetings covered the responsibilities outlined above, with a particular focus on Non-Executive Director succession planning and Committee membership.

The following matters were considered during 2020:

- The composition, structure and size of the Board and its committees.
- Recommending the establishment of the Sustainability Committee and its membership to the Board.
- Recommending the appointment of Mr. Dacomb as Chair of the Audit Committee and Ms. Dennett as Chair of the Remuneration Committee to the Board, following the retirement of Mr. Blyth.
- Recommending the appointment of Mr. Rutherford as the Group's Senior Independent Director to the Board.
- Recommending the rotation of the Group's Designated Non-Executive Director for workforce representation from Ms. Dennett to Mr. Stan to the Board.
- The time commitment expected from each of the Non-Executive Directors to meet the expectations of their role.
- Recommending that the Board support the election or re-election of each of the Directors standing at the 2020 AGM. The length of tenure of non-executive directors was taken into account when considering supporting their re-election, to ensure they remain independent and recognising the need to progressively refresh the Board.
- Succession planning for both the Non-Executive and Executive Directors.
- The results of the external Board effectiveness review, further details of which are on [page 77](#).
- Reviewing the Committee's terms of reference.

N.P.H. MEIER

Chairman

13 April 2021

Audit Committee

COMMITTEE MEMBERS

R.G. Dacomb* – Chairman

V. Dennett

J.E. Rutherford

R.H. Stan

W.M. Blyth – retired 27 May 2020

*The Chairman of the Audit Committee is deemed to have recent and relevant financial experience in accordance with the UK Corporate Governance Code. The Committee as a whole has competence relevant to the sector.

For more on biographies and Board experience details refer to **pages 74 to 78**.

The Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Group Financial Controller and Company Secretary and the external auditors also participate in meetings of the Committee, as required.

ROLE AND RESPONSIBILITIES

The Committee's objectives and responsibilities are set out in its terms of reference, which are available to view online. For more information, visit www.anglo-pacific-group.com/our-approach

The Committee's main responsibilities are:

- Monitoring the integrity of the annual and interim financial statements, the accompanying reports to the shareholders and corporate governance statements.
- Making recommendations to the Board concerning the adoption of the annual and interim financial statements.
- Reviewing and challenging the consistency of, and any changes to, accounting policies, methods and standards.
- Overseeing the Group's relations with the external auditor, including the assessment of their independence and their effectiveness.
- Making recommendations to the Board on the appointment, retention and removal of the external auditor and the tendering of external audit services.
- Advising the Board on the external auditor's remuneration for both audit and any non-audit work.
- Reviewing the reports from management on the principal risks of the Group outlined on **pages 28 to 38** and monitoring the management of those risks.
- Monitoring and reviewing the adequacy and effectiveness of the Group's internal controls.
- Considering the need for an internal audit function and reviewing the Group's approach to assessing the effectiveness of internal controls in the absence of an internal audit function.
- Overseeing completion of the viability statement.
- Reviewing and monitoring the Group's whistle blowing procedure and the Group's systems and controls for the prevention of bribery and money laundering.

The Committee has authority to investigate any matter within its remit. It has the power to use any Group resources it may reasonably require and it has direct access to the external auditors. The Committee can also obtain independent professional advice at the Group's expense where it deems necessary. The Committee chairman reports to the Board after each meeting on the main items discussed.

FAIR, BALANCED AND UNDERSTANDABLE

A key requirement of the Group's annual financial statements is that they be fair, balanced, understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Audit Committee and the Board are satisfied that the 2020 Annual Report and Accounts meet this requirement and that appropriate weight has been given to both positive and negative developments in the year.

In justifying this statement, the Audit Committee has considered the robust processes which operate in producing the 2020 Annual Report and Accounts, including:

- Early engagement with the external auditor on significant accounting matters by the finance team in advance of the year end reporting process.
- The thorough process of review, evaluation and verification by senior management to ensure the accuracy and consistency of information presented in the 2020 Annual Report and Accounts.
- The provision of advice by external advisers to management and the Board on best practice regarding the preparation of the 2020 Annual Report and Accounts.
- A meeting of the Audit Committee held specifically to review and consider the draft 2020 Annual Report and Accounts in advance of the final sign-off by the Board. This review included the significant accounting matters explained in the notes to the consolidated financial statements.
- Consideration by the Audit Committee of the conclusions of the external auditor on the key audit matters that contributed to their audit opinion, specifically the valuation of the Kestrel royalty, impairments and taxation.

COMMITTEE FOCUS IN 2020

Throughout 2020, the Audit Committee focused on the valuation of the Kestrel royalty and the Group's royalty financial instruments, management's assessment of indicators of impairment in relation to the Group's royalty intangible assets and taxation matters. In addition, the Committee reviewed the system of internal control and risk management.

The Audit Committee held five meetings in 2020 and has met twice to date in 2021, covering the key topics set out in the tables below.

**Significant issues considered by
the Audit Committee in relation to
the Group's financial statements**
Response of the Audit Committee

Review of carrying value of the Kestrel coal royalty	<p>The Committee reviewed the independent valuation of the Group's Kestrel coal royalty, together with management's review and challenge of the key assumptions used by the independent valuer to determine the carrying value of the coal royalty as at 31 December 2020.</p> <p>The Committee reviewed the disclosures related to the revaluation charge of £44.2m in relation to Kestrel coal royalty described in note 15, for the year ended 31 December 2020.</p> <p>The Committee concluded that the fair value has been calculated in accordance with the Group's accounting policy outlined in note 3, is appropriate as at 31 December 2020 and is adequately disclosed.</p>
Review of carrying value of royalty financial instruments	<p>The Committee reviewed and challenged management's key assumptions including production profiles, forecast commodity prices and discount rates used to determine the carrying value of those royalties held at fair value.</p> <p>The Committee reviewed the disclosures related to the revaluation gain of £0.8m in relation to royalty financial instruments, described in note 16 for the year ended 31 December 2020.</p> <p>The Committee concluded that the fair value has been calculated in accordance with the Group's accounting policy outlined in note 3, is appropriate as at 31 December 2020 and is adequately disclosed.</p>
Review of carrying values of royalties held at amortised cost and resulting impairment charges	<p>The Committee reviewed and challenged management's key assumptions including production profiles, forecast commodity prices and discount rates used to estimate the recoverable amount of each royalty and compared this to the respective carrying value. The Committee reviewed the disclosures related to the Group's impairment policy outlined in note 3 and the impairment charge of £3.4m described in note 17 for the year ended 31 December 2020.</p> <p>The Committee concluded that the impairment charges recognised during the year ended 31 December 2019 were appropriate and have been adequately disclosed.</p>
Group tax exposures	<p>The Committee considered management's assessment of any potential or uncertain tax exposures. The Committee challenged management, and its professional advisors, on tax positions taken and concluded that the disclosures contained in notes 4, 11 and 36 are sufficient and that no additional provision is appropriate.</p>
Going concern basis of accounting in preparing the financial statements	<p>The Committee assessed the forecast levels of net debt, headroom on existing borrowing facilities and compliance with debt covenants. This analysis covered the period to 30 April 2022 and considered a range of downside sensitivities, including a possible reduction in commodity prices and production volumes as a result of the ongoing COVID-19 pandemic. The Committee concluded it was appropriate to adopt the going concern basis.</p>

Audit Committee

continued

Other issues considered by the Audit Committee	Response of the Audit Committee
Application of the policy for calculating adjusted earnings	<p>The Committee has reviewed the Group's policy for the calculation of adjusted earnings and confirmed the consistent application of this policy year on year.</p> <p>Adjusted earnings is the profit/(loss) attributable to equity holders, plus royalties receipts from the EVBC royalty, less all valuation movements and impairments, together with amortisation charges, share-based payments, foreign exchange gains and losses, any associated deferred tax and any profit or loss on non-core asset disposals. A reconciliation of adjusted earnings to profit/(loss) attributable to equity holders is presented in note 12.</p>
Risk management	<p>The Committee review and monitor the mitigation plans in place and the appropriate senior management responsibilities to address the principal risks (refer to pages 28 to 38) identified and ranked by the Board.</p>
Viability Statement	<p>The Committee reviewed the time period over which the assessment is made, along with the scenarios that are analysed, the potential financial consequences and assumptions made in the preparation of the statement.</p> <p>The Committee concluded that the scenarios analysed were sufficiently severe but plausible and the time period of the Viability Statement was appropriate, given the alignment with the budgeting process.</p>
FRC engagement	<p>The Committee considered the findings from the FRC's thematic review of climate disclosures in the Group's 2019 Annual Report and Accounts, together with management's response to the FRC's enquiries.</p> <p>The Committee has reviewed and is satisfied that, the additional disclosures outlining the consideration given to the impact of climate change in undertaking the annual assessment for indicators of impairment of its royalty intangibles (note 17) and on the aggregation of its royalty related assets into operating segments (note 32), address the findings of the FRC's review.</p> <p>The FRC review was based solely on the published annual report and accounts and provides no assurance that the Annual Report and Accounts were correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Its letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.</p>
Internal audit	<p>The Committee considers on an annual basis whether an internal audit function is required. The Committee's present view is that one is not currently justified given the small number of employees within the Group, combined with the level of oversight and involvement in individual transactions by the Executive Directors.</p>
Ethical business conduct	<p>The Committee reviewed the ongoing work to enhance ethical business conduct including updates and refinements to various policies including the conflicts of interest and related party transactions policies, together with updating the terms of reference of the Disclosure Committee.</p> <p>The Committee reviewed and approved management's anti-bribery, corruption and money laundering risk assessment, together with management's work plans associated with addressing risk areas identified.</p> <p>The Committee, along with all other Board members, senior management and staff completed the annual certification of compliance with the Group's anti-bribery, corruption and money laundering policy.</p>
External audit	<p>The Committee reviewed and approved the planning report from the Group's external auditor, Deloitte, outlining the final audit plan and fee, in December 2020, having given due consideration to the audit approach, materiality levels and audit risks. In April 2021, the Committee reviewed the output of the external audit work that contributed to the auditor's opinion, including the challenge to the Group's assumptions on the issues noted in this report.</p>

AUDITOR TENURE

Following an external audit tender in 2014, Deloitte was appointed as Anglo Pacific's statutory auditor with effect from the year ended 31 December 2014. Chris Jones of Deloitte is the Senior Statutory Auditor and was appointed to this role with effect from the year ended 31 December 2020.

ENSURING INDEPENDENCE OF THE EXTERNAL AUDITOR

To safeguard the objectivity and independence of the external audit process, it remains the Committee's policy to review and approve all fees related to non-audit services. The policy, which incorporates the requirements of the FRC's revised Ethical Standard published in 2019, prohibits the auditors from providing certain services such as accounting or valuation services. With the exception of the interim review, no non-audit services were provided during 2020 by the Group's external auditor.

Other safeguards include:

- The external auditor is required to adhere to a rotation policy based on best practice and professional standards in the UK. The standard period for rotation of the audit engagement partner is five years. The audit engagement partner, Chris Jones, was appointed in 2020.
- The external auditor is required to assess periodically whether, in their professional judgement, they are independent of the Group.
- The Audit Committee ensures that the scope of the auditor's work is sufficient and that the auditor is fairly remunerated. The Committee reviewed and discussed the 2020 fee proposal, concluding that the proposed fees were appropriate for the scope of work required. Details of the external auditor's remuneration are disclosed in *note 6b*.
- An annual assessment is undertaken of the auditor's effectiveness through joint discussions between the Committee, the Chief Financial Officer and the Group Financial Controller. The assessment conducted in 2020 of the 2019 external audit concluded that the external auditor was independent, objective and effective in the delivery of the audit. Service levels had remained largely constant in key areas compared with the previous year. The next evaluation of the quality of external audit will be performed in May 2021 with key themes incorporated into the 2021 audit planning cycle.

Conclusion of the Audit Committee for 2020

The Committee has satisfied itself that the external auditor's independence was not impaired.

The Committee held meetings with the external auditors without the presence of management on four occasions and the Chairman of the Committee held regular meetings with the audit engagement partner during the year.

Consideration given to the appointment of the external auditor

The Committee's assessment of the external auditor's performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditors until the conclusion of the AGM in 2022. Resolutions to authorise the Board to re-appoint and determine the remuneration of Deloitte LLP will be proposed at the AGM on 26 May 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is the responsibility of the Board and is integral to the achievement of the Group's objectives. The Board establishes the system of risk management, setting risk appetite and maintaining the system of internal control to manage risk within the Group. A robust process for identifying and evaluating the principal and emerging risks, detailed on *pages 28 to 38*, was in place during 2020 and up to the date of this report. The Group's system of risk management and internal control is monitored by the Audit Committee under delegation from the Board.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility and appropriate delegation of authority.
- There are established procedures for planning and approving investments and information systems for monitoring the Group's financial performance against budgets and forecasts.
- The Chief Financial Officer is required to undertake an annual assessment process to identify and quantify the risks that face the Group's businesses and functions, and to assess the adequacy of the prevention, monitoring and mitigation practices in place for those risks. This process covers all material controls, including financial, operational and compliance controls. The process undertaken during the year is discussed in more detail within the Principal risks and uncertainties section on *pages 28 to 38*. The Audit Committee is responsible for reviewing the risk assessment process for completeness and accuracy.
- In addition to its work on the above, the Audit Committee also receives regular reports about significant risks and associated control and monitoring procedures. The Group's risk register and internal controls and procedures documentation are regular agenda items for the Committee. The Committee also receives regular reports from the external auditors.
- The Audit Committee reports to the Board on these matters, so as to enable the Directors to review the effectiveness of the system of internal control. The Board also receives reports from its other Committees and directly from management.
- The system accords with the Financial Reporting Council's Internal Control: Revised Guidance for Directors on the Combined Code.

In carrying out its role and determining in its opinion that the system of risk management and internal controls was effective during 2020, the Committee reviewed and considered the following:

- Regular updates of key internal control matters in respect of the Group financial reporting processes, such as financial reporting systems and controls.
- The key risk areas of judgement and estimation uncertainty within financial reporting and mitigating actions taken by management.
- Procedures developed by management to identify and evaluate key business, financial and operational risks, and the effectiveness of the responses being implemented to mitigate the potential impacts.
- The output of external audit work.
- Policies and procedures in place to detect, monitor and investigate activity in respect of anti-fraud, bribery and corruption, including the Group's whistle blowing facilities.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2020 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

R.G. DACOMB

Chairman of the Audit Committee
13 April 2021

Sustainability Committee

COMMITTEE MEMBERS

J.E. Rutherford – Chairman

V.A. Dennett

J.A. Treger

The Chief Investment Officer, Head of Investor Relations, the General Counsel and the Company Secretary also attend meetings of the Committee.

For more on biographies and Board experience details refer to **pages 74 to 78**.

ROLE AND RESPONSIBILITIES

The role of the Sustainability Committee is to oversee the Group's policies, processes and strategies designed to achieve long-term value for its stakeholders through sustainable and responsible investment, with a strong focus on environmental, social and governance (ESG) factors.

The Sustainability Committee's main responsibilities are:

- Overseeing compliance with the Group's Environmental, Social and Governance (ESG) policy.
- Monitoring the appropriateness of the Group's strategy against its ESG policy.
- Developing, implementing and monitoring the Group's processes supporting sustainable and responsible investment, including developing and refreshing appropriate tools to ensure adherence with ESG principles, in line with best practice.
- Collaborating and liaising with the other Committees, including the Audit Committee, to monitor the Group's procedures and systems to identify, assess, monitor and manage risk.
- Making recommendations to the Board on the adequacy of the reporting on sustainability opportunities, risks and issues in the annual report and other relevant public documents.
- Overseeing the process for selection and engagement, and where applicable, dismissal, of external consultants engaged to assess the ESG performance of potential investments together with the ongoing monitoring of assets acquired.
- Reviewing the findings of the Group's external consultants engaged in the assessment of potential investments.
- Meeting with the General Counsel and Company Secretary to review the effectiveness of the Group's ESG programme, including:
 - standards of business conduct as embodied in the Group's Code of Conduct, the Anti-Bribery, Corruption and Money Laundering Policy and the Whistleblowing Policy;
 - management's assessment of material compliance risks, mitigation strategies to address them and ongoing monitoring; and
 - the framework developed by management in relation to data privacy matters.
- Reviewing reports on the Group's compliance with material compliance obligations, including in relation to anti-corruption, bribery, fraud, political donations and privacy, and monitoring reports of any improper acts.
- Evaluating the effectiveness of the reporting procedures and systems put in place by management to deal with inappropriate business conduct and integrity.

The Sustainability Committee has authority to investigate all matters falling within its remit. It has the power to obtain, at the Group's expense, any external independent professional or expert advice, where it deems necessary and has direct access to the Group's resources as it may reasonably require, including access to management. The Sustainability Committee Chair reports to the Board after each meeting on the matters discussed.

The Committee's objectives and responsibilities are set out in our terms of reference, which are available to view online. For more information, **visit www.anglo-pacificgroup.com/our-approach**

OUR APPROACH TO SUSTAINABILITY

We believe sustainability is vital for the long-term success of our underlying assets and the maximisation of shareholder value. While Anglo Pacific does not control or directly operate any of the assets from which our portfolio contribution is derived, we aim to positively influence our existing operating partners to ensure their continued strong ESG performance and to engage with new partners who share our principles and values.

More details on our approach to sustainability can be found on **pages 20 to 27**.

COMMITTEE FOCUS IN 2020

The Committee was established in March 2020, and met twice during the year. Discussions at the meetings covered the responsibilities outlined above, with a particular focus on setting the Group's ESG objectives and refining its investment criteria.

The following matters were considered during 2020:

- The Group's ESG due diligence and screening tools used in the investment decision-making process
- The approach to monitoring the Group's existing portfolio for ESG incidents and best practice in the absence of site visits due to COVID-19 related travel restrictions
- The Group's compliance with anti-corruption, bribery, fraud, political donations and expenditure laws and regulations
- Climate change
- Sustainability rating trends and developments
- Reviewing the Committee's terms of reference

J.E. RUTHERFORD

Chairman of the Sustainability Committee

13 April 2021

Remuneration Committee

COMMITTEE MEMBERS

V.A. Dennett – Chair
 R.G. Dacomb
 J.E. Rutherford
 R.H. Stan
 W.M. Blyth – retired 27 May 2020

The Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel and the Company Secretary also attend meetings of the Committee by invitation.

For more on biographies and Board experience details refer to **pages 74 to 78**.

ROLE AND RESPONSIBILITIES

The Committee's objectives and responsibilities are set out in our terms of reference, which are available to view online. For more information, visit www.anglopacifigroup.com/our-approach

The Committee's main responsibilities are:

- Establishing and developing the Group's general policy on executive and senior management remuneration;
- Determining specific remuneration packages for the Chairman, Executive Directors and members of the Group's Executive Committee;
- Designing and operating the Company's share incentive schemes;
- Reviewing the remuneration of the wider workforce and associated policies; and
- Consulting shareholders and other stakeholders, when appropriate, regarding executive remuneration.

The Committee takes account of the level of pay and conditions throughout the Group when determining executive remuneration.

The Remuneration Committee held eight meetings in 2020 and has met four times to date in 2021, to fulfil its responsibilities as set out in the Committee's terms of reference.

COMMITTEE FOCUS IN 2020

- Confirmation of incentive results for the 2019 annual bonus, including awards under the deferred share bonus plan;
- Setting of incentive targets for 2020 including the 2020 annual bonus;
- Development of the new Directors' remuneration policy: to align executive remuneration with our purpose and values and promote the long-term success and strategy of the Company;
- Providing guidance to the CEO on salaries, bonuses and long-term incentives to be awarded to the wider workforce; and
- Appointment of Korn Ferry as the new external adviser to the Remuneration Committee.

COMMITTEE FOCUS IN 2021

- Implementation of the newly developed remuneration policy;
- Assessment of 2020 incentive outcomes;
- Continued review of the impact of COVID-19 on all stakeholders; and
- Review of corporate governance and remuneration trends and implications for the Group.

In 2020, the Committee developed a new directors' remuneration policy, the details of which can be found on *pages 85 to 87*. We consulted with shareholders regarding the changes, and the Committee is regularly updated on the corporate governance environment affecting executive and wider employee pay.

Directors' remuneration report

INTRODUCTORY LETTER

Business context

I assumed the Chair of the Remuneration Committee after the conclusion of last year's AGM following the retirement of Mike Blyth.

COVID-19 had, and continues to have, a profound impact on humanity and businesses around the world. As a consequence, 2020 was a challenging year for Anglo Pacific and its employees. I am extremely proud of how our employees responded to the crisis, with the move to remote working quickly implemented allowing the Company to continue, largely as normal. The response of our employees was nothing short of exceptional, their loyalty and commitment outstanding and we thank them for that.

As has been outlined in the Chairman's statement, Anglo Pacific was significantly impacted in that revenue from its portfolio fell from a record contribution last year, to £37.0m, a 38% decrease. That said, no employees were furloughed, no one was made redundant and the Company received no government support.

In making our decisions on remuneration outcomes for the Executive Directors for 2020, we had regard to the overall shareholder and stakeholder experience and as a Committee sought to make decisions that struck an appropriate balance between rewarding and continuing to incentivise management and the broader stakeholder experience.

FOCUS OF THE COMMITTEE IN 2020

The main focus for the Committee was the appointment of a new firm of remuneration advisers Korn Ferry, the design of a replacement for the Value Creation Plan which expires in June 2021, consideration of wider workforce pay below Director level and the development of an updated Directors' remuneration policy, which will be put to a vote at the upcoming AGM.

In designing a plan to replace the VCP and looking at remuneration more generally we wanted to:

- ensure simplicity and clarity;
- promote alignment with the Company's purpose and values;
- promote the long-term success and strategy of the Company;
- provide meaningful incentives for our employees; and
- implement best practice.

We believe the proposed remuneration policy does this.

2020 OUTCOMES

Annual bonus

The employees, including the CEO, CFO and members of the Executive Committee, each had individual bonus objectives for 2020. The bonus award criteria relate to a series of agreed corporate and personal performance targets which are scored out of a total of 100 points. This score is then applied to a maximum bonus calculated as a percentage of total salary as outlined on [page 94](#).

The CEO was awarded a bonus of £141,400 under the bonus criteria (35% of the total potential award) and the CFO was awarded a bonus of £78,750 (31.5% of the total potential award). This represents a reduction of 52% for the CEO from 2019. The Committee did not exercise any discretion in relation to these rewards but believes that the bonuses are both appropriate based on the Company's performance during the year and proportionate having had regard to experience of the Company's broad range of stakeholders.

Long-term incentives – Value Creation Plan

The Value Creation Plan ('VCP') is a long-term incentive plan previously designed to support the Company's growth strategy by providing incentives aligned with shareholder interests. The changes made to the VCP at the 2016 AGM extended the term of the plan, and performance will be assessed in June 2021. Further details can be found in the Remuneration Policy part of this report. No further awards will be made under the VCP.

CHANGES FOR THE YEAR AHEAD

Salaries

In light of the performance of the Company, the Committee decided to leave the salaries of the CEO and CFO unchanged for 2021, subject to potentially re-visiting this after the half year, depending on performance. The rest of the Group's UK-based employees received an increase of 1%.

The Company contributes to money purchase pension arrangements on behalf of employees on a matched basis subject to an overall cap, or, in limited circumstances, allows the company contribution to be received as a cash allowance. The cap was increased by 1.5 % to 8.5% of salary for all employees (including the CFO) in 2021. The CEO currently receives a pension benefit of 11% of salary and that will be aligned with the rest of the UK-based employees by the end of 2022.

It was determined that the fees for the Chairman and the Non-Executive Directors should similarly remain unchanged for the first half of 2021. As with the CEO and CFO, this may be re-visited at the half year.

Annual Bonus

The 2021 bonus objectives for the CEO and CFO have been more closely aligned. They include the same measures for Growth, Financial Performance and ESG although with slightly different weightings (CEO Growth 50% and Financial Performance 20%, CFO Growth 40% and Financial Performance 30%) reflecting the focus the Company would like each of them to maintain. They each then have individually crafted personal/strategic performance targets (weighting of 20%) and ESG targets (weighting of 10%).

Changes to the remuneration policy

As noted above, the VCP established in 2014 expires in June 2021. It has been used to incentivise the most senior employees (including the 2 Executive Directors). The Company also had in place a more traditional market price share option plan which was used to incentivise UK-based employees.

The Committee sought views within the Company, from our newly appointed advisers, Korn Ferry, reflected on changes to the UK Corporate Governance Code and considered what would best align with business strategy.

The Committee felt that a less leveraged and more balanced approach would be more suitable in the future as it would deliver simplicity, clarity and provide a more meaningful incentive.

Long-term Incentives

We have concluded that regular annual grants of Performance Shares at the most senior level of the Company and Restricted Shares at other levels would provide better alignment with shareholders and our strategy. They would also remove much of the uncertainty of outcome due to share price volatility that market price share options and the current VCP create for our employees. The Committee is therefore proposing to establish a new long-term incentive plan (the 'PSP') in the new Directors' remuneration policy.

The LTIP will include the ability for the Committee to grant Performance Share Awards to the Executive Directors (and other senior members of the Company) at the level of up to 150% of salary per annum. This is in addition to the annual bonus plan that continues to provide a maximum limit of 100% of salary under the Policy.

The Performance Share Awards would vest after three years conditional on meeting a sliding scale of, initially at least, three equally weighted measures. The Committee has identified these measures as the most important for the successful development of the Company for at least the next three years:

- i. Total shareholder return compared to a global mining index (currently EMIX Global Mining Ex Gold and Energy Index) with threshold vesting of a quarter for meeting the index rising to full vesting for exceeding it after three years by 7% per annum.
- ii. Portfolio Contribution (as defined in **note 35** to the financial statements), with threshold vesting of a quarter for meeting the minimum target three years later rising to full vesting for exceeding a stretch target.
- iii. Adjusted Earnings Per Share (based on the definition in **note 12** to the financial statements), with threshold vesting of a quarter for meeting the minimum target three years later rising to full vesting for exceeding a stretch target.

The targets will be developed by the Committee before each annual grant is made having regard to a combination of internal plans and forecasts and market expectations. The maximum vesting level will be 100% of the initial grant made (there will be no retesting) and when awards vest, Executive Directors will be required to retain all of the shares for three years (after the sale of those needed to meet income tax due at the time).

Restricted Shares will be awarded on an annual basis to other UK-based employees who are not awarded Performance Shares. These are similarly subject to a limit of 150% of salary per annum, will vest on such dates as the Committee determines on or before the grant of the awards. It is currently intended that all Restricted Share Awards will vest on the third anniversary of grant.

Annual bonus

We are simplifying the operation of the annual bonus plan for Executives.

Instead of reserving a portion of the bonus (30% for any bonus for FY 2020 and 40% thereafter) to grant deferred shares which are then held by an employee benefit trust as part of the bonus plan for two years, Executives will be required to use the part of their cash bonus that exceeds 50% of salary to purchase and hold Company shares (deferral) for three years.

Other changes

Shareholding guidelines for the Executive Directors will require 200% of their salary to be retained in shares, continuing for the 2-year period after they have left the Board.

The clawback/malus provisions already in place for the Deferred Share Bonus Scheme will be extended to any Executive Directors' cash bonus and share deferral and the new long-term incentive arrangements (both Performance Share Plans and Restricted Shares).

We will align the Directors' pension benefit with that of the workforce by the end of 2022.

Consultation with Shareholders

In developing the revised remuneration policy referred to above, we sought the views of shareholders from an early stage. During September 2020 we wrote to our largest shareholders seeking their early thoughts on our proposals regarding the replacement policy. We had discussions with a number of them and carefully considered any views put to us. In November 2020, we reached out to all shareholders holding an interest of 1% or more in the Company not contacted in the first round, to ascertain their views. We are grateful for the support, engagement and feedback we received during the process.

LOOKING AHEAD

Anglo Pacific is committed to progressing its ambition to focus on 21st century commodities that support a more sustainable world. ESG metrics supporting this are now clearly reflected in our bonus plans for all employees. We will continue to review the structure of incentives to ensure close alignment between pay, strategy and business delivery. We will also continue, particularly as the challenges from COVID-19 continue, to look closely at incentives to ensure they afford a fair reflection of Company performance and management delivery.

Yours sincerely

V.A. DENNETT

Chair, Remuneration Committee

13 April 2021

Directors' remuneration report

continued

The remuneration report is in three parts.

The first part constitutes the 'Remuneration Policy Report' which will be subject to a binding vote at the forthcoming AGM. The main changes to the policy are: the introduction of a new long-term incentive plan; the simplification of the annual bonus plan; the introduction of post-employment shareholding requirements; the extension of clawback/malus provisions; and the alignment of pension benefits by 2022. A summary of remuneration policy changes is provided on **page 86**. If approved, the revised policy will apply until the Company's 2024 AGM.

The Remuneration Policy Report is structured in the following sections:

- A. Strategic overview and policy drivers;
- B. How the views of shareholders and employees have been taken into account;
- C. The remuneration policy for Executive Directors;
- D. Annual bonus – Choice of performance measures and approach to target-setting;
- E. Reward scenarios;
- F. Determinations to be made by and discretions available to the Committee;
- G. Differences in remuneration policy for Executive Directors compared to other employees;
- H. Approach towards appointment of new Executive Directors;
- I. Service contracts and payments for loss of office;
- J. Directors' shareholding guidelines;
- K. Non-Executive Directors; and
- L. Legacy arrangements

The second part, the Implementation Report for 2021, details the remuneration to be paid to Directors during 2021 should shareholders approve the new long-term incentive plan ('LTIP' or 'PSP') at the 2021 AGM. It is structured as follows:

- A. Salary;
- B. Pension and benefits;
- C. Annual bonus; and
- D. Long-term incentives – Performance Share Awards.

The third part, the Annual Remuneration Report for 2020, details the remuneration paid to Directors during 2020 with a comparison to the previous year. In combination with the second part above and the Chair's introductory letter it will be put to an advisory shareholder vote at the 2021 AGM. It is structured as follows:

- A. Single figure total remuneration;
- B. Annual bonus for the year ended 31 December 2020;
- C. Vesting of long-term incentive awards;
- D. Directors' shareholding and share interests;
- E. Total pension entitlements;
- F. Loss of office payments;
- G. Percentage change in the remuneration of the CEO;
- H. Total shareholder return;
- I. Total remuneration for the CEO over time;
- J. Distribution statement for 2020;
- K. External directorships;
- L. Fees for the Chairman and Non-Executive Directors;
- M. Compliance with the 2018 UK Corporate Governance Code;
- N. Statement of shareholder voting; and
- O. External advisors.

REMUNERATION POLICY REPORT

A. Strategic overview and policy drivers

The foundations for our remuneration strategy were first enumerated in the 2013 Annual Report and Accounts, and elements continue to apply today. Our strategy includes the following Company specific elements, which continue to form the backdrop to the overall remuneration strategy:

- Business development is focused on royalty acquisitions to grow and sustain the business, and so incentives including growth related criteria are important to align with Company strategy. These are captured in both the short-term and long-term incentive criteria.
- Realigning the revenues towards lighter, greener materials, which encompass environmental benefits and not making any additional investments in thermal coal. This increases our focus on investing in assets with strong ESG credentials.
- Limited comparable peer group of royalty companies, in the UK, for the purposes of benchmarking Director performance. As a result, our incentive plans continue to have a focus on absolute performance rather than performance relative to other companies. However, in developing the Performance Share Plan, which will replace the Value Creation Plan, the Committee was clear that a relative measure was needed. This was agreed as total shareholder return compared to a suitable global mining index. The Committee reviewed the indices available and having considered the Group's royalty and stream portfolio and the underlying commodities it is exposed to, concluded that the EMIX Global Mining Ex Gold and Energy Index is the most appropriate measure to assess the Group's share price (and dividend) performance in determining total shareholder returns.
- A small number of employees (11, as at 31 December 2020, of whom two are Executive Directors) all based in the UK. Employee retention is an important objective of our remuneration strategy and so having a less leveraged and more balanced incentive plan delivering simplicity, clarity and more meaningful incentives, which align with our stakeholders' interests is a key focus.

B. How the views of shareholders and employees have been taken into account

The Remuneration Committee has a policy of active engagement with shareholders on remuneration matters. In developing the revised remuneration policy being put to shareholders at the 2021 AGM, we sought the views of shareholders from an early stage. During September 2020, we wrote to our largest shareholders seeking their early thoughts on our proposals regarding the replacement policy. We had discussions with a number of them and carefully considered any views put to us. In November 2020 we reached out to all shareholders holding an interest of 1% or more in the Company not contacted in the first round, to ascertain their views.

Executive Directors were consulted on the revised remuneration policy and non-Board employees were consulted individually on the executive remuneration policy to the extent that it impacts upon the structure and level of their own pay and bonuses.

C. The remuneration policy for Executive Directors

The Directors' remuneration policy sets out the Company's remuneration policy for its Executive and Non-Executive Directors and will be put to shareholders for a binding vote at the AGM on 26 May 2021. The intention is that the revised policy, if approved, will apply until the Company's 2024 AGM.

The table below sets out the key elements of the Executive Directors' remuneration, including how each element operates, as well as the maximum opportunity and our policy in relation to the performance linkage of each element:

Element, purpose and link to strategy	Operation	Opportunity/performance measures
Salary To recruit, retain and reward Executives of a suitable calibre for the roles and duties required	Salaries are set with reference to individual performance, experience and responsibilities to reflect the market rate for the individual and their role, determined with reference to remuneration levels in companies of similar size and complexity, taking into account pay levels within the Company in general. Salaries are reviewed annually. Increases for Executive Directors will normally be in line with those for the general workforce except where there is a change of role or responsibilities or in other exceptional circumstances.	There is no prescribed maximum annual increase.
Pension and benefits To provide market competitive benefits	A Company contribution to a money purchase pension scheme, or a cash allowance in lieu of pension at the request of the individual. In addition, the main benefits currently provided are: death in service, long-term illness and private medical insurance schemes which are provided to all employees.	Pension: New Executive Director appointments will receive the same Company contribution as the wider workforce. The CEO will receive a rate of Company contribution of 11% (2019: 11%) of salary. This will be reduced on 1 January 2023 to 10% of salary when it will be aligned with the rate for the wider workforce. Death in service policy: five times salary. The maximum value of benefit overall is not predetermined and is based upon the cost to the Company.
Annual bonus To encourage and reward delivery of the Company's operational objectives for the relevant year. To ensure through the required holding of shares, that longer-term focus is encouraged and in line with shareholder interests.	For annual bonuses in respect of FY2021 and onwards, Executive Directors will be required to use that part of their cash bonus that exceeds 50% of their salary to purchase and hold shares for a three-year period. Bonus outturns are determined based on the achievement of a combination of corporate, financial and personal performance targets. Corporate and financial performance targets are agreed by the Board at the beginning of the year. Personal performance targets are agreed with the Chairman and the Committee. The Committee uses a balanced scorecard approach to assess performance against targets at the end of the year, while retaining overall discretion in the calculation of the final bonus outturn. Malus and clawback provisions apply as described below.	The maximum annual bonus opportunity is 100% of salary. The bonus earned at threshold performance is up to 25% of the maximum. Performance below threshold results in zero bonus. The annual bonus is based on a mix of financial, strategic and personal conditions and is measured over one financial year
Long-term incentives – PSP To encourage and reward the achievement of long-term sustainable shareholder returns and delivery of the Company's strategic objectives. To align Executive Director and senior management interests to shareholder interests.	If shareholders approve the PSP at the 2021 AGM then conditional awards of shares or nil-cost options will be capable of being granted annually, with a performance period and vesting period of at least three years. Any awards that vest are subject to a holding period so that the overall PSP time horizon is at least five years. Vested awards may not generally be sold during the holding period, other than to cover tax liabilities arising on vesting. Dividend equivalents (normally satisfied in shares) accrue over the vesting/holding period and are payable in respect of awards that vest. Malus and clawback provisions apply as described below.	The maximum annual PSP opportunity is 150% of salary. The Committee will review the Executive Directors' PSP award sizes annually, prior to grant, to ensure they are appropriate. For each performance element, threshold performance warrants no more than 25% vesting of the element, rising on a straight-line basis to 100% for achieving stretch targets. Performance below threshold results in zero vesting. Performance measures attached to each award should be linked to the Group's strategy and may include, but are not limited to, TSR, Portfolio Contribution, adjusted earnings per share, free cash flow and other strategic objectives.

Malus and clawback

Awards under the annual bonus (including both cash and deferred share bonus awards) and the LTIP are subject to malus provisions and clawback provisions, which may be applied during the period of two years after the date of vesting. Malus refers to the reduction, including to nil, of unvested or unpaid awards or the requirement for additional performance measures to be met for vesting of the award. Clawback refers to the recovery of paid or vested amounts.

Malus and clawback may be applied in the circumstances below, as well as in other exceptional circumstances, at the Committee's discretion.

- Material misstatement in results
- Gross misconduct
- Material failing of management resulting in material downturn in financial or operational performance or serious reputational damage
- Error in calculation
- Corporate failure

Directors' remuneration report

continued

D. Annual bonus – Choice of performance measures and approach to target setting

Annual bonuses are based on a scorecard of performance during the calendar year. The scorecard sets challenging targets for triggering bonuses, and for rewarding outperformance on a sliding scale. The scorecard will be split between corporate objectives (including financial goals) and personal objectives.

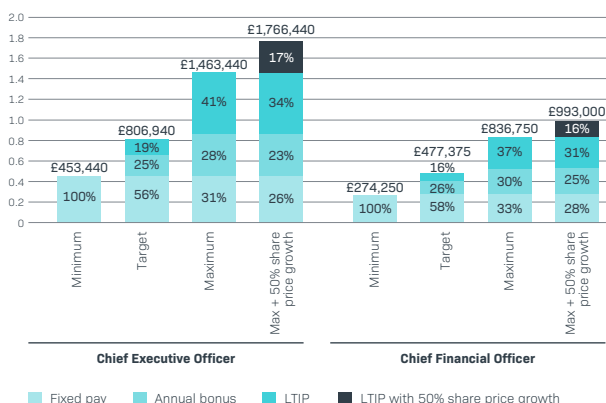
The corporate objectives are agreed by the Board at the beginning of each year, together with an assessment of the potential for outperformance and the risk of shortfall. This covers such areas as growth, business performance, finance, and ESG. This constitutes the criteria for triggering a bonus and for assessing the levels of challenge and outperformance that would warrant higher levels of bonus. The Executive Directors' personal objectives for the year are agreed at the beginning of the year by the Chairman of the Board in conjunction with the Committee. The personal objectives focus on the required contribution of the Executive Directors to the achievement of the Company's objectives for the year and on important but less measurable aspects such as leadership, building personal and team relationships.

The Executive Directors' performance against corporate and personal objectives are assessed by the Chairman and the Committee at the beginning of the following year, and bonuses are awarded on the basis of the agreed criteria.

E. Reward scenarios

The Company's policy results in a significant portion of remuneration received by the CEO and CFO being dependent on Company performance. The chart below illustrates how the total pay opportunity for the CEO and CFO varies under four different performance scenarios: minimum (fixed pay only), on-target, maximum and maximum with 50% share price growth. This chart is indicative as share price movement and dividend accrual have been excluded. All assumptions made are noted below the chart.

The minimum scenario does not include any bonus or PSP vesting and simply allows for salary, benefits and pension while a bonus award and partial PSP vesting is included in the on-target scenario. The maximum scenario includes the full vesting of the PSP and a full bonus.



Assumptions:

- Minimum = fixed pay only (salary + benefits + pension);
- On-target = fixed pay, 50% vesting of the annual bonus and 25% of the PSP awards (i.e. the value that accrues for threshold PSP performance);
- Maximum = fixed pay and 100% vesting of the annual bonus and PSP awards;
- Maximum plus 50% share price growth = fixed pay and 100% vesting of the annual bonus and PSP awards with 50% share price growth applied to the PSP awards; and
- Salary levels (on which other elements of the package are calculated) are based on those which apply from 1 January 2021. Salary for the CEO is 90% of his full-time equivalent salary.

F. Determinations to be made by and discretions available to the Committee

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee will be required to make determinations and apply certain operational discretions. These include the following:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments, including grant price (within the limits set out in the policy table above);
- determining the entitlement of participants to receive dividends or dividend equivalents;
- determining the extent, and where applicable the timing of vesting based on the assessment of performance;
- adjusting basic salaries for changes in time commitment (within the full-time equivalent levels set out in this policy);
- making the appropriate adjustments required in certain circumstances (e.g. change of control, variation of share capital including rights issues and corporate restructuring events, and special dividends);
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus and PSP from year-to-year.

If an event occurs which results in the annual bonus plan or long-term incentive performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

G. Differences in remuneration policy for Executive Directors compared to other employees

The Committee aims to ensure, over time, a proper differential between the level of the remuneration of Executive Directors and other employees, but also appropriate differences in the structure of remuneration to reflect different levels of responsibility and planning horizons of employees across the Company.

The remuneration framework of the non-Board employees was reviewed during 2020 in conjunction with the development of the revised remuneration policy and will continue to be reviewed going forward. The Committee notes the current difference between the pension contribution of the CEO at 11% and for all other staff, including the CFO who was appointed an Executive Director on 1 January 2020, at 8.5%. It has been agreed that all pension contributions will be aligned by the start of 2023 at a rate of 10%.

The main differences between the remuneration framework for the Executive Directors and other employees under the revised policy are:

- the Committee will reserve access to the Performance Share Plan to the most senior executives who have the greatest potential to influence the Company's long-term performance; and
- the Executive Directors will receive any annual bonus in cash and use that part of their bonus exceeding 50% of their salary to purchase and hold shares in the Company for three years, while other employees will receive their annual bonus partly in cash and also receive awards under the Restricted Share Plan that vest after three years.

H. Approach to appointment of new Executive Directors

The remuneration package for a new Executive Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. Currently, for an Executive Director, this would include a potential annual bonus of no more than 100% of salary. The proposed remuneration policy includes a potential annual bonus of no more than 100% of salary and an annual award under the Performance Share Plan of no more than 150% of salary.

The salary for a new Executive Director may be set below the normal market rate, with phased increases following an initial probationary period and over the first few years as the executive gains experience in their new role. The Committee may offer new appointees additional cash and/or share-based elements when it considers these to be in the best interests of the Company and its shareholders, to replace remuneration relinquished when leaving the former employer. These awards would reflect (as far as practicable) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external Executive Director appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

I. Service contracts and payments for loss of office

The Committee, together with the Nomination Committee, reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

The current service contracts contain provision for early termination. A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing company terminates the employment of an Executive Director in other circumstances, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits (including pension) which would have been received during the period. Payments in lieu of notice are not pensionable. The service contracts of Mr. Treger and Mr. Flynn provide for a six-month notice period and an additional termination payment equivalent to six months' basic salary. In the event of a change of control of the Company there is no enhancement to contractual terms. The service contracts of the Executive Directors are available for inspection at the Company's registered office.

In summary, the contractual provisions for Executive Directors are as follows:

Provision	Detailed terms
Notice period	One year or less.
Termination payment	Basic salary plus benefits (including pension), paid monthly and subject to mitigation. In addition, any statutory entitlements or sums to settle or compromise claims in connection with the termination would be paid as necessary. Additional termination payment to bring the total payment to the equivalent of 12 months' basic salary.
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below). In all cases performance targets would apply.
Change of control	There are no enhanced terms in relation to a change of control.

Directors' remuneration report

continued

Any share-based entitlements granted to an Executive Director under the VCP and the Performance Share Plan will be determined based on the plan rules. The default treatment is that any outstanding unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, the unvested awards remain subject to performance conditions (measured over the original time period) and are reduced pro-rata in size to reflect the proportion of the performance period actually served. The Committee has the discretion to disapply time pro-rating if it considers it appropriate to do so. In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

Share-based awards granted to an Executive Director in respect of a deferred bonus will generally vest in full in accordance with the plan's award timetable where cessation of employment is due to death, ill-health, injury or disability (evidenced to the satisfaction of the Committee) or in circumstances where the Committee determines that 'good leaver' status should be applied. The Committee retains discretion in exceptional circumstances to allow awards to vest at the date of cessation.

Where an Executive Director ceases to be employed in circumstances where they are not a 'good leaver', share based awards granted in respect of the deferred share bonus plan, VCP and the Performance Share Plan will lapse whether vested or unvested.

J. Directors' shareholding guidelines

Executive Directors are required to build and retain a shareholding in the Company of at least 200% of their salary. In compliance with the UK Corporate Governance Code there is also a requirement that they retain shares after they have ceased to be an Executive Director. The details of these requirements are determined from time-to-time by the Committee, with the current requirements set out on [page 96](#).

K. Non-Executive Directors

The Company aims to attract and retain a high-calibre Non-Executive Chairman and Non-Executive Directors by offering a market competitive fee level.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

The Committee's specific policy is as follows:

Element, purpose and link to strategy	Operation	Maximum
Board fees Attract, retain and fairly reward high-calibre individuals	<p>Fees are currently paid in cash. Non-Executive Directors are not eligible to participate in the Company's annual performance related incentive schemes, share incentive schemes or pension scheme.</p> <p>The Chairman is paid a single fee for all his responsibilities. The Non-Executive Directors are paid a basic fee. Additional fees are paid to Chairs and members of the main Board Committees and to the SID to reflect their extra responsibilities. The Chairman and the Non-Executive Directors are entitled to reimbursement of reasonable expenses. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.</p> <p>Fees are reviewed by the Board taking into account individual responsibilities, factors such as Committee Chairmanships, time commitment, other pay increases being made to employees in the Company, and fees payable for the equivalent role in comparable companies.</p> <p>Normally fees are reviewed every two years and fee increases are generally effective from 1 January in the year of review.</p> <p>The Board may adjust the fees for an individual Non-Executive Director during the intervening period if there is a significant change in their responsibilities and/or time commitments.</p>	<p>Current fee levels are set out in the Annual Report on Remuneration.</p> <p>Overall fee limit will be within the £600,000 limit set out in the Company's Articles of Association.</p>

Mr. Meier, Mr. Dacomb, Ms. Dennett, Mr. Rutherford and Mr. Stan were appointed for an initial three-year term, renewable at the Board's discretion for up to two further three-year periods thereafter and the Board intends that all future Non-Executive Directors' appointments will be on similar terms. None of the letters of appointment have provisions that relate to a change of control of the Company.

The details of the Non-Executive Directors' letters of appointment are as follows:

Non-Executive	Date of appointment	Notice period
N.P.H. Meier	30 April 2015	One month
R.G. Dacomb	1 November 2019	One month
V.A. Dennett	1 November 2018	One month
J.E. Rutherford	1 November 2019	One month
R.H. Stan	19 February 2014	One month

L. Legacy arrangements

In approving this Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or vesting of awards under legacy share schemes including the VCP) that have been disclosed to shareholders in this and previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Remuneration Report as they arise.

IMPLEMENTATION REPORT FOR 2021

This part of the report details the remuneration to be paid to Directors during 2021 should the Performance Share Plan be approved at the 2021 AGM.

A. Salary

The salaries for Executive Directors are unchanged for 2021, subject to potential review following the release of the interim financial statement. The Company's UK employees received a 1% increase in salary for 2021.

With effect from 1 January 2021, the salaries for the Executive Directors remain:

- Mr. Treger – £448,888
- Mr. Flynn – £250,000

B. Pension and benefits

The pension contributions for the CEO and CFO for 2021 will be 11% and 8.5% of base salary respectively, with the CFO's contribution aligned with the wider workforce.

No changes to the other benefits operated for 2021.

C. Annual bonus

The maximum annual bonus opportunity for each of the Executive Directors remains at 100% of salary.

The performance measures for the 2021 award will be as follows:

- Growth** (50% CEO/40% CFO weighting) – diversification of the Group's royalty portfolio, growth and replacing the Kestrel income source

- ESG measures** (10% weighting) – transition from reliance on coal and continue application of stringent ESG due diligence on acquisitions
- Financial measures** (20% CEO/30% CFO weighting) – performance against budget for portfolio contribution, adjusted earnings per share and free cash flow
- Personal measures** (20% weighting) – individually tailored objectives to motivate the execution of the Group's strategy.

D. Long-term incentives – Performance Share Plan (PSP)

Grant to the CEO of 150% of salary and to the CFO of 125% of salary.

The performance measures for the 2021 PSP awards which will be equally weighted are as follows:

- TSR vs EMIX Global Mining Ex Gold and Energy Index** – 25% vesting for TSR equal to index; 100% for index performance + 7% per annum
- Portfolio Contribution** – 25% vesting for achieving threshold; 100% for achieving stretch
- Adjusted earnings per share** – 25% vesting for achieving threshold; 100% for achieving stretch

The targets that the Committee intends to set for awards to be granted in 2021 are:

- Portfolio Contribution:** US\$53.2m to US\$80.9m
- Adjusted earnings per share:** 11p to 15p

ANNUAL REMUNERATION REPORT FOR 2020

This part of the report details the remuneration paid to Directors during 2020 with a comparison to the previous year.

Audited information

Elements of this section of the report have been audited. The areas of the report subject to audit are indicated in the headings.

A. Single figure for total remuneration (audited)

		Salary/fees £'000	Benefits £'000	Total bonus £'000	Pension £'000	Other £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive Directors									
J.A. Treger ¹	2020	404	5	141	44	–	594	453	141
	2019	396	5	293	43	–	737	444	293
K. Flynn ²	2020	250	3	79	17	99 ⁶	448	270	178
	2019	–	–	–	–	–	–	–	–
Non-Executive Directors									
N.P.H. Meier	2020	125	–	–	–	–	125	–	–
	2019	125	–	–	–	–	125	–	–
W.M. Blyth ³	2020	25	–	–	–	–	25	–	–
	2019	62	–	–	–	–	62	–	–
R.G. Dacomb ⁴	2020	52	–	–	–	–	52	–	–
	2019	8	–	–	–	–	8	–	–
V.A. Dennett	2020	52	–	–	–	–	52	–	–
	2019	48	–	–	–	–	48	–	–
J.E. Rutherford ⁵	2020	63	–	–	–	–	63	–	–
	2019	8	–	–	–	–	8	–	–
R.H. Stan	2020	48	–	–	–	–	48	–	–
	2019	48	–	–	–	–	48	–	–

¹ J.A. Treger agreed to receive 90% of his contractual salary for both 2019 and 2020 as outlined in section K below.

² K. Flynn was appointed to the Board on 1 January 2020.

³ W.M. Blyth retired from the Board on 27 May 2020.

⁴ R.G. Dacomb was appointed to the Board on 1 November 2019.

⁵ J.E. Rutherford was appointed to the Board on 1 November 2019.

⁶ Other remuneration for K. Flynn consists of £5k paid under the Company's annual leave buyback programme which is available to all employees, and £94K in unrealised gains on the vesting of awards under the Company's USOP. The USOP options had no performance target and were granted on 12 April 2017, before Mr. Flynn became an Executive Director, with an exercise price of 88.01p on 12 April 2017 and vested on 13 April 2020 when the share price was 135p. The unrealised gain of £94K on vesting was all the result of share price appreciation from the date of grant. The vested options remain unexercised.

Directors' remuneration report

continued

B. Annual bonus for the year ending 31 December 2020 (audited)

A set of individually crafted corporate and personal bonus criteria were agreed with the Executive Directors for the 2020 financial year which took into account the evolving corporate and financial priorities of the Group. Many of the bonus criteria are referenced to the achievement of hurdle performance that is either 'superior' or 'exceptional'. No bonus is earned for 'poor' or merely 'adequate' performance.

Discretion

Incentives are designed to ensure they drive appropriate short and long term behaviours and it is the Committee's general preference to avoid making any adjustments. The Committee did not make any discretionary adjustments to the 2020 bonus outcomes.

The bonus matrices for the Executives Directors for 2020 are detailed below.

2020 CEO Scorecard

	Criteria	Maximum award (%)	Actual outcome (%)
Corporate performance criteria	A. Growth	45	10
	Measures for assessment included:		
	<ul style="list-style-type: none"> Acquisition (actually completed and announced) of new value adding producing and/or near producing royalties. Significant value adding M&A deal to grow the size of the company Achieve meaningful re-rating 		
	B. ESG	15	6
	Measures for assessment include:		
	<ul style="list-style-type: none"> Implementation of ESG policy and enhanced due diligence process for new investments. Enhancing visibility of ESG matters relating to the existing portfolio Continuous improvement to the Company's ESG position 		
	C. Financial Performance	15	-
	Measures for assessment included:		
	<ul style="list-style-type: none"> Meet and exceed budget for net income, AEPS and FCF 		
	D. Management and Control	13	10
Personal performance criteria	Measures for assessment included:		
	<ul style="list-style-type: none"> Superior performance by whole team Risk management and financial control 		
	E. Professionalism and holistic contribution	12	9
	<ul style="list-style-type: none"> Leadership and direction Team development and succession planning Setting culture Personal contribution 		
	Total	100	35

Growth: The Group made a further investment into LIORC during the first quarter which made it, at that stage, the second largest royalty related asset by contribution and also participated in the Brazilian Nickel equity placing to fund the further development of the Piauí nickel project over which the Group holds a 1.3% NSR. It also entered into a conditional financing arrangement with Incoa Performance Minerals LLC, providing the Group with the opportunity to invest US\$20.0m into a calcium carbonate project. A significant focus of the Group in the later part of 2020 was the acquisition of the Voisey's Bay cobalt stream which completed after the year end, and therefore did not contribute to the 2020 bonus scorecard. The activities resulted in a total overall score of growth of 10%.

ESG: The Group has further defined and refined its approach to ESG issues, resulting in increased engagement with our existing operators and a comprehensive assessment of the ESG profile of potential counterparties. The CEO oversaw the adherence to the Group's strict ESG criteria when assessing investment opportunities throughout the year, which led to some opportunities being dismissed. The Company also committed to no further thermal coal investments. Total overall score of 6%.

Financial Performance: These targets were not met and as a result, there was no bonus award for financial performance.

Management and Control: The CEO led the Group's response to the challenges of remote working as a result of COVID-19. Through his leadership, the entire team adapted quickly to this new normal and continued to collaborate successfully to manage the business effectively and continue to assess, pursue and complete

opportunities throughout the year. The CEO also maintained focus on the Group's risk profile, ensuring the emerging risks as a result of COVID-19 were identified and, where possible effectively managed. Cost control was also a particular focus, given the decline in the Group's revenue. Total overall score of 10%.

Professionalism and holistic contribution: The CEO played a key role in determining the strategy to take advantage of the strong rebound in the price of iron ore to sell LIORC (which started in 2020) and in selling part of the Group's interest in Berkeley Energia, the proceeds from which were used to fund the share buyback. He continued to progress the Group's strategy, by identifying investment opportunities such as Voisey's Bay and Incoa which will help replace the Group's Kestrel royalty income and reduce the exposure to coal. The CEO led the Group's engagement with stakeholders, including with peers through the development of a royalty and streaming council. The development and retention of the Group's talent continues to be a priority of the CEO, with certain members of Executive Committee undertaking 360-degree reviews and executive development coaching. Overall score of 9%.

Bonus outturn: The overall bonus score was agreed at 35% under the bonus scoring matrix for a total award of £141,400 (35% x £448,888 x 90%). The overall aggregate bonus of £141,000 bonus falls within the 100% bonus limit set out in the policy table. Of this bonus, 30% (£42,420) has been deferred under the Deferred Share Bonus Plan with the balance of £98,980 being paid in cash. The Committee assessed that the level of bonus was reflective of the performance in the year and the more than halving from the prior year was also appropriate.

2020 CFO Scorecard

Criteria		Maximum award (%)	Actual outcome (%)
Corporate performance criteria	A. Growth	30	6.5
	Measures for assessment included:		
	<ul style="list-style-type: none"> Acquisition (actually completed and announced) of new value adding producing and/or near producing royalties Significant value adding M&A deal to grow the size of the company Achieve meaningful re-rating 		
	B. Financial Performance	35	5
	Measures for assessment included:		
	<ul style="list-style-type: none"> Meet and exceed budget for net income, AEPS and FCF Securing funding solutions for acquisitions 		
Personal performance criteria	C. Financial Control	15	8
	Measures for assessment included:		
	<ul style="list-style-type: none"> Effective management of foreign exchange exposure Effective management of overheads 		
	D. Management and Control	10	4
	Measures for assessment included:		
	<ul style="list-style-type: none"> Superior performance by whole team Risk management and financial control 		
Personal performance criteria	E. Professionalism and holistic contribution	10	8
	<ul style="list-style-type: none"> Leadership and direction Team development and succession planning Setting culture Personal contribution 		
Total		100	31.5

Growth: The CFO was assessed on the same basis as the CEO above for an overall bonus score of 6.5%.

Financial Performance: The financial targets were not met so there was no bonus award for these measures. The CFO however secured further financing flexibility through the successful negotiation of the US\$30m upsize of the Group's committed borrowing facility and the retention of a US\$30m accordion in the early part of the year. Total overall score of 5%.

Financial Control: The CFO actively managed the Group's overheads throughout 2020, resulting in overheads for the year being below budget. A bonus score of 4% was awarded for cost control. The Group's foreign exchange exposure was effectively managed throughout the year, with forward exchange contracts generating a gain. In addition, a number of the Group's legacy mining and exploration interests were successfully monetised, resulting in an overall bonus score for financial control of 8%.

Management and Control: The finance team continued to develop under the leadership of the CFO, with a number of internal promotions, in line with the Group's succession planning. In addition, the CFO led a review of the Group's internal processes following the move to remote working due to COVID-19, ensuring the Group's risk management and control environment remained robust. An overall bonus score of 4%.

Professionalism and holistic contribution: The CFO oversaw the formalisation of the Group's human resources function, together with the development of the new employee compensation plan. The CFO has engaged extensively with all of the Group's stakeholders throughout the pandemic, in particular the Group's lenders and external auditors. An overall bonus score of 8%.

Bonus outturn: The overall bonus score was agreed at 31.5% under the bonus scoring matrix for a total award of £78,750 (31.5% x £250,000). The overall aggregate bonus of £78,750 bonus falls within the 100% bonus limit set out in the policy table. Of this bonus, 30% (£23,625) has been deferred under the Deferred Share Bonus Plan with the balance of £55,125 being paid in cash.

C. Vesting of long-term incentive awards (audited)

In May 2020, options granted over 300,000 shares awarded to the CFO in May 2017 under the USOP with a weighted average exercise price of 84.05p vested. These awards remain unexercised at the date of this report.

Long-term incentive awards made during the year

There were no awards granted to Executive Directors under any of the Company's share plans in 2020.

The CEO's allocation of units under the VCP out of the pool to Executive Directors has remained constant at 76,000 units or 76% of the total number of units (2019: 76,000 units). The allocation of units to the CFO has also remained constant at 6,000 units or 6% of the total number of units (2019: 6,000 units). As at the date of this report there are a total of 86,867 units issued out of a total pool of 100,000 units, including the awards for non-Board senior managers (2019: 86,867 units).

Full details of the VCP's operation are contained in last year's Directors' Remuneration Report. If the end of the performance period were to be the date of the signing of this report then there would be zero value in the VCP awards.

Unvested share options

The CFO has an option granted over 3,054 shares outstanding under the Group's CSOP. This option was granted in May 2018 and has an exercise price of 163.7p, together with a performance condition of TSR having to exceed the percentage increase in RPI + 9%. The performance period for these options ends on 13 May 2021. If the end of the performance period were to be the date of the signing of this report, then there would be zero value in the CSOP option as the performance condition would not be satisfied.

There are currently no other awards to Executive Directors outstanding under the CSOP or the USOP.

Directors' remuneration report

continued

D. Directors' shareholding and share interests (audited)

Within five years of appointment, Executive Directors are expected to hold shares in the Company with a value of two times basic salary. The Committee will take into consideration these in-post guidelines when making grants under the Company's various incentive plans.

In order to provide further long-term alignment with shareholders, and in line with the UK Corporate Governance Code, Executive Directors will normally be expected to maintain a holding of Company shares for a period after their employment. Executive Directors will normally be required to continue to hold the lower

of the in-post requirement at the time of cessation and the actual shareholding at cessation. The requirement applies for a two-year period post-termination, and applies to all share awards under the Deferred Share Bonus Plan, VCP and the proposed Performance Share Plan.

The Chairman and Non-Executive Directors are also encouraged to hold shares in the Company although the Chairman and independent Non-Executive Directors are expected to ensure that the level of their individual shareholdings is not significant and thereby call into question their continuing independence.

Details of the Directors' interests in shares are shown in the table below.

	Beneficially owned at 31 March 2021	Beneficially owned at 31 December 2020	Not subject to performance conditions		Subject to performance conditions	
			Share options	Deferred bonus shares	Share options	Deferred bonus shares
Executive Directors						
J.A. Treger	4,739,951	4,609,607	–	33,976	–	–
K. Flynn	79,306	62,406	300,000 ¹	16,835	3,054 ²	–
Non-Executive Directors						
N.P.H. Meier	337,006	280,839	–	–	–	–
R.G. Dacomb	94,063	55,000	–	–	–	–
V.A. Dennett	18,400	10,000	–	–	–	–
J.E. Rutherford	118,593	50,000	–	–	–	–
R.H. Stan	318,531	298,531	–	–	–	–

¹ The exercise price of the vested share options is 84.05p per share.

² The exercise price of the unvested share options which are subject to a performance condition is 167.37p per share.

None of the Directors hold their shares in hedging arrangements or as collateral for loans. Such an arrangement would require the express permission of the Board.

E. Total pension entitlements (audited)

The Company makes contributions to employees' pensions and has designated the National Employment Savings Trust (NEST) as its stakeholder pension provider. The Committee may pay a cash allowance in lieu of part or all of a Director's pension contribution.

F. Loss of office payments (audited)

There were no loss of office payments made to Directors in 2020 (2019: nil).

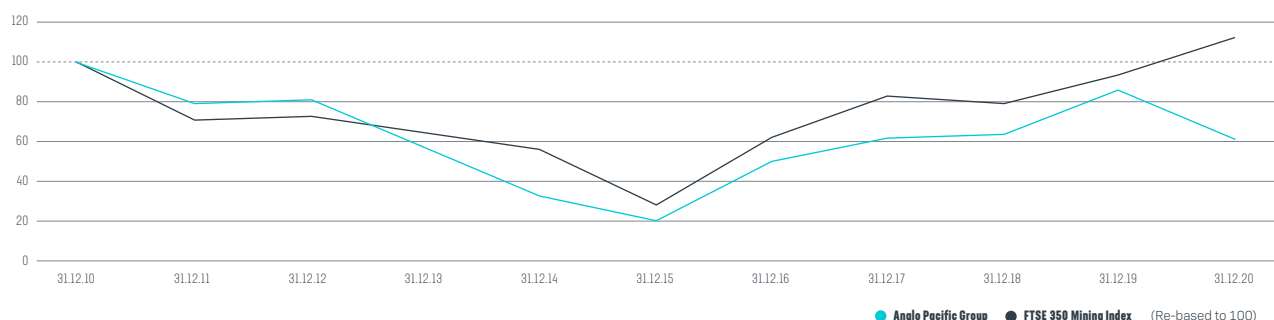
G. Change in the CEO's remuneration in 2020 relative to UK employees

	2020	2019	% change
CEO £'000			
Salary (full time equivalent basis)	449	440	2%
Benefits	44	43	2%
Bonus	141	293	(52%)
Average per employee £'000			
Salary	112	114	(2%)
Benefits	7	9	(22%)
Bonus	36	65	(45%)

The table above shows the movement in the salary, benefits and annual bonus for the CEO between the current and previous financial year compared to that for the average UK employee. The Committee has chosen this comparator and it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill. For the benefits and bonus per employee, this is based on those employees eligible to participate in such schemes.

H. Total shareholder return

FTSE 350 Mining Index vs. Anglo Pacific Group 2011-2021



The performance of the Company's ordinary shares compared with the FTSE 350 Mining Index for the ten-year period ended on 31 December 2020 is shown in the graph opposite. The Committee believes that this index is the most appropriate over this period as it is included as part of the VCP performance targets. Both have been re-based at the start of the period in order to provide a graphical measure of comparative performance.

The middle-market price of an ordinary share on 31 December 2020 was 127.8p. During the year the share price ranged from a low of 99.6p to a high of 191p.

I. Total remuneration for the CEO over time

	2011	2012	2013	2013	2014	2015	2016	2017	2018	2019	2020
	J. Theobald			J.A. Treger ¹							
Total remuneration (£'000)	253	209	193 ²	39	432	374	563	655	696	737	594
Bonus outturn (%)	37%	–	–	–	64%	–	47%	71%	72%	74%	35%
Bonus (£'000)	84	–	–	–	160	–	167	257	274	293	141
LTIP vesting (%)	–	–	–	–	–	–	–	–	–	–	–

¹ J.A. Treger was appointed CEO on 21 October 2013.

² J. Theobald also received £63,333 as payment in lieu of notice, £95,000 termination payment (paid in January 2014) and £2,400 for legal advice.

The table above shows the total remuneration for the CEO during each of the financial years. The total remuneration figure includes the annual bonus. No LTIP awards vested. The bonus outturn percentage is expressed as a percentage of the cap, where applicable, for the period in question.

J. Distribution statement for 2020

The table below sets out the total expenditure on employee reward over 2020, compared to

	2020 £m	2019 £m	% (decrease)/ increase
Employee benefit expense ¹	3.44	4.40	(21.8%)
Dividends	16.71	14.44	15.7%
Acquisition of royalty related assets ²	7.44	62.57	(88.1%)
Income taxes paid ³	11.00	7.85	40.1%

¹ Employee benefit expense for the financial year as per **note 7a** to the financial statements.

² Acquisition of royalty related assets during the financial year is the sum of the cash flows for the purchase of mining and exploration interests and the purchase of royalty financial instruments per the Group's statement of cash flows. In 2019, it also included the cash flows for the purchase of royalty and exploration intangibles.

³ Income taxes paid are as per the Group's statement of cash flows.

K. External directorships

Mr. Treger holds external non-executive directorships with Mantos Copper S.A., EBT Digital Communications Retail Group, Broadwell Capital and Ilari Exploration OY for which he earned fees during the year. These directorships do not affect Mr. Treger's ability to perform his role as CEO of the Company, as these directorships form part of his 10%-time commitment aside from Anglo Pacific (see 'The Board' section of the Governance Report). As a result, Mr. Treger is paid 90% of his full-time equivalent salary of £448,888.

Directors' remuneration report

continued

L. Fees for the Chairman and Non-Executive Directors (audited)

As detailed in the remuneration policy, the Company's approach to setting Non-Executive Directors' remuneration is with reference to market levels in similar companies, levels of responsibility and time commitments. A summary of current fees is as follows:

	2021	2020	% Increase
Chairman	125,000	125,000	–
Committee member	48,000	48,000	–
Base fee	42,000	42,000	–
Increment			
Senior Independent Director	10,000	10,000	–
Committee Chairmanship	7,000	7,000	–
Committee membership	6,000	6,000	–

The fees for the Chairman and Non-Executive Directors were last reviewed and set with effect from 1 January 2019. The fees for 2021 are subject to potential review following the release of the interim financial statement.

M. Compliance with the 2018 UK Corporate Governance Code

As described in the Corporate Governance Report on **page 72**, while the Company is not subject to the UK Corporate Governance Code on account of its standard listing on the London Stock Exchange, the Company has voluntarily agreed to adhere to the requirements of the Code.

The Company's proposed remuneration policy, to be approved at the 2021 AGM, complies with provisions 32 to 40 of the Code relating to remuneration.

N. Statement of shareholder voting

At last year's AGM held on 27 May 2020, the resolution relating to the Directors' remuneration report was approved by shareholders on a show of hands. Details of the valid proxy votes received for resolution are shown below:

	Total votes cast	Votes for	Votes against	Votes withheld ¹
Resolution				
Approval of Directors' remuneration report	93,298,271	93,273,541	24,730	69,096
		99.97%	0.03%	

The Directors' remuneration policy was last put to shareholders at the AGM held on 13 May 2019, where it was approved by shareholders on a show of hands. Details of the valid proxy votes received for resolution are detailed below:

	Total votes cast	Votes for	Votes against	Votes withheld ^(a)
Resolution				
Approval of the Directors' remuneration policy	92,341,747	85,237,760	7,103,987	1,025,620
		92.31%	7.69%	

¹ A vote 'withheld' is not a vote in law, and is not counted in the calculation of the proportion of votes for and against the resolution.

O. External advisors

The Remuneration Committee has access to the advice of independent remuneration consultants when required. In February 2020, Korn Ferry were appointed as external advisors to the Committee. Korn Ferry provided support and advice on the development of the new remuneration policy, as well as information on market trends and developments. In addition, Korn Ferry provided specialist valuation services. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has no other connection with the Company or any of the Directors. The Remuneration Committee is satisfied that the advice that it receives from Korn Ferry is objective and independent. Total fees paid to Korn Ferry in respect of its services were £45,096.

Prior to the appointment of Korn Ferry, Aon plc were external advisors to the Committee, and were paid fees in respect of their services in 2020 of £12,390 (2019: £25,412).

Approval

This report was approved by the Board on 13 April 2021 and signed on its behalf by

V. A. Dennett

Chair of the Remuneration Committee

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group's principal royalty activities are set out in the Strategic Report on [pages 2 to 71](#).

GOING CONCERN

The financial position of the Group and its cash flows are set out on [pages 68 to 71](#). The Directors have considered the principal risks of the Group which are set out on [pages 28 to 38](#), and the key sensitivities which could impact the level of available borrowings. As at 31 December 2020, the Group had cash and cash equivalents of £20.2m, as set out in [note 23](#), and borrowings under its revolving credit facility of £44.5m, as set out in [note 25](#).

Subsequent to year end, the Group repaid and cancelled its existing facility before entering into a new US\$180.0m revolving credit facility in conjunction with the acquisition of the Voisey's Bay cobalt stream. The new facility stepped down to US\$150.0m following a successful equity placing and retail offer ([note 37](#)). On completion of the acquisition, the Group had drawn US\$123.5m (£89.4m) of the facility and retained access to a further US\$26.5m (£19.2m) subject to continued covenant compliance.

The Directors considered the Group's cash flow forecasts for the period to the end of April 2022 under base and downside scenarios, with consideration given to the uncertainty of the impact of the COVID-19 pandemic on both the wider macro-economic environment, 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, the Group continues to operate comfortably within its banking covenant limits with no debt redemption or amortisation commitments within the 12-month period from the date of approval of these consolidated financial statements.

The Board is satisfied that the Group's forecasts and projections, taking account of 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 level of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

RESULTS AND DIVIDENDS

The consolidated income statement is set out on [page 109](#) of the financial statements.

The Group reported a loss after tax of £18.6m (2019: profit £29.0m).

Total dividends for 2020 will amount to 9.00p per share (2019: 9.00p per share), combining the recommended final dividend of 3.75p per share for the year ended 31 December 2020 with the interim dividends of 1.75p per share paid on 14 August 2020, 13 November 2020 and 17 February 2021. The final dividend for the year ended 31 December 2020 is subject to shareholder approval at the 2021 AGM. The Board proposes to pay the final dividend on 18 August 2021 to shareholders on the Company's share register at the close of business on 9 July 2021. The shares will be quoted ex-dividend on the London and Toronto Stock Exchanges on 8 July 2021.

OUTLOOK

The outlook for and likely future developments of the Group are described within the Chairman's Statement on [pages 8 to 11](#), together with the Chief Executive Officer's Statement on [pages 12 to 15](#), and the Group's Strategic Report on [pages 18 to 71](#).

DIRECTORS

The names of the Directors in office on the date of approval of these financial statements, together with their biographical details and other information, are shown on [pages 72 to 78](#).

All Directors will stand for election or re-election at the 2021 AGM.

A table of Directors' attendance at Board and Committee meetings during 2020 is on [page 76](#).

DIRECTORS' DISCLOSURES

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. At the next AGM, all of the Company's Directors will be offering themselves for election or re-election.

The Directors may exercise all the powers of the Company, subject to applicable legislation and regulation and the Company's Articles of Association. The Company's Articles of Association may be amended by special resolution of the shareholders. At the 2020 AGM, held on 27 May 2020, the Directors were given the power to issue new shares up to an aggregate nominal amount of £1,209,803. This power will expire at the earlier of the conclusion of the 2021 AGM or 30 June 2021. Further, the Directors were given the power to make market purchases of ordinary shares up to a maximum number of 18,147,039. This power will expire at the earlier of the conclusion of the 2021 AGM or 30 June 2021.

At the AGM held on 27 May 2020, the Directors were given the power to allot equity shares or sell treasury shares for cash other than pro-rata to existing shareholders. This power was limited to 5% of the Company's issued ordinary share capital (other than in connection with a rights issue or other similar issue) and will expire at the earlier of the conclusion of the 2021 AGM or 30 June 2021.

The Group maintains insurance for its Directors and officers against certain liabilities in relation to the Group. The Group has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006.

POLITICAL DONATIONS

No political donations were made during 2020. Anglo Pacific Group has an established policy of not making donations to, or incurring expenses for the benefit of, any political party in any part of the world, including any political party or political organisation as defined in the Political Parties, Elections and Referendums Act 2000.

OUR GREENHOUSE GAS EMISSIONS

Anglo Pacific is a small organisation, with nine employees and two Executive Directors, which means that any emission sources within its operational and financial control, such as business travel, purchase of electricity, heat or cooling by the Group, are limited. Management of the operations underlying the Group's royalty and stream portfolio is outside its control. During the year ended 31 December 2020, the Group consumed less than 40,000Kwh of energy (2019: <40,000Kwh) and is therefore exempt from reporting under the UK Government's Streamlined Energy and Reporting Statutory Instrument: 2018/1155.

CAPITAL STRUCTURE

The structure of the Company's ordinary share capital at 20 March 2020 was as follows:

	Issued no.	Nominal value per share	Total	% of total capital
Ordinary shares	213,672,200	0.02	4,273,444	100%

CHANGE OF CONTROL

A number of agreements terminate upon a change of control of the Company, such as certain commercial contracts and the revolving credit facility. None of these are considered significant in terms of the business as a whole. There is no change of control provision in any of the Directors' contracts.

RIGHTS AND OBLIGATIONS

Dividends

The £0.02 ordinary shares carry the right to dividends determined at the discretion of the Board.

Directors' report

continued

Voting rights

The £0.02 ordinary shares carry the right to one vote per share.

Restrictions on transfer of holdings

There are no specific restrictions on the size of a holding nor on the transfer of the Company's shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. There are no known agreements between any of the Company's shareholders that may result in restrictions on the transfer of shares or voting rights.

Special control rights

The Company's ordinary shares are subject to transfer restrictions and forced transfer provisions that are intended to prevent, among other things, the assets of the Company from being deemed to be 'plan assets' under US Employment Retirement Income Security Act of 1974 (ERISA). For more information refer to the important notices section.

Employee share schemes

Details of employee share schemes are set out on **page 89** and in **note 29** to the financial statements.

Treasury

The Company holds 444,726 £0.02 ordinary shares in its employee benefit trust for the purposes of settling the Group's share-based compensation plans, as described in **note 28**. In addition, the Company holds a further 4,329,703 £0.02 ordinary shares in treasury following the share buyback in 2020, as described in **note 29**.

Allotment of ordinary shares

On 18 May 2020, the Company issued 288,327 new ordinary shares at a price of 126p per share amounting to an aggregate nominal value of £5,767 and aggregate consideration of £363,494 following the exercise of options awarded to employees under the USOP. Further details are set out in **notes 28 and 29** to the financial statements.

On 24 February 2021, the Company issued 33,664,371 new ordinary shares at a price of 128p per share amounting to an aggregate nominal value of £673,287 and aggregate consideration of £43,090,395 as part of a placing announced on 24 February 2021. In addition, the Company issued 2,687,372 new ordinary shares at a price of 128p per share amounting to an aggregated nominal value of £53,747 and aggregate consideration of £3,439,836 as part of a retail offer made on the PrimaryBid platform announced on 24 February 2021. The issue price for both the place and retail offer was fixed on 24 February 2021 and represented a discount of approximately 6% to the closing middle market price on the London Stock Exchange of 136p per share on 23 February 2021. The net proceeds were used as part of the funding solution for the acquisition of the Voisey's Bay cobalt stream which completed on 12 March 2021, further details of which are set out in **note 37**.

There were no allotments of ordinary shares during the year ended 31 December 2019.

As a result of the preceding issuances, the Company has issued 36,351,743 new ordinary shares (other than as part of a pre-emptive offer) in the 12 months preceding the date of this Annual Report, representing approximately 17% of the Company's share capital as at the date of this Annual Report and Accounts.

Purchase of own shares

At the AGM held on 27 May 2020, authority was given for the Company to purchase, in the market, up to 18,147,039 ordinary shares. This authority will expire at the 2021 AGM and, in accordance with usual practice, a resolution to renew it for another year will be proposed.

On 25 September 2020, the Company announced its intention to return up to £5.0m to shareholders through an on-market irrevocable and non-discretionary share buyback programme. Between 25 September 2020 and 6 November 2020, the Company completed the share buyback programme and repurchased in aggregate 4,629,703 ordinary shares for

a total consideration of £5.0m, at a volume weighted average price of 107.97p per share. This additional return to shareholders was funded through the monetisation of the Company's non-core mining and exploration interests. The repurchased shares are held in treasury.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified of the following interests of 3% or more in the share capital of the Company as at 13 April 2021.

	Ordinary shares of 2p each	Representing
Schroder Investment Management	15,974,959	7.48%
Aberforth Partners	22,068,452	10.34%
Canaccord Genuity Wealth Management	11,077,308	6.12%
AXA Investment Managers	12,406,615	5.81%
Ransome's Dock Limited	7,489,360	3.51%

See **page 96** for a list of Directors' interests in shares.

Internal controls

The Directors confirm that there have been no significant changes to the system of internal controls, nor have there been any significant breaches reported during the year. As a result, the Board has concluded that the controls and procedures are adequate.

Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that such audit information has been communicated to the auditors.

Other statutory and regulatory information

Information in relation to the Group's payment policy can be found in **note 27** and a statement on going concern is provided in **note 3.1.1**.

Auditors

Deloitte LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to appoint auditors will be proposed at the 2021 AGM.

Designated Foreign Issuer status

The Company continues to be listed on the TSX and to be a 'reporting issuer' in the Province of Ontario, Canada. The Company also continues to be a 'designated foreign issuer', as defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers of the Canadian Securities Administrators. As such, the Company is not subject to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian ongoing reporting requirements if it complies with the UK Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (United Kingdom), as amended from time to time, and the applicable laws of England and Wales (the 'UK Rules') and files on its SEDAR profile at www.sedar.com any documents required to be filed or furnished pursuant to the UK Rules.

By Order of the Board

J. Gray

Company Secretary
13 April 2021

REGISTERED OFFICE

1 Savile Row
London W1S 3JR

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the Group and parent company financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 required that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors who were in office at the date of this statement confirm that:

- so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website, www.anglo-pacificgroup.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board

N.P.H. Meier
Chairman

13 April 2021

Independent auditor's report to the members of Anglo Pacific Group PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of Anglo Pacific Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related *notes 1 to 38*.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> Valuation of the Kestrel royalties; Impairment assessment of the royalty intangibles portfolio; Uncertain tax positions; and Going concern.
Materiality	The materiality that we used for the group financial statements was £3.3m, which was determined on the basis of considering a number of different measures including net assets, total assets, and adjusted profit before tax.
Scoping	Consistent with the way the group is centrally managed from the UK office, we consider the group to be one component. Consequently, all assets, liabilities, income and expenses are subject to a full scope audit.
Significant changes in our approach	Due to COVID-19 having less impact on the group's operations in 2020 than was potentially anticipated at the conclusion of the 2019 audit, we did not consider there to be a material uncertainty relating to going concern in the current year. The going concern assumption remains a key audit matter in the current year. There were no other changes to our audit approach when compared with 2019.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those, which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the Kestrel royalty

Key audit matter description	<p>Total royalty arrangements held at fair value, have a value of £62.7m as at 31 December 2020 (2019: £104.6m). The Kestrel royalty comprises £55.9m (2019: £96.4m) of the total and management engaged an independent valuation specialist to perform a valuation of this royalty asset. The valuation of the Kestrel royalty is subjective and contains significant levels of judgement in relation to the discount rate used, the forecast commodity prices and the expected production profile.</p> <p>Following the acquisition of the Kestrel mine in 2018 by a new operator, which announced plans to accelerate production and based on actual production during 2019 and 2020, management has considered the extent to which increases in the forecast production are appropriate.</p> <p>Due to the high level of judgements involved, we have determined that there was a potential for fraud through possible manipulation of this balance.</p> <p>The commodity price, discount rate and exchange rate assumptions are set out in note 15 to the financial statements along with the related sensitivity analysis. The group discloses this risk as a key source of estimation uncertainty in note 4 to the financial statements.</p> <p>Refer to the Audit Committee report where this matter is considered by the Audit Committee as a significant issue, 'Review of carrying value of the Kestrel coal royalty' consider this matter on page 81.</p>
How the scope of our audit responded to the key audit matter	<p>We understood the methodology applied by management's expert in performing its valuation and walked through the controls over the process. We obtained the valuation model used by management's independent specialist to determine the fair value of the Kestrel royalty.</p> <p>We challenged the assumptions adopted by management's independent specialist by comparison to recent third party forecast commodity price data, reference to third party documentation and the relevant reserves and resources reports.</p> <p>We challenged the accuracy of the future annual production announced by the operator and incorporated by the independent specialists in its valuation model. To challenge the discount rate we involved internal valuation specialists to prepare an independent range of discount rates and compared that to the rate adopted by management.</p> <p>We evaluated the capability, objectivity and competence of management's independent specialist. We challenged the valuation assumptions adopted in line with the above methodology by directly reviewing their reporting and speaking directly with the specialist. In doing so we assessed the extent to which management may have influenced the key assumptions in the valuation model to address the risk of any possible management bias.</p> <p>We assessed the appropriateness of management's disclosure in the financial statements, including sensitivity analysis based on reasonably possible changes in key assumptions.</p>
Key observations	<p>We concur that the fair value of the Kestrel royalty is within an acceptable range.</p>

Independent auditor's report to the members of Anglo Pacific Group PLC

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5.2. Impairment assessment of the royalty intangibles portfolio

Key audit matter description	<p>Royalty arrangements held as intangibles have a gross carrying amount of £152.5m at 31 December 2020 (2019: £148.1m) and a net carrying amount of £95.6m (2019: £102.2m). The assessment of whether impairment/impairment reversal indicators exist and estimating the recoverable amount of royalty arrangements accounted for as intangible assets where necessary requires management to adopt key judgements in relation to the discount rates used, the forecast commodity prices, the expected production profiles and where relevant the probability of production commencing.</p> <p>Impairment indicators were identified for Pilbara, Four Mile and Groundhog with carrying amounts before impairment being £8.6m (2019: £8.1m), £0.8m (2019: £1.0m) and £0.7m (2019: £0.7m) respectively.</p> <p>Following the completion of valuation models for these three assets, an impairment charge was recognised at Pilbara and Groundhog in amount of £2.7m and £0.7m respectively (see note 17 to the financial statements). The group discloses this risk as a key source of estimation uncertainty in note 4 to the financial statements.</p> <p>Refer to the Audit Committee report where this matter is considered by the Audit Committee as part of the significant issue, 'Review of carrying values of royalties held at amortised cost and resulting impairment charges' on page 81.</p>
How the scope of our audit responded to the key audit matter	<p>We understood the methodology applied by management in performing its impairment test for each of the relevant CGUs and walked through the controls over the process.</p> <p>We challenged management's assessment as to whether indicators of impairment or impairment reversal exist for specific royalty arrangements through evaluation of changes in production and pricing forecasts and a review of publicly available information. Where such indicators were identified, we obtained copies of the valuation models and challenged the assumptions adopted by management by comparison to third party forecast commodity price data, reference to third party documentation and the relevant reserves and resources reports.</p> <p>We involved our internal valuation specialists to prepare an independent range of discount rates and compared those to the rates adopted by management.</p> <p>We assessed and challenged management's assessment, including climate change factors, of whether projects still in the development phase would reach commercial production, through an independent assessment based on third party data available from asset operators.</p> <p>We assessed the appropriateness of management's disclosure in the financial statements including sensitivity analysis based on reasonably possible changes in key assumptions.</p>
Key observations	<p>We concur with management's impairment assessment.</p> <p>In respect of the intangible assets where indicators of impairment were identified, we found that the assumptions used were within a reasonable range and had been determined and applied on a consistent basis across the group.</p>

5.3. Uncertain tax position

Key audit matter description	<p>The international nature of the group's operations can result in complexities in the payment of and accounting for tax considering the requirements of IFRIC 23. Management applies judgement in assessing tax exposures in each jurisdiction, which require interpretation of local tax laws.</p> <p>In 2017, the group undertook a restructuring of certain loss making entities. The group obtained advice from professional advisers in respect of these transactions. The tax treatment in relation to the restructure is uncertain given the lack of precedent and guidance from the tax authorities. In the event this aspect were to be successfully challenged by the tax authorities, possibly through litigation, this would result in a current tax liability and corresponding income statement tax charge of £6.3m as at 31 December 2020 (2019: £6.3m).</p> <p>The group has increased its tax provision, in relation to a separate uncertain tax position, by £0.3m to £2.3m during the year in relation to a separate uncertain tax position. This represents management's best estimate as to a settlement value should the judgement be successfully challenged.</p> <p>Management disclosed these matters as uncertain tax positions in note 11 to the financial statements. The group discloses this risk as a key source of estimation uncertainty in note 4 to the financial statements.</p> <p>Refer to the Audit Committee report where these matters are considered by the Audit Committee as part of the significant issue, 'Group tax exposures' on page 81.</p>
How the scope of our audit responded to the key audit matter	<p>We understood the methodology applied by management in performing its assessment of each potential uncertain tax position, including the approach to the calculation of the tax charge and the analysis of the impact of the IFRIC 23 requirements. We walked through the controls over the process.</p> <p>We reviewed the papers prepared by management's independent tax expert in respect of the two uncertain tax positions.</p> <p>We utilised additional support from country tax specialists in jurisdictions where the group had more significant tax exposures.</p> <p>With the involvement of our tax specialist we performed the following procedures:</p> <p>With the involvement of our tax specialist we performed the following procedures:</p> <ul style="list-style-type: none"> evaluated the capability, objectivity and competence of management's independent specialist; reviewed management's tax advice and accounting papers; evaluated the potential for the group's historical treatments to be challenged; reviewed the tax legislation, case law and relevant precedents to determine if the tax treatment was reasonable; recalculated the potential exposures; reviewed management's communication with relevant taxation authorities; and challenged management's assessment of the probable loss to be provided for and the possible exposures disclosed through a benchmarking analysis and consideration of any changes in relevant laws and regulations.

5.3. Uncertain tax position continued

Key observations	We concur with management's provisions and disclosure.
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5.4. Going concern

Key audit matter description	<p>During 2020, the group received revenue of £34m and generated operating cash inflow of £17.5m. There is also a net current asset position in amount of £26m as of 31 December 2020.</p> <p>As disclosed in note 37, in March 2021 the group acquired a stream of cobalt production for cash consideration of US\$205 million (£158 million) at closing and further contingent consideration of up to US\$27 million (£21 million), which was partially funded through a new revolving credit facility of \$150 million from a syndicate of banks, with a three year term with the option to request a one-year extension within the first year.</p> <p>Increased gearing level gives rise to an elevated risk of potential deterioration of the liquidity position and breach of the covenants under the new loan agreement during 12 months following approval of the 2020 annual report, especially considering potential operational and economic challenges, including those posed by COVID-19.</p> <p>The directors have considered a going concern period through to the end of April 2022. In conducting their assessment, the directors have concluded that there are no material uncertainties that may cast significant doubt over the group's ability to continue as a going concern. A further description of this assessment is included in note 3 to the financial statements.</p> <p>Refer to the Audit Committee report where this matter is considered by the Audit Committee as part of the significant issue, 'Going concern basis of accounting in preparing the financial statements' on page 81.</p>
How the scope of our audit responded to the key audit matter	<p>We understood the process undertaken by management to: assess the appropriateness of the going concern assumption; to evaluate the operational and economic impacts of COVID-19 on the group; and to reflect these in the group's forecasts. We walked through the controls over the process.</p> <p>We reviewed the paper prepared by management and evaluated the directors' plans for future actions in relation to the going concern assessment.</p> <p>We also performed the following procedures:</p> <ul style="list-style-type: none"> assessed the cash flow forecasts produced by management and challenge of the underlying data and key assumptions, such as forecast commodity prices and expected production volumes, by assessing their consistency with valuation models, budgets and actual performance where applicable; tested the clerical accuracy of the model used to prepare the group's going concern assessment; assessed evidence supporting the changes in the group's financing arrangements in the period, including the addition of the new group facility; analysed the financing facilities including nature of facilities, repayment terms and covenants compliance; challenged management's downside scenario by considering external information on actual and forecast commodity prices; assessed, based on our own independent analysis, what reverse stress testing scenarios could lead either to a loss of liquidity or a covenant breach and whether these scenarios were plausible; and assessed the appropriateness of management's disclosures in the financial statements.
Key observations	Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report to the members of Anglo Pacific Group PLC

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6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	£3.3m (2019: £4.1m)	£3.3m (2019: £3.3m)
Basis for determining materiality	Materiality has been determined on the basis of considering a number of different measures including net assets, total assets, and adjusted profit before tax.	Parent company materiality equates to 2% (2019: 2%) of net assets.
Rationale for the benchmark applied	<p>The long-term value for shareholders is in the asset base as the company generates its wealth through royalties acquired. Although some royalties are bought in the development phase of an asset's life and a portion of the company's value is not reflected in the income statement, following the acquisition of a royalty in the operating Mantos Blancos mine and an additional investment into the dividend generating LIORC during prior years, a significant part of the group balance is now revenue generating.</p> <p>Therefore materiality, representing approximately 2% of net assets, 1.5% of total assets and 7.5% of adjusted profit before tax, consistent to prior year, was considered the most reasonable as it allowed to take into account the value of the company by considering both, its revenue generating assets and the other assets that have not yet commenced production as at 31 December 2020.</p>	<p>Net assets was considered a more stable base than profits due to the effect of unrealised fair value gains/losses in each financial year.</p> <p>The long-term value for shareholders is also in the asset base as the company generates its wealth through royalties acquired. Considering that, these are often bought in the development phase of an asset's life a significant portion of the company's value at this moment is not reflected in the income statement.</p>

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Performance materiality	70% (2019: 70%) of group materiality	70% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our risk assessment, including our assessment of the group's overall control environment, and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £165,000 (2019: £205,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Audit work to respond to the risks of material misstatement was performed directly by the engagement team.

Consistent with the way the group is centrally managed from the UK office, we consider the group to be one component. Consequently, all assets, liabilities, income and expenses are subject to full scope audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of Kestrel royalty. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the Kestrel royalty as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Australian Taxation Office (ATO); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report to the members of Anglo Pacific Group PLC

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. CORPORATE GOVERNANCE STATEMENT

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on [page 99](#);
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on [page 36](#);
- the directors' statement on fair, balanced and understandable set out on [page 101](#);
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on [page 83](#);
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on [page 83](#); and
- the section describing the work of the audit committee set out on [page 80](#).

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders at the AGM on 11 June 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2014 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CHRISTOPHER JONES MA FCA (SENIOR STATUTORY AUDITOR)

For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
13 April 2021

Consolidated income statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Royalty related revenue	5	34,009	55,728
Amortisation of royalties	17	(5,522)	(3,777)
Operating expenses	6a	(6,402)	(7,132)
OPERATING PROFIT BEFORE IMPAIRMENTS AND REVALUATIONS		22,085	44,819
Impairment of royalty intangible assets	17	(3,352)	(1,367)
Revaluation of royalty financial instruments	16	883	2,478
Revaluation of coal royalties (Kestrel)	15	(44,204)	(9,215)
Finance income	8	116	34
Finance costs	9	(2,324)	(1,337)
Net foreign exchange (losses)/gains		(381)	2,703
Other (losses)/income	10	(28)	(480)
(LOSS)/PROFIT BEFORE TAX		(27,205)	37,635
Current income tax charge	11	(4,643)	(12,414)
Deferred income tax credit	11, 26	13,249	3,774
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS		(18,599)	28,995
TOTAL AND CONTINUING (LOSS)/EARNINGS PER SHARE			
Basic (loss)/earnings per share	12	(10.31p)	16.06p
Diluted (loss)/earnings per share	12	(10.31p)	15.97p

The notes on **pages 115 to 151** are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS		(18,599)	28,995
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	16	18,637	(123)
Revaluation of mining and exploration interests	18	6,851	923
Deferred taxes relating to items that will not be reclassified to profit or loss	26	(2,182)	(22)
		23,306	778
ITEMS THAT HAVE BEEN OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Net exchange loss on translation of foreign operations		5,396	(8,703)
		5,396	(8,703)
OTHER COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX		28,702	(7,925)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		10,103	21,070

The notes on **pages 115 to 151** are an integral part of these consolidated financial statements.

Consolidated balance sheet and Company balance sheet

as at 31 December 2020

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	759	955	759	955
Coal royalties (Kestrel)	15	55,874	96,419	–	–
Royalty financial instruments	16	73,203	65,801	2,332	3,760
Royalty and exploration intangible assets	17	95,613	102,201	2,349	2,349
Mining and exploration interests	18	8,019	3,642	6,025	3,395
Deferred costs	19	1,514	682	1,219	458
Investments in subsidiaries	20	–	–	165,978	155,896
Trade and other receivables	21	17,010	17,919	57,737	60,299
Deferred tax	26	3,266	3,185	–	–
		255,258	290,804	236,399	227,112
CURRENT ASSETS					
Trade and other receivables	21	10,778	9,546	1,344	1,030
Derivative financial instruments	22	10	–	–	–
Cash and cash equivalents	23	20,156	7,597	17,675	1,420
		30,944	17,143	19,019	2,450
TOTAL ASSETS		286,202	307,947	255,418	229,562
NON-CURRENT LIABILITIES					
Borrowings	25	44,518	36,401	44,518	36,401
Trade and other payables	27	1,599	1,659	1,599	1,659
Deferred tax	26	20,127	30,172	443	639
		66,244	68,232	46,560	38,699
CURRENT LIABILITIES					
Income tax liabilities		2,867	9,821	348	411
Derivative financial instruments	22	–	480	–	–
Trade and other payables	27	2,085	3,700	40,370	25,937
		4,952	14,001	40,718	26,348
TOTAL LIABILITIES		71,196	82,233	87,278	65,047
NET ASSETS		215,006	225,714	168,140	164,515
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS					
Share capital	28	3,542	3,629	3,542	3,629
Share premium	28	63,137	62,779	63,137	62,779
Other reserves		65,553	40,352	39,206	35,422
Retained earnings		82,774	118,954	62,255	62,685
TOTAL EQUITY		215,006	225,714	168,140	164,515

The notes on [pages 115 to 151](#) are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 (United Kingdom) not to present the parent company profit and loss account. The profit for the Parent Company for the year was £17,827,000 (2019: £40,254,000).

The financial statements of Anglo Pacific Group PLC (registered number: 897608) on [pages 105 to 147](#) were approved by the Board and authorised for issue on 13 April 2021 and are signed on its behalf by:

N.P.H. MEIER
Chairman

J.A. TREGER
Chief Executive Officer

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Notes	Other reserves											Total equity £'000
		Share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share-based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Treasury shares £'000	Investment in own shares £'000	Retained earnings £'000	
Balance at 1 January 2019		3,629	62,779	29,134	143	(198)	4,159	16,016	632	–	(2,601)	104,415	218,108
Profit for the year		–	–	–	–	–	–	–	–	–	–	28,995	28,995
Other comprehensive income:													
Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity	16, 18	–	–	–	–	800	–	–	–	–	–	–	800
Deferred tax	26	–	–	–	–	(22)	–	–	–	–	–	–	(22)
Foreign currency translation		–	–	–	–	–	–	(8,703)	–	–	–	–	(8,703)
TOTAL COMPREHENSIVE PROFIT		–	–	–	–	778	–	(8,703)	–	–	–	28,995	21,070
Transferred to retained earnings on disposal		–	–	–	–	12	–	–	–	–	–	(12)	–
Dividends	13	–	–	–	–	–	–	–	–	–	–	(14,444)	(14,444)
Value of employee services	29	–	–	–	–	–	980	–	–	–	–	–	980
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		–	–	–	–	12	980	–	–	–	–	(14,456)	(13,464)
BALANCE AT 31 DECEMBER 2019		3,629	62,779	29,134	143	592	5,139	7,313	632	–	(2,601)	118,954	225,714
Balance at 1 January 2020		3,629	62,779	29,134	143	592	5,139	7,313	632	–	(2,601)	118,954	225,714
Loss for the year		–	–	–	–	–	–	–	–	–	–	(18,599)	(18,599)
Other comprehensive income:													
Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity	16, 18	–	–	–	–	25,488	–	–	–	–	–	–	25,488
Deferred tax	26	–	–	–	–	(2,182)	–	–	–	–	–	–	(2,182)
Foreign currency translation		–	–	–	–	–	–	5,396	–	–	–	–	5,396
TOTAL COMPREHENSIVE PROFIT		–	–	–	–	23,306	–	5,396	–	–	–	(18,599)	10,103
Transferred to retained earnings on disposal		–	–	–	–	(4,998)	–	–	–	–	–	4,998	–
Dividends	13	–	–	–	–	–	–	–	–	–	–	(16,707)	(16,707)
Issue of ordinary shares	28	6	358	–	–	–	–	–	–	–	–	–	364
Shares held in treasury	28	(93)	–	–	–	–	–	–	–	93	–	(4,999)	(4,999)
Value of employee services	29	–	–	–	–	–	(31)	–	–	–	1,435	(873)	531
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		(87)	358	–	–	(4,998)	(31)	–	–	93	1,435	(17,581)	(20,811)
BALANCE AT 31 DECEMBER 2020		3,542	63,137	29,134	143	18,900	5,108	12,709	632	93	(1,166)	82,774	215,006

The notes on **pages 115 to 151** are an integral part of these consolidated financial statements

Company statement of changes in equity

for the year ended 31 December 2020

	Notes	Other reserves										Total equity £'000
		Share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share-based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Treasury shares £'000	Retained earnings £'000	
Balance at 1 January 2019		3,629	62,779	29,134	143	(574)	4,159	82	632	–	36,828	136,812
Changes in equity for 2019												
Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity	18	–	–	–	–	913	–	–	–	–	–	913
Net income recognised direct into equity		–	–	–	–	913	–	–	–	–	–	913
Profit for the period		–	–	–	–	–	–	–	–	–	40,254	40,254
Total recognised income and expenses		–	–	–	–	913	–	–	–	–	40,254	41,167
Transferred to retained earnings on disposal		–	–	–	–	(47)	–	–	–	–	47	–
Dividends	13	–	–	–	–	–	–	–	–	–	(14,444)	(14,444)
Value of employee services	29	–	–	–	–	–	980	–	–	–	–	980
BALANCE AT 31 DECEMBER 2019		3,629	62,779	29,134	143	292	5,139	82	632	–	62,685	164,515
Balance at 1 January 2020		3,629	62,779	29,134	143	292	5,139	82	632	–	62,685	164,515
Changes in equity for 2020												
Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity	18	–	–	–	–	6,842	–	–	–	–	–	6,842
Net income recognised direct into equity		–	–	–	–	6,842	–	–	–	–	–	6,842
Profit for the period		–	–	–	–	–	–	–	–	–	17,827	17,827
Total recognised income and expenses		–	–	–	–	6,842	–	–	–	–	17,827	24,669
Transferred to retained earnings on disposal		–	–	–	–	(3,120)	–	–	–	–	3,120	–
Dividends	13	–	–	–	–	–	–	–	–	–	(16,707)	(16,707)
Issue of ordinary shares	28	6	358	–	–	–	–	–	–	–	–	364
Shares held in treasury	28	(93)	–	–	–	–	–	–	–	93	(4,999)	(4,999)
Value of employee services	29	–	–	–	–	–	(31)	–	–	–	329	298
BALANCE AT 31 DECEMBER 2020		3,542	63,137	29,134	143	4,014	5,108	82	632	93	62,255	168,140

The notes on **pages 115 to 151** are an integral part of these consolidated financial statements.

Consolidated statement of cash flows and Company statement of cash flows

for the year ended 31 December 2020

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(27,205)	37,635	18,468	41,062
<i>Adjustments for:</i>					
Finance income	8	(116)	(34)	(317)	(234)
Finance costs	9	2,324	1,337	2,586	1,012
Net foreign exchange losses/(gains)		381	(2,703)	(373)	(3,550)
Other losses/(income)	10	28	480	521	165
Impairment of royalty and exploration intangible assets	17	3,352	1,367	-	-
Revaluation of royalty financial instruments	16	(883)	(2,478)	(880)	(1,997)
Royalties due or received from royalty financial instruments	16	2,308	2,166	2,308	2,166
Revaluation of coal royalties (Kestrel)	15	44,204	9,215	-	-
Depreciation of property, plant and equipment	14	204	224	204	224
Amortisation of royalty intangible assets	17	5,522	3,777	-	-
Amortisation of deferred acquisition costs		13	13	13	13
Forgiveness of loan to subsidiary undertaking		-	-	(115)	244
Intercompany dividends		-	-	(21,009)	(38,998)
Share based payment	7a	293	1,114	293	1,114
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL		30,425	52,113	1,699	1,221
(Increase)/Decrease in trade and other receivables		(1,444)	2,106	(314)	(266)
(Decrease)/Increase in trade and other payables		(478)	718	(574)	681
Cash generated from operations		28,503	54,937	811	1,636
Income taxes paid		(10,996)	(7,851)	(1,288)	(536)
NET CASH GENERATED FROM OPERATING ACTIVITIES		17,507	47,086	(477)	1,100
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of mining and exploration interests	18	4,212	321	4,212	117
Purchase of mining and exploration interests	18	(1,759)	-	-	-
Purchase of property, plant and equipment	14	(8)	(9)	(8)	(9)
Purchase of royalty and exploration intangibles	17	(1,216)	(42,284)	-	-
Purchases of royalty financial instruments	16	(5,679)	(20,287)	-	-
Proceed on disposal of royalty financial instruments	16	15,170	-	-	-
Repayments under commodity related financing agreements	21	688	1,577	688	1,577
Prepaid acquisition costs		(847)	-	(847)	-
Finance income	8	116	34	317	234
Investment in subsidiaries	20	-	-	(10,082)	(56,457)
Intercompany dividends		-	-	20,516	31,124
Loans granted to subsidiary undertakings		-	-	(4,708)	(3,590)
Loan repayments from subsidiary undertakings		-	-	5,130	5,813
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		10,677	(60,648)	15,218	(21,191)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of revolving credit facility	24, 25	18,300	44,951	18,300	44,951
Repayment of revolving credit facility	24, 25	(9,160)	(14,225)	(9,160)	(14,225)
Loans from subsidiary undertakings		-	-	16,095	4,521
Proceeds from issue of share capital	28	364	-	364	-
Share buyback payments	28	(4,999)	-	(4,999)	-
Dividends paid	13	(16,707)	(14,444)	(16,707)	(14,444)
Lease payments	14	(196)	(199)	(196)	(199)
Finance costs	9	(1,900)	(1,074)	(1,753)	(891)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(14,298)	15,009	1,944	19,713
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,886	1,447	16,685	(378)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		7,597	5,223	1,420	1,024
Effect of foreign exchange rates		(1,327)	927	(430)	774
CASH AND CASH EQUIVALENTS AT END OF PERIOD		20,156	7,597	17,675	1,420

The notes on **pages 115 to 151** are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

for the year ended 31 December 2020

1 GENERAL INFORMATION

Anglo Pacific Group PLC (the 'Company') and its subsidiaries (together, the 'Group') secure natural resources royalties and streams by creating new royalties directly with operators or by acquiring existing royalties and streams. The Group has royalties and investments in mining and exploration interests primarily in Australia, North and South America and Europe, with a diversified exposure to commodities represented by cobalt, coal, iron ore, copper, vanadium, uranium and gold.

The Company is a public limited company, which is listed on the London Stock Exchange and Toronto Stock Exchange. The Company was incorporated and is domiciled in the United Kingdom, and registered in England and Wales. The address of its registered office is 1 Savile Row, London, W1S 3JR, United Kingdom (registered number: 897608).

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended IFRS standards that are effective for the current year

The following new accounting pronouncements became effective in the current reporting period:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Business Combinations

The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods computation or presentation applied by the Group.

(b) New and revised IFRS standards in issue but not yet effective

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. The following new or amended IFRS accounting standards, amendments and interpretations not yet adopted but effective from 1 January 2022, are not expected to have a significant impact on the Group:

- Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IAS 37 Provisions, contingent liabilities and contingent assets: onerous contracts
- Amendments to IFRS 3 Business combinations: updating a reference to the conceptual framework
- Annual improvements to IFRS Standards 2018–2020

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRS) adopted pursuant to Regulations (EC) No 1606/2002 as it applied in the European Union, IFRS Interpretations Committee (IFRS IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and the requirements of the Disclosure and Transparency rules of the Financial Conduct Authority in the United Kingdom as applicable to periodic financial reporting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of coal royalties (investment property) and certain financial instruments. A summary of the principal Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *note 4*.

3.1.1 Going concern

The financial position of the Group and its cash flows are set out on *pages 68 and 71*. The Directors have considered the principal risks of the Group which are set out on *pages 28 to 38*, and considered key sensitivities which could impact the level of available borrowings. As at 31 December 2020, the Group had cash and cash equivalents of £20.2m, as set out in *note 23*, and borrowings under its revolving credit facility of £44.5m, as set out in *note 25*.

Subsequent to year end, the Group repaid and cancelled its existing facility before entering into a new US\$180m revolving credit facility in conjunction with the acquisition of the Voisey's Bay cobalt stream (*note 37*). Following the completion of a successful equity placing and retail offer, the Group's facility stepped down to US\$150m, of which US\$123.5m (£89.4m) was drawn. The Group retained access to a further US\$26.5m (£19.2m) subject to continued covenant compliance.

Despite the COVID-19 pandemic not having a material impact on the underlying operations of the Group's portfolio, with the exception of EVBC which was subject to a two-week shut down and the McClean Lake mill being placed on care and maintenance between March and September and again in January 2021, it has contributed to lower coal prices throughout 2020 and continues to impact commodity prices as at the date of this report.

Notes to the consolidated financial statements

for the year ended 31 December 2020

The Directors considered the Group's cash flow forecasts for the period to the end of April 2022 under base and downside scenarios, with consideration given to the uncertainty of the impact of the COVID-19 pandemic on both the wider macro-economic environment, 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, the Group continues to operate within its banking covenant limits with no debt redemption or amortisation commitments within the 12-month period from the date of approval of these consolidated financial statements.

The Board is satisfied that the Group's forecasts and projections, taking account of 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 level of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

3.2 Consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company, its subsidiaries. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for in the parent company at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rates at the date of the transaction (and not retranslated). Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

Exchange differences on foreign currency balances with foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future, and therefore form part of the Group's net investment in these foreign operations, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. If a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified in the income statement as part of the gain or loss on sale.

3.4 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Once a mining project has been established as commercially viable, expenditure other than that on land, buildings, plant and equipment is capitalised as a producing asset within 'Other Assets' together with any amount transferred from 'Exploration and Evaluation Costs' (*note 3.6(b)*).

Property, plant and equipment is depreciated over its useful life, or, where applicable, over the remaining life of the mine if shorter once it is operating in the manner intended by management. The major categories of property, plant and equipment are depreciated on a units of production and/or straight-line basis as follows:

Equipment and fixtures 4 to 10 years

Other assets:

Producing assets Units of production (over reserves)

Coal tenures Units of production (over reserves)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Coal royalties (investment property)

Royalty arrangements which are derived from the ownership of sub-stratum lands are accounted for as investment properties in accordance with IAS 40. Investment property is held to earn a return in the form of royalty entitlements arising from mining activity and is initially measured at cost including any transaction costs. Investment property is subsequently measured at fair value at each reporting date with any valuation movements recognised in the income statement. Fair value is determined by a suitably qualified independent external consultant based on the discounted future royalty income expected to accrue to the Group.

3.6 Intangible assets

(a) Royalty arrangements

Royalty arrangements which are identified and classified as intangible assets are initially measured at cost, including any transaction costs.

Upon commencement of production at the underlying mining operation intangible assets are amortised on a straight-line basis over the life of the mine. Amortisation rates are adjusted on a prospective basis for all changes to estimates of the life of mine.

(b) Exploration and evaluation costs

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential.

Expenditure on exploration and evaluation activities is capitalised when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Group. If this is no longer the case, an impairment loss is recognised in the income statement. Amortisation of capitalised exploration and evaluation costs does not commence until the underlying project commences commercial production.

3.7 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

The recoverable amount is the higher of fair value (less costs of disposal) and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that has been adjusted to reflect the risks specific to that asset. If the recoverable amount of the asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is also recognised in the income statement.

Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment loss is also recognised in the income statement.

Notes to the consolidated financial statements

for the year ended 31 December 2020

3.8 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition loans and receivables are stated at their fair value. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables fall into this category of financial instruments.

(c) Derivative financial instruments

The Group will selectively enter into foreign exchange forward contracts to manage its exposure to foreign exchange risk associated with its Australian and Canadian dollar denominated royalty income, when considered necessary. Further details of derivative financial instruments are disclosed in **note 22**.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(d) Mining and exploration interests

Mining and exploration interests are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

On initial recognition, the Group may make an irrevocable election to designate investments in mining and exploration equity instruments as FVTOCI. Designation as FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve, within 'Other Reserves'. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see **notes 16 and 18**).

(e) Royalty financial instruments

Royalty financial instruments are recognised or derecognised on completion date where a purchase or sale of the royalty is under a contract, and are initially measured at fair value, including transaction costs.

All of the Group's royalty financial instruments have been designated as at FVTPL, with the exception of the investment in Labrador Iron Ore Corporation for which the Group has made an irrevocable election to designate as at FVTOCI.

The royalty financial instruments at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the 'revaluation of royalty financial instruments' line item of the income statement. Fair value is determined in the manner described in **notes 16 and 33**.

The Group's investment in the equity instruments of Labrador Iron Ore Corporation is classified as a royalty financial instrument as its primary asset is a royalty income stream. On initial recognition the Group made the irrevocable election to designate this investment as FVTOCI. The dividends received from this investment are recognised in profit or loss, and are included in the 'royalty related revenue' line item (**note 5**).

(f) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(g) Trade payables

Trade payables are not interest bearing and are stated at their fair value on initial recognition. After initial recognition these are measured at amortised cost using the effective interest method.

(h) Borrowings

Interest bearing bank facilities are initially recognised at fair value, net of directly attributable transaction costs. Transaction costs are recognised in the income statement on a straight-line basis over the term of the facility.

(i) Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

3.9 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group's primary asset held at amortised cost is the interest-bearing loan to Denison Mines (*note 21*).

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Due to trade receivables ultimately representing a royalty related income and being repaid within a month after the reporting date, the amount of expected credit losses is immaterial.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they related to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the consolidated financial statements

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3.11 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and jointly-owned shares) of the Company.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options and jointly-owned shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options and jointly-owned shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

3.12 Reserves

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares in issue.
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of issuance costs.

Other reserves

- 'Merger reserve' is created when more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company.
- 'Warrant reserve' was created in June 2014 in connection with the issue of share warrants as part consideration of the Maracás royalty.
- 'Investment revaluation reserve' represents gains and losses due to the revaluation of the investments in mining and exploration interests and royalty instruments designated as fair value through other comprehensive income, from the opening carrying values, including the effects of deferred tax and foreign currency changes.
- 'Share-based payment reserve' represents equity-settled share-based employee remuneration until such share options are exercised.
- 'Foreign currency reserve' represents the differences arising from translation of investments in overseas subsidiaries.
- 'Special reserve' represents the level of profit attributable to the Group for the period ended 30 June 2002 which was created as part of a capital reduction performed in 2002.
- 'Treasury shares' represents the shares acquired by the Group under the share buyback programme in 2020 (*note 28*).
- 'Investment in own shares' represents the shares held by the Anglo Pacific Group Employee Benefit Trust for awards made under the Group's various share-based payment plans (*note 28 and note 29*).
- 'Retained earnings' represents retained profits.

Of these reserves £82,774,000 are considered distributable as at 31 December 2020 (31 December 2019: £118,954,000).

3.13 Revenue recognition

The revenue of the Group comprises mainly royalty income. It is measured at the fair value of the consideration received or receivable after deducting discounts, value added tax and other sales tax. The royalty income becomes receivable on extraction and sale of the relevant minerals, and once able to be reliably measured, the revenue is recognised.

Interest income is accrued on a time basis, by reference to the carrying value and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3.14 Leases

Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office equipment and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is including within non-current trade and other payables (refer to *note 27*) in the consolidated balance sheet.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included within the property, plant and equipment (refer to **note 14**) line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of property, plant and equipment and intangible assets, policy (refer to **note 3.7**).

3.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of the interim dividend, when it is paid to the shareholders.

3.16 Alternative Performance Measures

The financial statements include certain Alternative Performance Measures (APMs) which include adjusted earnings per share, dividend cover and free cash flow per share. These APMs are defined in the table of contents and explained in the Strategic Report on **page 37**, and are reconciled to GAAP measures in the **notes 12, 13, 34 and 35** respectively.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates that can have a significant impact on the financial statements. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical accounting judgement relates to the Group's classification of royalty arrangements and uncertain tax positions. The key sources of estimation uncertainty relate to the determination of uncertain tax provisions and the calculation of the fair value of certain royalty arrangements and the key assumptions used when assessing impairment of intangible assets. The use of inaccurate or unreasonable assumptions in assessments made for any of these estimates could result in a significant impact on the financial results.

Critical accounting judgements

Classification of royalty arrangements: initial recognition and subsequent measurement

The Directors must decide whether the Group's royalty arrangements should be classified as:

- Intangible assets in accordance with IAS 38 Intangible Assets;
- Financial assets in accordance with IFRS 9 Financial Instruments; or
- Investment properties in accordance with IAS 40 Investment Property.

The Directors use the following selection criteria to identify the characteristics which determine which accounting standard to apply to each royalty arrangement:

Type 1 – Intangible assets ('vanilla' royalties): Royalties, in their simplest form, are classified as intangible assets by the Group. The Group considers the substance of a simple vanilla royalty to be economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand) are all risks which the Group participates in on a similar basis to an owner of the underlying mineral licence. Furthermore, in a vanilla royalty, there is only a right to receive cash to the extent there is production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under IAS 38.

Type 2 – Financial assets (royalties with additional financial protection): In certain circumstances where the 'vanilla' risk is considered too high, but the Group still fundamentally believes in the quality or potential of the underlying resource, the Group will look to introduce additional protective measures. This has typically taken the form of performance milestone penalties (usually resulting in the receipt of cash or cash equivalent), minimum payment terms and interest provisions or mechanisms to convert the initial outlay into the equity instruments of the operator in the event of project deferral. Once an operation is in production, these mechanisms generally fall away such that the royalty will display identical characteristics and risk profile to the vanilla royalties; however, it is the contractual right to enforce the receipt of cash through to production which results in these royalties being accounted for as financial assets under IFRS 9.

Type 3 – Investment property: Royalties which are derived from the ownership of sub-stratum land are accounted for as investment properties under IAS 40, even though the substance of their commercial terms is identical to vanilla royalties. The Group does not expect to obtain royalties in this manner going forward, as it is unusual for sub-stratum minerals not to be the property of the state.

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A summary of the Group's accounting approach is set out below:

Accounting classification	Substance of contractual terms	Accounting treatment	Examples
Royalty intangible assets	<ul style="list-style-type: none"> Simple royalty with no right to receive cash other than through a royalty related to production 	<ul style="list-style-type: none"> Investment is presented as an intangible asset and carried at cost less accumulated amortisation and any impairment provision Royalty income is recognised as revenue in the income statement Intangible asset is amortised on a systematic basis Intangible asset is assessed for indicators of impairment at each period end 	<ul style="list-style-type: none"> Mantos Blancos Narrabri Maracás Menchen Four Mile Salamanca Pilbara Ring of Fire Cañariaco Ground Hog
Royalty financial instruments	<ul style="list-style-type: none"> Royalty arrangement with a contractual right to receive cash (e.g. through a mandated interest rate or milestones which, if not met, trigger repayment) 	<ul style="list-style-type: none"> Financial asset is recognised at fair value on the balance sheet Fair value movements taken through the income statement (FVTPL), with the exception of the LIORC investment where fair value movements are taken through other comprehensive income (FVOCI). Royalty income is not recognised as revenue in the income statement and instead reduces the fair value of the asset, with the exception of the dividends received from the LIORC investment which are included in royalty related revenue on the income statement. 	<ul style="list-style-type: none"> EVBC Dugbe 1 McClellan Lake Piauí LIORC
Investment property	<ul style="list-style-type: none"> Direct ownership of sub-stratum land Returns based on royalty related production 	<ul style="list-style-type: none"> Investment property is carried at fair value on the balance sheet Movements in fair value recognised in income statement Royalty income is recognised as revenue in the income statement 	<ul style="list-style-type: none"> Kestrel Crinum

Key sources of estimation uncertainty

Assessment of fair value of royalty arrangements held at fair value

A number of the Group's royalty arrangements are held at fair value. Fair value is determined based on discounted cash flow models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The determination of assumptions used in assessing fair values is subjective and the use of different valuation assumptions could have a significant impact on financial results.

In particular, expected future cash flows, which are used in discounted cash flows models, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and resources and timing/likelihood of mines entering production together with economic factors such as commodity prices, discount rates and exchange rates.

The Group's most significant royalty arrangement held at fair value is Kestrel, for which the key assumptions and sensitivity analysis are set out in **note 15**. The key assumptions relating to the Group's royalty financial instruments classified as fair value through profit or loss, are set out in **notes 16 and 33**.

Impairment review of intangible assets

Intangible assets are assessed for indicators of impairment at each reporting date with the assessment considering variables such as the production profiles, production commissioning dates where applicable, forecast commodity prices and guidance from the mine operators.

Where indicators are identified, the starting point for the impairment review will be to measure the future cash flows expected from the royalty arrangement should the project continue/come into production. A pre-tax nominal discount rate of between 6.00% and 10.50% is applied to the future cash flows. 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. Changes in discount rate are most sensitive to changes in the risk-free rate, country risk premiums and the expected mine life.

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.

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 at 31 December 2019 and 31 December 2020 (refer to [note 11](#)). Matters with a possible economic outflow and/or presently incapable of being measured reliably are contingent liabilities and disclosed in [note 36](#).

5 ROYALTY RELATED REVENUE

	2020 £'000	2019 £'000
GROUP		
Royalty income	25,023	45,064
Interest from royalty related financial assets (note 21)	1,782	1,926
Dividends from royalty financial instruments	7,204	8,738
	34,009	55,728

6A EXPENSE BY NATURE

	2020 £'000	2019 £'000
GROUP		
Employee benefit expense (note 7a)	3,444	4,399
Professional fees	1,792	1,477
Listing fees	130	93
Depreciation of right of use assets	196	199
Other expenses	840	964
	6,402	7,132

6B AUDITOR'S REMUNERATION

	2020 £'000	2019 £'000
GROUP		
Fees payable to Company's auditor for the audit of parent company and consolidated financial statements	189	176
FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES FOR OTHER SERVICES:		
– The audit of Company's subsidiaries	19	18
TOTAL AUDIT FEES	208	194
– Other assurance services pursuant to legislation	73	59
– Other services	-	-
TOTAL NON-AUDIT FEES	73	59

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on [page 80](#). No services were provided pursuant to contingent fee arrangements.

Notes to the consolidated financial statements

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7A EMPLOYEE COSTS

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	2,592	2,856	2,561	2,826
Share-based awards to Directors and employees	293	1,114	293	1,114
Social security costs	437	317	434	314
Other pension costs	122	112	122	112
	3,444	4,399	3,410	4,366

7B RETIREMENT BENEFITS PLANS

The Group operates a money purchase group personal pension scheme. Under this scheme the Group makes contributions to personal pension plans of individual Directors and employees. The pension cost charge represents contributions payable by the Group to these plans in respect of the year.

The total cost charged to income of £122,000 (2019: £112,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2020, contributions of £19,000 (2019: £14,000) due in respect of the current reporting period had not been paid over to the schemes.

7C AVERAGE NUMBER OF PEOPLE EMPLOYED

	2020	2019
GROUP		
Number of employees	11	11
	2020	2019
GROUP		
Average number of people (including Executive Directors) employed:		
Executive Directors	2	1
Administration	9	10
	11	11

Company

The average number of administration staff employed by the Company during the year, including Executive Directors was 10 (2019: 10).

Directors' salaries are shown in the Directors' Remuneration Report on **pages 86 to 98**, including the highest paid Director.

8 FINANCE INCOME

	2020 £'000	2019 £'000
GROUP		
Interest on bank deposits	2	34
Other interest	114	-
	116	34

9 FINANCE COSTS

	2020 £'000	2019 £'000
GROUP		
Professional fees	(592)	(263)
Revolving credit facility fees and interest	(1,732)	(1,074)
	(2,324)	(1,337)

10 OTHER (LOSSES)/INCOME

	2020 £'000	2019 £'000
GROUP		
Revaluation of foreign exchange instruments	493	(315)
Other losses	(521)	(165)
	(28)	(480)

11 INCOME TAX EXPENSE

	2020 £'000	2019 £'000
ANALYSIS OF CHARGE FOR THE YEAR		
United Kingdom corporation tax	1	142
Overseas tax	4,834	12,140
Adjustments in respect of prior years	(192)	132
Current tax	4,643	12,414
Deferred tax (credit)/charge in current year	(13,249)	(3,774)
Adjustments in respect of prior years	–	–
Deferred tax	(13,249)	(3,774)
INCOME TAX EXPENSE	(8,606)	8,640

	2020 £'000	2019 £'000
Factors affecting tax charge for the year:		
(LOSS)/PROFIT BEFORE TAX	(27,205)	37,635
Tax (credit)/charge on (loss)/profit calculated at United Kingdom corporation tax rate of 19.00% (2019: 19.00%)	(5,169)	7,151
TAX EFFECTS OF:		
<i>Items non-taxable/deductible for tax purposes:</i>		
Non-deductible expenses	580	207
Non-taxable income	(1,354)	(1,641)
<i>Temporary difference adjustments</i>		
Utilisation of losses not previously recognised	(1,397)	(1,459)
Current year losses not recognised	330	(32)
Adjustment in deferred tax due to change in tax rate	75	3
Other temporary difference adjustments	–	–
<i>Other adjustments</i>		
Withholding taxes	1,755	1,584
Effect of differences between local and United Kingdom tax rates	(3,876)	2,430
Prior year adjustments to current tax	(192)	132
Other adjustments	642	265
INCOME TAX EXPENSE	(8,606)	8,640

The Group's effective tax rate for the year ended 31 December 2020 of 31.6% (2019: 23.0%) is higher (2019: higher) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%). The higher effective tax rate in 2020 compared to the headline tax rate is mainly due to the majority of the Group's revenue producing assets being held in Australian subsidiaries and as such are subject to a higher corporation tax rate.

In future periods, it is expected that the Group's effective tax rate will mainly be driven by the prevailing Australian corporation tax rates.

Refer to **note 26** for information regarding the Group's deferred tax assets and liabilities.

Notes to the consolidated financial statements

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Uncertain tax positions

As outlined in **note 4**, 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. Where such matters are assessed as having probable future economic outflows capable of reliable measurement they are provided for. During the year, the Group increased its provision for uncertain tax positions by £0.3m to £2.3m as at 31 December 2020 (2019: £2.0m). Matters with possible economic outflow and/or presently incapable of being measured reliably are contingent liabilities and are disclosed in **note 36**.

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.

12 LOSS/EARNINGS PER SHARE

Loss per ordinary share is calculated on the Group's loss after tax of £18,599,000 (2019: profit £28,995,000) and the weighted average number of shares in issue during the year of 180,373,966 (2019: 180,544,459).

	2020 £'000	2019 £'000
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		
Earnings – basic	(18,599)	28,995
Earnings – diluted	(18,599)	28,995

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

	2020	2019
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE		
Basic number of shares outstanding	180,373,966	180,544,459
Dilutive effect of Employee Share Option Scheme	–	1,026,706
DILUTED NUMBER OF SHARES OUTSTANDING	180,373,966	181,571,165
(Loss)/Earnings per share – basic	(10.31p)	16.06p
(Loss)/Earnings per share – diluted	(10.31p)	15.97p

Earnings per ordinary share excludes shares held by the Company's Employee Benefit Trust as it has waived its right to receive dividends on the 444,726 ordinary 2p shares it holds as at 31 December 2020 (31 December 2019: 925,933).

As the Group is loss making in 2020, the employee share option schemes are considered anti-dilutive because including them in the diluted number of shares outstanding would decrease the loss per share, as such they are excluded.

Adjusted earnings per share

Adjusted earnings represent the Group's underlying operating performance from core activities. Adjusted earnings is the profit 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), together with amortisation charges, share-based payments, unrealised foreign exchange gains and loss, any associated deferred tax and any profit or loss on non-core asset disposals as these 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 year.

	Earnings £'000	Earnings per share p	Diluted earnings per share p
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS			
Loss – basic and diluted for the year ended 31 December 2020	(18,599)	(10.31p)	(10.31p)
<i>Adjustment for:</i>			
Amortisation of royalty intangible assets	5,522		
Impairment of royalty and exploration intangible assets	3,352		
Receipts from royalty financial instruments	2,308		
Revaluation of royalty financial instruments	(883)		
Revaluation of coal royalties (Kestrel)	44,204		
Revaluation of foreign currency instruments	(493)		
Share-based payments and associated national insurance	293		
Unrealised foreign exchange (gains)/losses	881		
Tax effect of the adjustments above	(14,306)		
Adjusted earnings – basic and diluted for the year ended 31 December 2020	22,279	12.35p	12.31p

	Earnings £'000	Earnings per share p	Diluted earnings per share p
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS			
Earnings – basic and diluted for the year ended 31 December 2019	28,995	16.06p	15.97p
<i>Adjustment for:</i>			
Amortisation of royalty intangible assets	3,777		
Impairment of royalty and exploration intangible assets	1,367		
Receipts from royalty financial instruments	2,166		
Revaluation of royalty financial instruments	(2,478)		
Revaluation of coal royalties (Kestrel)	9,215		
Revaluation of foreign currency instruments	315		
Share-based payments and associated national insurance	1,101		
Foreign exchange (gains)/losses	(2,703)		
Tax effect of the adjustments above	(4,907)		
Adjusted earnings – basic and diluted for the year ended 31 December 2019	36,848	20.41p	20.29p

In calculating the adjusted earnings per share, the weighted average number of shares in issue takes into account the dilutive effect of the employee share option schemes in those years where the Group has adjusted earnings. In years 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 calculating basic and diluted adjusted earnings per share and basic and diluted adjusted earnings per share are as follows:

	2020	2019
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE		
Basic number of shares outstanding	180,373,966	180,544,459
Dilutive effect of Employee Share Option Scheme	572,384	1,026,706
DILUTED NUMBER OF SHARES OUTSTANDING	180,946,350	181,571,165

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13 DIVIDENDS AND ADJUSTED DIVIDEND COVER

On 13 February 2020 an interim dividend of 1.625p per share was paid to shareholders in respect of the year ended 31 December 2019. On 18 June 2020 a final dividend of 4.125p per share was paid to shareholders to make a total dividend for the year ended 31 December 2019 of 9.00p per share. The first quarterly dividend of 1.75p for the year ended 31 December 2020 was paid to shareholders on 14 August 2020. On 13 November 2020 the second quarterly dividend of 1.75p was paid to shareholders. Total dividends paid during the year were £16.7m (2019: £14.4m).

On 17 February 2021 a further quarterly dividend of 1.75p per share was paid to shareholders in respect of the year ended 31 December 2020. This dividend has not been included as a liability in these financial statements. The Directors propose that a final dividend of 3.75p per share be paid to shareholders on 18 August 2021, to make a total dividend for the year of 9.00p per share. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

The proposed final dividend for 2020 will be payable to all shareholders on the Register of Members on 9 July 2021. The total estimated dividend to be paid is £8.0m. At the present time the Board has resolved not to offer a script dividend alternative.

Adjusted 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 year ended 31 December 2020 is 12.35p per share (*note 12*) with dividends for the year totalling 9.00p, resulting in dividend cover of 1.4x (2019: adjusted earnings per share 20.41p, dividends totalling 9.00p, dividend cover 2.3x).

14 PROPERTY, PLANT AND EQUIPMENT

Group	Other assets £'000	Right of use assets £'000	Equipment and fixtures £'000	Total £'000
GROSS CARRYING AMOUNT				
At 1 January 2020	1,356	1,148	289	2,793
Additions	–	–	8	8
At 31 December 2020	1,356	1,148	297	2,801
DEPRECIATION AND IMPAIRMENT				
At 1 January 2020	(1,356)	(199)	(283)	(1,838)
Depreciation	–	(196)	(8)	(204)
At 31 December 2020	(1,356)	(395)	(291)	(2,042)
CARRYING AMOUNT 31 DECEMBER 2020	–	753	6	759

Group	Other assets £'000	Right of use assets £'000	Equipment and fixtures £'000	Total £'000
GROSS CARRYING AMOUNT				
At 1 January 2019	1,356	1,148	280	2,784
Additions	–	–	9	9
At 31 December 2019	1,356	1,148	289	2,793
DEPRECIATION AND IMPAIRMENT				
At 1 January 2019	(1,356)	–	(258)	(1,614)
Depreciation	–	(199)	(25)	(224)
At 31 December 2019	(1,356)	(199)	(283)	(1,838)
CARRYING AMOUNT 31 DECEMBER 2019	–	949	6	955

Other assets relate to the Group's Panorama and Trefi coal projects in British Columbia, Canada and the Group's talc deposit in Shetland, Scotland. Right of use assets relate to the Group's office premises.

Impairment

In 2014 the Directors took a view that the Group's ability to monetise both the Trefi coal project and the Shetland talc deposit was inherently uncertain and as a result fully impaired these assets resulting in an impairment charge of £1.4m. There were no impairments during 2019 or 2020.

Company	Other assets £'000	Right of use assets £'000	Equipment and fixtures £'000	Total £'000
GROSS CARRYING AMOUNT				
At 1 January 2020	821	1,148	289	2,258
Additions	–	–	8	8
At 31 December 2020	821	1,148	297	2,266
DEPRECIATION AND IMPAIRMENT				
At 1 January 2020	(821)	(199)	(283)	(1,303)
Depreciation	–	(196)	(8)	(204)
At 31 December 2020	(821)	(395)	(291)	(1,507)
CARRYING AMOUNT 31 DECEMBER 2020	–	753	6	759

Company	Other assets £'000	Right of use assets £'000	Equipment and fixtures £'000	Total £'000
GROSS CARRYING AMOUNT				
At 1 January 2019	821	1,148	280	2,249
Additions	–	–	9	9
At 31 December 2019	821	1,148	289	2,258
DEPRECIATION AND IMPAIRMENT				
At 1 January 2019	(821)	–	(258)	(1,079)
Depreciation	–	(199)	(25)	(224)
At 31 December 2019	(821)	(199)	(283)	(1,303)
CARRYING AMOUNT 31 DECEMBER 2019	–	949	6	955

15 COAL ROYALTIES (KESTREL)

	Group £'000
At 1 January 2019	109,778
Foreign currency translation	(4,144)
Gain on revaluation of coal royalties	(9,215)
At 31 December 2019	96,419
Foreign currency translation	3,659
Loss on revaluation of coal royalties	(44,204)
At 31 December 2020	55,874

The Group's coal royalty entitlements comprise the Kestrel and Crinum coal royalties, and derive from mining activity carried out within the Group's private land area in Queensland, Australia. Rather uniquely to this royalty, the sub-stratum land is the property of the freeholder, including the minerals contained within. The ownership of the land therefore entitles the Group to a royalty, equivalent to what the State receives on areas outside the Group's private land. This royalty is accounted for as Investment Property in accordance with IAS 40.

The coal royalty of £55.9m (A\$98.9m) (2019: £96.4m and A\$181.3m) is based on a valuation completed during December 2020 by an independent coal industry advisor, on a net present value of the pre-tax cash flow discounted at a nominal rate of 6.50% (2019: 6.00%). The key assumptions in the independent valuation relate to price, foreign exchange and discount rate.

The price assumptions used in the 2020 valuation increase from US\$140/t in the short-term to a long-term flat nominal price of US\$143/t. If the price were to increase or decrease 10% 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 £47.1m (A\$83.4m) and an £8.8m increase to the revaluation loss in the income statement to £53.0m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at £65.3m (A\$115.6m) and a £9.4m reduction in the revaluation loss in the income statement to £34.8m.

The AUD:USD exchange rate assumptions used in the 2020 valuation assume a strengthening in the Australia dollar from a short-term rate of 0.705 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 £47.8m (A\$84.7m) and a £8.1m increase to the revaluation loss in the income statement to £52.3m; and
- a 10% weakening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at £66.4m (A\$117.5m) and a £10.5m reduction in the revaluation loss in the income statement to £33.7m.

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The pre-tax nominal discount rate used for the asset is 6.50%, 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 £57.2m (A\$101.3m) and a £1.3m reduction in the revaluation loss in the income statement to £42.9m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at £54.6m (A\$96.7m) and a £1.3m increase in the revaluation loss in the income statement to £45.5m.

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 sterling presentation currency recognised in the foreign currency translation reserve.

Were the coal royalty to be realised at the revalued amount there are £5.6m (A\$9.9m) of capital losses potentially available to offset against taxable gains. As it is not the Group's present intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation (*note 26*). Were the coal royalty to be carried at cost the carrying value would be £0.2m (2019: £0.2m). The Directors do not presently have any intention to dispose of the coal royalty.

Refer to *note 33* for additional fair value disclosures relating to Kestrel.

The shares over the entity which is the beneficial owner of the Kestrel royalty have been guaranteed as security in connection with the Group's borrowing facility (*note 25*).

16 ROYALTY FINANCIAL INSTRUMENTS

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

	Commodity	Original cost '000	Royalty rate	Escalation	Classification	31 December 2020 Carrying value £'000	31 December 2019 Carrying value £'000
EVBC	Gold, Silver, Copper	C\$7,500	2.50%	3% gold >US\$1,100/oz	FVTPL	2,332	3,760
Dugbe 1	Gold	US\$15,000	2.00%	2.5% >US\$1,800/oz & production <50,000oz/qrt	FVTPL	841	679
McLean Lake	Uranium	C\$2,700	–	22.5% of tolling milling receipt on production >215Mlbs	FVTPL	2,049	2,399
Piauí	Nickel-Cobalt	US\$2,000	1.250%	–	FVTPL	1,555	1,227
Labrador Iron Ore	Iron Ore	C\$66,105	7.00%	–	FVOCI	66,426	57,736
						73,203	65,801

The Group's royalty instruments are represented by four royalty agreements, EVBC, Dugbe 1, McClean 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 set out in *note 4*.

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 GRR over the IOC mine, the Group has classified its investment in LIORC as a royalty financial instrument and made an irrevocable election to designate it as FVTOCI.

The movement in the Group's royalty financial instruments is summarised in the table below.

	Group £'000	Company £'000
FAIR VALUE		
At 1 January 2019	46,205	3,929
Additions	20,287	–
Royalties due or received from royalty financial instruments	(2,166)	(2,166)
Revaluation of royalty financial instruments recognised in profit or loss	2,478	1,997
Revaluation of royalty financial instruments recognised in equity	(123)	–
Foreign currency translation	(880)	–
At 31 December 2019	65,801	3,760
Additions	5,679	–
Disposals	(15,170)	–
Royalties due or received from royalty financial instruments	(2,308)	(2,308)
Revaluation of royalty financial instruments recognised in profit or loss	883	880
Revaluation of royalty financial instruments recognised in equity	18,637	–
Foreign currency translation	(319)	–
At 31 December 2020	73,203	2,332

EVBC

The Group's EVBC royalty acquired in 2008 was initially accounted for as an available-for-sale equity financial asset, carried at fair value with all movements in fair value recognised in the investment revaluation reserve in equity. Following the adoption of IFRS 9, EVBC was classified as FVTPL resulting in movements in the fair value being recognised directly in the income statement. In addition, the royalties received from EVBC following the adoption of IFRS 9 are no longer recognised in the income statement but instead reduce the fair value.

The Group received royalties from EVBC totalling £2.3m during the year ended 31 December 2020 (2019: £2.2m), which initially reduced the carrying value. As at 31 December 2020 the Group determined the fair value of EVBC by calculating the discounted future flows of the royalty with an 6.50% (2019: 7.00%) pre-tax nominal discount rate, resulting in a valuation of £2.3m (2019: £3.8m). The net effect of the £1.5m decrease in the fair value year on year and the royalties received, is a valuation gain of £0.8m recognised in the income statement.

Dugbe 1

In 2016, Hummingbird Resources PLC ('Hummingbird'), the operator of the Dugbe 1 project, gave notice under the US\$15.0m royalty financing arrangement with the Group that a Mineral Development Agreement ('MDA') had been approved by the Liberian Government although this is yet to be signed into law. There are certain mechanisms available to the Group to recover the US\$15.0m investment, although at present these seem unlikely to be triggered.

The net smelter return royalty over the Dugbe 1 project is classified as FVTPL as outlined in *note 4*. As at 31 December 2020 the Group assessed the likely start date of commercial production at Dugbe 1 to be 2030 (2019: 2030), and has applied a 75% (2019: 75%) probability factor to the project reaching commercial production to the discounted future flows of the royalty with an 30.00% (2019: 30.00%) pre-tax nominal discount rate, resulting in a valuation of £0.8m (2019: £0.7m). The £0.1m increase (2019: £0.5m decrease) in carrying value has been recognised as a royalty financial instrument valuation gain to the income statement for the year.

McClean Lake

The Group completed a C\$43.5m (£26.6m) financing and streaming agreement with Denison Mines Inc ('Denison') in 2017. The financing agreement comprises two separate transactions: (i) a 13-year amortising secured loan of C\$40.8m with an interest rate of 10% per annum payable to the Group which is classified as non-current other receivables (*note 21*); and (ii) a streaming agreement, which entitles the Group to receive Denison's portion of toll milling proceeds from the McClean Lake mill after the first 215Mlbs of throughput from 1 July 2016, which was acquired for C\$2.7m and is classified as FVTPL in accordance with *note 4*.

As at 31 December 2020, the Group assessed the probability of the McClean Lake mill achieving throughput in excess of 215Mlbs at 50% (2019: 50%), and applied this to the discounted future cash flows of the stream with a 6.50% (2019: 5.50%) pre-tax nominal discount rate, resulting in a valuation of £2.0m (2019: £2.4m). The £0.4m decrease (2019: £0.7m increase) in the carrying value of the stream has been recognised in the income statement for the year.

Piauí

The Group acquired a 1% gross revenue royalty over the Piauí nickel-cobalt project in Brazil for US\$2.0m (£1.6m) in 2017. Under the acquisition agreement, subject to certain development milestones, the Group has the option to acquire up to a total of US\$70.0m in additional gross revenue royalties. On initial recognition the Group decided to invoke the fair value option in classifying this royalty financial instrument, due to there being one or more embedded options that are not closely related in the underlying contract. Following the adoption of IFRS 9 the Group continues classify the Piauí royalty as FVTPL.

As at 31 December 2020 the Group assessed the probability of the Piauí project reaching commercial production at 25% (2019: 25%) and applied this to the discounted future cash flows of the royalty with a 13.50% (2019: 13.50%) pre-tax nominal discount rate, resulting in a valuation of £1.6m (2019: £1.2m). The £0.4m increase in carrying value has been recognised as a royalty financial instrument valuation gain in the income statement for the year.

Labrador Iron Ore

LIORC is a single asset company, being the 7% gross revenue royalty over the IOC mine which is majority owned and operated Rio Tinto; as a result, the Group classifies its investment in LIORC as a royalty financial instrument. On initial recognition the Group made the irrevocable election to designate this investment as FVTOCI. The resulting dividends from the Group's investment in LIORC have been classified as royalty related revenue, as described in *note 3.13*.

During the first quarter of 2020, the Group made a further investment of C\$9.8m (£5.7m) in LIORC, increasing its shareholding to 4,486,890 shares. The Group undertook a partial sale of its holding to fund the acquisition of the Voisey's Bay cobalt stream that was completed in March 2021 (refer to *note 37*), selling 944,000 shares by 31 December 2020 generating C\$26.2m (£15.2m) in proceeds. The Group's partial sale of its holding in LIORC resulted in a capital gain of C\$3.3m (£1.9m) which was transferred directly to retained earnings.

As at 31 December 2020, the Group's investment in Labrador was valued at C\$115.5m (£66.4m) (2019: C\$99.5m (£57.7m)). As detailed in *note 37*, the Group sold a further 2,510,700 shares in the first quarter of 2021 generating a further C\$82.4m (£47.4m) in proceeds to fund the Voisey's Bay acquisition and retained 1,032,190 shares.

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17 ROYALTY AND EXPLORATION INTANGIBLE ASSETS

The Group's intangibles comprise capitalised exploration and evaluation costs and royalty interests.

Group	Exploration and evaluation costs £'000	Royalty interests £'000	Total £'000
GROSS CARRYING AMOUNT			
At 1 January 2020	697	147,432	148,129
Foreign currency translation	–	4,378	4,378
At 31 December 2020	697	151,810	152,507
AMORTISATION AND IMPAIRMENT			
At 1 January 2020	(697)	(45,231)	(45,928)
Amortisation charge	–	(5,522)	(5,522)
Impairment charge	–	(3,352)	(3,352)
Foreign currency translation	–	(2,092)	(2,092)
At 31 December 2020	(697)	(56,197)	(56,894)
CARRYING AMOUNT 31 DECEMBER 2020	–	95,613	95,613

Group	Exploration and evaluation costs £'000	Royalty interests £'000	Total £'000
GROSS CARRYING AMOUNT			
At 1 January 2019	697	112,626	113,323
Additions	–	42,284	42,284
Foreign currency translation	–	(7,478)	(7,478)
At 31 December 2019	697	147,432	148,129
AMORTISATION AND IMPAIRMENT			
At 1 January 2019	(697)	(41,432)	(42,129)
Amortisation charge	–	(3,777)	(3,777)
Impairment charge	–	(1,367)	(1,367)
Foreign currency translation	–	1,345	1,345
At 31 December 2019	(697)	(45,231)	(45,928)
CARRYING AMOUNT 31 DECEMBER 2019	–	102,201	102,201

Company	2020 £'000	2019 £'000
Royalty interests		
At 1 January and 31 December	2,349	2,349

Exploration and evaluation costs

The exploration and evaluation costs comprise expenditure that was directly attributable to the Trefi coal project in British Columbia, Canada. Due to the inherent uncertainty that the Trefi coal project would be developed, the Group fully impaired it in 2014.

2020 Acquisition of royalty intangible assets

There were no acquisitions of new royalty intangible assets during 2020.

The previously accrued deferred consideration of US\$1.5m (£1.2m) due under the royalty agreement to acquire the Maracás Menchen royalty was paid in May 2020, following the operator, Largo Resources Limited, achieving an annualised rate of production of 12,000t during the first quarter of 2020.

2019 Acquisition of royalty intangible assets

On 3 September 2019, the Group completed its acquisition of the 1.525% NSR over all copper produced at the Mantos Blancos copper mine from Mantos Copper in exchange for cash consideration of US\$50.25m (£41.7m) and capitalised transaction costs of £0.6m resulting in total additions for the year of £42.3m.

Amortisation of royalty intangible assets

The Group's royalty intangible assets are amortised on a straight-line basis, upon the commencement of production at the underlying mining operation, over the life of mine.

Four of the underlying mining operations of the Group's royalty intangible assets were in production during 2020, and were amortised on the following basis:

Royalty interest	Currency	Carrying value 31 December 2020 '000	Carrying value 31 December 2019 '000	Estimated life of mine	Remaining life of mine
Mantos Blancos	USD	46,299	49,687	15 years	14 years
Narrabri	AUD	64,596	68,636	22 years	16 years
Maracás Menchen	AUD	22,949	23,790	29 years	23 years
Four Mile	AUD	1,484	1,855	10 years	4 years

The amortisation charge for the period of £5.5m (31 December 2019: £3.8m) relates to the Group's producing royalties, Mantos Blancos, Narrabri, Maracás Menchen and Four Mile. Amortisation of the remaining interests will commence once they begin commercial production.

At 31 December 2020, the shares of the entities which are the beneficial owners of the Mantos Blancos and Narrabri royalties have been guaranteed as security in connection with the Group's borrowing facility (*note 25*). The security in connection with the Group's new borrowing facility entered into in March 2021 is detailed in *note 37*.

Impairments of royalty intangible assets

As described in *notes 3.6 and 3.7*, at each reporting date the Group's royalty intangible assets are reviewed for any impairment indicators. Consideration is given to the presence or occurrence of adverse operational developments at the underlying mines, together with any significant declines in commodity prices. Where impairment indicators exist, a full impairment review is carried out to determine whether the discounted future expected cash flows (calculated on a value-in-use basis) exceed cost. *Note 4* outlines the impairment methodology applied.

Climate change considerations in assessing for indicators of impairment

In addition to the impairment methodology detailed in *note 4*, the impact of the climate transition has been considered in assessing whether any indicators of impairment exist, specifically for those royalty intangible assets in the portfolio associated with thermal coal projects.

Demand and pricing assumptions under the sustainable development scenario published in the IEA 2020 World Energy Outlook have been applied to the Group's valuation model for the Narrabri royalty. In addition, it has been assumed that the planned development of the Narrabri South mine, over which the Group's royalty also applies, does not proceed. The resulting net present value of the discounted future royalty cash flow derived from applying these assumptions comfortably exceeds the carrying value of the Narrabri royalty to conclude that there are no indicators of impairment as at 31 December 2020.

The impact of the climate transition was also considered when assessing whether any indicators of impairment exist in relation to the Group's royalty over the development stage Groundhog project in British Columbia, Canada. As detailed below, it was concluded that the probability of this project reaching commercial production is remote, resulting in the full impairment of this royalty as at 31 December 2020.

2020 Impairment of royalty intangible assets

Pilbara iron ore royalty

Despite the ongoing expansion of BHP's mining operations in the Pilbara, limited information is publicly available for the Group to assess the likely timing of the development of tenements covered by the Group's royalty, the largest of which covers the Railway Deposit which is located to the north of BHP's South Flank development.

In the absence of any publicly available information, the Group has estimated that the likely start date for production from tenements covered by the Group's royalty to be 2040 (2019: start date 2030). Applying this start date to the Group's valuation model, together with a pre-tax nominal discount rate of 7.50% (2019: 7.00%) and a long-term iron ore price of US\$136/dmtu for lump and US\$108/dmtu for fines resulted in a net present value of the discounted future royalty cash flow of A\$12.5m, compared to the carrying value of A\$17.5m. As a result of the net present value being lower than the carrying value, the Group recognised an impairment charge of A\$5.0m (£2.7m) for the year ended 31 December 2020.

Groundhog royalty

The Groundhog anthracite project, over which the Group holds a 1% GRR, is a development stage project located in north-west British Columbia, Canada. Limited progress has been made by the operator, Atrum Coal Limited, in developing these tenements since acquiring them in 2016 and in light of the climate transition, there is no real prospect of their commercial development. As a result, the Group fully impaired the Groundhog royalty as at 31 December 2020, recognising an impairment charge of C\$1.1m (£0.7m).

2019 Impairment of royalty intangible assets

During the year ended 31 December 2019, the Group recognised an impairment charge of C\$2.3m (£1.4m) in relation to its Ring of Fire royalty.

Impairment sensitivity

The Group has reviewed the sensitivity of its assessment for indicators of impairment to an increase in the discount rates applied to the expected future cash flows and a decrease in the underlying commodity prices of each royalty, concluding the following:

- A 1% increase in the discount rate applied to expected future cash flow of the royalties, would not result in any additional impairments, but would result in the impairment charge recognised in relation to the Pilbara royalty increasing by £1.3m, increasing the impairment charge in income statement to £4.7m.
- A 10% decrease in the underlying commodity prices would result in impairment charges being recognised for the Narrabri and Mantos Blancos royalties of £1.5m and £0.5m respectively, as well as increasing the impairment of the Pilbara royalty by a further £0.7m, increasing the impairment charge in the income statement to £6.1m.

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18 MINING AND EXPLORATION INTERESTS

	Group £'000	Company £'000
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
At 1 January 2019	2,848	2,559
Additions	40	40
Disposals	(321)	(117)
Revaluation adjustment	923	913
Foreign currency translation	152	-
At 31 December 2019	3,642	3,395
Additions	1,759	-
Disposals	(4,212)	(4,212)
Revaluation adjustment	6,851	6,842
Foreign currency translation	(21)	-
At 31 December 2020	8,019	6,025

The fair values of listed securities are based on quoted market prices. Unquoted investments 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.

During 2020, the Group participated in the unlisted equity placing undertaken by Brazilian Nickel, the operator of the Piauí nickel cobalt project in Brazil over which the Group holds a 1.30% GRR, investing US\$2.0m (£1.8m).

For the year ended 31 December 2020 the Group realised £4.2m in cash (2019: £0.3m) through its disposal of a number of its mining and exploration interests from which management no longer considered royalty opportunities to exist. These disposals resulted in a gain of £3.1m for the year ended 31 December 2020 (2019: loss £12K) which was transferred directly to retained earnings.

Total mining and exploration interests at 31 December are represented by:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Quoted investments	5,987	3,362	5,969	3,339
Unquoted investments	2,032	280	56	56
	8,019	3,642	6,025	3,395
Number of investments	9	8	6	6

19 DEFERRED COSTS

Group	Deferred acquisition costs £'000	Deferred financing costs £'000	Total £'000
CARRYING AMOUNT			
At 1 January 2020	215	467	682
Additions	847	558	1,405
Released to income during the year	(175)	(424)	(599)
Foreign currency translation	-	26	26
CARRYING AMOUNT AT 31 DECEMBER 2020	887	627	1,514
Group	Deferred acquisition costs £'000	Deferred financing costs £'000	Total £'000
CARRYING AMOUNT			
At 1 January 2019	219	707	926
Additions	215	30	245
Released to income during the year	(219)	(263)	(482)
Foreign currency translation	-	(7)	(7)
CARRYING AMOUNT AT 31 DECEMBER 2019	215	467	682

Company	Deferred acquisition costs £'000	Deferred financing costs £'000	Total £'000
CARRYING AMOUNT			
At 1 January 2020	215	243	458
Additions	847	273	1,120
Released to income during the year	(175)	(184)	(359)
CARRYING AMOUNT AT 31 DECEMBER 2020	887	332	1,219

Company	Deferred acquisition costs £'000	Deferred financing costs £'000	Total £'000
CARRYING AMOUNT			
At 1 January 2019	219	365	584
Additions	215	–	215
Released to income during the year	(219)	(122)	(341)
CARRYING AMOUNT AT 31 DECEMBER 2019	215	243	458

Deferred acquisition costs

As at 31 December 2020 deferred acquisition costs of £0.9m (2019: £0.2m) represent those costs associated with royalty and stream acquisitions that the Group is actively pursuing and expect to complete in 2021 and primarily relate to the Voisey's Bay cobalt stream acquisition completed in March 2021 (*note 37*).

Deferred financing costs

As at 31 December 2019 deferred financing costs of £0.5m represent the unamortised costs associated with the 2018 refinancing of the Group's revolving credit facility.

In January 2020, the Group amended and extended the 2018 facility, increasing the revolving credit facility to US\$90.0m and retaining the US\$30.0m accordion. The previously deferred financing costs associated with the original 2018 facility were released to the income statement upon the financing. As at 31 December 2020 deferred financing costs of £0.6m represent the arrangement fees and legal costs associated with the amended and extended facility.

These deferred financing costs were expected to be amortised over the three-year term of the facility, however, subsequent to year end the existing facility was repaid in full and cancelled, with the deferred costs being immediately released to the income statement (*note 37*).

20 INVESTMENTS IN SUBSIDIARIES

The Group's full listing of subsidiaries is provided in *note 38*. The Company's investment in subsidiaries as 31 December 2020 and 31 December 2019 is as follows:

Company	£'000
COST	
At 1 January 2020	176,879
Capital injection into subsidiaries	10,082
At 31 December 2020	186,961
IMPAIRMENT OF INVESTMENT IN SUBSIDIARY	
At 1 January 2020	(20,983)
Impairment	–
At 31 December 2020	(20,983)
Carrying amount 31 December 2020	165,978
	£'000
COST	
At 1 January 2019	120,422
Capital injection into subsidiaries	56,457
At 31 December 2019	176,879
IMPAIRMENT OF INVESTMENT IN SUBSIDIARY	
At 1 January 2019	(20,983)
Impairment	–
At 31 December 2019	(20,983)
Carrying amount 31 December 2019	155,896

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21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
CURRENT				
Income tax receivable	1,572	1,784	–	–
Prepayments	151	76	151	76
Royalty receivables	8,596	7,307	780	739
Other receivables	459	379	413	215
	10,778	9,546	1,344	1,030
	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
NON-CURRENT				
Other receivables	17,010	17,919	17,010	17,919
Amounts due from subsidiaries	–	–	40,727	42,380
	17,010	17,919	57,737	60,299

Current trade and other receivables

Trade and other receivables principally comprise amounts relating to royalties receivable from Kestrel, Mantos Blancos, Narrabri, Maracás Menchen, Four Mile and EVBC for the final quarter in each year, together with dividends declared but not yet received from Labrador Iron Ore Company.

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

Non-current other receivables

In 2017, the Group completed a C\$43.5m (£26.6m) financing and streaming agreement with Denison. The streaming agreement is classified as a royalty financial instrument (*note 16*), with an initial value of C\$2.7m (£1.7m).

The financing agreement is structured as a 13-year secured loan of C\$40.8m (£24.9m) 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.

Operations at the McClean Lake mill from which the toll revenue is generated were suspended from March 2020 to September 2020 in response to the COVID-19 pandemic, resulting in the principal repayments under the loan reducing to £0.7m (2019: £1.6m). The Group earned £1.8m in interest revenue (2019: £1.9m), with £0.6m (2019: £nil) of the interest earned being capitalised as described above.

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 31 December 2020, the implied probability of default has been assessed at 4.30% (2020: 0.98%) resulting in the Group recognising expected credit losses of £0.5m (2019: £0.1m).

While operations resumed in September 2020, they were once again suspended in January 2021 due to the COVID-19 pandemic and remain suspended as at the date of this report. As operations are expected to resume at some point in 2021, the Directors do not consider the current suspension significantly increases default risk and therefore continue to recognise 12-month ECL rather than lifetime ECL.

The movement in non-current other receivables is summarised as follows:

Group and Company	£'000
At 1 January 2019	19,335
Interest	1,926
Repayments of principal and interest	(3,503)
Amortisation of deferred costs	(13)
Expected credit losses	(62)
Foreign currency translation	236
At 31 December 2019	17,919
Interest	1,782
Repayments of principal and interest	(1,906)
Amortisation of deferred costs	(13)
Expected credit losses	(521)
Foreign currency translation	(251)
At 31 December 2020	17,010

Non-current amounts due from subsidiaries

Amounts due from subsidiaries are considered long-term loans. The Directors consider that the carrying value of amounts due from subsidiaries is approximately their fair value.

22 DERIVATIVE FINANCIAL INSTRUMENTS

The Group's hedging policy allows foreign exchange forward contracts to be entered into to manage its exposure to foreign exchange risk associated with its Australian and Canadian dollar royalty related income (*note 33*). These foreign exchange forward contracts are accounted for as financial assets or liabilities carried at fair value through profit or loss in accordance with *note 3.8(c)*. The fair value of the foreign exchange forward contracts as at 31 December is as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Fair value as at 31 December	10	(480)	–	–

As at 31 December 2020 the Group had outstanding forward contracts totalling A\$7.2m (2019: A\$37.5m) to receive £3.9m (2019: £20.2m) and C\$0.7m (2019: C\$9.2m) to receive £0.4m (2019: £5.4m).

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash at bank and on hand	20,053	7,410	17,594	1,327
Trading deposits with brokers	103	187	81	93
Cash and cash equivalents	20,156	7,597	17,675	1,420

Of the Group's £20.1m cash at bank and on hand as at 31 December 2020, £15.2m related to proceeds from the partial sale of the Group's investment in LIORC. These funds were held in restricted accounts as security under the Group's existing revolving credit facility.

24 NET DEBT

See *note 3.8(a)* and *note 3.8(h)* for the Group's accounting policy on cash and debt.

Net debt is a measure of the Group's financial position. The Group uses net debt to monitor the sources and uses of financial resources, the availability of capital to invest or return to shareholders, and the resilience of the balance sheet. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group and Company's net (debt)/cash and cash equivalents position after offsetting the revolving credit facility against cash and cash equivalents is as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Revolving credit facility	(44,518)	(36,401)	(44,518)	(36,401)
Cash and cash equivalents	20,156	7,597	17,675	1,420
Net cash and cash equivalents/(debt)	(24,362)	(28,804)	(26,843)	(34,981)

Movement in net debt

	Cash and cash equivalents £'000	Medium and long-term borrowings £'000	Net debt £'000
At 1 January 2019	5,223	8,300	(3,077)
Cash flow	1,447	30,726	(29,279)
Currency movements	927	(2,625)	3,552
At 31 December 2019	7,597	36,401	(28,804)
Cash flow	13,886	9,140	4,746
Currency movements	(1,327)	(1,023)	(304)
At 31 December 2020	20,156	44,518	(24,362)

During the year ended 31 December 2020, the Group drew £18.3m (2019: £45.0m) on its revolving credit facility (refer to *note 25*) and repaid £9.2m (2019: £14.2m).

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25 BORROWINGS

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
SECURED BORROWING AT AMORTISED COST				
Revolving credit facility	44,518	36,401	44,518	36,401
	44,518	36,401	44,518	36,401
Amount due for settlement within 12 months	–	–	–	–
Amount due for settlement after 12 months	44,518	36,401	44,518	36,401

The Group's revolving credit facility in place during 2019, was the three-year revolving credit facility of US\$60.0m with a US\$30.0m accordion, established in 2018 and maturing in September 2021, which was available at LIBOR plus 300bps.

In January 2020, the Group amended and extended the 2018 facility, increasing the revolving credit facility to US\$90.0m and retaining the US\$30.0m accordion. The amended and extended facility was expected to mature in September 2022 and was available at LIBOR plus 175bps.

During the year ended 31 December 2020, the Group drew £18.3m (2019: £45.0m) on its revolving credit facility (refer to **note 25**) and repaid £9.2m (2019: £14.2m).

In conjunction with the Voisey's Bay cobalt stream acquisition, the Group repaid its borrowings in full and cancelled the existing facility in March 2021, before entering a new US\$180.0m revolving credit facility which was reduced to US\$150.0m following the completion of the equity placing detailed in **note 37**. The new facility has a three-year term with the option to extend to request a one-year extension within the first year and is available at LIBOR plus 2.75% to 5.00% depending on leverage ratios.

Deferred borrowing costs, detailed in **note 19**, relate to the establishment fees and legal fees associated with the existing facility as at 31 December 2020 and were being amortised over its three-year term.

The Group's revolving credit facility as at 31 December 2020 was 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 year ended 31 December 2020.

26 DEFERRED TAX

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

Group	Revaluation of coal royalties £'000	Revaluation of royalty instruments £'000	Accrual of royalty receivable £'000	Other tax losses £'000	Total £'000
At 1 January 2019	32,932	(2,568)	1,555	(24)	31,895
Charge/(credit) to profit or loss	(2,764)	(101)	(929)	20	(3,774)
Charge/(credit) to other comprehensive income	–	22	–	–	22
Exchange differences	(1,243)	127	(40)	–	(1,156)
Effect of change in tax rate:					
– income statement	–	–	–	–	–
– equity	–	–	–	–	–
At 31 December 2019	28,925	(2,520)	586	(4)	26,987
Charge/(credit) to profit or loss	(13,261)	(160)	93	4	(13,324)
Charge/(credit) to other comprehensive income	–	2,182	–	–	2,182
Exchange differences	1,097	(197)	41	–	941
Effect of change in tax rate:					
– income statement	–	75	–	–	75
– equity	–	–	–	–	–
At 31 December 2020	16,761	(620)	720	–	16,861

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:

	2020 £'000	2019 £'000
Deferred tax liabilities	(20,127)	(30,172)
Deferred tax assets	3,266	3,185
	(16,861)	(26,987)

In the March 2021 Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

The Group has the following balances in respect of which no deferred tax asset has been recognised:

	2020				2019			
	Tax losses – trading £'000	Tax losses – capital £'000	Other temporary differences	Total £'000	Tax losses – trading £'000	Tax losses – capital £'000	Other temporary differences	Total £'000
EXPIRY DATE								
Within one year	–	–	–	–	–	–	–	–
Greater than one year, less than five years								
Greater than five years	–	–	–	–	–	–	–	–
No expiry date	7,911	46,659	3,139	57,635	3,857	45,309	3,084	52,250
	7,911	46,659	3,139	57,635	3,857	45,309	3,084	52,250

Temporary differences associated with investments in subsidiaries, joint ventures and associates are insignificant.

The following are the major deferred tax liabilities recognised by the Company and the movements thereon during the period:

	Revaluation of royalty instruments £'000	Total £'000
Company		
At 1 January 2019	668	668
Released to income for the year	(29)	(29)
At 31 December 2019	639	639
Released to income for the year	(196)	(196)
At 31 December 2020	443	443

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

	2020 £'000	2019 £'000
Company		
Deferred tax liabilities	443	639
	443	639

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
CURRENT				
Other taxation and social security payables	111	97	108	94
Trade payables	46	102	39	80
Borrowings from subsidiaries	–	–	38,806	23,799
Accruals and other payables	1,928	2,363	1,417	1,964
Deferred consideration	–	1,138	–	–
	2,085	3,700	40,370	25,937

During the first quarter of 2020, Largo Resources generated sales, which on an annualised basis exceeded 12,000t, triggering the second tranche of deferred consideration of US\$1.5m in relation to the Maracás Menchen royalty to become payable. On 29 May 2020, the Group paid the US\$1.5m (£1.2m) of deferred consideration that had been accrued since 30 June 2018 and included in the carrying value of the Maracás Menchen royalty.

The average credit period taken for trade purchases is 18 days (2019: 26 days). The Directors consider that the carrying amount of trade and other payables approximates their fair value. All amounts are considered short-term and none are past due.

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
NON-CURRENT				
Lease liability	760	950	760	950
Other taxation and social security payables	839	709	839	709
	1,599	1,659	1,599	1,659

Non-current lease liability relates to the Group's office premises in London, which comprises annual payments of £0.2m and expires in 2024.

Non-current other taxation and social security payables relates to employer national insurance due on vesting of certain share-based payments.

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28 SHARE CAPITAL AND SHARE PREMIUM

Issued share capital

Group and Company	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
ORDINARY SHARES OF 2P EACH AT 1 JANUARY 2019 AND 31 DECEMBER 2019	181,470,392	3,629	62,779	29,134	95,542
Issue of share capital on exercise of employee options (a)	288,327	6	358	–	364
Share buyback (b)	(4,629,703)	(93)	–	–	(93)
ORDINARY SHARES OF 2P AT 31 DECEMBER 2020	177,129,016	3,542	63,137	29,134	95,813

- (a) On 18 May 2020, the Group issued 288,327 new ordinary shares of 2p each following the exercise of options awarded to employees under the Company's Unapproved Share Option Plan. The shares were issued at the exercise price of 126.07p per share.
- (b) Between 25 September 2020 and 6 November 2020, the Company completed a share buyback programme and repurchased in aggregate 4,629,703 ordinary shares of 2p each in the Company for a total consideration of £5.0m, at a volume weighted average price of 107.97p per share. The repurchased shares are held in treasury.

Own shares

Included in the Company's issued share capital are shares held by the Anglo Pacific Group Employee Benefit Trust ('EBT') in accordance with the Group's JSOP as follows:

	2020		2019	
	Number of shares	£'000	Number of shares	£'000
OWN SHARES				
At 1 January	925,933	(2,601)	925,933	(2,601)
Transferred to employees in settlement of share awards	(559,266)	1,571	–	–
Shares acquired to settle future share awards	78,059	(136)	–	–
AT 31 DECEMBER	444,726	(1,166)	925,933	(2,601)

As the EBT has waived its right to receive dividends, the Company's shares held by the EBT are excluded from the weighted average number of shares in issue for the purposes of calculating earnings per share in **note 12**.

Treasury shares

	2020		2019	
	Number of shares	£'000	Number of shares	£'000
Treasury shares				
At 1 January	–	–	–	–
Share buyback	4,629,703	93	–	–
At 31 December	4,629,703	93	–	–

Shares held in treasury do not receive dividends, as such they are excluded from the weighted average number of shares in issue for the purposes of calculating earnings per share in **note 12**.

29 SHARE-BASED PAYMENTS

The Group operates three equity-settled share-based compensation plans as follows:

- The HMRC approved Company Share Ownership Plan (the 'CSOP');
- The Unapproved Share Ownership Plan (the 'USOP'); and
- The Value Creation Plan (the 'VCP').

(a) Company Share Ownership Plan

Under the CSOP, share options are granted to Executive Directors and to selected employees. The exercise price of the granted options is equal to the average mid-market closing price of an ordinary share for the three days before the grant. The options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in absolute TSR over the period of 3% per annum (not compounded) in excess of the UK Retail Price Index; the options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at 1 January	47,502	1.2884	47,502	1.2884
Outstanding at 31 December	47,502	1.2884	47,502	1.2884

Out of the 47,502 outstanding options (2019: 47,502), 19,974 options (2019: 19,947) were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in £ per share	Options	
		2020	2019
2024	1.6258	6,150	6,150
2025	0.7700	19,974	19,974
2028	1.6367	21,378	21,378
		47,502	47,502
Weighted average remaining contractual life		6.00	7.00

No awards were made under the CSOP during 2020 or 2019.

(b) Unapproved Share Option Plan

The Group's USOP was approved by shareholders at the 2016 AGM. The plan was established to provide the Group additional scope to incentivise employees, particularly those who do not participate in the VCP, over and above the limit of the CSOP.

The exercise price of the granted options is equal to the average mid-market closing price of an ordinary share for the three days before the grant. The options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date and have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of options granted during January 2020 determined using a Black-Scholes valuation model was £0.30 per option. The significant inputs into the model were the share price of £1.760 at the grant date, exercise price of £1.788, volatility of 34.00%, expected dividend yield of 4.55%, expected option life of four years and an annual risk-free rate of 0.39%.

The weighted average fair value of options granted during November 2019 determined using a Black-Scholes valuation model was £0.36 per option. The significant inputs into the model were the share price of £1.910 at the grant date, exercise price of £1.921, volatility of 35.00%, expected dividend yield of 4.19%, expected option life of four years and an annual risk-free rate of 0.51%.

The weighted average fair value of options granted during September 2019 determined using a Black-Scholes valuation model was £0.36 per option. The significant inputs into the model were the share price of £1.895 at the grant date, exercise price of £1.862, volatility of 34.88%, expected dividend yield of 4.22%, expected option life of four years and an annual risk-free rate of 0.28%.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at 1 January	2,472,593	1.0307	2,097,593	0.8801
Granted during the year	100,000	1.7883	375,000	1.8735
Exercised during the year	(847,593)	0.8801	–	–
Outstanding at 31 December	1,725,000	1.1487	2,472,593	1.0307

Out of the 1,725,000 outstanding options (2019: 2,472,593), 1,250,000 options (2019: nil) were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in £ per share	Options	
		2020	2019
2022	–	366,667	633,334
2022	1.2607	883,333	1,464,259
2024	1.8617	300,000	300,000
2024	1.9208	75,000	75,000
2025	1.7883	100,000	–
		1,725,000	2,472,593
Weighted average remaining contractual life		1.97	2.65

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(c) Value Creation Plan

Following the approval at the 2014 AGM, the Group implemented a new long-term incentive arrangement for the Executive Directors and selected senior management. The VCP was designed by the Remuneration Committee to incentivise the Executive Directors and senior management to drive growth in shareholder return over a five-year measurement period. At the 2016 AGM, shareholders approved the extension of the measurement period from five to seven years.

Under the terms of the VCP, no value would accrue to the participants unless growth in the Group's total shareholder return over the measurement period is at least equal to 7% per annum. Subject to such threshold growth, participants would become entitled to receive nil or nominal cost options over the ordinary shares of the Company, subject to a cap, set by reference to a share of a pool value equal to 10% of the growth in the Company's total shareholder return over the measurement period or, if less, 50% of the growth in the Company's total shareholder return over the measurement period in excess of the threshold growth.

Options granted under the VCP will comprise three equal tranches, the first tranche exercisable as from the time of the grant of the options and the other tranches exercisable as from one and two years thereafter respectively. Subject to appropriate adjustments in accordance with the terms of the VCP, the maximum number of shares set under the option grants will not be capable of exceeding such number equating to 7.5% of the Company's issued share capital as at the end of the measurement period.

VCP awards outstanding at 31 December 2020 and 31 December 2019 are as follows:

Expiry date	Exercise price in £ per unit	Options 2020	Options 2019
Outstanding at 1 January	–	86,867	86,867
Outstanding at 31 December	–	86,867	86,867
Weighted average remaining contractual life		0.50	1.50

At the 2016 AGM, the shareholders approved an amendment to the VCP extending the performance period from five years to seven years, resulting in the weighted average remaining contractual life increasing by two years to 4.5 years.

Refer to **note 7(a)** for the total expense recognised in the income statement for awards under the Group's CSOP, USOP and VCP granted to Directors and employees.

30 SPECIAL RESERVE

As part of the capital reduction in 2002, a special reserve was created, which represents the level of profit attributable to the Group for the period ended 30 June 2002. At 31 December 2020, this reserve remains unavailable for distribution.

	Group £'000	Company £'000
At 1 January 2020 and 31 December 2020	632	632

31 RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with subsidiaries:

	2020 £'000	2019 £'000
Net financing of related entities	(422)	(2,223)
Management fee	2,303	2,658
Amounts owed by related parties at year end	40,727	42,380
Amounts owed to related parties at year end	(38,806)	(23,799)

All transactions were made in the course of funding the Group's continuing activities.

Amounts owed by related parties are non-interest bearing and are not due to be received in the next twelve months. Amounts owed to related parties comprise both interest and non-interest-bearing borrowings that are repayable on demand.

Remuneration of key management personnel

The remuneration of the key management personnel including Directors of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on **pages 86 to 98**.

	2020 £'000	2019 £'000
Short-term employee benefits	1,369	1,437
Post-employment benefits	61	58
Share-based payment	194	623
	1,624	2,118

Directors' transactions

The Group received £51,225.85 from Audley Capital Advisors LLP, a company which Mr. J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the reimbursement of travel costs and the subletting of office space during the year ended 31 December 2020 (2019: £55,999.96). At 31 December 2020 there was £20,476.86 owing from Audley Capital Advisors LLP (2019: £4,000.54).

During the year ended 31 December 2020, the Group paid Audley Capital Advisors LLP £1,913.16 for the reimbursement of travel costs. There were no amounts paid by the Group to Audley Capital Advisors LLP during the year ended 31 December 2019. No amounts were owing to Audley Capital Advisors LLP as at 31 December 2020 or 2019.

32 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: McLean Lake, Mantos Blancos, Maracás Menchen, LIORC, Ring of Fire, Piauí, Cañariaco, Ground Hog, Flowstream

Europe: EVBC, Salamanca

Other: Dugbe I, and includes the Group's mining and exploration interests

Despite the Group's royalty arrangements being exposed to different commodities, the Executive Committee having considered the impact of climate change on the demand for and pricing of the commodities underlying the Group's portfolio by applying the assumptions under the sustainable development scenario published in the IEA 2020 World Energy Outlook, concluded the arrangements in each jurisdiction to have similar economic characteristics which should result in similar long-term performance over the commodity cycle.

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 allocating resources is operating profit as analysed below.

The segment information for the year ended 31 December 2020 is as follows (noting that total segment operating profit corresponds to operating profit before impairments, revaluations and gains/losses on disposals on the face of the consolidated income statement):

	Australia royalties £'000	Americas royalties £'000	Europe royalties £'000	All other segments £'000	Total £'000
Royalty related revenue	21,647	12,362	–	–	34,009
Amortisation of royalties	(2,368)	(3,154)	–	–	(5,522)
Operating expenses	(3,350)	–	–	(3,052)	(6,402)
TOTAL SEGMENT OPERATING PROFIT/(LOSS)	15,929	9,208	–	(3,052)	22,085
TOTAL SEGMENT ASSETS	105,123	141,755	5,461	33,863	286,202
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	–	–	8	8
TOTAL SEGMENT LIABILITIES	20,226	47,268	443	3,259	71,196

The segment information for the year ended 31 December 2019 is as follows:

	Australia royalties £'000	Americas royalties £'000	Europe royalties £'000	All other segments £'000	Total £'000
Royalty related revenue	41,295	14,433	–	–	55,728
Amortisation of royalties	(2,402)	(1,375)	–	–	(3,777)
Operating expenses	(3,088)	–	–	(4,044)	(7,132)
TOTAL SEGMENT OPERATING PROFIT/(LOSS)	35,805	13,058	–	(4,044)	44,819
TOTAL SEGMENT ASSETS	148,847	137,990	6,848	14,262	307,947
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	42,284	–	9	42,293
TOTAL SEGMENT LIABILITIES	38,989	37,808	639	4,797	82,233

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 revenue in Australia of £21.6m (2019: £41.3m) includes the Kestrel royalty which generated £18.1m (2019: £37.0m). Individually the revenue generated by Kestrel represented greater than 10% of the Group's revenue in both 2019 and 2020.

The royalty related revenue in the Americas of £12.4m (2019: £14.4m) includes the dividends received from the Group's shareholding in Labrador Iron Ore Company of £7.0m (2019: £8.0). Individually the dividends received from Labrador Iron Ore Company represents more than 10% of the Group's revenue in 2019 and 2020.

The royalty related revenue from Narrabri of £3.1m (2019: £4.0m), together with £0.5m from Maracás Menchen (2019: £2.7m), £2.9m from Mantos Blancos (2019: £1.0m) and £0.5m from Four Mile (2019: £0.3m) represents revenue recognised from contracts with customers as defined by IFRS 15.

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Impairments

During the year ended 31 December 2020, the Group recognised an impairment charge of £2.7m (A\$5.0m) in relation to the Pilbara royalty, which is within the 'Australia royalties' segment. In addition, the Group recognised an impairment charge of £0.7m (C\$1.1m) in relation to the Groundhog royalty, which is within the 'Americas royalties' segment. The Group recognised an impairment charge of £1.4m (C\$2.3m) in relation to the Ring of Fire royalty, which is within the 'Americas royalties' segment during the year ended 31 December 2019. Refer to **note 18** for further details on the Group's impairments.

33 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. The Group's financial risk management should be read in conjunction with the principal risks outlined on **pages 28 to 38** of the Strategic Report.

Liquidity and funding risk

The objective of the Company in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. At 31 December 2020 the Group had borrowings of £44.5m (2019: £36.4m) through its secured US\$90.0m revolving credit facility. In conjunction with the acquisition of the Voisey's Bay cobalt stream completed in March 2021, the Group repaid these borrowings in full and cancelled the existing facility, before entering a new US\$180.0m revolving credit facility which was reduced to US\$150.0m following the completion of the equity placing detailed in **note 37**. Upon completion of the acquisition the Group had borrowings of US\$123.5m and access to a further US\$26.5m subject to ongoing compliance with the facilities covenants.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayments periods as at 31 December 2020. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	1–5 years £'000	Total £'000
31 DECEMBER 2020			
Interest bearing revolving credit facility	3.46	44,518	44,518
		44,518	44,518
31 DECEMBER 2019			
Interest bearing revolving credit facility	4.64	36,401	36,401
		36,401	36,401

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 £53.0m at 31 December 2020 (£41.3m at 31 December 2019).

The Group's credit risk is primarily attributable to its other receivables, including royalty receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. In certain cases, the Group has the right to audit the reported royalty income.

The Group's credit risk on royalty interests held as financial instruments has been reviewed and the estimated current exposure is as disclosed in **note 16** where the future contractual right to cash flows from these instruments is reflected in their fair value.

The credit risk on bank deposits is mitigated by banking with household name financial institutions in reputable jurisdictions. The Group has no significant concentration of credit risk, with exposure spread over a large number of currencies and counterparties.

The Group's credit risk on foreign exchange forward contracts is mitigated by entering into these agreements with large financial institutions. The Group limits its exposure to credit risk, together with that of the contracting financial institution, by restricting the settlement date to no more than a year from the contract date. In addition, the Group limits the quantum of the forward contracts to no more than an average 70% of forecast royalty revenue expected to be received by the date of settlement.

Share price risk

The Group is exposed to share price risk in respect of its mining and exploration interests (**note 18**) which include listed and unlisted equity securities, together with its investment in LIORC which is classified as a royalty financial instruments (**note 16**).

A 10% increase or decrease in the fair value of our mining and exploration interests (listed and unlisted) would increase/decrease the mining and exploration interests balance (and investment revaluation reserve in equity) by £0.8m at 31 December 2020 (£0.4m at 31 December 2019).

Similarly, had there been a 10% increase or decrease in the underlying share price of the Group's investment in LIORC, the Group's royalty financial instrument designated as FVTOCI (and the investment revaluation reserve in equity) would have increased/decreased by £6.6m as at 31 December 2020 (£5.8m at 31 December 2019).

The Group's mining and exploration interests are held for the purposes of generating additional royalties and are considered long-term, strategic investments. This strategy is unaffected by recent fluctuations in prices for mining and exploration equities; however, interests are continually monitored for indicators that may suggest problems for these companies raising capital or continuing their day-to-day business activities to ensure remedial action can be taken if necessary. This is no longer a significant part of the Group's strategy, however, additional investment in mining and exploration interest may occur.

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.

Other price risk

The royalty portfolio exposes the Group to other price risk through fluctuations in commodity prices, particularly the prices of coking coal, vanadium, 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 in **note 15 and note 16**.

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 related revenue from Kestrel and Narrabri accounting for over 60% of the Group's income (2019: 70%), 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 over 25% of the Group's income in 2020 (2019: 19%).

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. Refer to **note 22** for further details on the fair value of the foreign exchange forward contracts outstanding at 31 December 2020. The Group has no other hedging programme in place.

In terms of material commitment, the risk in relation to currency fluctuations is assessed by the Executive Committee at the time the commitment is made and regularly reviewed.

Financial assets and liabilities are split by currency as follows:

	2020					2019				
	GBP £'000	AUD '000	CAD '000	USD '000	EUR '000	GBP £'000	AUD '000	CAD '000	USD '000	EUR '000
Financial assets	10,145	67,222	88,794	17,093	73	7,797	108,180	79,847	2,749	11
Financial liabilities	13,539	–	1,904	29,121	–	1,730	1	3,092	32,805	13
Net exposure	(3,394)	67,222	86,890	(12,028)	73	6,067	108,179	76,755	(30,056)	(2)

Foreign exchange sensitivities

With the exception of the cash balances, non-current other receivables and borrowings, the majority of the financial instruments not denominated in GBP are held in entities with the same functional currency and for the purpose of this sensitivity analysis, the impact of changing exchange rates on the translation of foreign subsidiaries into the Group's presentation currency has been excluded.

In terms of the cash balance, the significant sensitivities are as follows:

- A +/- 10% change in the GBP:AUD rate would increase/decrease profit after tax and equity by £140k (2019: £563k);
- A +/- 10% change in the GBP:CAD rate would increase/decrease profit after tax and equity by £141k (2019: £157k);
- A +/- 10% change in the GBP:USD rate would increase/decrease profit after tax and equity by £1.5m (2019: £6k).

In terms of the non-current other receivable balance, which relates to the Canadian dollar denominated loan to Denison (**note 21**), a +/- 10% change in the GBP:CAD rate would increase/decrease profit after tax and equity by £1.7m (2019: £1.8m).

In terms of borrowings, the Group had drawings under the revolving credit facility denominated in GBP, USD and CAD as at 31 December 2020. The significant sensitivities for the borrowings are as follows:

- A +/- 10% change in the GBP:CAD rate would increase/decrease profit after tax and equity by £190k (2019: £309k);
- A +/- 10% change in the GBP:USD rate would increase/decrease profit after tax and equity by £2.9m (2019: £3.2m).

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Capital risk management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to realise the full value of its assets and to enhance shareholder value in the Company and returns to shareholders by acquiring further royalty assets.

The Directors continue to monitor the capital requirements of the Group by reference to expected future cash flows. Capital for the reporting periods presented is summarised in the consolidated statement of changes in equity.

In funding the business activities of the Group, the Directors consider both debt and equity, having regard to the Group's available debt facility and the prevailing share price at the time funding is required. Where funding is obtained through debt, the Group maintains its targeted debt capacity of 1.5–2 times adjusted EBITDA, although a higher ratio can be tolerated for shorter periods when there is a reasonable expectation of a recovery in free cash flow.

Following the completion of the Voisey's Bay cobalt stream acquisition and the associated debt refinancing and equity placing subsequent to year end, as detailed in **note 37**, the Group's targeted debt capacity has increased to 2–2.5 times adjusted EBITDA.

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Financial instruments

The Group and Company held the following investments in financial instruments and other items held at fair value:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<i>Investment property (held at fair value)</i>				
Coal royalties (Kestrel)	55,874	96,419	–	–
<i>Fair value through other comprehensive income</i>				
Royalty financial instruments	66,426	57,736	–	–
Mining and exploration interests	8,019	3,642	6,025	3,395
<i>Fair value through profit or loss</i>				
Royalty financial instruments	6,777	8,065	2,332	3,760
Derivative financial instruments ¹	10	–	–	–
Cash at bank and in hand	20,156	7,597	17,675	1,420
<i>Financial assets at amortised cost</i>				
Trade and other receivables ²	26,065	25,605	58,930	61,253
<i>Financial liabilities at amortised cost</i>				
Trade and other payables ³	46	102	38,845	23,879
Borrowings ⁴	44,518	36,401	44,518	36,401
Deferred consideration ⁵	–	1,138	–	–
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative financial instruments ¹	–	480	–	–

¹ Derivative financial instruments include the Group's foreign exchange forward contracts, as set out in **note 22**.

² Trade and other receivables include royalty receivables, other receivables and other non-current receivables only, as set out in **note 21**.

³ Trade and other payables include trade payables only, as set out in **note 27**.

⁴ Borrowings include the revolving credit facility only, as set out in **note 25**.

⁵ Deferred consideration relates to the Maracás Menchen royalty deferred consideration of £1.1m (US\$1.5m) paid in May 2020, as set out in **note 27**.

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.

Fair value hierarchy

The following tables present financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy aggregates financial assets and liabilities into three levels based on the significance of the 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 table presents the Group's assets that are measured at fair value at 31 December 2020:

					2020
Group	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
ASSETS					
Coal royalties (Kestrel)	(a)	–	–	55,874	55,874
Royalty financial instruments	(b)	66,426	–	6,777	73,203
Mining and exploration interests – quoted	(c)	5,987	–	–	5,987
Mining and exploration interests – unquoted	(d)	–	2,032	–	2,032
Financial derivative instruments	(e)	–	10	–	10
NET FAIR VALUE		72,413	2,042	62,651	137,106

The following table presents the Group's assets that are measured at fair value at 31 December 2019:

					2019
Group	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
ASSETS					
Coal royalties (Kestrel)	(a)	–	–	96,419	96,419
Royalty financial instruments	(b)	57,736	–	8,065	65,801
Mining and exploration interests – quoted	(c)	3,362	–	–	3,362
Mining and exploration interests – unquoted	(d)	–	280	–	280
NET FAIR VALUE		61,098	280	104,484	165,862

The following table presents the Company's assets that are measured at fair value at 31 December 2020:

					2020
Company	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
ASSETS					
Royalty financial instruments	(a)	–	–	2,332	2,332
Mining and exploration interests – quoted	(b)	5,969	–	–	5,969
Mining and exploration interests – unquoted	(c)	–	56	–	56
NET FAIR VALUE		5,969	56	2,332	8,357

The following table presents the Company's assets that are measured at fair value at 31 December 2019:

					2019
Company	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
ASSETS					
Royalty financial instruments	(a)	–	–	3,760	3,760
Mining and exploration interests – quoted	(b)	3,339	–	–	3,339
Mining and exploration interests – unquoted	(c)	–	56	–	56
NET FAIR VALUE		3,339	56	3,760	7,155

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

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The methods and valuation techniques used for the purposes of measuring fair value of royalty financial instruments give 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 6.50% (2019: 6.00%) by an independent valuation consultant. Refer to **note 15** for details of the key inputs into the valuation, together with a sensitivity analysis for fluctuations in the price assumptions and discount rate. All unobservable inputs are obtained from third parties.

(b) Royalty financial instruments

The Group's royalty financial instruments comprise the investment in LIORC and the McLean Lake streaming agreement, together with the NSR and GRR royalties over EVBC, Dugbe 1 and Piauí as detailed in **note 16**.

At the reporting date, the fair value of the Group's investment in LIORC has been determined by reference to the quoted bid price of the instrument. As LIORC has a quoted share price in an active market, it has been categorised as level 1 in the fair value hierarchy.

The Group's remaining royalty financial instruments are valued based on the net present value of pre-tax cash flows discounted at a rate between 6.50% and 30.00% at reporting date. 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 instruments 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	31 December 2020		31 December 2019	
		Discount rate	Risk weighting	Discount rate	Risk weighting
EVBC	FVTPL	6.50%	100%	7.00%	100%
Dugbe 1	FVTPL	30.00%	75%	30.00%	75%
McLean Lake	FVTPL	6.50%	50%	5.50%	50%
Piauí	FVTPL	13.50%	25%	13.50%	25%

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 on 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 in investments which the Group anticipates a realistic possibility of a future listing.

(e) Derivative financial instruments

The derivative financial instruments consist of the foreign exchange forward contracts entered into to hedge the Group's Australian dollar denominated royalty income. At the 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.

Fair value measurements in Level 3

The Group's financial assets classified in Level 3 use 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 year ended 31 December 2020.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At 1 January 2020	8,065	96,419	104,484
Revaluation gains or losses recognised in:			
Income statement	883	(44,204)	(43,321)
Royalties due or received from royalty financial instruments	(2,308)	–	(2,308)
Foreign currency translation	137	3,659	3,796
At 31 December 2020	6,777	55,874	62,651

The following table presents the changes in Level 3 instruments for the year ended 31 December 2019.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At 1 January 2019	7,837	109,778	117,615
Revaluation gains or losses recognised in:			
Income statement	2,478	(9,215)	(6,737)
Royalties due or received from royalty financial instruments	(2,166)	–	(2,166)
Foreign currency translation	(84)	(4,144)	(4,228)
At 31 December 2019	8,065	96,419	104,484

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

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.

34 FREE CASH FLOW

The structure and classification of a number of the Group's royalty arrangements result in a significant amount of cash flow not being included in the income statement. As the Group considers dividend cover based on the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator, going forward.

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, by the weighted average number of shares in issue.

	2020 £'000	Free cash flow per share p
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Net cash generated from operating activities for the year ended 31 December 2020	17,507	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	4,212	
Finance income	116	
Finance costs	(1,900)	
Lease payments	(196)	
Repayments under commodity related financing agreements	688	
Free cash flow for the year ended 31 December 2020	20,427	11.32p

	2019 £'000	Free cash flow per share p
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Net cash generated from operating activities for the year ended 31 December 2019	47,086	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	321	
Finance income	34	
Finance costs	(1,074)	
Lease payments	(199)	
Repayments under commodity related financing agreements	1,577	
Free cash flow for the year ended 31 December 2019	47,745	26.44p

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

	2020	2019
Weighted average number of shares in issue	180,373,966	180,544,459

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35 PORTFOLIO CONTRIBUTION

Portfolio contribution represents the funds received or receivable from the Group's underlying royalty 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 related revenue (*note 5*) plus royalties received or receivable from royalty financial instruments carried at FVTPL (*note 16*) and principal repayment received under the Denison financing agreement (*note 21*) as follows:

Group	2020 £'000	2019 £'000
Royalty related revenue (<i>note 5</i>)	34,009	55,728
Royalties due or received from royalty financial instruments (<i>note 16</i>)	2,308	2,166
Repayments under commodity related financing agreements (<i>note 21</i>)	688	1,577
	37,005	59,471

36 CONTINGENT LIABILITIES

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 £6.3m (2019: £6.3m).

37 EVENTS OCCURRING AFTER YEAR END

On 14 December 2020, Orano Canada Inc, the operator of the McClean Lake mill from which the Group receives 22.5% of the toll revenue via the Denison financing arrangement (*note 21*), announced operations would be suspended at the mill in early 2021 following the Cigar Lake uranium mine being placed on care and maintenance due to COVID-19. At the date of this report, operations at both Cigar Lake and the McClean Lake mill remain suspended.

On 24 February 2021, the Group announced it had agreed to acquire 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 US\$205m at closing and further potential contingent consideration of up to US\$27m, subject to cobalt prices over the next five years. The acquisition was completed on 12 March 2021 and was financed through a combination of an equity placing and retail offer of less than 20% of the Company's issued share capital, the monetisation of a portion of the Group's LIORC investment, and a new US\$180m credit facility from a syndicate of leading Canadian banks, comprising Scotiabank, RBC Capital Markets, and Canadian Imperial Bank of Commerce as detailed below.

The Group undertook an equity placing and retail offer, successfully placing 33,664,371 new ordinary shares of 2p each with institutional investors, while retail investors subscribed for 2,687,372 new ordinary shares of 2p each to raise total gross proceeds of £46.5m (US\$66.5m).

Between January 2021 and February 2021, the Group sold a further 2,510,700 LIORC shares generating C\$82.4m (£47.4m), which when combined with the C\$26.2m (£15.2m) generated from the 944,000 shares sold in 2020, provided the Group with total proceeds of C\$108.6 (£62.6m; US\$100m) to partially fund the acquisition.

Partially utilising the funds raised from the equity placing and retail offer, the Group repaid the £44.5m drawn on the existing revolving credit facility as at 31 December 2020 (*note 25*), before cancelling the facility. A new US\$180m revolving credit facility was entered into, which stepped down to US\$150m following the completion of the equity placing and retail offer, with the following key terms:

- Three-year term with the option to request a one-year extension within the first year (subject to certain exceptions);
- Cost is LIBOR + 2.75% to 5% depending on leverage ratios;
- Leverage permitted to 4.5x (Net Debt to EBITDA) for a six-month period for certain acquisitions, otherwise 3.5x;
- No dividend restrictions when the facility is at US\$150m and leverage is below 2.5x (which the Group expects will be the case going forward) – provisions have been included to ensure no restrictions on 2020 final dividend in the event leverage exceeds 2.5x; and
- Senior secured structure with other terms in line with the existing Revolving Credit Facility.

On completion of the acquisition, the Group had drawn US\$123.5m (£89.4m) leaving US\$26.5m (£19.2m) available, subject to ongoing covenant compliance.

38 SUBSIDIARIES

The following tables outline the Group's subsidiaries, as defined in Regulation 7 of the UK Companies Act 2006. All subsidiaries are included in the Group consolidation.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2020	Proportion of class held at 31 December 2019
			%	%
AUSTRALIA ¹				
Alkormy Pty Ltd	Investments	Ordinary A\$1.00	100%+	100%+
APG Aus No 1 Pty Ltd	Owner of iron ore royalties	Ordinary A\$1.00	100%	100%
APG Aus No 2 Pty Ltd	Owner of iron ore royalties	Ordinary A\$1.00	100%	100%
APG Aus No 3 Pty Ltd	Owner of uranium royalties	Ordinary A\$1.00	100%	100%
APG Aus No 4 Pty Ltd	Owner of iron ore royalties	Ordinary A\$1.00	100%	100%
APG Aus No 5 Pty Ltd	Owner of iron ore royalties	Ordinary A\$1.00	100%	100%
APG Aus No 6 Pty Ltd	Owner of vanadium royalties	Ordinary A\$1.00	100%	100%
APG Aus No 7 Pty Ltd	Owner of coal royalties	Ordinary A\$1.00	100%	100%
APG Aus No 8 Pty Ltd	Owner of nickel royalties	Ordinary A\$1.00	100%	100%
APG Aus No 9 Pty Ltd	Investments	Ordinary A\$1.00	100%	100%
APG Aus No 10 Pty Ltd	Investments	Ordinary A\$1.00	100%	100%
Argo Royalties Pty Ltd	Investments	Ordinary A\$1.00	100%+	100%+
Gordon Resources Ltd	Owner of coal royalties	Ordinary A\$0.20	100%+	100%+
HydroCarbon Holdings Pty Ltd	Dormant	Ordinary A\$1.00	100%+	100%+
Indian Ocean Resources Pty Ltd	Investments	Ordinary A\$0.25	100%+	100%+
Indian Ocean Ventures Pty Ltd	Dormant	Ordinary A\$0.20	100%+	100%+
Starmont Holdings Pty Ltd	Investments	Ordinary A\$1.00	100%	100%
Starmont Ventures Pty Ltd	Investments	Ordinary A\$1.00	100%+	100%+
Woodford Wells Pty Ltd	Dormant	Ordinary A\$0.25	100%+	100%+
¹ The registered office of all of the entities listed above is 6 Price Street, Subiaco, Western Australia 6008.				
BARBADOS ²				
Entrée International Holdings Inc	Intermediate holding company	Ordinary US\$1.00	100%	100%
Entrée Peru Holdings Inc	Intermediate holding company	Ordinary US\$1.00	100%+	100%+
² The registered office of all of the entities listed above is Suite 208, Building No 8, Harbour Road, Bridgetown, St Michaels, Barbados.				
CANADA ³				
Advance Royalty Corporation	Owner of uranium royalties	Ordinary C\$0.01	100%+	100%+
Albany River Royalty Corporation	Owner of chromite royalties	Ordinary C\$1.00	100%+	100%+
Panorama Coal Corporation	Owner of coal royalties	Ordinary C\$1.00	100%	100%
Polaris Royalty Corporation	Intermediate holding company	Ordinary C\$1.00	100%+	100%+
Trefi Coal Corporation	Owner of coal tenures	Ordinary C\$0.01	100%	100%
³ The registered office of all of the entities listed above is 1720 Queens Avenue, West Vancouver, British Columbia, Canada V7V 2X7.				
ENGLAND ⁴				
Anglo Pacific Cygnus Ltd	Investments	Ordinary £1.00	100%	100%
Centaurus Royalties Ltd	Investments	Ordinary £1.00	100%	100%
Southern Cross Royalties Ltd	Investments	Ordinary £1.00	100%	100%
⁴ The registered office of all of the entities listed above is 1 Savile Row, London, England W1S 3JR.				
GUERNSEY ⁵				
Anglo Pacific Group Employee Benefit Trust	Administering Group incentive plans		100%	100%
⁵ The registered office of the entity listed above is Frances House, Sir William Place, St Peter Port GY1 4HQ.				
IRELAND ⁶				
Anglo Pacific Finance DAC	Treasury	Ordinary £1.00	100%+	100%
⁶ The registered office of the entity listed above is Atlantic Avenue, Westpark Business Campus, Shannon, Co Clare.				
PERU ⁷				
Exploraciones Apolo Resources SAC	Owner of copper royalties	Ordinary S/1.00	100%+	N/A
⁷ The registered office of the entity listed above is Av. Ricardo Angulo No 776, Office 301, District of San Isidro, Lima, Peru.				
SCOTLAND ⁸				
Shetland Talc Ltd	Mineral exploration	Ordinary £1.00	100%	100%

+ denotes interest is held indirectly.

Shareholder statistics

(a) Size of holding (as at 31 March 2020)

Category	Number of shareholders	%	Number of shares	%
UK and Canada				
1 – 1,000	556	34.79%	280,527	0.13%
1,001 – 5,000	570	35.67%	1,345,802	0.62%
5,001 – 10,000	138	8.64%	1,051,174	0.48%
10,001 – and over	334	20.90%	215,432,959	98.77%
	1,598	100%	218,110,462	100%

(b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 31 March 2021 was 73.04%.

Corporate details

REGISTERED OFFICE

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SHAREHOLDERS

Please contact the respective registrar if you have any queries about your shareholding.

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PEEL HUNT

120 London Way
 London EC2Y 5ET

RBC CAPITAL MARKETS

Thames Court
 One Queenhithe
 London EC4V 3DQ

Forward-looking statements

Cautionary statement on forward-looking statements and related information

Certain statements in this Annual Report are forward-looking statements based on certain assumptions and reflect the Group's expectations and views of future events. Forward-looking statements (which includes any statement which constitutes 'forward-looking information' for the purposes of Canadian securities legislation) may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, cash flow, requirement for and terms of additional financing, performance, prospects, opportunities, priorities, targets, goals, objectives, strategies, growth and outlook of the Group including the outlook for the markets and economies in which the Group operates, costs and timing of acquiring new royalties and making new investments, mineral reserve and resources estimates, estimates of future production, production costs and revenue, future demand for and prices of precious and base metals and other commodities and future demand for products which include 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, amongst others, 'expects', 'anticipates', 'plans', 'believes', 'estimates', 'seeks', 'intends', 'targets', 'projects', 'forecasts', 'potential', 'positioned', 'strategy', 'outlook', 'predict' or negative versions thereof and other similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

Forward-looking statements are based upon certain material factors that were applied in drawing a conclusion or making a forecast or projection, including assumptions and analyses made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. The material factors and assumptions upon which such forward-looking statements are based include: the stability of the global economy; the stability of local governments and legislative background; the relative stability of interest rates; the equity and debt markets continuing to provide access to capital; the continuing of ongoing operations of the properties underlying the Group's portfolio of royalties, streams and investments by the owners or operators of such properties in a manner consistent with past practice and/or with production projections, including the on-going financial viability of such operators and operations; no material adverse impact on the underlying operations of the Group's portfolio of royalties, streams and investments from the global pandemic; the accuracy

of public statements and disclosures (including feasibility studies, estimates of reserve, resource, production, grades, mine life and cash cost) made by the owners or operators of such underlying properties; the accuracy of the information provided to the Group by the owners and operators of such underlying properties; contractual terms honoured of the Group's royalty and stream investments, together with those of the owners and operators of the underlying properties; no material adverse change in the price of the commodities produced from the properties underlying the Group's portfolio of royalties, streams and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any significant property in which the Group holds a royalty or other interest, including but not limited to unusual or unexpected geological formations and natural disasters; successful completion of new development projects; planned expansions or additional projects being within the timelines anticipated and at anticipated production levels; and maintenance of mining title.

Forward-looking statements are provided for the purposes of assisting readers in understanding the Group's financial position and results of operations as at and for the periods ended on certain dates, and of presenting information about management's current expectations and plans relating to the future. It is believed that the expectations reflected in this Annual Report are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Readers are cautioned that such forward-looking statements may not be appropriate other than for purposes outlined in this Annual Report. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, that may be general or specific, which could cause actual results to differ materially from those forecast, anticipated, estimated or intended in the forward-looking statements. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements made in this Annual Report relate only to events or information as of the date on which the statements are made and, except as specifically required by applicable laws, listing rules and other regulations, the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

No statement in this communication is intended to be, nor should it be construed as, a profit forecast or a profit estimate and no statement in this communication should be interpreted to mean that earnings per share for the current or any future financial periods would necessarily match, exceed or be lower than the historical published earnings per share.

Forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future

financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this communication. Such risks and uncertainties include, but are not limited to: the failure to realise contemplated benefits from acquisitions and other royalty and stream investments; the effect of any mergers, acquisitions and divestitures on the Group's operating results and businesses generally; current global financial conditions; royalty, stream and investment portfolio and associated risk; adverse development risk; financial viability and operational effectiveness of owners and operators of the relevant properties underlying the Group's portfolio of royalties, streams and investments; royalties, streams and investments subject to other rights; and contractual terms not being honoured, together with those risks identified in the 'Principal Risks and Uncertainties' section herein. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. Readers are cautioned that the list of factors noted in the section herein entitled 'Risk' is not exhaustive of the factors that may affect the Group's forward-looking statements. Readers are also cautioned to consider these and the other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

US Employment Retirement Income Security Act

Fiduciaries of (i) US employee benefit plans that are subject to Title I of the US Employment Retirement Income Security Act of 1974 (ERISA), (ii) individual retirement accounts, Keogh and other plans that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the Internal Revenue Code), and (iii) entities whose underlying assets are deemed to be ERISA 'plan assets' by reason of investments made in such entities by such employee benefit plans, individual retirement accounts, Keogh and other plans (collectively referred to as Benefit Plan Investors) should consider whether holding the Company's ordinary shares will constitute a violation of their fiduciary obligations under ERISA or a prohibited transaction under ERISA or the Internal Revenue Code. Shareholders should be aware that the assets of the Company may be or become treated as 'plan assets' that are subject to ERISA fiduciary requirements and/or the prohibited transaction rules of ERISA and the Internal Revenue Code. The Company's ordinary shares are subject to transfer restrictions and provisions that are intended to mitigate the risk of, among other things, the assets of the Company being deemed to be 'plan assets' under ERISA. Shareholders who believe these provisions may be applicable to them should review these restrictions which are set forth in the Company's Articles of Association and should consult their own counsel regarding the potential implications of ERISA, the prohibited transaction provisions of the Internal Revenue Code or any similar law in the context of an investment in the Company and the investment of the Company's assets.



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