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# News Release

24 July 2020

## **Anglo Pacific Group PLC Half Year 2020 Trading Update**

Anglo Pacific Group PLC (“Anglo Pacific”, the “Company” or the “Group”) (LSE: APF, TSX: APY), is pleased to issue the following trading update. Unless otherwise stated, all unaudited financial information is for the quarter or half year ended 30 June 2020.

This update is ahead of the release of the Group’s audited half year results on 27 August 2020.

### **Highlights**

- Portfolio contribution of £18.5 - £19.0m in H1 2020 compared to £25.5m in H2 2019 and £33.1m in H1 2019. The decrease is largely due to the recent softening of coal prices as a result of COVID-19, despite earlier resilience
- Two instances of COVID-19 related disruption. EVBC was placed on care and maintenance for a two week period but resumed production in April; and Cigar Lake, which provides the throughput at the McClean Lake processing mill remains on care and maintenance and is working to determine a restart date. Overall, this is not material in the context of the Group’s results
- Despite iron ore prices holding up particularly well due to the supply issues persisting in Brazil, income from LIORC was lower due to planned capital expenditure at the underlying operation reducing the special dividend from what was a higher level in H1 2019
- Termination of the Largo offtake arrangement with Glencore has resulted in a ~£1.0m adjustment to the previous royalties we received. We would expect that once the transition to the internal sales function has taken place, margins should increase resulting in a higher level of royalty income, subject to price
- Further £5.7m investment in LIORC during Q1 2020, representing the reinvestment of dividend income, taking our total stake to 7.0%. We were pleased to see the share price of LIORC recovering significantly during Q2 2020

- Tranche 1 financing of the Incoa project, the Group's most recent addition, has now been completed which should provide the Company with the opportunity to proceed with its US\$20m Tranche 2 contribution in due course
- Net debt of ~£40m at the end of June 2020 (£28.8m at the beginning of the year) reflecting H1 dividends, including the final dividend paid at the end of June of £10.4m, 2019 final tax payments of £9.3m, along with the payment of the last US\$1.5m tranche of deferred consideration for Maracás Menchen
- Revenue generated during the first half of 2020 along with a lower pricing forecast will result in a decrease in the value of the Kestrel royalty at 30 June 2020
- The Group paid 5.875p in dividends in the first half of the year and a further 1.75p will be paid at the quarterly dividend payment date of 14 August 2020
- The Group is expecting H2 2020 to be stronger, in light of improved coking coal spot prices, the rally in copper and iron ore, along with the backdrop of a recovery in demand from China.

### Development Portfolio Update

The following is a brief update on some of the Group's development assets carried on the balance sheet at minimal value for which there have been some noteworthy updates during the first half of 2020 that could see a path created towards unlocking value for the Group.

- **Cañariaco Copper Project** - One of the largest development stage copper projects in the world. Candente Copper recently announced that Australian iron-ore major Fortescue Metals had increased its holding in TSX-listed Candente Copper from 9.72% to 19.9%. At its cost, Fortescue will allocate two engineers to work part-time on a joint technical committee with Candente Copper to identify the optimum strategy for the development of the project. The Group holds a 0.5% NSR royalty over the project at a cost of US\$1m
- **Dugbe 1 Gold Project** - The largest discovery of gold in Liberia. Hummingbird Resources has entered into an earn-in agreement with ARX whereby ARX will undertake the feasibility study in return for up to 49% interest in the project. The Group has a 2% NSR royalty over this project which it carries at US\$1m on its balance sheet but should the asset come into production sooner this would increase significantly
- **Incoa Calcium Carbonate Project** - Tranche 1 has now been completed, paving the way for the Group's US\$20m investment subject to the completion of strict milestones

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

"Although we have seen limited COVID-19 operational disruptions at our main producing assets, we have been impacted through a softer pricing environment during the second quarter, particularly in relation to metallurgical and thermal coal caused by a combination of Indian import restrictions and weaker economic activity in China during the first quarter. Both events have resulted in a supply surplus which has impacted on prices.

Overall, we expect H2 2020 to be stronger than H1 2020 as demand gradually recovers, driving improved commodity pricing, which we have already begun to see thus far in Q3 2020.

We continue to evaluate opportunities, and we hope to make progress in terms of executing transactions in H2 2020. We remain focused on delivering growth during the course of the second half of the year.”

For further information:

**Anglo Pacific Group PLC**

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**Notes to Editors**

About the Company

Anglo Pacific Group PLC is a global natural resources royalty and streaming company. The Company's strategy is to become a leading natural resources company through investing in high quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles. It is a continuing policy of the Company to pay a substantial portion of these royalties and streams to shareholders as dividends.

**Cautionary statement on forward-looking statements and related information**

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

Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'plans', 'believes', 'estimates', 'seeks', 'intends', 'targets', 'projects', 'forecasts', or

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

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

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

A variety of material factors, many of which are beyond the Group's control, affect the operations, performance and results of the Group, its businesses and investments, and could cause actual results to differ materially from those suggested by any forward-looking information. Such risks and uncertainties include, but are not limited to current global financial conditions, royalty, stream and investment portfolio and associated risk, adverse development risk, financial viability and operational effectiveness of owners and operators of the relevant properties underlying the Group's portfolio of royalties, streams and investments; royalties, streams and investments subject to other rights, and contractual terms not being honoured, together with those risks identified in the 'Principal Risks and Uncertainties' section of our most recent Annual Report, which is available on our website. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. Readers are cautioned that the list of factors noted in the section herein entitled 'Risk' is not exhaustive of the factors that may affect the Group's forward-looking statements. Readers are also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

This announcement also contains forward-looking information contained and derived from publicly available information regarding properties and mining operations owned by third parties. This announcement contains information and statements relating to the Kestrel mine that are based on certain estimates and forecasts that have been provided to the Group by Kestrel Coal Pty Ltd ("KCPL"), the accuracy of which KCPL does not warrant and on which readers may not rely.

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