ANGLO PACIFIC GROUP PLC
1 Savile Row
(entrance via 7 Vigo Street)
London W1S 3JR
United Kingdom
T +44 (0)20 3435 7400
F +44 (0)20 7629 0370
e info@anglopacificgroup.com
w www.anglopacificgroup.com

News Release

27 August 2020

Anglo Pacific Group PLC
Interim results for the six months ended 30 June 2020

Anglo Pacific Group PLC ("Anglo Pacific", the "Company", the "Group") (LSE: APF) (TSX: APY) is pleased to announce interim results for the six months ended 30 June 2020 which are available on both the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com.

The Group's portfolio contribution for H1 2020 of £19.1m was 43% lower than H1 2019 as a result of the significant decrease in coal prices during Q2 2020 caused by the COVID-19 pandemic. The impact of lower coal prices is compounded in the Group's Kestrel royalty as they also result in a lower royalty rate. A number of other one-off events at Maracás Menchen and LIORC also resulted in the lower portfolio contribution. Despite the Group's performance in the first half of 2020, as we are anticipating an increase in portfolio contribution in H2 2020 we are maintaining the Group's quarterly dividend of 1.75p per share, in line with the Group's stated objective to return a significant portion of its income to shareholders as dividends.

Results

	H1 2020 £'000	% Mvt	H1 2019 £'000
Kestrel	11,974	(47%)	22,692
Royalty related dividends (LIORC)	2,296	(33%)	3,420
Narrabri	1,586	(30%)	1,783
Mantos Blancos	1,200		-
Maracás Menchen	(304)		2,273
McClean Lake / Denison - interest	888	(9%)	975
Four Mile	133	21%	110
Royalty related revenue	**17,773**	**(43%)**	**31,253**
EVBC - royalty receipts	967	(5%)	1,021
McClean Lake / Denison - principal	403	(60%)	1,015
Total portfolio contribution	**19,143**	**(43%)**	**33,289**

- 43% decrease in portfolio contribution[1] in H1 2020 to £19.1m (H1 2019: £33.3m) – primarily due to weaker coking coal prices and an associated reduction in the applicable royalty rate at Kestrel, together with the one-off charge of £1.0m (US$1.2m) at Maracás Menchen upon the termination of the Glencore offtake agreement
- Basic loss per share of 6.22p (H1 2019: earnings of 16.76p)
- Adjusted earnings[2] per share of 5.85p (H1 2019: 12.13p)
- No change to quarterly dividend level of 1.75p per share
- The mines underlying the Group's major producing royalties, Kestrel, Narrabri, Mantos Blanco and Maracás Menchen, were fully operational during the period and remain largely unimpacted by COVID-19
- During Q3 2020 we expect to see an end to COVID-19 shutdowns as Cigar Lake (McClean Lake mill) restarts, with EVBC having restarted already in Q2 2020
- Volumes from Kestrel from within the Group's private royalty land in-line with that of H1 2019
- Record production levels at Maracás Menchen during Q1 2020 following the successful completion of the expansion plan and triggering the final payment of US$1.5m (£1.2m) in deferred consideration

- Termination of the Glencore offtake arrangement in April 2020 at Maracás Menchen should see lower deductions applied to the Group's royalty going forward
- Net debt of £39.8m at 30 June 2020 (31 December 2019: £28.8) with access to ~US$55m, including the $30m accordion facility
- 4% decline in net assets to £217m (£226m at the beginning of the year) reflecting lower coal price forecasts
- £5.7m additional investment in LIORC made during Q1 2020
- Entered agreement enabling the Group to participate in Tranche II of the Incoa financing agreement up to US$20m

Events since balance sheet date

- Berkeley Energia announced the granting of one of the two key permits outstanding before mine construction can commence – resulting in an 80% increase in their share price (Anglo Pacific has a 6.8% shareholding)
- Cameco and Orano have signalled their intention to restart operations at the Cigar Lake mine and McClean Lake mill respectively, in September which will result in cashflow resuming under the Denison financing arrangement

Outlook

- Stronger results expected in H2 2020 across much of the portfolio:
    - Kestrel should benefit from the recent improvement in coking coal prices and COVID-19 related port restriction impacting the Indian market being relaxed
    - LIORC expected to benefit from iron ore prices currently trading at twelve-month highs whilst demand fundamentals remain strong
    - Enhanced margins expected at Maracás Menchen following conclusion of discounts associated with the Glencore offtake arrangement and transition to an in-house sales function in Q2 2020
    - Increased cashflows from the Denison financing agreement with operations restarting at the McClean Lake mill following COVID-19 related disruptions
- Substantial undrawn borrowings available to finance further growth in H2 2020

Julian Treger, Chief Executive Officer, commented:

"Our portfolio contribution in H1 2020 reflects the significant market volatility caused by COVID-19 on coal markets in particular, resulting in a 43% reduction compared to H1 2019. Not all commodities have fared badly and we have seen iron ore prices outperform as well as a significant bounce back in the copper price (our two most recent portfolio additions) as some stability returned to the markets following global central bank interventions and government backed economic stimulus measures. We have seen immaterial operational disruptions to our key assets, which highlights the quality of our portfolio and our strategy to invest in jurisdictions which treat their mining industries as key to their economic health.

We see a stronger pricing environment already taking place thus far in H2 2020. With ~US$55m of undrawn borrowings (including the US$30m accordion) and what should be healthy demand for alternative financing, we remain focused on our growth ambitions for the remainder of the year.

Although we have been successful in diversifying away from coal, along with our firm commitment not to add any further thermal coal investments, our revenue will, in the short-term, continue to be weighted towards coking coal especially as we await revenue from our development portfolio. We will continue to reinvest the Kestrel revenue into non-coal royalties in line with our ESG and investment policy to offer stakeholders exposure to high quality and ethically operated base and bulk commodities. It was pleasing that, at 30 June, LIORC was the largest asset on the Group's balance sheet, the first time in recent history that a non-coal asset held this position.

We have seen strong and growing momentum in our development assets which could see considerable value accrue to the Group for assets which are ascribed little balance sheet value, noticeably the recent permit grant for Berkeley Energia, the cornerstone position Fortescue have taken in the Canariaco project, the earn-in agreement we consented to for Dugbe 1 and the efforts being made to bring Amapá back on line as reported by Cadence Minerals. We understand that progress is also being made in respect of raising the necessary finance for Brazilian Nickel which would enable the unlocking of substantial value for the group when that asset comes into production.

We continue to be very active and are currently assessing a number of potential transactions. Anglo Pacific remains firmly open for business, is well capitalised and remains focused on growth and diversification for what should be a stronger half to come in H2 2020."

[1] 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 plus royalties received or receivable from royalty financial instruments carried at fair value through profit or loss and principal repayments received under the Denison financing agreement.

[2] Adjusted earnings represent the Group's underlying operating performance from core activities. Adjusted earnings is the profit/loss attributable to equity holders plus royalties received from 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), amortisation charges, share-based payments, unrealised foreign exchange gains and losses, and any associated deferred tax, together with any profit or loss on non-core asset disposals as such disposals are not expected to be ongoing. Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to note 6 to the financial statements for adjusted earnings per share.

[3] Free cash flow per share is calculated by dividing net cash generated from operating activities, plus proceeds from the disposal of non-core assets and any cash considered as the repayment of principal, less finance costs, by the weighted average number of shares in issue

Analyst presentation

There will be an analyst presentation webcast at 9:30am (BST) on 27 August 2020. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Juan Alvarez (Head of Investments)

Dial in details for the call are as follows:

Number you should dial	**Participant Access Code**
+44 (0)330 336 9411	6012453

The webcast cast presentation can be followed at the following URL:

https://webcasting.brrmedia.co.uk/broadcast/5f3c0d8ab14d8726264391fc

For further information:

Anglo Pacific Group PLC	**+44 (0) 20 3435 7400**
Julian Treger - Chief Executive Officer	
Kevin Flynn - Chief Financial Officer and Company Secretary	
Website:	www.anglopacificgroup.com
Berenberg	**+44 (0) 20 3207 7800**
Matthew Armitt / Jennifer Wyllie / Detlir Elezi	
Peel Hunt LLP	**+44 (0) 20 7418 8900**
Ross Allister / Alexander Allen / David McKeown	
RBC Capital Markets	**+44 (0) 20 7653 4000**
Farid Dadashev / Marcus Jackson / Jamil Miah	
Camarco	**+44 (0) 20 3757 4997**
Gordon Poole / Owen Roberts / James Crothers	

Notes to editors:

About Anglo Pacific

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

Alternative Performance Measures

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

Portfolio contribution

Portfolio contribution represents the funds received or receivable from the Group's underlying royalty related assets. Portfolio contribution is royalty related revenue (refer to note 2) plus royalties received or receivable from royalty financial instruments carried at fair value through profit or loss ('FVTPL') (refer to note 9) and principal repayments received under the Denison financing agreement (refer to note 12).

Operating profit

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

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

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

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

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

BUSINESS REVIEW

The impact of COVID-19 on the global economy has been significant. At this stage, much of the impact has been borne by governments, who have stepped in with unprecedented fiscal measures to safeguard their populations, protect their health systems and to avoid an immediate spike in unemployment levels. In order to protect their populations, governments have imposed lockdowns and, in some instances, restrictions on trade, particularly in India. The immediate response to the pandemic has seen interest rates in Western economies fall to just above zero as additional liquidity has been pumped into the financial markets. Expectations of 'back to normal' economic and everyday life still seem far off and longer-term fiscal tightening is likely to create downward pressure on consumer behaviour and investment activity for some time to come.

Unlike some industries, noticeably retail and leisure, which were impacted from day one, mining has shown mixed fortunes. The majority of Anglo Pacific's investments are in jurisdictions which categorise mining as a key economic activity. As such, if the pandemic can be managed in country, these jurisdictions are likely to want mining and export activity to remain at normal levels to offset the damage being done to the economy by other sectors. We have seen this in Australia where production and operations at Kestrel and Narrabri have been uninterrupted.

Mining operations

The impact of the pandemic on mining generally has been less profound partially due to the often remote location of the mines and their distance to larger towns and cities where the density of the population made the spreading of the virus more widespread at the outset. This is why, for instance, mining activity at the Group's interests in the Maracás Menchen (Brazil) and Mantos Blancos (Chile) mines have remained largely intact to date, despite the escalating impact of the virus in these countries.

COVID-19 has impacted Anglo Pacific's EVBC operation in Spain, which had a two-week shutdown imposed by the authorities as part of their initial efforts to curtail the spread of the virus. This has now passed, and operations are running at normal levels. Cameco placed the Cigar Lake uranium mine in Canada on care and maintenance in March, which ceased activity at the McClean Lake processing mill from which the Group derives a toll milling revenue. We were pleased to see Cameco's announcement of its intention to recommence operations next month. Elsewhere in the portfolio, our assets have thus far weathered the storm.

Commodity prices

Whilst mining activity has generally held up well during H1 2020, the same cannot be said for the demand side of the equation, and we have seen a noticeably softer commodity price environment for some commodities, coal in particular. Both coking coal and thermal coal are trading at close to twelve-month lows whereas iron ore and gold are close to twelve-month highs. The fortunes of gold are well documented as the flight to safe assets during the pandemic at the same time as the yield on safe assets has collapsed, resulting in significant demand for the metal by those looking to guard against future inflation risk. Copper, despite a very weak reaction to COVID-19 has bounced back significantly over the last two months as economic activity has remained robust in key markets.

Coking coal is the largest component of the Group's revenue. The initial slowdown in steel manufacturing in China meant that its domestic coking coal supply was sufficient to meet demand from steel mills. As such, China was much less reliant on imports, leading to a significant decline in coking coal prices from the seaborne market.

Secondly, India has imposed rigid lockdown measures including import restrictions. A significant amount of coking coal demand comes from India and with customers declaring force majeure on contracts, tonnages were diverted onto the already weakened seaborne market. This additional supply, coupled with weak economic activity in Asia generally has created significant downward pressure on coking coal pricing particularly in the second quarter of 2020, and those exporting into China became price takers. For Anglo Pacific, the current weak pricing environment for coking coal is occurring at a time when output from Kestrel has increased significantly.

This market change can be seen in the forward pricing of coking coal for H2 2020 which was indicating prices of around US$155/t at the beginning of 2020 (pre COVID-19) and is now estimating US$125/t, although some commentators are revising their forecasts upwards for the second half of 2020, indicating that some of the immediate and short-term impact caused by COVID-19 might be unwinding.

A similar story exists in the thermal coal markets. Consensus spot prices for Australian thermal coal for H2 2020 was around US$66/t at the beginning of the year and is now around US$55/t.

Some commodities have bucked the trend. Iron ore has remained very resilient despite a weakening in global economic activity. It is noteworthy that the prices for iron ore and coking coal, two ingredients for steel production, have fared so differently in 2020. Part of the reason for this is that coking coal supply has largely been unaffected in 2020, whereas the iron ore market continues to benefit from restrictions in Brazil, with China continuing to be a significant importer. The immediate outlook for the metal remains positive as it is likely that infrastructure led activity will form a key part of government strategies globally to kick start economic activity post COVID and, unlike historically, non-Chinese demand is expected to increase significantly.

Copper has rebounded well following a significant dip at the outset of the pandemic. Fears that the damage to the global economy and immediate unemployment spikes eased somewhat during the second quarter, with some supply in Chile being taken offline. Longer-term, as noted above, infrastructure initiatives should drive demand for the metal, and we remain positive about the outlook for prices as spot prices hover around 7% above consensus for the second half of 2020. Copper remains a tight market for supply and demand, so a modest economic recovery could see prices rebound even stronger.

Gold has been the clear winner in 2020. The gold price is now at around US$2,000oz whereas expectations at the beginning of the year were around US$1,500oz. The impact of the pandemic has once again highlighted the defensive nature of gold in times of economic uncertainty. The collapse of interest rates and yields to zero (or negative rates in real terms) increases the appeal of gold to portfolio managers. The impact of the pandemic on the longer-term economic outlook and country balance sheets would suggest expectations of interest rate rises are some time off, and currencies are likely to remain weak as economies begin to repay the fiscal stimulus put in place to deal with the immediate impact of lockdowns. This has created a compelling story for holding gold rather than other comparatively safe assets such as government paper which now yield the same as the metal. There has been a lot of activity in the gold space, and for Anglo Pacific the earn-in agreed between Hummingbird and ARX shows that marginally commercial projects are now being reconsidered.

Capital markets

The shockwaves of COVID-19 caused a sudden sell off in global equities as investors rushed towards safe haven assets. In the mining markets, those with higher leverage were impacted the most initially. The subsequent actions of central banks and governments to support the economy and financial markets restored some stability and confidence to the market. The initial reaction in board rooms was, in most cases, to preserve and increase access to capital. Dividends were widely abandoned, borrowing facilities drawn on and investment activity decisions are likely to take much longer to initiate.

Once the initial shock was digested by the market, the reality of a new world of zero returns dawned due to the collapse of global interest rates and the cancellation of dividends. This created a fresh wave of enthusiasm by portfolio managers for yields and equities once again became attractive, especially those offering liquidity with sustainable and well covered dividends.

On the debt side, banks have become cautious and focused on their existing books and not looking at new credits, certainly at the smaller end of the market. Banks are being encouraged to support businesses in the immediate term as many borrowers face the prospects of breaching covenants. Banks themselves will face other challenges as they will likely have to increase their provisions against existing loans at the same time as their revenue dries up with interest rates turning negative.

At the beginning of the year, we commented that small and mid-tier mining companies faced considerable challenges accessing capital. The impact of COVID-19 is likely to make this even more difficult.

Our business

The impact of COVID-19 on Anglo Pacific's business has mainly come through in terms of lower commodity prices. The vast majority of the Group's investments have remained fully operational. Along with lower commodity prices, we have also incurred a number of one offs in the first half of the year such as a charge in relation to the termination of the Glencore offtake agreement at Maracás Menchen, planned capex investment at IOC reducing the level of special dividends from LIORC and the final deferred consideration payment in relation to the Maracás royalty – all of which is discussed in more detail in the Finance Review. Consequently, our portfolio contribution in H1 2020 was £19.1m, a decrease of 43% compared to £33.3m in H1 2019.

The level of net debt at 30 June 2020 of £39.8m reflected the impact of the payment of the final 2019 tax balance and the Group's final dividend for 2019, both of which were paid just before the end of June along with the final US$1.5m (£1.2m) deferred consideration relating to the Maracás royalty. Borrowings drawn are £45.2m (US$56.7m) meaning the Group has undrawn facilities of £27.8m (US$34.3m), of which we expect ~US$25m to be available along with the potential for a further US$30m through the accordion feature. The Group remains comfortably compliant with its banking covenants and expects to remain so. As such, the Group retains sufficient levels of liquidity to support the business and also for further investment in growth.

At this stage we are not altering our dividend policy and will continue to pay an interim dividend of 1.75p per share on a quarterly basis, which sets a base level of 7p on an annualised basis. We will, as usual, wait until Q1 2021 to determine the level of the final dividend taking into account market conditions at that time and the full year outturn for 2020.

These turbulent market conditions should result in opportunities for Anglo Pacific. Our business model is geared towards countercyclical investment and being opportunistic when market conditions present opportunities. We would expect to see further opportunities present themselves as the impact of COVID-19 endures and are busy appraising a number of potential and interesting deals.

Although our focus remains on adding growth, we are also encouraged to see some interesting developments at some of the assets already in our portfolio which are often forgotten.

In August 2020, Berkeley Energia announced that it had received its Urbanism Licence, one of the two remaining licences it requires to commence the construction of the Salamanca mine, over which the Group has a 1.0% NSR, and uranium plant. The final required permit is the Authorisation for Construction for the uranium concentrate plant as a radioactive facility and this process is underway.

We were very pleased to see Fortescue double their investment in the owner of the Cañariaco copper project in Peru and allocate resources to assist developing a plan for the project. This remains one of the largest undeveloped copper deposits in the world, over which the Group has a 0.5% NSR royalty, for which it paid US$1m. The presence of a global operator should significantly enhance the prospects for the project being developed.

Elsewhere, we consented to Hummingbird Resources entering into an earn-in agreement with ARX whereby ARX will invest and undertake the DFS in return for an equity stake of up to 49% in the project. This, along with a much higher gold price environment should add some momentum to the project. The Group has a 2% life of mine NSR royalty and retains its change of control protection which entitles it to recover its US$15m investment in certain circumstances.

We also note the progress Cadence Minerals is making in trying to bring the Amapá project back online, following a court supervised reorganisation paving the way towards the establishment of a joint venture to inject new capital into the project. The Group we will be claiming its royalty entitlements over any stockpile sales.

Finally, in these very difficult times, we would like to thank our employees who have transitioned to working remotely during lockdown. We have been able to operate as close to business as normal as possible and continue to originate and appraise new business opportunities.

PORTFOLIO REVIEW

The underlying operations from which the Group derives its portfolio contribution performed impressively in the first six months of the year and have adapted well to the COVID-19 pandemic. Although portfolio contribution was down, volumes remained steady and most operations experienced little disruption despite implementing social distancing measures to ensure their workforce remained protected from the risk of the virus.

We did see operational disruptions at EVBC and the McClean Lake mill, as discussed below, although in the case of the former this was only a two week shut down at the behest of the authorities and in the case of the latter we understand that the intention is to recommence operations next month. These are two of the less material royalties in our portfolio. The risk posed by the virus to mining operations has not gone away, and we are monitoring the situation in Australia in particular which has seen a second wave of the virus, although at this stage it seems to be mainly confined to the south of the country and away from the main areas of mining activity.

We would expect to see another steady performance from our portfolio in terms of volumes in the second half of the year.

PRODUCING ASSETS

Kestrel

Volumes from Kestrel have been relatively consistent over the past 18 months at around 3.2Mt per half year, with 97% of the volumes in H1 2020 being subject to the Group's private royalty. Although Adaro had expressed a target to increase volumes in FY 2020 by around 6% (pre COVID-19), Adaro revised its production base case for Kestrel in FY 2020 to 6Mt.

Although volumes have been relatively consistent, revenue was down 47% due to weaker pricing in H1 2020 compared to the same period in 2019. This is most likely due to the impact of COVID-19 on the economic activity in key import markets such as Japan, Brazil and the EU which has resulted in less demand. Meanwhile, the Chinese domestic production has remained sufficient to meet most of its needs, reducing demand for imports. Furthermore, the imposition of port restrictions in India, another significant import market, led to tonnages being diverted on an already weak seaborne market.

Adaro's recently announced intention to reduce volumes in H2 2020 is welcomed given the softer pricing expected for coal and the extension to the time that mining remains in the Group's private royalty land, this gives.

Some commentators are beginning to forecast a slight recovery in prices in the second half of the year, with some expecting a partial lifting of Indian port restrictions and a return to economic activity in ex-China regions. It would appear that the risk to pricing in the second half of 2020 could be on the upside.

LIORC

The Group's second largest royalty related asset by revenue, and the largest by balance sheet value as at 30 June 2020, is its part ownership of the IOC royalty, held through a 7% interest in LIORC which is a pass-through vehicle deriving its revenue from its equity interest in and royalty over IOC's iron ore operation in Canada.

Iron ore has been a noticeable success story throughout 2020, with prices trading at twelve month highs of around US$115/t with the more premium pellet product trading at around US$145/t. IOC produces both products, although during the second quarter it reduced the portion of pellets it was producing to match an increase in demand for the standard fines product.

The strength of the iron ore price can largely be attributed to continued supply disruption in Brazil due to the ongoing restrictions on some operations for health and safety reasons following the well documented tailings dam tragedy two years ago but now being compounded by the severity of the COVID-19 outbreak in the country.

This supply side disruption is coming at a time when the Chinese appear to see infrastructure led investment as a means to kick start their economy post-COVID, leading to a sharp demand side increase.

Despite a buoyant iron ore market, income from LIORC was held back in the first half by planned capex investment at IOC which reduced the component of the LIORC income received by way of dividends. As such, the Group received C$0.80 per share in H1 2020 compared to C$1.95 in H1 2019, although the latter did include the distribution of surplus funds being held back during H2 2018 and so does not represent a like for like comparison.

The Group increased its investment in LIORC at the beginning of 2020 by £5.7m which represented the income it received during H2 2019. The average buy in price of the Group's 7.01% stake is ~C$24.30 compared to the current market price of ~C$28.00.

It is reasonable to expect a significant uplift in income in H2 2020, especially in light of a robust iron ore price outlook.

<u>Narrabri</u>

Sales volumes from Narrabri remained consistent at 3.1Mt in H1 2020, although revenue was down by 30% due to weak thermal and PCI markets during the first six months of the year, Q2 2020 in particular.

Thermal coal markets were weak in H1 20 due to the impact of COVID-19 on key import markets at a time when the market was already oversupplied, although there have since been some cuts to Indonesian production recently.

Whitehaven has been impacted by some customers declaring force majeure, particularly in relation to PCI sales. As such, they have been selling a higher portion of thermal coal which reduced the weighted average sales price achieved in the second quarter.

Although pricing remains weak, it would appear that the historical production challenges that Whitehaven has faced mining through a localised fault are behind them and their plans remain unchanged in terms of expanding production by combining the north and south licences into one mine plan.

<u>Maracás Menchen</u>

Production of 5.4kt of V2O5 at Largo Resources' Maracas Menchen mine was in-line with that of H1 2019. Although production was in line with the comparative period, sales volumes were 12% lower due to the transition in-house of the sales function following the termination of the Glencore off-take agreement. As a result, there is an expected time lag between shipping their product and the receipt of proceeds which resulted in limited sales in May and June.

The termination of the Glencore off-take arrangement will improve the margins going forward as sales are no longer subject to the discount which applied under the contract, and Largo is now free to target sales to both steel makers and battery producers, the latter typically attracting a premium.

The vanadium price has been relatively stable over the past twelve months at around US$5-6/lbs, ending the significant volatility witnessed in the preceding twelve months where prices peaked at US$34/lbs in H2 2018 before progressively falling to around US$10/lbs by the end of H1 2019 and now levelling off at around US$5-7/lbs.

The record level of sales achieved in Q1 2020 of 3.2kt of V2O5 triggered the final US$1.5m (£1.2m) tranche of the deferred consideration to be paid to the previous owner and this payment was made in May 2020. These record numbers were achieved following the successful investment to increase capacity at the processing plant such that the nameplate capacity is now around 20% higher at ~1kt per month.

Finally, the termination of the Glencore off-take arrangement resulted in a balancing payment of US$64m being paid by Largo. This balance built up due to a repricing mechanism effective three months after delivery. This amount was capped at a certain percentage with any amount in excess of this remaining on account. As the vanadium price fell from US$34/lbs to US$5/lbs the amount in excess of the cap grew each quarter. As such, Largo has charged Anglo Pacific with its share of this charge which equates to ~US$1.3m (£1.0m).

Mantos Blancos

Operations at Mantos Blancos 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, although this did result in volumes being slightly less than what we had forecast at the time of acquisition.

Sales volumes averaged around 9.5kt per quarter in H1 2020, down around 15% on the levels achieved in Q4 2019 for the reasons above. In addition, copper prices were running lower in H1 2020 generally and Q2 2020 in particular as concerns around the severity of COVID-19 impacted on the immediate demand outlook.

There has been a noticeable reversal in sentiment thus far in Q3 2020, with prices now approaching the peak of their twelve-month trading range and some 15% above the level in Q2 2020. This is due to relatively low inventory levels; some supply being disrupted by COVID-19 in South America; and a stronger than expected demand picture emerging. The market remains delicately balanced in terms of supply and demand, which would imply some upside should post COVID-19 economic recovery occur quicker with many governments signalling infrastructure investment will form part of their economic rehabilitation plans.

The debottlenecking project, which Anglo Pacific's royalty was to part fund, is now underway and some works were undertaken in July, which could impact output in that month. As it is now reasonable to believe that copper pricing will be higher in H2 2020, the prospects for a stronger second half remain realistic.

EVBC

EVBC was impacted by an enforced two week operational shut down in April as part of the Spanish authorities' actions to curtail the spreading of COVID-19. This was not extended, and operations resumed as normal following the two-week period, although sales volumes in Q2 2020 were impacted.

Quarterly production rates have been running around 25% below targeted annualised gold production of 65koz. This has been attributed to lower ore grade being processed, although this has been partially offset by higher throughput following mill expansion works over the past few years.

Orvana also announced that it has continued to advance its efforts to extend the life of mine at EVBC through its drilling and permitting projects, and these remain on track to deliver results. The prospect of mine life extension has arguably increased due to the recent and dramatic increase in the gold price, which not only makes the existing operation more profitable and cash generative but also has the potential to make some of the lower grade deposits in the licence area economic.

Denison financing arrangement (McClean Lake mill)

The interest and principal repayments the Group receives from its financing arrangement with Denison are derived from toll milling revenues generated from Denison's partial ownership of the McClean Lake mill. The McClean Lake mill receives all of its product from the Cigar Lake uranium mine, which it then processes.

The operator of the Cigar Lake mine, Cameco, placed the mining operation on care and maintenance in March 2020 in order to protect its workforce and community from the threat of COVID-19. As such, there was no throughput at the mill from April 2020 onwards. The Group usually receives a relatively stable C$450-550k per month from this financing arrangement.

During periods where there is no income from the underlying mill, interest continues accrues on the instrument at a default interest rate and is capitalised. As such, upon resumption of milling, the initial receipts will go towards the repayment of interest.

It was pleasing to see that Cameco signalled its intention to resume operations at Cigar Lake in September 2020 which would mean a 4-5-month period of shutdown, which equates to ~C$2.25m in cash not received by the Group. We would expect cashflows to resume again in Q4 2020.

Four Mile

We remain in dispute with the operator of Four Mile in relation to the level of charges which are being applied against the royalty revenue, resulting in minimal royalty receipts at present. We have now applied to the courts in Australia and remain 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.

DEVELOPMENT ASSETS

It has been pleasing to see so many positive developments at our non-income producing assets during the first half of the year. Most of these assets are carried on the balance sheet at minimal value providing considerable upside to the Group's balance sheet and revenue. The following is an update on some of the significant developments.

Salamanca (Berkeley Energia) – carrying value £2.3m

In August 2020, Berkeley Energia announced that it had received its Urbanism Licence, one of the two remaining licences it requires to commence the construction of the mine and uranium plant. The final required permit is the Authorisation for Construction for the uranium concentrate plant as a radioactive facility and this process is underway.

In addition to this being a positive development for the Group's royalty, Anglo Pacific also owns just under 7% of Berkeley Energia, whose share price has increased from 23p at the end of June 2020 to just over 40p now, valuing the Group's interest at around £7m.

Uranium has performed well in the year to date, with the spot price up around 35% at US$32/lbs. This has been influenced by some noticeable supply side cutbacks by both Kazatomprom and Cameco, with the potential to remove 20mlbs of supply from the market in 2020. Some of the supply cuts have led to operators purchasing product on the spot market to satisfy contracts, which has bolstered the spot price in the short term. Longer term, there remains the possibility of a tightening in the market with some key forward contracts still expected to be required in 2023 onwards.

Cañariaco (Candente Copper) – carrying value £0.9m

In May 2020, a wholly owned subsidiary of Fortescue Metals increased its stake in Candente Copper, the owner of the Cañariaco project in Peru. Fortescue now owns just under 20% of the business and has allocated two engineers to work on the Candente technical committee to identify the optimum strategy for the development of this potentially significant new copper mine.

Anglo Pacific acquired a 0.5% NSR over the project for US$1m in 2018 and is very encouraged by the presence of Fortescue on the share register of Candente and the technical resources it is committing, which a signal of its confidence in the long term potential of the project.

Dugbe 1 (Hummingbird and ARX) – carrying value £0.8m

Anglo Pacific recently consented to an earn-in arrangement between Hummingbird Resources and ARX, a TSX shell company which is merging with Pasofino Gold in order to outsource the DFS. The earn-in agreement will see ARX/Pasofino conduct the DFS and in return receive up to 49% interest in the project.

There are various conditions in relation to this, but encouragingly it would appear that there is a tight timetable for the DFS to be completed as part of the agreement which will be a key milestone for the project.

The Dugbe 1 project is a very large gold project, although relatively low grade. As such, the project requires a strong gold price environment to be commercially viable. The recent spike in gold price provides this and now would appear to be a very optimum time to conduct the DFS and raise capital. This is a very positive development for the prospects of bringing forward a path towards production and is the first significant development for the project in a number of years.

Anglo Pacific owns a 2% NSR royalty and retains its change of control rights which provides it with the option to recover its US$15m investment in the event of a change of control at the project.

Amapá (Cadence Minerals) – carrying value £nil

We have been following the updates provided by Cadence Minerals with particular interest. Cadence is working with the former Zamin operating company with the intention to form a joint venture to bring the mine back into operation. The creation of the joint venture will require the current senior secured creditors to relax their security claims over the project at which point Cadence will release from escrow its initial investment and become a 20% owner in the project.

Cadence has reported that discussions with the senior secured creditors are progressing well. In addition, the Brazilian courts have reaffirmed its decision to allow the shipment of the 3Mt of iron ore currently sitting as a stockpile in the port facilities.

Cadence has also reported that the total historical mineral resource contains an estimated 348Mt of ore at 38.9% iron content ("Fe"). The ore is beneficiated at the mine to 65% Fe Pellet Feed and 62% Fe Spiral Concentrate. Based on available historic mine plans and an independent consultant review, it is expected that at full production the Amapá Project has a mine life of 14 years and at full capacity is targeting to produce up to 5.3Mt of iron ore per annum.

FINANCE REVIEW

The first half of 2020 saw the full impact of COVID-19 on businesses. For Anglo Pacific, the impact was mainly seen in softer coal prices, which resulted in 43% reduction in portfolio contribution compared to the same period in 2019. However, the Group's key sources of royalty related revenue remained in production ensuring that the Group generated cash flow and earnings.

The impact of softer coal prices, along with the depletion at Kestrel in H1 2020, led to a £16.4m revaluation movement in the income statement (net of tax). This resulted in a headline loss of £11.2m compared to a profit of £30.3m in H1 2019. However, when non-cash valuations and charges are removed, underlying adjusted earnings in the period were £10.5m compared to £21.9m in H1 2019.

The reduction in the Kestrel valuation, net of deferred tax, has led to the Group's investment in LIORC being the largest royalty related asset on our balance sheet as at 30 June 2020 and for the first time in the Group's history its largest exposure is not coal related. The valuation of LIORC at the end of June reflects a strong iron ore pricing environment and immediate outlook which has seen the share price increase since the balance sheet date increasing from C$24.27 at the end of June to ~C$28.00 currently.

The Group ended the period with net debt of £39.8m an increase of £11m on the position at the 2019-year end and reflects lower levels of earnings along with the impact of tax and dividend payments being largely weighted to the first half. We also invested £5.7m in LIORC in Q1 2020, made the final payment of US$1.5m (£1.2m) in relation to our Maracás Menchen acquisition and were charged US$1.3m (£1.0m) in relation to the termination of the Glencore off-take arrangement at Maracás Menchen.

We would expect a stronger level of cash generation in H2 2020. Importantly, we remain well within our banking financial covenants and at 30 June 2020 we were only just above 1x leveraged with access to ~US$55m (including the US$30m accordion) of the undrawn portion of our borrowing facility to finance growth in the second half.

Adjusted earnings

The headline loss per share of 6.22p reflects the £16.4m revaluation deficit of the Kestrel royalty, net of deferred tax and a lower level of earnings due to lower coal prices and other one-off items as discussed below. This compares to earnings of 16.76p for H1 2019.

Excluding non-cash valuation and charges, adjusted earnings per share were 5.85p for H1 2020, a 52% reduction on the 12.13p reported in H1 2019.

	H1 2020		H1 2019		H1 2018
Royalty related revenue	17,773		31,253		19,077
EVBC income (included in valuation of financial instruments)	967		1,021		1,003
Operating expenses - excluding share-based payments	(3,204)		(2,741)		(2,452)
Finance costs	(1,138)		(430)		(354)
Finance income	48		14		71
Other (losses)/income	(82)		822		-
Tax	(3,791)		(8,032)		(1,964)
Adjusted earnings	**10,573**	**51.7%**	**21,907**	**42.4%**	**15,381**
Weighted average number of shares ('000)	180,644		180,544		180,006
Adjusted earnings per share	5.85p	**51.7%**	12.13p	**41.7%**	8.56p

Earnings were also impacted by a stronger pound during the first half of 2020, averaging GBP:AUD of 1.92 compared to 1.83 in H1 2019. This rate has since come back down to around 1.82. The Group's hedging program in H1 2020 was effective, with a significant portion of Australian dollar denominated income protected at rates around 1.84.

The Kestrel revenue is sensitive to the AUD:USD rate as the underlying product is priced in USD but the royalty rate is determined by reference to the AUD average selling price. In the past this has been more significant but with a lower coal price environment the impact on the weighted average royalty rate is less pronounced. The AUD:USD was on average around 0.66 in H1 2020 compared to 0.71 in H1 2019, which would have produced a greater benefit in a higher pricing environment. The weighted average royalty rate at Kestrel was around 9.3% in H1 2020 compared to around 11.2% in H1 2019.

Portfolio contribution

Total royalty related revenue and total portfolio contribution were 43% lower in H1 2020 compared to the corresponding period in 2019. The individual constituents of this are discussed below.

	H1 2020 £'000	% Mvt	H1 2019 £'000
Kestrel	11,974	(47%)	22,692
Royalty related dividends	2,296	(33%)	3,420
Narrabri	1,586	(30%)	2,273
Mantos Blancos	1,200		-
Maracás Menchen	(304)		1,783
Denison - interest	888	(9%)	975
Four Mile	133	21%	110
Royalty related revenue	**17,773**	**(43%)**	**31,253**
EVBC - royalty receipts	967	(5%)	1,021
Denison - principal	403	(60%)	1,015
Total portfolio contribution	**19,143**	**(43%)**	**33,289**

Kestrel

Volumes from Kestrel were in line with H1 2019 at around 3.1Mt from within the Group's private royalty land. The decrease in revenue is primarily due to a lower coal price environment. Headline coking coal prices are down around 20% in the year to date; however, some producers have been forced into accepting lower prices in H1 2020 when diverting Indian supply onto the already oversupplied seaborne market. Lower coal prices are compounded at Kestrel by the ratcheted nature of the royalty. As noted above, the weighted average royalty rate was approximately two percentage points lower than in H1 2019.

LIORC (Dividends)

Income from LIORC was 33% lower than in H1 2019. This is mainly due to a significant reduction in the special dividend declared from LIORC due to the planned capital expenditure program at the underlying operation in H1 2020. In addition, H1 2019 benefitted from a one-off distribution of surplus cash accumulated during H2 2018 and subsequently paid out in April 2019. Total dividends received during H1 2020 were C$0.80 per share compared to C$1.95 in H1 2019. Iron ore is one of the standout non-precious commodities in 2020 and we would expect a greater level of income to come in H2 2020.

Narrabri

Like Kestrel, Narrabri was impacted by a lower coal price during H2 2020. Given the deferral of Indian contacts, Whitehaven produced a lower portion of PCI in the period, reducing the average price the Group receives. Volume output at 3.1Mt was encouraging, and relatively consistent over the past eighteen months, suggesting that the issues which they faced mining through a localised fault are now largely behind them.

Mantos Blancos

Revenue form Mantos Blancos was impacted in H1 2020 by two production stoppages along with a weak copper price for most of the first half of 2020. The production issues faced by the operator were successfully addressed in a timely manner limiting downtime. In total the Group received payment on 18.9kt of copper payable, which was around 16% lower sales volumes on average compared to that of Q4 2019. The copper price has recovered significantly since the half year and at US$6,400/t is trading at a twelve-month high.

Maracás Menchen

The net outgoing at Maracás Menchen of £0.3m reflects the Group being charged with a portion of the balance owing to Glencore upon the termination by Largo Resources of its off-take arrangement. Although longer term the termination of the offtake should produce higher margins for the Group, the payment reflects a pricing mechanism in the agreement whereby pricing can be rebased in a three month period following delivery and when the vanadium price commenced its rapid decline from US$34/lbs in H2 2018 to US$4/lbs in H2 2019 a significant balance began to build up. The Group was charged US$1.3m (£1.0m).

Underlying performance has, however been very positive with record levels of sales being achieved in Q1 2020 of 3.2kt. Following the completion of the expansion plan, the nameplate capacity now stands at 1kt per month, a 20% increase over previous levels. This record level of sales resulted in the final US$1.5m (£1.2m) tranche of the deferred consideration being triggered and this was duly paid in May 2020.

Sales volumes in Q2 2020 were significantly lower than historical levels as the transition to the inhouse sales operation took place. This created a one-off time lag between the ending of the Glencore arrangement and the receipt of cash from the initial sales under the new arrangements. In the meantime, we would expect stock levels which accumulated in Q2 2020 to result in higher sales volumes during H2 2020.

Denison / McClean Lake

Despite not generating any cash in May and June, the Group continues to accrue interest in relation to its financing arrangement with Denison, which earns additional penalty interest where there is no cash being paid. The operator of the Cigar Lake mine, which provides the throughput for the McClean Lake mill, from which Denison earns the toll milling revenue it uses to pay its obligations to the Group, has signalled their intention to resume operations in September which will have been 4-5 months of stoppage. We would expect cashflows to resume again in Q4 2020.

Four Mile

Revenue from Four Mile continues to be impacted by the disputed charges being applied by the operator to the Group's royalty. This dispute is now scheduled to be heard by the court in Australia in the coming months.

EVBC

Royalties from EVBC were impacted by a two-week enforced shut down imposed by the Spanish authorities as part of their efforts to curtail the spread of COVID-19. Production in H1 2020 was also lower due to lower grade oxides being fed through the processing plant, offset somewhat by a higher gold price in Q2 2020, which has since appreciated even higher suggesting that revenue from EVBC in H2 2020 could be very strong.

Operating expenses

Overall, operating expenses were in-line with that of H1 2019 at £3.4m. Excluding share based payments, cash operating expenses were £0.5m higher than H1 2019, which largely relates to costs being incurred in relation to the Four Mile legal process as we finalise our case to be brought before the Australian courts. We would expect this run rate to reduce in the second half of the year and continue to keep a close eye on our cost base as we look to grow our business.

Finance costs
The increase in finance costs is explained by the higher level of borrowings in place during H1 2020. There were very little borrowings in the Group in H1 2019. Average borrowings in H1 2019 were £2.8m (US$3.6m) compared to £40.9m (US$51.6m) in H1 2020 as discussed in the cash and borrowings section.

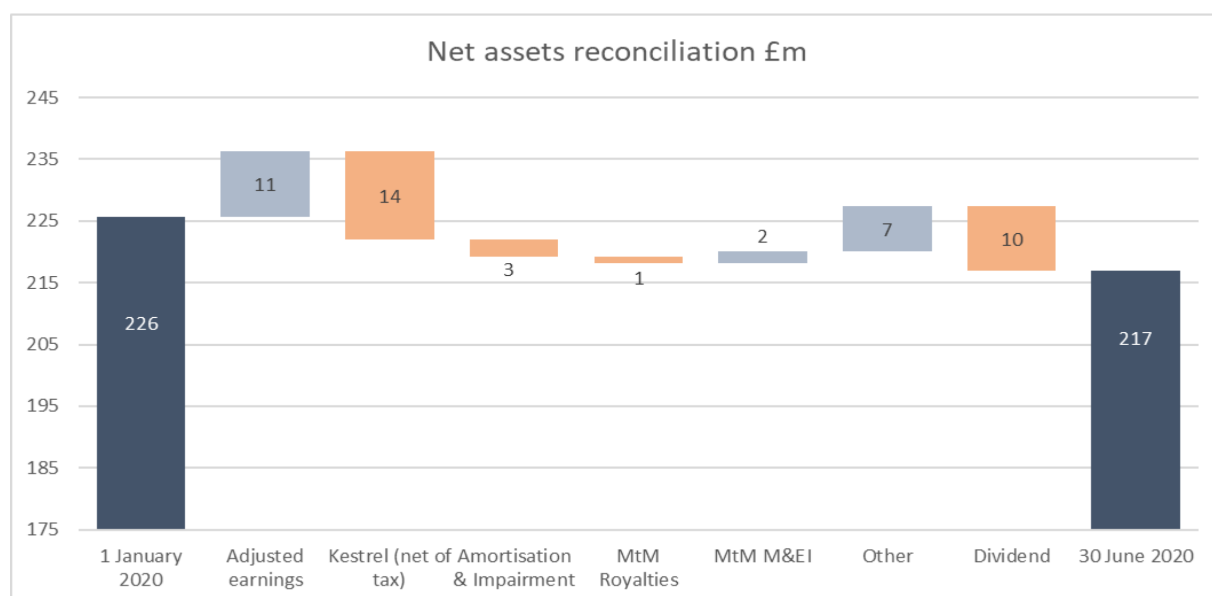
Foreign exchange
The FX loss reported represents the exchange translation on the Group's outstanding borrowings. The majority of the Group's borrowings are in USD. The average GBP:USD rate fell from 1.33 to 1.24 in the first half of 2020, resulting in a loss being reported. This rate has since reversed into Q3 2020 to around 1.30.

Tax
The current tax charge has declined in the current period in line with the level of adjusted earnings and represents an effective tax rate of 27%. Most of the Group's profit is Australian based and attracts tax at 30%. With a recovery expected from LIORC in the second half of 2020 we would expect to see the Group's effective tax rate lower.

(Loss) / profit after tax
The other items not included in adjusted earnings are the Kestrel valuation decrease of £24.0m, the associated deferred tax credit of £7.6m, and the royalty financial instrument revaluation surplus of £0.1m. All of this combines to produce a loss after tax of £11.2m in H1 2020 compared to a profit of £30.3m in H1 2019.

Balance sheet
Net assets decreased from £225.7m at the beginning of the year to £217.0m at the end June, a resilient performance in light of declining commodity prices and the limited impact which COVID-19 has had on the Group's assets.

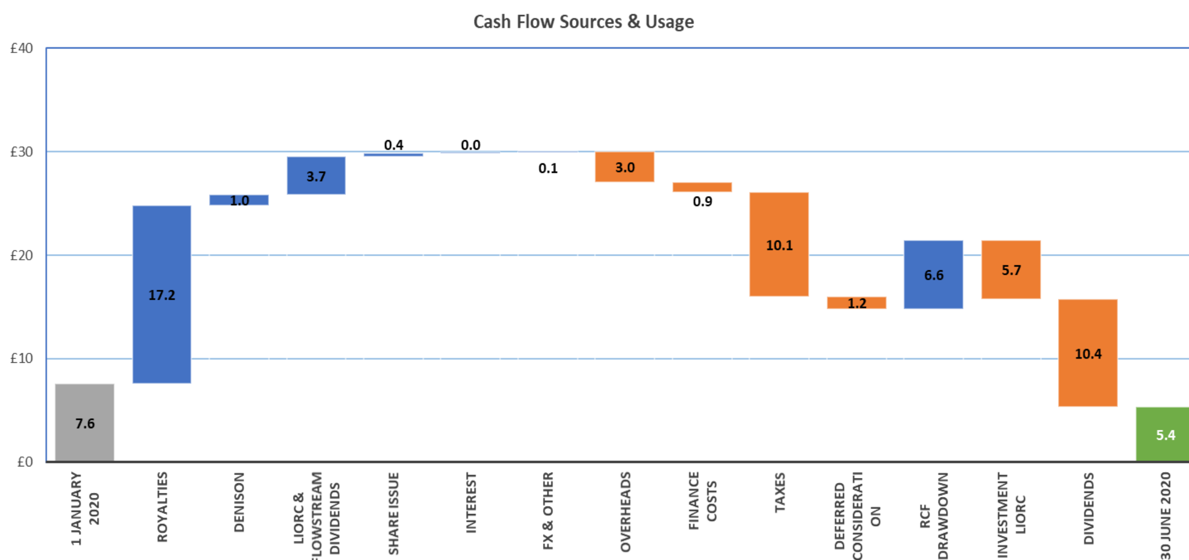
The decrease is largely due to the reduction in the valuation of the Kestrel royalty of £14.3m net of tax and foreign exchange, offset by adjusted earnings in the period.



The Kestrel deficit reflects depletion for the tonnages mined in H1 2020 along with revisions to pricing estimates based on weaker coal price expectations going forward.

Cashflow and borrowings

The lower level of income has resulted in lower cash flow being generated by the Group in H1 2020, which in turn has led to a slower deleveraging profile and higher borrowing levels.



In addition to lower borrowings, cashflow is usually lower in the first half of the year. This is due to the payment of the Group's final dividend, which is higher than the level of the quarterly interim dividends. In addition, the balancing payment of taxes owing upon the filing of tax returns is paid in the first half.

In addition, the Group paid the final US$1.5m (£1.2m) in deferred consideration on the Maracás Menchen royalty in May, along with making a £5.7m additional investment in LIORC during Q1 2020.

With a lower level of income and a number of outflows front loaded into the first half, net debt increased from £28.8m at the beginning of the year to £39.8m at the end of June 2020.

In USD terms, total borrowings drawn at the end of June 2020 were US$56.7m, leaving undrawn facilities of US$34.3m (before the US$30m accordion). Of this amount, the Group projects that it has ready access to ~US$25m to draw on to finance investments in H2 2020. Although borrowings have increased, the Group still operates with low leverage ratios. At 30 June 2020, the Group's leverage was just over 1x and comfortably within its 2x covenant.

There is the potential for a higher contribution to come from the portfolio in H2 2020 as prices for coal have increased somewhat, along with the potential for greater sales volumes at Maracás Menchen and higher special dividends from LIORC to reflect the considerable increase in iron ore prices thus far in 2020. With ~US$25m of available liquidity, along with the US$30m accordion option as part of the Group's credit facility, Anglo Pacific remains in a strong position to weather the challenges being presented by COVID-19 and to grow and diversify its business further.

Principal risks and uncertainties

Whilst the nature of the Group's principal risks and uncertainties are unchanged from those set out on pages 24 to 28 of the 2019 Annual Report and Accounts, the Group has actively monitored and responded to those risks heightened by COVID-19.

The Group's top three principal risks continue to be significant operational disruptions at the mines underlying the Group's producing royalties, demand for royalties, and ongoing stakeholder support, all of which have been amplified by COVID-19. The impact COVID-19 has had on commodity prices have also heightened the Group's risks associated with financing capabilities, however, the Group remains well within its banking financial covenants and maintains access to ~US$55m (including the US$30m accordion) to finance growth opportunities.

The Group is exposed to changes in the economic environment, as with any other business. Details of any key risks and uncertainties specific to the period are covered in the Portfolio Review and Finance Review sections.

The 2019 Annual Report and Accounts is available on the Group's website www.anglopacificgroup.com

Responsibility statement

The Directors are responsible for preparing the Interim Results for the six months ended 30 June 2020 in accordance with applicable law, regulations and accounting standards. In preparing the condensed interim Financial Statements, the Directors are responsible for ensuring that they give a true and fair view of the state of affairs of the Group at the end of the period and the profit or loss of the Group for that period, as required by DTR 4.2.4.

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

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

The Directors are listed in the Group's 2019 Annual Report and Accounts. A list of the current Directors is maintained on the Anglo Pacific website: www.anglopacificgroup.com. The maintenance and integrity of this website is the responsibility of the Directors.

On behalf of the Board

J.A. Treger
Chief Executive Officer
26 August 2020

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000
Royalty related revenue	2	17,773	31,253
Amortisation of royalties	10	(2,732)	(1,450)
Operating expenses		(3,373)	(3,390)
Operating profit before impairments, revaluations and gains on disposals		**11,668**	**26,413**
Revaluation of royalty financial instruments	9	100	360
Revaluation of coal royalties (Kestrel)	8	(23,956)	13,996
Finance income	3	48	14
Finance costs	4	(1,138)	(430)
Net foreign exchange (losses)/gains		(3,018)	951
Other income/(losses)	5	833	(108)
(Loss)/Profit before tax		**(15,463)**	**41,196**
Current income tax charge		(3,194)	(7,597)
Deferred income tax credit/(charge)	14	7,424	(3,334)
(Loss)/Profit attributable to equity holders		**(11,233)**	**30,265**
Total and continuing (loss)/earnings per share			
Basic (loss)/earnings per share	6	(6.22p)	16.76p
Diluted (loss)/earnings per share	6	(6.22p)	16.70p

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended	
		30 June	**30 June**
		2020	**2019**
	Notes	**£'000**	**£'000**
(Loss)/Profit attributable to equity holders		**(11,233)**	**30,265**
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	9	(241)	18,381
Revaluation of mining and exploration interests	11	1,907	1,854
Deferred tax relating to items that will not be reclassified to profit or loss	14	29	(2,427)
		1,695	**17,808**
Items that have been or may be subsequently reclassified to profit or loss			
Net exchange gain on translation of foreign operations		10,432	1,925
		10,432	**1,925**
Other comprehensive income for the period, net of tax		**12,127**	**19,733**
Total comprehensive income for the period		**894**	**49,998**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2020

	Notes	30 June 2020 £'000	Audited 31 December 2019 £'000	30 June 2019 £'000
Non-current assets				
Property, plant and equipment		957	955	19
Coal royalties (Kestrel)	8	75,479	96,419	123,790
Royalty financial instruments	9	72,070	65,801	66,696
Royalty and exploration intangible assets	10	105,004	102,201	69,837
Mining and exploration interests	11	5,529	3,642	4,772
Deferred costs		1,291	682	1,045
Other receivables	12	17,894	17,919	19,136
Deferred tax	14	3,243	3,185	3,402
		281,467	290,804	288,697
Current assets				
Trade and other receivables		5,838	9,546	7,205
Cash and cash equivalents		5,369	7,597	14,512
		11,207	17,143	21,717
Total assets		**292,674**	**307,947**	**310,414**
Non-current liabilities				
Borrowings	13	45,208	36,401	-
Other payables		1,774	1,659	653
Deferred tax	14	23,535	30,172	41,054
		70,517	68,232	41,707
Current liabilities				
Income tax liabilities		2,241	9,821	5,387
Derivative financial instruments		133	480	8
Trade and other payables		2,757	3,700	3,211
		5,131	14,001	8,606
Total liabilities		**75,648**	**82,233**	**50,313**
Net assets		**217,026**	**225,714**	**260,101**
Capital and reserves attributable to shareholders				
Share capital	15	3,635	3,629	3,629
Share premium	15	63,137	62,779	62,779
Other reserves		53,774	40,352	67,619
Retained earnings		96,480	118,954	126,074
Total equity		**217,026**	**225,714**	**260,101**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

				Other reserves								
	Notes	**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**	**Investment in own shares £'000**	**Retained earnings £'000**	**Total equity £'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 period		-	-	-	-	-	-	-	-	-	30,265	30,265
Other comprehensive income: Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity		-	-	-	-	20,235	-	-	-	-	-	20,235
Deferred tax	14	-	-	-	-	(2,427)	-	-	-	-	-	(2,427)
Foreign currency translation		-	-	-	-	-	-	1,925	-	-	-	1,925
Total comprehensive income		**-**	**-**	**-**	**-**	**17,808**	**-**	**1,925**	**-**	**-**	**30,265**	**49,998**
Transferred to retained earnings on disposal		-	-	-	-	30	-	-	-	-	(30)	-
Dividends	7	-	-	-	-	-	-	-	-	-	(8,576)	(8,576)
Value of employee services		-	-	-	-	-	571	-	-	-	-	571
Total transactions with owners of the company		**-**	**-**	**-**	**-**	**30**	**571**	**-**	**-**	**-**	**(8,606)**	**(8,005)**
Balance at 30 June 2019		**3,629**	**62,779**	**29,134**	**143**	**17,640**	**4,730**	**17,941**	**632**	**(2,601)**	**126,074**	**260,101**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

				Other reserves								
	Notes	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	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2019		3,629	62,779	29,134	143	17,640	4,730	17,941	632	(2,601)	126,074	260,101
Profit for the period		-	-	-	-	-	-	-	-	-	(1,270)	(1,270)
Other comprehensive income: Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity		-	-	-	-	(19,435)	-	-	-	-	-	(19,435)
Deferred tax	14	-	-	-	-	2,405	-	-	-	-	-	2,405
Foreign currency translation		-	-	-	-	-	-	(10,628)	-	-	-	(10,628)
Total comprehensive expense		**-**	**-**	**-**	**-**	**(17,030)**	**-**	**(10,628)**	**-**	**-**	**(1,270)**	**(28,928)**
Transferred to retained earnings on disposal		-	-	-	-	(18)	-	-	-	-	18	-
Dividends	7	-	-	-	-	-	-	-	-	-	(5,868)	(5,868)
Value of employee services		-	-	-	-	-	409	-	-	-	-	409
Total transactions with owners of the company		**-**	**-**	**-**	**-**	**(18)**	**409**	**-**	**-**	**-**	**(5,850)**	**(5,459)**
Balance at 31 December 2019		**3,629**	**62,779**	**29,134**	**143**	**592**	**5,139**	**7,313**	**632**	**(2,601)**	**118,954**	**225,714**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2020

				Other reserves								
	Notes	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	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
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 period		-	-	-	-	-	-	-	-	-	(11,233)	(11,233)
Other comprehensive income: Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity		-	-	-	-	1,666	-	-	-	-	-	1,666
Deferred tax	14	-	-	-	-	29	-	-	-	-	-	29
Foreign currency translation		-	-	-	-	-	-	10,432	-	-	-	10,432
Total comprehensive income/(expense)		**-**	**-**	**-**	**-**	**1,695**	**-**	**10,432**	**-**	**-**	**(11,233)**	**894**
Transferred to retained earnings on disposal		-	-	-	-	-	-	-	-	-	-	-
Dividends	7	-	-	-	-	-	-	-	-	-	(10,368)	(10,368)
Issue of ordinary shares	15	6	358	-	-	-	-	-	-	-	-	364
Value of employee services	21	-	-	-	-	-	(140)	-	-	1,435	(873)	422
Total transactions with owners of the company		**6**	**358**	**-**	**-**	**-**	**(140)**	**-**	**-**	**1,435**	**(11,241)**	**(9,582)**
Balance at 30 June 2020		**3,635**	**63,137**	**29,134**	**143**	**2,287**	**4,999**	**17,745**	**632**	**(1,166)**	**96,480**	**217,026**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended	
		30 June 2020	**30 June 2019**
	Notes	**£'000**	**£'000**
Cash flows from operating activities			
(Loss)/Profit before taxation		(15,463)	41,196
Adjustments for:			
Finance income		(48)	(14)
Finance costs		1,138	430
Net foreign exchange losses/(gains)		3,018	(951)
Other (income)/losses	5	(833)	108
Revaluation of royalty financial instruments	9	(100)	(360)
Royalties due or received from royalty financial instruments	9	967	1,021
Revaluation of coal royalties (Kestrel)	8	23,956	(13,996)
Depreciation of property, plant and equipment		4	11
Amortisation of royalty intangible assets	10	2,732	1,450
Amortisation of deferred acquisition costs		6	6
Provision of non-recoverable other receivables		-	103
Share based payment		169	649
		15,546	29,653
Decrease in trade and other receivables		2,840	3,061
Increase in trade and other payables		196	87
Cash generated from operations		18,582	32,801
Income taxes paid		(10,095)	(6,250)
Net cash generated from operating activities		**8,487**	**26,551**
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests		-	95
Purchase of royalty intangibles	10	(1,216)	-
Purchases of royalty financial instruments	9	(5,684)	(1,049)
Repayments under commodity related financing agreements	12	403	1,015
Advances under royalty financing agreements		(201)	-
Prepaid acquisition costs		(322)	(387)
Finance income		48	14
Net cash used in investing activities		**(6,972)**	**(312)**
Cash flows from financing activities			
Drawdown of revolving credit facility	13	15,800	-
Repayment of revolving credit facility	13	(9,160)	(8,300)
Proceeds from issue of share capital	15	364	-
Dividends paid	7	(10,368)	(8,576)
Finance costs - excluding foreign exchange gains/losses		(934)	(291)
Net cash used in financing activities		**(4,298)**	**(17,167)**
Net (decrease)/increase in cash and cash equivalents		**(2,783)**	**9,072**
Cash and cash equivalents at beginning of period		**7,597**	**5,223**
Effect of foreign exchange rates		555	217
Cash and cash equivalents at end of period		**5,369**	**14,512**

1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended 30 June 2020. They have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved on 6 April 2020. Those accounts, which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

1.1 Going concern

The financial position of the Group and its cash flows are set out on pages 21 and 25. The Directors have considered the principal risks of the Group which are set out on pages 24 to 28 of the 2019 Annual Report, and considered key sensitivities which could impact on the level of available borrowings. As at 30 June 2020 the Group had cash and cash equivalents of £5.4m and borrowings under its revolving credit facility of £45.2m (U$$55.7m) leaving £27.8m (US$34.3m) undrawn as set out in note 13.

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 since March 2020, it has contributed to lower coal prices in the period to 30 June 2020.

The Group's forecast reflects the latest consensus pricing. Even assuming a further 20% downturn in revenue from 30 June 2020, the Group would still 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 interim condensed consolidated financial statements.

In light of the limited impact that COVID-19 has had on the underlying operations of the Group's producing royalties as detailed above, the Directors no longer consider the scenario of a twelve-month operational shutdown across the portfolio as relevant for assessing going concern. Having reviewed the Group's forecasts under the downturn scenario described above, the Directors have a reasonable expectation, without material uncertainty, that the Group has adequate resources to continue to operate within the level of its current facilities for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

1.2 Alternative Performance Measurers

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. Further information on APMs is provided on page 4 and 5 of these condensed consolidated interim financial statements.

1.3 Changes in accounting policies

The accounting policies applied in these condensed interim financial statements are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for changes arising from the adoption of the following significant new accounting pronouncements which became effective in the current reporting period.

(a) New accounting policies, standards, amendments and interpretations effective or adopted in 2020

From 1 January 2020, the following standards and amendments are effective in the Group's financial statements:

- Amendments to IFRS 3: 'Business combinations';
- Amendments to IAS 1: 'Presentation of financial statements' and IAS 8: 'Accounting policies, changes in accounting estimates and errors'; and
- Amendments to the Conceptual Framework for Financial Reporting.

The amendments to IFRS 3 modify the definition of a business in order to assist entities in determining whether an acquisition falls within the scope of the standard.

The amendments to IAS 1 and IAS 8 clarify the definition and application of the materiality concept in financial reporting.

The amendments to the Conceptual Framework make a number of clarifications and modifications to the concepts underpinning IFRS.

None of the changes to IFRS described above have a material impact on the Group's consolidated financial statements.

As a result of the economic impacts of the COVID-19 pandemic, a number of government programmes have been put into place to support businesses and consumers, such as the UK Government's Coronavirus Job Retention Scheme. The Group has not applied for nor received any form government assistance during the six months to 30 June 2020, and the Directors do not expect to make any future applications.

(b) Standards, amendments and interpretations that are issued but not yet applied by the Group

Amendments to IAS 37: 'Provisions, contingent assets and contingent liabilities' are effective from 1 January 2022, subject to EU endorsement. The amendments specify which costs an entity should include when assessing whether a contract is onerous and therefore requires a provision.

Amendments to IAS 1 relating to the classification of financial liabilities are effective from 1 January 2023, subject to EU endorsement. The amendments clarify the meaning of settlement in the context of liabilities, and the circumstances in which liabilities are classified as current or non-current.

The Group is assessing the impact these changes will have on its consolidated financial statements.

Other issued amendments or interpretations that have not yet been applied by the Group are not expected to have a material impact on the Group's accounting policies.

1.4 Key sources of estimation uncertainty and critical accounting judgements

With the exception of the items noted below, key areas of critical accounting judgement and estimation uncertainty that have the most significant effect on the Group's consolidated financial statements remain as disclosed in note 4 of the consolidated financial statements of the Group for the year ended 31 December 2019.

COVID-19

The COVID-19 pandemic has had a profoundly negative impact on the global economy, and there is significant uncertainty around the timing and form of any economic recovery. This has given rise to an increase in estimation uncertainty for the Group, particularly regarding the matters noted below.

Valuation of Coal royalties (Kestrel)

Forward prices for metallurgical coal are a key assumption in the independent valuation of the Group's coal royalties (Kestrel). In preparing the valuation at 30 June 2020, the Group's independent coal industry adviser noted the significant uncertainty associated with metallurgical coal price forecasts as a result of the ongoing economic uncertainty caused by the COVID-19 pandemic. An analysis of the impact of metallurgical coal prices varying from those assumed in the valuation at 30 June 2020 is provided in note 8.

Impairment of royalty intangible assets

While there have been no operational issues experienced by the mines underlying the Group's producing royalties, the first half of 2020 saw significant falls in commodity prices both in terms of observable market prices and forecast forward prices, as a result of the COVID-19 pandemic.

The forward prices for the commodities underlying the Group's royalty intangible assets are a key input in the assessment for indicators of impairment. Utilising the latest consensus pricing at 30 June 2020, there were no indicators of impairment (refer to note 10); if, however, these prices decreased by a further 10% the Group would record an impairment charge of £3.4m in relation to its royalty intangible assets.

Going Concern

In the context of the economic uncertainty caused by COVID-19 and commodity price falls, the Directors have updated their going concern assessment to factor in the Group's updated forecasts, together with modelling revised downside sensitivities to those assumed at 31 December 2019. The going concern assessment no longer considers a twelve-month operational shutdown across the portfolio in light of limited impact COVID-19 has had on the operations underlying the Group's production royalty assets, although it does continue to assume a 20% downturn in commodity prices across the portfolio. Under this scenario, the Group's forecasts show that the Group would still operate comfortably within its banking covenant limits with no debt redemptions or amortisation commitments for at least 12 months from the date of approval of these financial statements.

2 Royalty related revenue

	Six months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Royalty income	14,589	26,858
Interest from royalty related financial assets	888	975
Dividends from royalty financial instruments	2,296	3,420
	17,773	31,253

Interest from royalty related financial assets for the six months ended 30 June 2020 of £0.9m (30 June 2019: £1.0m) relates to interest earned on the Group's 13 year amortising loan of C$40.8m with an interest rate of 10% per annum, to Denison Mines Inc ("Denison"), which is classified as non-current other receivables (note 12).

Dividends from royalty financial instruments for the six months ended 30 June 2020 of £2.3m (30 June 2019: £3.4m) relates to the dividends received from the Group's investments in Labrador Iron Ore Company (2020: £2.1m; 2019: £3.2m) as described in note 9, together with the dividends received from the Group's investment in Flowstream Vintage (2020: £0.2m; 2019: £0.2m), an unquoted oil and gas streaming company.

3 Finance income

	Six months ended	
	30 June 2020	**30 June 2019**
	£'000	**£'000**
Interest on bank deposits	48	14
	48	14

4 Finance costs

	Six months ended	
	30 June 2020	**30 June 2019**
	£'000	**£'000**
Professional fees	(242)	(139)
Revolving credit facility fees and interest	(896)	(291)
	(1,138)	(430)

5 Other income/(losses)

	Six months ended	
	30 June 2020	**30 June 2019**
	£'000	**£'000**
Revaluation of foreign exchange instruments	915	21
Other losses	(82)	(129)
	833	(108)

6 (Loss)/Earnings per share

Loss per ordinary share is calculated on the Group's loss after tax of £11.2m for the six months ended 30 June 2020 (30 June 2019: profit £30.3m) and the weighted average number of shares in issue during the period of 180,644,312 (2019: 180,544,459).

	30 June 2020	**30 June 2019**
	£'000	**£'000**
Net (loss)/profit attributable to shareholders		
(Loss)/Earnings - basic	(11,233)	30,265
(Loss)/Earnings - diluted	(11,233)	30,265
	30 June 2020	**30 June 2019**
Weighted average number of shares in issue		
Basic number of shares outstanding	180,644,312	180,544,459
Dilutive effect of Employee Share Option Scheme	-	654,201
Diluted number of shares outstanding	180,644,312	181,198,660
(Loss)/Earnings per share – basic	(6.22p)	16.76p
(Loss)/Earnings per share – diluted	(6.22p)	16.70p

The weighted average number of shares in issue excludes the issue of shares under the Group's Joint Share Ownership Plan, as the Employee Benefit Trust has waived its right to receive dividends on the 366,667 ordinary 2p shares it holds as at 30 June 2020 (30 June 2019: 925,933).

For the six months ended 30 June 2020, the Group is loss making, therefore the outstanding options under the Group's employee share option schemes are considered anti-dilutive as including them in the diluted number of shares outstanding would decrease the loss per share.

Adjusted earnings per share

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

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

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net profit attributable to shareholders			
Loss - basic and diluted for the six months ended 30 June 2020	(11,233)	(6.22p)	(6.22p)
Adjustment for:			
Amortisation of royalty intangible assets	2,732		
Receipts from royalty financial instruments	967		
Revaluation of royalty financial instruments	(100)		
Revaluation of coal royalties (Kestrel)	23,956		
Revaluation of foreign currency instruments	(915)		
Share-based payments and associated national insurance	169		
Foreign exchange (gains)/losses	3,018		
Tax effect of the adjustments above	(8,021)		
Adjusted earnings - basic and diluted for the six months ended 30 June 2020	10,573	5.85p	5.83p

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net profit attributable to shareholders			
Earnings - basic and diluted for the six months ended 30 June 2019	30,265	16.76p	16.70p
Adjustment for:			
Amortisation of royalty intangible assets	1,450		
Receipts from royalty financial instruments	1,021		
Revaluation of royalty financial instruments	(360)		
Revaluation of coal royalties (Kestrel)	(13,996)		
Revaluation of foreign currency instruments	(21)		
Share-based payments and associated national insurance	649		
Tax effect of the adjustments above	2,899		
Adjusted earnings - basic and diluted for the six months ended 30 June 2019	21,907	12.13p	12.09p

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

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

	30 June 2020	30 June 2019
Weighted average number of shares in issue		
Basic number of shares outstanding	180,644,312	180,544,459
Dilutive effect of Employee Share Option Scheme	586,425	654,201
Diluted number of shares outstanding	181,230,737	181,198,660

7 Dividends and dividend cover

A second interim dividend of 1.75p per share has been declared for year-ending 31 December 2020, and will be paid on 13 November 2020.

On 14 August 2020, the first interim dividend in respect of the year ending 31 December 2020 of 1.75p per share was paid to shareholders (£3.2m). This dividend has not been included as a liability in these financial statements.

On 18 June 2020, a final dividend in respect of the year ended 31 December 2019 of 4.125p per share was paid to shareholders (£7.5m).

On 13 February 2020, an interim dividend of 1.625p per share was paid to shareholders (£2.9m) in respect of the year ended 31 December 2019.

Dividend cover

Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share. The Group's adjusted earnings per share for the six months ended 30 June 2020, is 5.82p per share (note 6) with interim dividends totalling 3.5p, resulting in dividend cover of 1.66x (30 June 2019: adjusted earnings per share 12.13p, interim dividend 3.25p, dividend cover of 3.73x).

8 Coal royalties (Kestrel)

	£'000
At 1 January 2019	109,778
Foreign currency translation	16
Gain on revaluation of coal royalties	13,996
At 30 June 2019	123,790
Foreign currency translation	(4,160)
Loss on revaluation of coal royalties	(23,211)
At 31 December 2019	96,419
Foreign currency translation	3,016
Loss on revaluation of coal royalties	(23,956)
At 30 June 2020	75,479

The coal royalty was valued during June 2020 at £75.5m (A$135.3m) by an independent coal industry adviser, on a net present value of the pre-tax cash flow discounted at a nominal rate of 6.5% (30 June 2019: 6.0% and 31 December 2019: 6.0%). The key assumptions in the independent valuation relate to price, foreign exchange rates and discount rate.

The price assumptions used in the 30 June 2020 valuation increase from US$140/t in the short term to a long-term flat nominal price of US$142/t. If the price were to increase or decrease 10 per cent over the life of the mine the valuation effect would be:

- a 10% reduction in the coal price would have resulted in the coal royalties being valued at A$114.0m (£63.6m) and an £11.1m increase to the revaluation loss in the income statement, resulting in a revaluation loss of £35.1m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A$157.1m (£87.6m) and an £11.4m reduction in the revaluation loss in the income statement, resulting in a revaluation loss of £12.6m.

The AUD:USD exchange rate assumptions used in the 30 June 2020 valuation assume a strengthening in the Australia dollar from a short-term rate of 0.69 to a long term rate of 0.75 against the US dollar. If the Australian dollar were to strengthen or weaken by 10% against the US dollar over the life of the mine that valuation effect would be:

- a 10% strengthening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at A$115.9m (£64.7m) and an £10.1m increase to the revaluation loss in the income statement, resulting in a revaluation loss of £34.1m; and
- a 10% weakening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at A$159.5m (£89.0m) and a £12.6m reversal decrease to the revaluation loss in the income statement, resulting in a revaluation loss of £11.4m.

The pre-tax nominal discount rate used for the asset is 6.5%, if the discount rate used were to increase or decrease by 1% the valuation effect would be:

- a 1% reduction in the nominal discount rate would have resulted in the coal royalties being valued at A$138.7m (£77.4m) and a £1.8m decrease in the revaluation loss in the income statement to £22.2m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at A$132.1m (£73.7m) and a £1.7m increase in the revaluation loss in the income statement to £25.7m.

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 £5.5m (A$9.9m) of capital losses potentially available to offset against taxable gains. As the Directors do not presently have any intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation (note 14). Were the coal royalty to be carried at cost the carrying value would be £0.2m (2019: £0.2m).

Refer to note 17 for additional fair value disclosures relating to Kestrel.

9 Royalty financial instruments

	£'000
Fair value	
At 1 January 2019	46,205
Additions	1,049
Royalties due or received from royalty financial instruments	(1,021)
Revaluation of royalty financial instruments recognised in profit or loss	360
Revaluation of royalty financial instruments recognised in equity	18,381
Foreign currency translation	1,722
At 30 June 2019	66,696
Additions	19,238
Royalties due or received from royalty financial instruments	(1,145)
Revaluation of royalty financial instruments recognised in profit or loss	2,118
Revaluation of royalty financial instruments recognised in equity	(18,504)
Foreign currency translation	(2,602)
At 31 December 2019	65,801
Additions	5,684
Royalties due or received from royalty financial instruments	(967)
Revaluation of royalty financial instruments recognised in profit or loss	100
Revaluation of royalty financial instruments recognised in equity	(241)
Foreign currency translation	1,693
At 30 June 2020	72,070

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

Project	Commodity	Original Cost '000	Royalty Rate	Escalation	Classification	Royalty Valuation 30 June 2020 £'000
EVBC	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	FVTPL	3,460
Dugbe 1	Gold	US$15,000	2.00%	2.5% gold >U$1,800/oz & production <50,000oz/qrt	FVTPL	789
McClean Lake	Uranium	C$2,700	-	22.5% of tolling milling proceeds on all throughput >215Mlbs	FVTPL	1,450
Piauí	Nickel-Cobalt	US$2,000	1.25%	-	FVTPL	1,618
Labrador Iron Ore	Iron Ore	C$108,985	7.00%	-	FVTOCI	64,753
						72,070

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 adopted in the last annual financial statements for the year to 31 December 2019.

The Group’s fifth royalty financial instrument, is its equity investment in Labrador Iron Ore Company (‘LIORC’), which entitles the Group to a share of the 7% GRR LIORC receives from the Iron Ore Company of Canada (‘IOC’) mine and distributes to its shareholders via dividends. As LIORC is a single asset company, being the GRR over the IOC mine which is owned and operated by Rio Tinto, the Group has classified its investment in LIORC as a royalty financial instrument and made an irrevocable election to designate it as FVTOCI.

During the six months ended 30 June 2020 the Group made a further investment of C$9.8m (£5.7m) in Labrador Iron Ore Company, increasing its shareholding to 4,486,890 shares (31 December 2019: 4,040,790 shares).

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

10 Royalty and exploration intangible assets

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	-	7,536	7,536
At 30 June 2020	697	154,968	155,665
Amortisation and impairment			
At 1 January 2020	(697)	(45,231)	(45,928)
Amortisation charge	-	(2,732)	(2,732)
Foreign currency translation	-	(2,001)	(2,001)
At 30 June 2020	(697)	(49,964)	(50,661)
Carrying amount 30 June 2020	-	105,004	105,004

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At 1 January 2019	697	112,626	113,323
Foreign currency translation	-	334	334
At 30 June 2019	697	112,960	113,657
Amortisation and impairment			
At 1 January 2019	(697)	(41,432)	(42,129)
Amortisation charge	-	(1,450)	(1,450)
Foreign currency translation	-	(241)	(241)
At 30 June 2019	(697)	(43,123)	(43,820)
Carrying amount 30 June 2019	-	69,837	69,837

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

Royalty interests

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 U$1.5m in relation to the Maracás Menchen royalty to become payable. On 29 May 2020, the Group paid the U$1.5m (£1.2m) of deferred consideration that had been accrued since 30 June 2018 and included in the carrying value of Maracás Menchen royalty.

The amortisation charge for the period, of £2.7m (30 June 2019: £1.5m) 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.

All intangible assets are assessed for indicators of impairment at each reporting date. The key sources of estimation uncertainty impacting the assessment for indicators of impairment as at 30 June 2020 are detailed in note 1.5. As at 30 June 2020 no further impairment charges were recognised (31 December 2019: £1.4m). The Group's intangible assets will be assessed for indicators of impairment again at 31 December 2020.

11 Mining and exploration interests

	£'000
Fair value	
At 1 January 2019	2,848
Disposals	(95)
Revaluation adjustment	1,854
Foreign currency translation	165
At 30 June 2019	4,772
Additions	40
Disposals	(226)
Revaluation adjustment	(931)
Foreign currency translation	(13)
At 31 December 2019	3,642
Revaluation adjustment	1,907
Foreign currency translation	(20)
At 30 June 2020	5,529

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

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

Total mining and exploration interests are represented by:

	30 June 2020	**31 December 2019**	**30 June 2019**
	£'000	**£'000**	**£'000**
Quoted investments	5,232	3,362	4,358
Unquoted investments	297	280	414
	5,529	3,642	4,772
Number of investments	8	8	10

12 Non-current other receivables

	£'000
At 1 January 2019	19,335
Interest	975
Repayments of principal and interest	(1,990)
Amortisation of deferred acquisition costs	(6)
Expected credit losses	(16)
Foreign currency translation	838
At 30 June 2019	19,136
Interest	951
Repayments of principal and interest	(1,513)
Amortisation of deferred acquisition costs	(7)
Expected credit losses	(46)
Foreign currency translation	(602)
At 31 December 2019	17,919
Interest	888
Repayments of principal and interest	(1,177)
Amortisation of deferred acquisition costs	(6)
Expected credit losses	(82)
Foreign currency translation	352
At 30 June 2020	17,894

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 9), 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.

Following the suspension of operations at the Cigar Lake uranium mine in response to the COVID-19 pandemic, the McClean Lake Mill was placed on care and maintenance in March 2020. During the six months ended 30 June 2020, the Group earned £0.9m in interest revenue (2019: £1.0m) and received principal repayments of £0.4m (2019: £1.0m).

On 29 July 2020, Cameco and Orano announced plans to restart operations at the Cigar Lake uranium mine and the McClean Lake Mill from which the Group receives a share tolling milling receipts, in September 2020. This announcement follows both operations being placed on care and maintenance in March 2020 due to the COVID-19 pandemic.

The Group assesses the carrying value of the Denison financing agreement for expected credit losses over the next 12 months by making reference to the security held by the Group and the financial position of Denison at each reporting date. As at 30 June 2020, the implied probability of default has been assessed at 1.49% (2019: 0.98%) resulting in the Group recognising expected credit losses of £0.3m (30 June 2019: £0.1m).

13 Borrowings

	30 June 2020 Group £'000	31 December 2019 Group £'000	30 June 2019 Group £'000
Secured borrowing at amortised cost			
Revolving credit facility	45,208	36,401	-
	45,208	36,401	-

In September 2018, the Group refinanced the facility agreed in 2017 with a three-year revolving credit facility of US$60.0m with a US$30.0m accordion, 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 matures in September 2022 and is available at LIBOR plus 175bps.

The Group's revolving credit facility is secured by way of a floating charge over the Group's assets and is subject to a number of financial covenants, all of which have been met during the period ended 30 June 2020.

During the six months ended 30 June 2020, the Group repaid £9.2m and drew down a further £15.8m to have total borrowings as at 30 June 2020 of £45.2m, leaving £27.8m (US$34.3m) undrawn on its secured US$90.0m revolving credit facility.

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

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

	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
Revolving credit facility	(45,208)	(36,401)	-
Cash and cash equivalents	5,369	7,597	14,512
Net (debt)/cash and cash equivalents	(39,839)	(28,804)	14,512

14 Deferred tax

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

Group	Coal royalties Revaluation of coal royalty £'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	4,200	(261)	(616)	11	3,334
Charge/(credit) to other comprehensive income	-	2,427	-	-	2,427
Exchange differences	5	1	(10)	-	(4)
At 30 June 2019	37,137	(401)	929	(13)	37,652
Charge/(credit) to profit or loss	(6,964)	160	(313)	9	(7,108)
Charge/(credit) to other comprehensive income	-	(2,405)	-	-	(2,405)
Exchange differences	(1,248)	126	(30)	-	(1,152)
At 31 December 2019	28,925	(2,520)	586	(4)	26,987
Charge/(credit) to profit or loss	(7,182)	60	(380)	3	(7,499)
Charge/(credit) to other comprehensive income	-	(29)	-	-	(29)
Exchange differences	905	(150)	2	1	758
Effect of change in tax rate:					
- income statement	-	75	-	-	75
At 30 June 2020	22,648	(2,564)	208	-	20,292

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

	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
Deferred tax liabilities	(23,535)	(30,172)	(41,054)
Deferred tax assets	3,243	3,185	3,402
	(20,292)	(26,987)	(37,652)

Uncertain tax positions

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

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreement with tax authorities. Tax obligations assessed as having probable future economic outflows capable of reliable measurement are provided for. As at 31 December 2019 the Group recognised a provision for uncertain tax positions of £2.0m (30 June 2019: £1.7m); this provision was increased by £0.2m to £2.2m as at 30 June 2020.

The Group continues to monitor developments in relation to EU State Aid investigations including the EU Commission's State Aid investigation into the UK's Controlled Foreign Company (CFC) tax regime. On 25 April 2019, the European Commission released its decision in relation to the group company finance exemption in the UK's CFC rules finding that the exemption constitutes unlawful state aid if the exempted profits arise in connection with UK activity. The UK Government disagrees with the findings and has appealed against the decision to the European Court. Having analysed the latest decision, the Group does not currently consider that any provision is required in relation to EU State Aid.

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, which could result in a material reduction in the deferred tax asset and the recognition of a material current tax provision at 30 June 2020. These amounts were originally estimated at £3.3m and £3.6m. With the utilisation of certain tax losses during the year ended 31 December 2018, the current tax provision required, increased to £5.9m as at 30 June 2019. There was no change in this position as at 31 December 2019 or 30 June 2020.

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.

15 Share capital, share premium and merger reserve

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
Ordinary shares of 2p each at 1 January 2019, 30 June 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
Ordinary shares of 2p at 30 June 2020	**181,758,719**	**3,635**	**63,137**	**29,134**	**95,906**

(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.

16 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, Canariaco, Ground Hog, Flowstream
Europe: EVBC, Salamanca
Other: Dugbe I, and includes the Group's mining and exploration interests

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

The segment information provided to the Executive Committee for the reportable segments for the six months ended 30 June 2020 is as follows (noting that total segment operating profit corresponds to operating profit before impairments, revaluations and gains/losses on disposals which is reconciled to Loss before tax on the face of the consolidated income statement):

	Australia Royalties £'000	**Americas Royalties £'000**	**Europe Royalties £'000**	**All other segments £'000**	**Total £'000**
Royalty related revenue	13,694	4,079	-	-	17,773
Amortisation of royalties	(1,149)	(1,583)	-	-	(2,732)
Operating expenses	(2,081)	-	-	(1,292)	(3,373)
Total segment operating profit/(loss)	10,464	2,496	-	(1,292)	11,668
Total segment assets	124,868	143,935	6,506	17,365	292,674
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-
Total segment liabilities	25,608	34,848	657	14,535	75,648

The segment information for the six months ended 30 June 2019 is as follows:

	Australia Royalty £'000	**Americas Royalty £'000**	**Europe Royalty £'000**	**All other segments £'000**	**Total £'000**
Royalty related revenue	25,075	6,178	-	-	31,253
Amortisation of royalties	(1,204)	(246)	-	-	(1,450)
Operating expenses	(1,270)	-	-	(2,120)	(3,390)
Total segment operating profit/(loss)	22,601	5,932	-	(2,120)	26,413
Total segment assets	184,519	104,751	6,047	15,097	310,414
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets	-	-	-	-	-
Total segment liabilities	43,537	3,608	561	2,607	50,313

The segment information for the twelve months ended 31 December 2019 is as follows:

	Australia Royalty £'000	**Americas Royalty £'000**	**Europe Royalty £'000**	**All other segments £'000**	**Total £'000**
Royalty related revenue	41,296	14,432	-	-	55,728
Amortisation of royalties	(2,402)	(1,375)	-	-	(3,777)
Operating expenses	(3,088)	-	-	(4,044)	(7,132)
Total segment operating profit/(loss)	35,806	13,057	-	(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 income in Australia of £13.7m (2019: £25.1m) is substantially derived from the Kestrel royalty, which generated £12.0m for the six months ended 30 June 2020 (2019: £22.7m). The royalty related income derived from the Kestrel royalty represent greater than 10% of the Group's revenue for the six months ended 30 June 2020 and 30 June 2019.

The royalty related income from the Americas of £4.1m (2019: £6.2m) is substantially derived from the dividends received from the Group's investment in LIORC of £2.1m for the six months ended 30 June 2020 (2019: £3.2m). The royalty related income derived from the Group's investment in LIORC also represents greater than 10% of the Group's revenue for the six months ended 30 June 2020 and 30 June 2019.

17 Financial risk management

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

Financial instruments

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

	30 June 2020	**31 December 2019**	**30 June 2019**
	£'000	**£'000**	**£'000**
Investment property (held at fair value)			
Coal royalties (Kestrel)	75,479	96,419	123,790
Fair value through other comprehensive income			
Royalty financial instruments	64,753	57,736	59,531
Mining and exploration interests	5,529	3,642	4,772
Fair value through profit or loss			
Royalty financial instruments	7,317	8,065	7,165
Cash at bank and on hand	5,369	7,597	14,512
Financial assets at amortised cost			
Trade and other receivables	22,779	25,605	25,843
Financial liabilities at amortised cost			
Trade and other payables	252	102	35
Borrowings	45,208	36,401	-
Deferred consideration	-	1,138	1,181
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	133	480	8

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

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

Liquidity and funding risk
The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. As at 30 June 2020, the Group had borrowings of £45.2m (31 December 2019: £36.4m; 30 June 2019: £nil) cash and cash equivalents of £5.4m (31 December 2019: £7.6m; 30 June 2019: £14.5m). Subject to continued covenant compliance, the Group continued to have access to a further £27.8m (US$34.3m) through its secured US$90.0m revolving credit facility.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group undertakes detailed analysis of factors which mitigate the risk of default to the Group.

Foreign exchange risk
The Group's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. With royalty income from Kestrel and Narrabri accounting for over 76% of the Group's income (30 June 2019 80%), the Group's primary foreign exchange exposure is to the Australian dollar, which these royalties are denominated in. In 2016, the Group implemented a hedging policy whereby foreign exchange forward contracts can be entered into with a maximum exposure of 70% of forecast Australian dollar denominated royalty revenue expected to be received during a period not exceeding 12 months from contract date to settlement. As at 30 June 2020 the fair value of the outstanding forward contracts was a loss of £133,000 (31 December 2019: loss £480,000; 30 June 2019: £8,000).

Other price risk
The Group is exposed to other price risk in respect of its mining and exploration interests which include listed and unlisted equity securities and any convertible instruments. 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. No specific hedging activities are undertaken in relation to these interests and the voting rights arising from these equity instruments are utilised in the Group's favour.

Fair value hierarchy

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

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

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

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2020:

	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	75,479	75,479
Royalty financial instruments	(b)	64,753	-	7,317	72,070
Mining and exploration interests - quoted	(c)	5,232	-	-	5,232
Mining and exploration interests - unquoted	(d)	-	297	-	297
Liabilities					
Derivative financial instruments	(e)	-	(133)	-	(133)
Net fair value		69,985	164	82,796	152,945

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2019:

	Notes	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	123,790	123,790
Royalty financial instruments	(b)	59,531	-	7,165	66,696
Mining and exploration interests - quoted	(c)	4,358	-	-	4,358
Mining and exploration interests - unquoted	(d)	-	414	-	414
Liabilities					
Derivative financial instruments	(e)	-	(8)	-	(8)
Net fair value		63,889	406	130,955	195,250

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2019:

	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
Liabilities					
Derivative financial instruments	(e)	-	(480)	-	(480)
Net fair value		61,098	(200)	104,484	165,382

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

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

(a) Coal royalties (investment property)

The Group’s coal royalties derive from its ownership of certain sub-stratum land in Queensland, Australia. In accordance with IAS 40, this land is revalued at each reporting date on the basis of future expected income discounted at 6.5% (30 June 2019: 6.0% and 31 December 2019: 6.0%) by an independent valuation consultant. See note 8 for further details. All unobservable inputs are obtained from third parties.

(b) Royalty financial instruments

At the reporting date, the royalty financial instruments are valued based on the net present value of pre-tax cash flows discounted at a rate between 5.5% and 30%. The discount rate of each royalty arrangement is derived using a capital asset pricing model specific to the underlying project, making reference to the risk-free rate of return expected on an investment with the same time horizon as the expected mine life, together with the country risk associated with the location of the operation.

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

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

		30 June 2020		**31 December 2019**		**30 June 2019**	
	Classification	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**
EVBC	Fair Value through Profit or Loss	7.0%	100%	7.0%	100%	8.5%	100%
Dugbe 1	Fair Value through Profit or Loss	30%	75%	30%	75%	30%	75%
McLean Lake	Fair Value through Profit or Loss	5.5%	50%	5.5%	50%	6.25%	50%
Piaui	Fair Value through Profit or Loss	13.5%	25%	13.5%	25%	15%	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 in well-established security markets. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(d) Mining and exploration interests – unquoted

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

(e) Derivative financial instruments

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

Fair value measurements in Level 3

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

The following table presents the changes in Level 3 instruments for the six months ended 30 June 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	100	(23,956)	(23,856)
Royalties due or received from royalty financial instruments	(967)	-	(967)
Foreign currency translation	119	3,016	3,135
At 30 June 2020	7,317	75,479	82,796

The following table presents the changes in Level 3 instruments for the six months ended 30 June 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	360	13,996	14,356
Royalties due or received from royalty financial instruments	(1,021)	-	(1,021)
Foreign currency translation	(11)	16	5
At 30 June 2019	7,165	123,790	130,955

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 reporting periods.

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

18 Related party transactions

The Group received £19,041 from Audley Capital Advisors LLP, a company of which Mr J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the subletting of office space during the period ended 30 June 2020 (2019: £39,747). As at 30 June 2020, Audley Capital Advisors LLP, had no amounts outstanding to the Group (31 December 2019: £4,001 and 30 June 2019: £19,079).

During the six months ended 30 June 2020, the Group paid Audley Capital Advisors LLP, £1,913 for the reimbursement of travel expenses (30 June 2019: £nil). No amounts were owing to Audley Capital Advisors LLP as at 30 June 2020 (31 December 2019: £nil; 30 June 2019: £nil).

19 Free cash flow

The structure of a number of the Group's royalty financing arrangement, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group considers dividend cover by reference to both adjusted earnings per share and the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator, 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 divided 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 period ended 30 June 2020	8,487	
Adjustment for:		
Finance income	48	
Finance costs	(934)	
Repayments under commodity related financing agreements	403	
Free cash flow for the period ended	8,004	4.43p

	2019 £'000	Free cash flow per share p
Net cash generated from operating activities		
Net cash generated from operating activities for the period ended 30 June 2019	26,551	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	95	
Finance income	14	
Finance costs	(291)	
Repayments under commodity related financing agreements	1,015	
Free cash flow for the period ended	27,384	15.17p

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

	30 June 2020	30 June 2019
Weighted average number of shares in issue	180,644,312	180,544,459

20 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 2) plus royalties received or receivable from royalty financial instruments carried at FVTPL (note 9) and principal repayment received under the Denison financing agreement (note 12) as follows:

	Six months ended	
	30 June 2020	**30 June 2019**
	£'000	**£'000**
Royalty related revenue (note 2)	17,773	31,253
Royalties due or received from royalty financial instruments (note 9)	967	1,021
Repayments under commodity related financing agreements (note 12)	403	1,015
	19,143	33,289

21 Share-based payments

On 18 May 2020, certain employees exercised 847,593 options under the Company's Unapproved Share Option plan. The exercise of these option was settled through the issuance of 288,327 new ordinary shares of 2p each (refer to note 15) and the use 559,266 ordinary shares of 2p each held by the Company's Employee Benefit Trust.

Upon the exercise of the options, £0.9m (net) was recycled from the Group's share-based payment reserve and investment in own shares to retained earnings.

22 Events occurring after period end

On 29 July 2020, Cameco and Orano announced plans to restart operations at the Cigar Lake uranium mine and the McClean Lake Mill from which the Group receives a share tolling milling receipts, in September 2020. This announcement follows both operations being placed on care and maintenance in March 2020 due to the COVID-19 pandemic.

On 11 August 2020, Berkeley Energia announced that it had received its Urbanism Licence, one of the two remaining licences it requires to commence the construction of the Salamanca mine over which the Group has a 1% NSR royalty, and the uranium plant. The final required permit is the Authorisation for Construction for the uranium concentrate plant as a radioactive facility and this process is underway.

In addition to this being a positive development for the Group's royalty, Anglo Pacific also owns just under 7% of Berkeley Energia, whose share price has increased from 23p at the end of June 2020 to just over 40p now, valuing the Group's interest at around £7m.

23 Availability of financial statements

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

INDEPENDENT REVIEW REPORT TO ANGLO PACIFIC GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 23. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
26 August 2020

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, steams 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, steams 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.

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.