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22 August 2019

Anglo Pacific Group PLC
Interim results for the six months ended 30 June 2019

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 2019 which are available on both the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com.

Results

	H1 2019 £'000	**% Mvt**	**H1 2018 £'000**
Kestrel	22,692	60%	14,225
Maracás Menchen	1,783	(16%)	2,125
Narrabri	2,273	56%	1,456
Denison - interest	975	(10%)	1,079
Royalty related dividends	3,420		141
Four Mile	110	116%	51
Royalty related revenue	**31,253**	**64%**	**19,077**
EVBC - royalty receipts	1,021	2%	1,003
Denison - principal	1,015	37%	741
Total portfolio contribution	**33,289**	**60%**	**20,821**

- 64% increase in revenue in H1 2019 of £31.3m (H1 18: £19.1m)
- 60% increase in portfolio contribution[1] (which includes EVBC and Denison principal) of £33.3m (H1 18: £20.8m)
- Record half yearly Kestrel revenue - in line with the owners target to increase volumes in 2019 by 40%
- Higher than expected revenue from LIORC, representing an annualised yield of ~16% on our investment, reflecting the distribution of retained cash and the pellet price premium achieved during H1 19
- Strong recovery at Narrabri as geotechnical issues are being overcome, with 56% increase in revenue in H1 2019 of £2.3m (H1 18: £1.5m)
- Maracás Menchen is on track to deliver on its expansion plans, but revenue has been impacted by a significant decline in the vanadium price from the record levels achieved in 2018
- 42% increase in adjusted earnings[2] per share to 12.13p (H1 2018: 8.56p) basic earnings per share more than doubled to 16.76p (H1 2018: 7.24p)
- 78% increase in cash generated from operating activities to £26.6m (H1 2018: £15.1m) with free cash flow[3] generated in H1 2019 of £27.4m – a 53% increase on the £17.9m equivalent in H1 18
- Borrowings repaid in full during the period, with £14.5m of cash on hand at 30 June 2019 (YE 2018: net debt of £3.1m) and access to US$90m of borrowings
- 19% increase in net assets to £260.1m (YE 2018: £218.1m) translating into net assets per share of 144p (YE 2018: 121p)
- The strong results for the first half should lead to an increase in the full year dividend for 2019 to a minimum of 9p per share, subject to market conditions and the impact of further global volatility during H2 19

Other highlights

- ~£10m additional investment in LIORC year to date, of which £1.0m had been deployed during the six months ended 30 June 2019, bringing our current position to ~5.2% at an average price of C$24.50/share
- Volatility in exchange rates has had a positive impact thus far in Q3 19, and the Group has entered into further forward contracts to protect a portion of expected revenue, which should benefit the Group when translating full year revenue at the end of the year

Julian Treger, Chief Executive Officer, commented:
"We are pleased to report another period of strong organic growth in H1 19, with record revenue from Kestrel as the new owners appear to be on track to deliver their ambitions to increase production in 2019 by 40%.

Although Kestrel accounted for the majority of our revenue in H1 19, we were also pleased to see the revenue from our most recent acquisition, LIORC, outperform our expectations. The £3.2m received in H1 19 alone represented an underlying yield of ~16% on an annualised basis. We have increased our investment in LIORC by a further ~£10m in the year to date, taking advantage of the recent decline in global equities in identifying an attractive entry point based on the current yield and our confidence in the iron ore pellet premium in the near-term.

We continued to generate significant free cashflow during the period, which allowed us to repay our borrowings in full. The cash on-hand at the end of the period, when added to our available facilities, provides ~US$100m of liquidity to us, which is even more important in the context of short-term volatility in the capital markets.

Given the strength of our results in the first half of the year, we would expect to increase the full year dividend from 8p per share to a minimum of 9p per share, depending on market conditions and outlook in H2 19."

[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 ('FVTPL') and principal repayments received under the Denison financing agreement.

[2] Adjusted earnings/(loss) represents the Group's underlying operating performance from core activities. Adjusted earnings/(loss) is the profit/(loss) attributable to equity holders less all valuation movements, non-cash impairments and amortisation charges (which are non-cash IFRS adjustments that arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

[3] Free cash flow is net cash generated from operating activities, plus proceeds from the disposal of non-core assets and any cash considered as repayment of principal, less finance costs.

Analyst presentation

There will be an analyst presentation via conference call at 9:00am (BST) on 22 August 2019. 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:

Location you are dialling in from	**Number you should dial**
United Kingdom (toll free)	0800 358 9473
United Kingdom (Local)	+44 (0) 333 300 0804
All other locations please refer to the link below: http://events.arkadin.com/ev/docs/NE_W2_TOLL_Events_International_Access_List.pdf	

Participant Access Code: 94145360#

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

https://event.on24.com/wcc/r/2069034/65CCE0FDA627A003DD5A28F0EB7D3636

For further information:

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Notes to editors:

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

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 dividends levels. 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') 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 represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit attributable to equity holders plus royalties received from financial instruments carried at fair value through profit or loss, less all valuation movements, and non-cash impairments, amortisation charges, share based payments, finance costs, any associated deferred tax and any profit or loss on non-core asset disposals. Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to note 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 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 dividend net cash generated from operating activities, plus proceeds from the disposal of non-core assets and any cash considered as repayment of principal, less finance costs, by the weighted average number of shares in issue. Refer to note 19 to the financial statements for free cash flow per share.

BUSINESS REVIEW

The last few weeks have seen increased concern about the progress of the global economy with falling yields and a flight to safety. Against this background, we are pleased to report a material increase in our half year results and this should, subject to market conditions in H2 19, increase our full year dividend for 2019 to a minimum of 9p per share from 8p per share in 2018.

Portfolio contribution was up 60% leading to a doubling in earnings per share, adjusted earnings per share increased by 42%, net assets increased by 19% and free cashflow increased by 53% to £27.4m which, in turn, allowed us to repay our borrowings and give the Company access to ~US$100m of liquidity to finance our growth ambitions.

The outlook for the remainder of the year, certainly for volumes, looks encouraging. Kestrel has been a noticeable performer in the period. We highlighted the owners stated ambitions to increase production by 40% in 2019 and are pleased to report that the numbers from the half year suggest that this is achievable. Narrabri has also performed well in the first half, and it looks like Whitehaven Coal has resolved some of the geotechnical issues which it has been encountering over the past number of years. Largo has stated that its expansion programme at Maracás Menchen should be completed during the current quarter whilst Orvana continue to target high grade ore to increase efficiencies.

Whilst our results for the full year should benefit from volume growth, the outlook for commodity pricing appears less certain. High quality coking coal and iron ore pellet prices performed well in the first half but have declined recently. Thermal coal and vanadium both continue to trade above the levels when we acquired the Narrabri and Maracaás Menchen royalties respectively.

Current ongoing trade tensions between the US and China, regulatory pressures, scarcity of conventional capital and lack of investment by the majors present opportunities for Anglo Pacific and we have seen an increase in deal flow as a result. We continue to invest in developing our capacity to process transactions and we exact high requirements of new investments. Whilst it has been frustrating not to deploy more capital in H1 19, we have examined many and are progressing a number of transactions and we are hopeful this will bear fruit in H2. In the mean-time, we took the opportunity of the recent global equity sell off to top up our position in LIORC as we continue to believe in the strong fundamentals of the iron ore pellet market and the position which Labrador Iron Ore commands in this market at present.

The capital scarcity for mining combined with the recent squeeze on prices due to trade war fears provides confidence for deal flow in the second half of the year. Downward pressure on commodity prices should create an attractive entry point for deploying capital.

Our adjusted earnings per share growth in the first half, combined with the yield implied by our recent LIORC acquisition, bodes well for the 2019 final dividend, although this will ultimately depend on commodity prices and currency in the second half of the year. We will await developments of how ongoing global volatility and market conditions, but at this stage our intention is to increase the total dividend for the year to a minimum of 9p per share (2018: 8p per share).

We remain well positioned to grow our business and have ~US$100m of liquidity which can be invested quickly and opportunistically should we need to. We have a good track record of identifying accretive transactions which should underpin our business in the longer term. But we have more to do and are very focused on using the significant cashflows we expect from Kestrel to grow and diversify our sources of revenue.

PORTFOLIO REVIEW

The portfolio continued to perform well during the first half of 2019. Record production was achieved at Kestrel, Narrabri saw its strongest six-month total since H2 2017 and income from LIORC in H1 19 implied a running yield of 16.25%. The only drawback was in relation to the vanadium price which impacted our income from Maracás Menchen, despite production volumes being in line with expectations. EVBC benefitted from a strengthening of the gold price resulting in another consistent contribution in the period, whilst income from the Denison financing arrangement was in line with our expectations. The performance in the first half suggests that the portfolio is on track to deliver the growth we anticipated at the beginning of the year, as discussed in more detail below.

Kestrel

Sales volumes increased by ~50% in H1 19, although the prior year did contain a longwall changeout. This is significant as the owners of the mine announced their target to increase volumes in 2019 by 40% from the levels achieved in 2018, to 6.5Mt. The numbers reported in the first half of the year would suggest that achieving this run rate is possible. Anglo Pacific undertook a site visit to the mine in February 2019 and we remain very encouraged by the operational performance at the mine since the current owners took over in August 2018, with significant volume growth expected for 2019 and beyond.

Demand for high quality coking coal remains strong in the Asian markets. Some supply issues from Australia kept the seaborne market tight in H1 19. The slowdown in the Chinese economy, impacted by trade tension with the US, has triggered an infrastructure stimulus, increasing the demand for steel. This should support pricing in the short-term, although consensus pricing does suggest a tapering of this policy impacting pricing in the medium term.

LIORC

The Group acquired its indirect exposure to the Labrador Iron Ore royalty during H2 2018. Anglo Pacific receives dividend income from LIORC which is based primarily on its underlying exposure to the Labrador Iron Ore mine. Similar to a conventional royalty, income from this asset varies with the commodity price as the investment company is effectively a pass-through vehicle.

Income from LIORC in H1 19 was well in advance of that anticipated at the time of the acquisition, and now represents the Group's second largest source of revenue. The results were buoyed by a significant supply tightening in the iron ore market at a time when China commenced an infrastructure led economic stimulus.

This has had a significant impact on pricing, especially at the premium end of the market where there is a current scarcity of availability on the seaborne market. This has resulted in benchmark iron ore pricing exceeding $100/t in Q2 2019, the first time it has reached this level in five years. As noted above, increased Chinese demand through infrastructure stimulus policies has coincided with this period of supply disruption, resulting in elevated pricing for producing operations such as Labrador Iron Ore.

It is questionable as to whether a supply side reaction can occur in 2019, given the lead time to bring production online, however, the longer pricing remains at these levels the more likely it is that there will be a response. However, the most likely trigger for a softening in price will be the recommencement of operations in Brazil which is likely to take place in the near-term.

We have been selectively adding to our position as and when the pricing level comes within our anticipated return range, and have added a further ~£10m thus far in 2019, of which £1.0m had been deployed during the six months ended 30 June 2019.

Narrabri

We were very pleased to see a strong recovery in production at Narrabri during the first half, following well documented disruptions over the past number of years as Whitehaven Coal successfully navigated its way through localised faults in certain longwall panels.

ROM production in H1 19 was 3.6Mt compared to 2.4Mt in H1 18, a 50% increase. Royalties were paid based on sales of 3.0Mt versus 1.9Mt in the corresponding period in 2018. There was a higher than normal level of stock on hand at the end of June 2019 at just over 1Mt, so there could be additional royalty revenue to come in Q3 19.

Whitehaven announced that the longwall successfully mined through the fault area in Q2 19 without issue and quickly resumed normal production levels. Without production disruptions, total production reached 6.4Mt in Whitehaven's FY 19 (twelve months to end of June 2019), which beat their previous guidance of 5.6-6.0Mt.

Production of 6.4Mt is well below what we believe the operator can achieve given its infrastructure and the mine is permitted up to 11Mtpa.

Pricing achieved at Narrabri softened somewhat during H1 19. Whitehaven reported that the global Coal Newcastle Index thermal coal price in Q2 19 was ~$80/t compared with an average of ~$100/t over the past twelve months.

Thermal coal pricing has enjoyed a strong run since the end of 2017, with high demand from China and India coinciding with some supply disruptions in Australia elevating pricing towards $90-100/t. This prompted action from China, who began to focus on Australian imports either by restrictions or by increasing port inspections. At the same time, China has lifted some capacity restrictions on its domestic coal industry, allowing domestic volume increases to combat the higher import cost of Australian seaborne coal.

The longer-term demand outlook remains mixed for thermal coal. Indonesia and Russia continue to represent new sources of supply to compete against the traditional supply of Australian coal, although importantly, the latter should still represent a higher quality than the former. India is increasing its domestic production with a view to becoming less reliant on Australian prices. The slowdown in the Chinese economy might result in less power demand than previously expected.

The above factors are expected to result in downward pressure on thermal coal prices. This is reflected in consensus prices, which now anticipate prices to be down 16% in H2 19 and 9% in 2020. The growth in volume from Narrabri should shelter Anglo Pacific from the full impact of weaker pricing should this materialise.

Maracás Menchen

Operationally, Maracas continued to perform very well in H1 19, with sales of ~4.6kt, in line with the corresponding period in 2018. Largo achieved a record month of production in June 2019, with 926 tonnes of vanadium pentoxide produced.

The outlook for the remainder of the year looks positive. Largo had previously announced its intention to implement an expansion plan in 2019 to increase output at the plant. The numbers achieved in June suggest that the ramp up, expected to be completed in Q3 2019, is on track and this should result in increased sales volumes in H2 19.

Vanadium pricing has experienced a very volatile last 18 months. Pricing levels achieved during H2 18 reflected record highs for vanadium, which was driven by Chinese supply coming offline at the same time as the Chinese authorities increased the rebar standard for steel production – both price catalysts for higher vanadium prices.

Prices began to soften at the beginning of 2019, as China rolled back somewhat on previously announced regulation changes in response to its economic slowdown and subsequent infrastructure stimulus. As such, heavy industry was once again supported and some regulatory changes in relation to rebar standards were deferred. This resulted in destocking and the vanadium price dropped accordingly.

The volatility seen in the vanadium price of late makes pricing predictions very difficult, but it appears that there was not a supply side reaction to the price rises in H2 18. As such, the market should remain tight and therefore create a new floor price around current spot levels. Even at these lower levels the price remains well in advance of the assumptions we made when we acquired the royalty in June 2014 and we have already had a ~60% payback on acquisition cost.

EVBC

The production increases achieved during 2018 slowed somewhat during Q2 19, but overall gold recoveries were up 17% in the period. Orvana has announced that it is on track to achieve its FY 19 (twelve months ending 30 September 2019) guidance, which for EVBC represents 65koz (mid-point).

Orvana continues to explore options to optimise efficiency, targeting higher grade oxide areas around the existing mine.

The results from Orvana also benefitted from a resurgent gold price in 2019. Gold prices at the beginning of the year were just over $1,280 oz and has now rallied to ~$1,500 oz, driven by global economic uncertainty, lowering of central bank interest rates and a general flight to safety. The outlook for the remainder of the year remains positive given the significant market volatility which looks set to remain.

McClean Lake

Throughput at the mill was higher in H1 19 compared to the same period in 2018 which drove a ~7% increase in revenue. The underlying income is from a toll over the throughput at the mill and as a result is not sensitive to the underlying uranium price and should, as a result, always produce a steady and consistent stream of cashflow.

Four Mile

We continue to pursue our rights in relation to the ongoing royalty dispute with the operator and have now commenced court proceedings.

Salamanca

Berkeley Energia continues to wait for the approvals it needs in order to bring its Salamanca project into production. Due to the ongoing nature of the delays, the company has decided to relocate to Spain, and is now actively searching for a Spanish managing director to engage with the local stakeholders in at attempt to resolve the current impasse. In the meantime, the project is construction ready as soon as it receives its permits.

Uranium pricing had been impacted during H1 19 by uncertainty regarding a petition to protect uranium mining in the US by imposing tariffs and restrictions on imports on the grounds of national security under Section 232. This uncertainty resulted in an overhang on the uranium price in H1 19 as restocking decisions were postponed until the President's decision was published.

Although the US President has since stated that he did not agree with this position, he has nonetheless called for a fuller enquiry into the national security considerations over the entire supply chain within the nuclear industry. This announcement has been welcomed by the industry and domestic consumers within the US.

Spot uranium has remained soft even since the Section 232 announcement, and key projects (McArthur River, Key Lake) remain offline. It remains to be seen whether a uranium price move would be met by subsequent, and prompt, supply reaction.

Other royalties

There are no material updates in relation to the Group's other development and early stage royalties.

FINANCE REVIEW

The first half of 2019 saw continued growth from the Group's portfolio of royalties. Commodity prices underpinning the main revenue generating royalties were at levels higher than anticipated at the beginning of the year, noticeably for coking coal and iron-ore and in particular at the premium end of these markets. Trade tensions between the US and China continue to cast uncertainty over the market, but for the moment this has not materially impacted on the commodities which drive the Group's revenues.

Significantly for Anglo Pacific, the ambitious volume growth targets set by the Kestrel owners for 2019 have eventuated in the first half, with royalties being paid on sales volumes which were 50% higher than the equivalent period in 2018.

The continued resilience of coking coal prices, along with higher annual production assumptions, has resulted in a further increase in the value of our Kestrel royalty of £14m pre-tax. This, along with other valuation and currency adjustments has resulted in a £42m increase in net assets to £260m, implying an IFRS net asset value per share of 144p, a 19% increase from year end 2018.

The cash generated during the period enabled the Group to repay its borrowings in full and ended the period with cash of £14.5m. Added to the potential US$90m of borrowings under the Group's facility provides the Group with liquidity of over ~US$100m to finance growth opportunities.

Adjusted earnings

Overall, earnings per share were 16.76p in the period (16.70p diluted), more than double the 7.24p reported in H1 18 (diluted: 7.23p). The growth in portfolio contribution has led to a 42% increase in our adjusted earnings per share to 12.13p compared to 8.56p in H1 18.

Although an impressive outturn for the period, the underlying performance is even higher as H1 18 benefitted from a tax shield in relation to losses forward which were utilised in full by the end of 2018.

	H1 2019		H1 2018		H1 2017
Royalty related revenue	31,253		19,077		17,043
EVBC income (included in valuation of financial instruments)	1,021		1,003		-
Operating expenses - excluding share-based payments	(2,741)		(2,452)		(2,512)
Finance costs	(430)		(354)		(14)
Finance income	14		71		6
Other (losses)/income	822		-		-
Tax	(8,032)		(1,964)		(1,622)
Adjusted earnings	21,907	42.4%	15,381	19.2%	12,901
Weighted average number of shares ('000)	180,544		180,006		173,370
Adjusted earnings per share	12.13p	41.7%	8.56p	15.1%	7.44p

Although less significant than commodity pricing, the other variable impacting on results is foreign exchange, which looks set to remain volatile in the near-term given the combination of a no deal Brexit looking like a distinct possibility, the continued weakness of the Australian economy and an environment of ever lower interest rates in developed economies.

In the first half, the pound (GBP) was, on average, stronger against the Australian dollar (AUD) – the main source of the Group's revenues, which would result in a headline translation loss. However, the commodities which our Australian dollars are received from are priced based on the US dollar (USD). The AUD:USD rate decreased from 0.77 in H1 18 to 0.71 in H1 19, which offset the adverse movement in the GBP:AUD. This impact is even more profound at Kestrel where the royalty rate is ratcheted to the AUD price, so when the AUD:USD moves lower we receive a higher weighted average royalty rate.

Simply translating the results at a constant foreign exchange rate in the period would imply lower income of £0.4m, but the number is likely to be significantly better given the weakness of the AUD to the USD in the period impacting favourably on the quantum of Australian dollars received, as explained above. The Group does hedge forward a certain proportion of its Australian dollar revenues in order to manage some of the risk associated with currency fluctuations, and has increased its positions following the recent weakening of the pound.

Revenue

Total portfolio contribution for the period was £33.3m, representing a 60% increase on the same period in 2018. Kestrel has once again provided the majority of this increase, with a record half yearly contribution of £22.7m – a 60% increase on H1 18. There were other highlights – LIORC paying substantial special dividends, Narrabri volume recovery and another solid performance from EVBC. However, the decrease in the vanadium price during the period resulted in lower revenue from Maracas despite similar volumes.

H1 income analysis	2019		2018	2017	2016
	£'000	% Mvt	£'000	£'000	£'000
Kestrel	22,692	60%	14,225	12,604	1,406
Maracas	1,783	(16%)	2,125	785	701
Narrabri	2,273	56%	1,456	1,880	1,607
EVBC [1]	-		-	815	529
Denison - interest	975	(10%)	1,079	959	-
Royalty related dividends	3,420		141	-	-
Four Mile	110	116%	51	-	256
Royalty relate revenue	**31,253**	**64%**	**19,077**	**17,043**	**4,499**
EVBC - royalty receipts	1,021	2%	1,003	-	-
Denison - principal	1,015	37%	741	296	-
Total portfolio contribution	**33,289**	**60%**	**20,821**	**17,339**	**4,499**

1 EVBC income as previously reported under IAS 32

➢ Kestrel

H1 19 represented a record half yearly result from Kestrel. The increase is in line with the owners stated ambition to increase production volumes at the mine by 40% in 2019. This has, by and large, begun to come through in the first half of the year, with overall sales volumes showing an increase of 50% on the comparative period. Over 95% of sales were from within the Group's private royalty land.

The average price achieved at Kestrel increased by ~5% in the period as the benefit of a weaker Australian dollar resulted in the weighted average royalty rate increasing by 20bps to 11.22%.

➢ LIORC

Income from LIORC was the second highest source of income for the Group in H1 19. The income is received by way of regular and special dividends received from the pass-through vehicle. The special dividends were higher in the period than expected (Q1 19: C$0.80, Q2 19: C$0.65) and together with the normal dividend level of C$0.25 led to total dividends in the period of C$1.95 (our average investment price is ~C$24). The level of special dividends benefitted from the distribution of previously withheld cash in the company along with higher iron ore pellet prices throughout H1 19. The C$1.95 per share received during H1 19 represents an effective annualised running yield of ~16%.

➢ Narrabri

Income from Narrabri recovered during the period, resulting in a 56% increase in revenue to £2.3m. The recovery in income was largely volume driven, with total sales of 3.0 Mt in H1 19 compared to 1.9Mt in H1 18. We also noted that Whitehaven had on hand double the stock levels at the end of June 2019 compared to the previous year, suggesting there should be some benefit to come through in Q3 19. Pricing was down ~8% in the period due to a softening of thermal coal prices in Q2 19.

➢ Maracás Menchen

The underlying performance at Maracas was in line with H1 18, with sales of ~4,600 tonnes in the period, and the operator has stated that its ramp up initiatives are well under way and scheduled to complete in Q3 19. The reason for the 16% decrease in revenue is the well documented decrease in the vanadium price in H1 19. The vanadium price began to increase significantly at the end of 2017 and the average price for H1 18 was ~$14/lb compared to ~$12/lb in H1 19 and has trended down to $7/lb in Q3 19.

- EVBC

Revenue from EVBC was in line with that of H1 18, representing another consistent outturn for the Group which has already had 360%+ payback on its investment. Production numbers were encouraging in H1 19 at 32koz of gold compared to 27koz in H1 18. They remain focused on targeting high grade ore around the mine in order to maintain efficiencies, and the results for the remainder of the year should benefit from the recent increases in gold price which look set to sustain in the short-term.

- McClean Lake

Revenue from McClean Lake should, ordinarily, be consistent in each reporting period, and in the range of C$0.5-0.6m per month. Average monthly revenue in H1 19 was C$560k, a ~10% increase on the monthly average in H1 18.

- Four Mile

The Four Mile dispute is ongoing, and Anglo Pacific has now commenced court proceedings

<u>Other items</u>

Overheads for the period showed a slight increase of 8.5% on H1 18 as Anglo Pacific continues to invest in growth. The increase largely relates to higher staffing levels as we deal with a higher volume of investment opportunities, along with increased travel costs associated with business development opportunities.

Finance costs were higher in the period as we had borrowings drawn on our facility associated with the LIORC acquisition during H1 19.

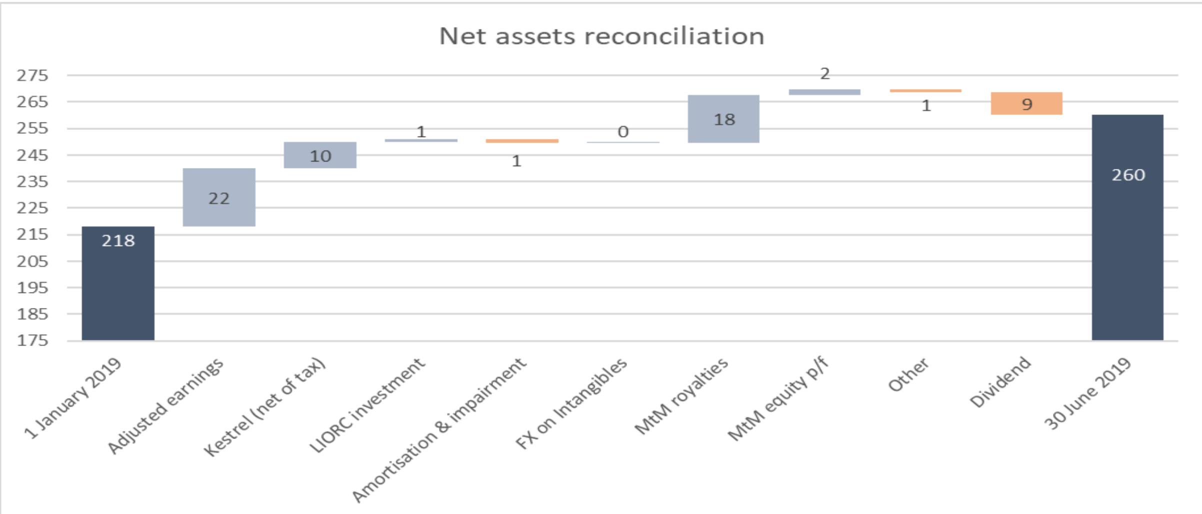
Tax for the period was higher than H1 18 as the prior year benefitted from full tax shelter in Australia based on available losses. These were exhausted in full at the end of H1 18. As there were no losses to shelter tax in H1 19, corporation tax was higher as a result.

<u>Profit after tax</u>

Profit after tax in the period benefitted from a £14.0m valuation gain associated with Kestrel, net of deferred tax of £3.3m. This is discussed in the balance sheet section below. The results also include foreign exchange gains in the period of £0.9m compared to £0.1m loss in H1 18. H1 18 also included a £1.8m gain in relation to the termination of the Indo Mines debenture.

Balance Sheet

Net assets increased by £42m in the first six months of the year to £260m. In addition to retained earnings described above, this was largely attributable to an increase in the Kestrel valuation, as discussed below, along with a significant increase in the value of the Group's LIORC investment.



<u>Kestrel valuation</u>

The increase in Kestrel valuation of 13% is impressive considering the significantly increased level of income earned in H1 19 and associated depletion. The main reasons for the increase in the value of the royalty are higher annual production assumptions, together with increases to the underlying coal pricing assumptions which in turn increase the weighted average royalty rate. In addition, recessionary concerns in Australia and associated interest rates cuts, have reduced the risk free rate of return leading to a reduction in the discount rate applied to the valuation.

LIORC

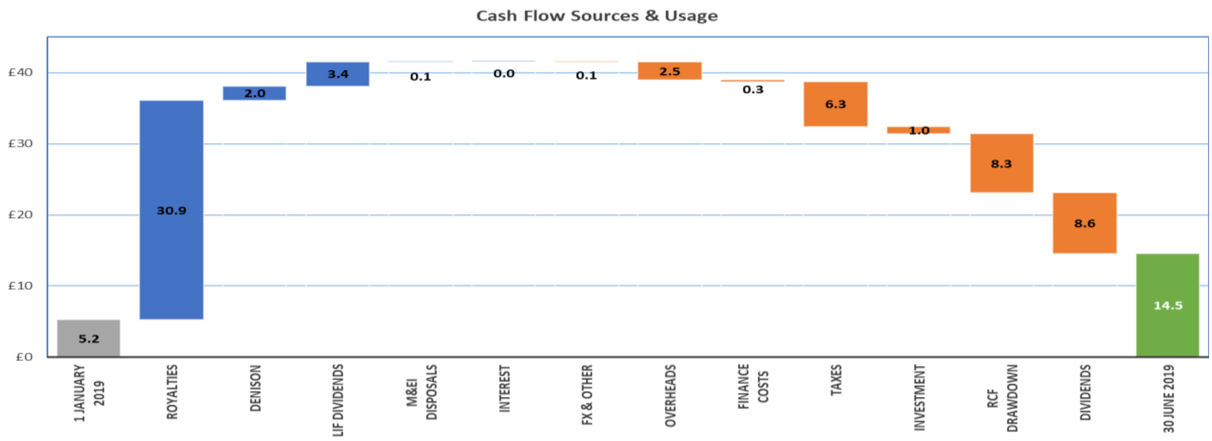
The Group's LIORC acquisition is included within Royalty Financial Instruments as it effectively represents a part ownership of a royalty although acquired indirectly through an equity position in the pass-through vehicle. Given that the pass-through vehicle is a listed entity with an observable market price, the investment is remeasured at each reporting period to the share price at the reporting date. Due to the ongoing supply shortage of premium pellet products due to restrictions in Brazil production, the share price of LIORC increased noticeably in the period. The total cost of our investment was £39.4m compared to a valuation of £59.5m at 30 June 2019.

Net Assets

Net assets at the end of the year were £260m which represents 144p per share. Given that the intangible assets are amortised rather than re-valued, the balance sheet value does not reflect any increase in value post acquisition for intangible assets, either as a result of resource expansion, price assumptions or the shortening of the time gap to production. For this reason, balance sheet value per share does not equal a discounted future cash flow per share.

Cash and borrowings

The Group generated free cash flow of £27.4m in the first half, significantly higher than the £17.9m equivalent in H1 18 as outlined in the waterfall chart below:



The cash generated was used to repay all outstanding borrowings (£8.3m), make small acquisitions (£1m) and pay dividends totalling (£8.6m). After other items of (£0.2m), this left a residual cash balance of £9.3m which, when added to the opening cash of £5.2m, resulted in closing cash of £14.5m at the end of June.

The Group has an undrawn US$60m revolving credit facility which can be upsized to US$90m depending on the characteristics of the acquisition being made. The facility has a remaining maturity of just over two years and the Group has the right to request a one-year extension, which we are currently reviewing.

Principal risks and uncertainties

The Group is exposed to a variety of risks and uncertainties which may have a financial, operational or reputational impact on the Group. The principal risks and uncertainties facing the Group at the year-end were set out in detail in the strategic report section of the 2018 Annual Report and Accounts and have not changed significantly since. The principal risks relate to the following:

- Commodity prices
- Political and regulatory
- Production

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 Investment Review and Finance Review sections.

The 2018 Annual Report and Accounts is available on the Group's website www.anglopacificgroup.com

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a true and fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors are listed in the Annual Report of 31 December 2018 and 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
21 August 2019

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended	
		30 June	**30 June**
		2019	**2018**
	Notes	**£'000**	**£'000**
Royalty related revenue	2, 16	31,253	19,077
Amortisation of royalties	10	(1,450)	(1,489)
Operating expenses		(3,390)	(3,123)
Operating profit before impairments, revaluations and gains on disposals		**26,413**	**14,465**
Revaluation of royalty financial instruments	9	360	752
Revaluation of coal royalties (Kestrel)	8	13,996	1,794
Finance income	3	14	71
Finance costs	4	(430)	(218)
Net foreign exchange gains/(losses)		951	(136)
Other net (losses)/income	5	(108)	1,854
Profit before tax		**41,196**	**18,582**
Current income tax charge		(7,597)	(1,491)
Deferred income tax charge		(3,334)	(4,084)
Profit attributable to equity holders		**30,265**	**13,007**
Total and continuing earnings per share			
Basic earnings per share	6	16.76p	7.24p
Diluted earnings per share	6	16.70p	7.23p

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 £'000	30 June 2018 £'000
Profit attributable to equity holders		**30,265**	**13,007**
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	18,381	-
Revaluation of mining and exploration interests	11	1,854	(3,598)
		20,235	**(3,598)**
Items that have been or may be subsequently reclassified to profit or loss			
Changes in the fair value of equity investments held at fair value through other comprehensive income			
Deferred tax relating to items that have been or may be reclassified		(2,427)	(147)
Net exchange loss on translation of foreign operations		1,925	(5,204)
		(502)	**(5,351)**
Other comprehensive profit/(loss) for the period, net of tax		**19,732**	**(8,949)**
Total comprehensive profit for the period		**49,997**	**4,058**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2019

	Notes	30 June 2019 £'000	Audited 31 December 2018 £'000	30 June 2018 £'000
Non-current assets				
Property, plant and equipment		19	22	35
Coal royalties (Kestrel)	8	123,790	109,778	102,874
Royalty financial instruments	9	66,696	46,205	24,808
Royalty and exploration intangible assets	10	69,837	71,194	75,683
Mining and exploration interests	11	4,772	2,848	12,111
Deferred costs		1,045	926	258
Other receivables	12	19,136	19,335	19,921
Deferred tax	14	3,402	3,261	2,023
		288,697	253,569	237,713
Current assets				
Trade and other receivables		7,205	10,267	8,781
Derivative financial instruments		-	188	-
Cash and cash equivalents		14,512	5,223	11,155
		21,717	15,678	19,936
Total assets		**310,414**	**269,247**	**257,649**
Non-current liabilities				
Borrowings	13	-	8,300	5,815
Other payables		653	575	496
Deferred tax	14	41,054	35,156	31,192
		41,707	44,031	37,503
Current liabilities				
Income tax liabilities		5,387	4,085	-
Derivative financial instruments		8	-	42
Trade and other payables		3,211	3,023	2,981
		8,606	7,108	3,023
Total liabilities		**50,313**	**51,139**	**40,526**
Net assets		**260,101**	**218,108**	**217,123**
Capital and reserves attributable to shareholders				
Share capital	15	3,629	3,629	3,628
Share premium	15	62,779	62,779	62,741
Other reserves		67,619	47,285	56,461
Retained earnings		126,074	104,415	94,293
Total equity		**260,101**	**218,108**	**217,123**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

			Other reserves								
	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 2018	3,618	61,966	29,134	143	11,727	3,032	22,685	632	(2,601)	88,601	218,937
Adjustment for transition to new accounting standards	-	-	-	-	477	-	-	-	-	(527)	(50)
Restated opening balance	3,618	61,966	29,134	143	12,204	3,032	22,685	632	(2,601)	88,074	218,887
Profit for the year	-	-	-	-	-	-	-	-	-	13,007	13,007
Other comprehensive income:											
Changes in fair value of equity investments held at fair value through other comprehensive income											
Valuation movement taken to equity	-	-	-	-	(3,598)	-	(65)	-	-	-	(3,663)
Deferred tax	-	-	-	-	(147)	-	-	-	-	-	(147)
Foreign currency translation	-	-	-	-	-	-	(5,139)	-	-	-	(5,139)
Total comprehensive income	**-**	**-**	**-**	**-**	**(3,745)**	**-**	**(5,204)**	**-**	**-**	**13,007**	**4,058**
Transferred to retained earnings on disposal	-	-	-	-	(397)	-	-	-	-	397	-
Dividends	-	-	-	-	-	-	-	-	-	(7,200)	(7,200)
Issue of ordinary shares	10	775	-	-	-	(15)	-	-	-	15	785
Value of employee services	-	-	-	-	-	593	-	-	-	-	593
Total transactions with owners of the company	**10**	**775**	**-**	**-**	**(397)**	**578**	**-**	**-**	**-**	**(6,788)**	**(5,822)**
Balance at 30 June 2018	**3,628**	**62,741**	**29,134**	**143**	**8,062**	**3,610**	**17,481**	**632**	**(2,601)**	**94,293**	**217,173**

Anglo Pacific Group PLC

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

			Other reserves								
	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 2018	3,628	62,741	29,134	143	8,062	3,610	17,481	632	(2,601)	94,293	217,173
Adjustment for transition to new accounting standards	-	-	-	-	-	-	-	-	-	-	-
Restated opening balance	3,628	62,741	29,134	143	8,062	3,610	17,481	632	(2,601)	94,293	217,123
Profit for the year	-	-	-	-	-	-	-	-	-	15,786	15,786
Other comprehensive income:											
Changes in fair value of equity investments held at fair value through other comprehensive income											
Valuation movement taken to equity	-	-	-	-	(8,259)	-	-	-	-	-	(8,259)
Deferred tax	-	-	-	-	-	-	155	-	-	-	155
Foreign currency translation	-	-	-	-	-	-	(1,620)	-	-	-	(1,620)
Total comprehensive profit	**-**	**-**	**-**	**-**	**(8,259)**	**-**	**(1,465)**	**-**	**-**	**15,786**	**6,062**
Transferred to retained earnings on disposal	-	-	-	-	(1)	-	-	-	-	1	-
Dividends	-	-	-	-	-	-	-	-	-	(5,689)	(5,689)
Issue of ordinary shares	1	38	-	-	-	15	-	-	-	(15)	39
Value of employee services	-	-	-	-	-	534	-	-	-	39	573
Total transactions with owners of the company	**1**	**38**	**-**	**-**	**(1)**	**549**	**-**	**-**	**-**	**(5,664)**	**(5,077)**
Balance at 31 December 2018	**3,629**	**62,779**	**29,134**	**143**	**(198)**	**4,159**	**16,016**	**632**	**(2,601)**	**104,415**	**218,108**

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								
	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 year	-	-	-	-	-	-	-	-	-	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	-	-	-	-	(2,427)	-	-	-	-	-	(2,427)
Foreign currency translation	-	-	-	-	-	-	1,925	-	-	-	1,924
Total comprehensive profit	**-**	**-**	**-**	**-**	**17,808**	**-**	**1,925**	**-**	**-**	**30,265**	**49,997**
Transferred to retained earnings on disposal	-	-	-	-	30	-	-	-	-	(30)	-
Dividends	-	-	-	-	-	-	-	-	-	(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 CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2019 £'000	30 June 2018 £'000
Cash flows from operating activities			
Profit before taxation		41,196	18,583
Adjustments for:			
Finance income	3	(14)	(71)
Finance costs	4	430	218
Net foreign exchange (gains)/losses		(951)	136
Other losses/(gains)	5	108	(1,854)
Revaluation of royalty financial instruments	9	(360)	(752)
Royalties due or received from royalty financial instruments	9	1,021	296
Revaluation of coal royalties (Kestrel)	8	(13,996)	(1,794)
Depreciation of property, plant and equipment		11	14
Amortisation of royalty intangible assets	10	1,450	1,489
Amortisation of deferred acquisition costs		6	-
Provision of non-recoverable other receivables		103	-
Share based payment		649	671
		29,653	16,936
Decrease in trade and other receivables		3,061	378
Increase/(Decrease) in trade and other payables		87	(650)
Cash generated from operations		32,801	16,664
Income taxes paid		(6,250)	(1,600)
Net cash generated from operating activities		**26,551**	**15,064**
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests	11	95	612
Proceeds on disposal of royalty financial instruments	9	-	1,720
Purchases of royalty financial instruments	9	(1,049)	(13,915)
Repayments under commodity related financing agreements	12	1,015	741
Prepaid acquisition costs		(387)	-
Finance income	3	14	71
Net cash used in investing activities		**(312)**	**(10,771)**
Cash flows from financing activities			
Drawdown of revolving credit facility	13	-	6,000
Repayment of revolving credit facility	13	(8,300)	-
Proceeds from issue of share capital		-	35
Dividends paid	7	(8,576)	(7,200)
Finance costs	4	(291)	(218)
Net cash used in financing activities		**(17,167)**	**(1,383)**
Net increase in cash and cash equivalents		**9,072**	**2,910**
Cash and cash equivalents at beginning of period		**5,223**	**8,099**
Effect of foreign exchange rates		217	146
Cash and cash equivalents at end of period		**14,512**	**11,155**

1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended 30 June 2019. 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 2018.

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 2018 were approved on 26 March 2019. 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.

1.2 Going concern

The financial position of the Group and its cash flows are set out on pages 17 to 21. As at 30 June 2019, the Group had cash and cash equivalents of £14.5m. Subject to continued covenant compliance, the Group has access to £47.3m (U$60.0m) through its secured U$60.0m revolving credit facility which is currently undrawn.

After making enquiries and reviewing the Group's forecasts and projections, the Directors have a reasonable expectation 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.

1.3 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 3 and 4 of these condensed consolidated interim financial statements.

1.4 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 2018, 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:

New and amended IFRS Standards that are effective for the current year

IFRS 16: 'Leases'

IFRS 16 *Leases* was published in January 2016 and will be effective for the Group from 1 January 2019, replacing IAS 17 Leases.

The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwinding of the discount on the lease liability.

As the Group's operating leases relate primarily to office space and office equipment, the adoption of IFRS 16 is not expected to result in a material increase in lease liabilities or a corresponding increase in property, plant, and equipment right-of-use assets.

Other accounting pronouncements

A number of other new accounting pronouncements, principally minor amendments to existing standards, also became effective on 1 January 2019 and have been adopted by the Group. The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group. The Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

2 Royalty related revenue

	Six months ended	
	30 June 2019	**30 June 2018**
	£'000	**£'000**
Royalty income	26,858	17,857
Interest from royalty related financial assets	975	1,079
Dividends from royalty financial instruments	3,420	141
	31,253	19,077

Interest from royalty related financial assets for the six months ended 30 June 2019 of £1.0m (30 June 2018: £1.1m) relates to interest earned (2019: £1.0m; 2018: £1.0m) on the Group's 13 year amortising loan of C$40.8m with an interest rate of 10 per cent per annum, to Denison Mines Inc ("Denison"), which is classified as non-current other receivables (note 12) and in 2018 included £0.1m in effective interest earned on the Group's Jogjakarta royalty financial instrument prior to its disposal in April 2018.

Dividends from royalty financial instruments for the six months ended 30 June 2019 of £3.4m (30 June 2018: £0.1m) relates to the dividends received from the Group's investments in Labrador Iron Ore Company (2019: £3.2m; 2018: £0.1m) as described in note 9, together with the dividends received from the Group's investment in Flowstream Vintage (2019: £0.2m; 2018: £nil), an unquoted oil and gas streaming company.

3 Finance income

	Six months ended	
	30 June 2019	**30 June 2018**
	£'000	**£'000**
Interest on bank deposits	14	71
	14	71

4 Finance costs

	Six months ended	
	30 June 2019	**30 June 2018**
	£'000	**£'000**
Professional fees	(139)	(77)
Revolving credit facility fees and interest	(291)	(141)
	(430)	(218)

5 Other net (losses)/gains

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000
Revaluation of foreign exchange instruments	21	161
Gain on disposal of royalty financial instrument	-	1,720
Other losses	(129)	(27)
	(108)	1,854

6 Earnings per share

Earnings per ordinary share is calculated on the Group's profit after tax of £30.3m for the six months ended 30 June 2019 (30 June 2018: £13.0m) and the weighted average number of shares in issue during the period of 180,544,459 (2018: 180,005,712).

	30 June 2019 £'000	30 June 2018 £'000
Net profit attributable to shareholders		
Earnings - basic	30,265	13,007
Earnings - diluted	30,265	13,007

	30 June 2019	30 June 2018
Weighted average number of shares in issue		
Basic number of shares outstanding	180,544,459	180,005,712
Dilutive effect of Employee Share Option Scheme	654,201	365,678
Diluted number of shares outstanding	181,198,660	180,371,390
Earnings per share – basic	16.76p	7.24p
Earnings per share – diluted	16.70p	7.23p

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 925,933 ordinary 2p shares it holds as at 30 June 2018 (30 June 2018: 925,933).

Adjusted earnings represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit attributable to equity holders plus receipts from royalty financial instruments carried at fair value through profit or loss, less all valuation movements, non-cash impairments and amortisation charges (which are non-cash adjustments that arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

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

The introduction of IFRS 9 in 2018 impacted on the way in which the EVBC royalty is presented in the Income Statement. Despite the income being a prescribed percentage of revenue, the various equity conversion rights associated with the initial investment resulted in the asset being considered a financial asset carried at fair value through profit or loss. Previously, the royalty was accounted for as an IAS 39 available for sale equity financial asset, whereby the royalty income was recognised included within revenue. Upon adoption of IFRS 9, the royalty income is accounted for as repayment of the balance sheet carrying value and only the revaluation of the future cash flows is recognised in the income. Given this change, the Group has altered its definition of adjusted earnings to include the portion of the valuation movement which is attributable to the royalty income in the period, with non-cash revaluation movements continuing to be excluded. This achieves consistency with the previous years, when EVBC receipts were included as royalty revenue, and reflects the way in which management monitor performance and report revenue internally.

	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

	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 2018	13,007	7.24p	7.23p
Adjustment for:			
Amortisation of royalty intangible assets	1,489		
Gain on sale of royalty financial instruments	(1,720)		
Receipts from royalty financial instruments	1,003		
Revaluation of royalty financial instruments	(752)		
Revaluation of coal royalties (Kestrel)	(1,794)		
Revaluation of foreign currency instruments	(161)		
Share-based payments and associated national insurance	671		
Tax effect of the adjustments above	3,638		
Adjusted earnings - basic and diluted for the six months ended 30 June 2018	15,381	8.56p	8.54p

7 Dividends and dividend cover

A second interim dividend of 1.625p per share has been declared for year-ending 31 December 2019, and will be paid on 14 November 2019.

On 15 August 2019, the first interim dividend in respect of the year ended 31 December 2019 of 1.625p per share was paid to shareholders (£2.9m). As shareholder approval is not sought for the payment of interim dividends, it has not been included as a current liability as at 30 June 2019.

On 30 May 2019, a final dividend in respect of the year ended 31 December 2018 of 3.125p per share was paid to shareholders (£5.6m).

On 14 February 2019, an interim dividend of 1.625p per share was paid to shareholders (£2.9m) in respect of the year ended 31 December 2018.

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 2019, is 12.13p per share (note 6) with interim dividends totalling 3.25p, resulting in dividend cover of 3.73x (30 June 2018: adjusted earnings per share 8.56p, interim dividend 3.25p, dividend cover of 2.63x).

8 Coal royalties (Kestrel)

	£'000
At 1 January 2018	104,266
Foreign currency translation	(3,186)
Gain on revaluation of coal royalties	1,794
At 30 June 2018	102,874
Foreign currency translation	(1,363)
Gain on revaluation of coal royalties	8,267
At 31 December 2018	109,778
Foreign currency translation	16
Gain on revaluation of coal royalties	13,996
At 30 June 2019	123,790

The coal royalty was valued during June 2019 at £123.8m (A$223.8m) by an independent coal industry adviser, on a net present value of the pre-tax cash flow discounted at a nominal rate of 6.0% (30 June 2018: 7.5% and 31 December 2018: 7.5%). The key assumptions in the independent valuation relate to price and discount rate.

The price assumptions used in the 30 June 2019 valuation decrease from US$177/t in the short term to a long-term flat nominal price of US$136/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$190.3m (£105.2m) and reversing the revaluation uplift in the income statement by £18.3m, resulting in a valuation loss of £4.3m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A$257.5m (£142.4m) and an increase in the revaluation uplift in the income statement of £18.3m.

The pre-tax nominal discount rate used for the asset is 6.0%, 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$229.4m (£126.9m) and an increase in the revaluation uplift in the income statement of £3.1m; and

- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at A$218.5m (£120.8m) and a reduction in the revaluation uplift in the income statement of £2.9m.

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 £5.1m (A$9.2m) 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 (2018: £0.2m).

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

9 Royalty financial instruments

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 2018 £'000
EVBC	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	FVTPL	3,301
Dugbe 1	Gold	US$15,000	2.00%	2.5% gold >U$1,800/oz & production <50,000oz/qrt	FVTPL	464
McClean Lake	Uranium	C$2,700	-	22.5% of tolling milling proceeds on all throughput >215Mlbs	FVTPL	2,154
Piauí	Nickel-Cobalt	US$2,000	1.00%	-	FVTPL	1,246
Labrador Iron Ore	Iron Ore	C$66,105	7.00%	-	FVTOCI	59,531
						66,696

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 2018.

The Group's fifth royalty financial instrument, is its equity investment in the TSX listed, Labrador Iron Ore Company ('LIORC'), which was acquired during 2018 and in which the Group invested an additional £1.0m during the period ended 30 June 2019. The Group's equity investment entitles it 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, the Group has classified its investment in LIORC as a royalty financial instrument and made an irrevocable election to designate it as FVTOCI.

The movement in the Group's royalty financial instruments is summarised in the table below.

	£'000
Fair value	
At 1 January 2018	10,867
Additions	13,915
Royalties due or received from royalty financial instruments	(1,003)
Revaluation of royalty financial instruments recognised in profit or loss	752
Revaluation of royalty financial instruments recognised in equity	113
Foreign currency translation	164
At 30 June 2018	24,808
Additions	24,493
Royalties due or received from royalty financial instruments	(972)
Revaluation of royalty financial instruments recognised in profit or loss	(1,623)
Revaluation of royalty financial instruments recognised in equity	177
Foreign currency translation	(678)
At 31 December 2018	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

During the six months ended 30 June 2018, the Group acquired 1,033,090 shares in Labrador Iron Ore Company ('LIORC') at a cost of C$24.7m (£13.9m). The Group acquired a further 1,714,800 shares in LIORC at a cost of C$35.4m (£24.5m) during the period 01 July 2018 to 31 December 2018. During the six months ended 30 June 2019, the Group acquired an additional 77,700 shares in LIORC at a cost of C$1.8m (£1.0m).

As the dividend income the Group receives from LIORC is derived from the 7% GRR that LIORC holds over the Labrador operations of the Iron Ore Company of Canada ('IOC'), and the 10% commission LIORC earns on all iron ore produce produced, sold and shipped by IOC, together with any dividends LIORC receives from its 15.10% equity interest in IOC, the Group has classified its investment in LIORC as a royalty financial instrument. On initial recognition the Group made the irrevocable election to designate this investment as FVTOCI. As at 30 June 2019, the Group's investment in Labrador was valued at £59.5m, resulting an £18.7m gain on revaluation being recognised in the investment revaluation reserve.

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 primary source of income being the 7% GRR described above.

10 Royalty and exploration intangibles assets

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 2018	697	115,069	115,766
Additions	-	2,057	2,057
Foreign currency translation	-	(3,327)	(3,327)
At 30 June 2018	697	113,799	114,496
Amortisation and impairment			
At 1 January 2018	(697)	(37,648)	(38,345)
Amortisation charge	-	(1,489)	(1,489)
Foreign currency translation	-	1,021	1,021
At 30 June 2018	(697)	(38,116)	(38,813)
Carrying amount 30 June 2018	-	75,683	75,683

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At 1 January 2018	697	115,069	115,766
Additions	-	2,098	2,098
Foreign currency translation	-	(4,541)	(4,541)
At 31 December 2018	697	112,626	113,323
Amortisation and impairment			
At 1 January 2018	(697)	(37,648)	(38,345)
Amortisation charge	-	(2,974)	(2,974)
Impairment charge	-	(2,234)	(2,234)
Foreign currency translation	-	1,424	1,424
At 31 December 2018	(697)	(41,432)	(42,129)
Carrying amount 31 December 2018	-	71,194	71,194

Royalty interests

On 11 June 2018, the Group completed its acquisition of the 0.5% NSR over the Canariaco copper royalty from Entrée Resources Limited in exchange for 478,951 new ordinary shares of 2p each, issued at 156.6p per share resulting total consideration for the royalty £0.8m (US$1.0m).

The Group recognised the second tranche of deferred consideration due to Largo Resources Limited of U$1.5m (£1.2m) under the royalty agreement to acquire the Maracás Menchen royalty as at 30 June 2018. This followed the record production achieved by Largo throughout H1 2018, and management's expectation that Largo will achieve, in a quarter, an annualised rate of production of 12,000t. A corresponding liability was included in trade and other payables on the balance sheet as at 30 June 2018. As at 30 June 2019, the second tranche of deferred consideration continues to be recognised and management remain confident that a 12,000t annualise rate of production will be achieved within the next 12 months.

The amortisation charge for the period, of £1.5m (30 June 2018: £1.5m) relates to the Group's producing royalties, 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. As at 30 June 2019 no further impairment charges were recognised (31 December 2018: £2.2m). The Group's intangible assets will be assessed for indicators of impairment again at 31 December 2019.

11 Mining and exploration interests

	£'000
Fair value	
At 1 January 2018	16,431
Disposals	(612)
Revaluation adjustment	(3,711)
Foreign exchange gain	3
At 30 June 2018	12,111
Return of capital	(827)
Revaluation adjustment	(8,436)
At 31 December 2018	2,848
Disposals	(95)
Revaluation adjustment	1,854
Foreign exchange gain	165
At 30 June 2019	4,772

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.

Following the transition to IFRS 9 on 1 January 2018, mining and exploration interests are now held at fair value through other comprehensive income, with the effect that the gains and losses on disposal and impairment losses are no longer recycled from reserves to the income statement for this category of asset, but rather are transferred to retained earnings.

Total mining and exploration interests are represented by:

	30 June 2018 £'000	31 December 2018 £'000	30 June 2018 £'000
Quoted investments	4,358	2,443	8,891
Unquoted investments	414	405	3,220
	4,772	2,848	12,111
Number of investments	10	9	9

12 Non-current other receivables

	£'000
At 1 January 2018	21,259
Provision for expected credit losses on transition to IFRS 9	(50)
Interest	1,002
Repayments of principal and interest	(1,743)
Amortisation of deferred acquisition costs	(6)
Expected credit losses	(27)
Foreign exchange loss	(514)
At 30 June 2018	19,921
Interest	1,009
Repayments of principal and interest	(1,543)
Amortisation of deferred acquisition costs	(8)
Expected credit losses	(37)
Foreign exchange loss	(7)
At 31 December 2018	19,335
Interest	975
Repayments of principal and interest	(1,990)
Amortisation of deferred acquisition costs	(6)
Expected credit losses	(16)
Foreign exchange gain	838
At 30 June 2019	19,136

On 13 February 2017 the Group completed a C$43.5m (£26.6m) financing and streaming agreement with Denison. The streaming agreement is classified as a fair value through profit or loss royalty financial instrument (note 9).

The financing agreement is structured as a 13-year secured amortising loan of C$40.8m (£24.9m) with an interest rate of 10 per cent 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.

The Group has earned £1.0m in interest revenue during the six months ended 30 June 2019 (2018: £0.1m) and received principal repayments of £1.0m (2018: £0.7m).

13 Borrowings

	30 June 2019 Group £'000	31 December 2018 Group £'000	30 June 2018 Group £'000
Secured borrowing at amortised cost			
Revolving credit facility	-	8,300	6,000
Deferred borrowing costs	-	-	(185)
	-	8,300	5,815

In February 2017, the Group refinanced its existing facility with a further three-year revolving credit facility of US$30.0m with a US$10.0m accordion, maturing in February 2020, which is available at LIBOR plus 300bps. This facility was refinanced in September 2018 with a three-year revolving credit facility of US$60.0m with a US$30.0m accordion, maturing in September 2021, which is available at LIBOR plus 300bps. Under the terms of the new facility, the Group has an option to extend the facility by 12 months. The option to extend the term of the facility expires in March 2020.

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 2019.

The £8.3m drawn on the Group's revolving credit facility at 31 December 2018, was repaid in full during the six months ended 30 June 2019 and remains undrawn as at the date of this report.

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

	30 June 2019 £'000	31 December 2018 £'000	30 June 2018 £'000
Revolving credit facility	-	(8,300)	(6,000)
Cash and cash equivalents	14,512	5,223	11,155
Net cash and cash equivalents/(debt)	14,512	(3,077)	5,155

14 Deferred tax

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

Group	Revaluation of coal royalty £'000	Revaluation of royalty instruments £'000	Revaluation of mining interests £'000	Accrual of royalty receivable £'000	Other tax losses £'000	Total £'000
At 1 January 2018	29,125	(1,472)	8	1,706	(3,344)	26,023
Charge/(credit) to profit or loss	688	(4)	-	110	3,290	4,084
Charge/(credit) to other comprehensive income	-	-	(147)	-	-	(147)
Exchange differences	(946)	66	139	(52)	2	(791)
At 30 June 2018	28,867	(1,410)	-	1,764	(52)	29,169
Charge/(credit) to profit or loss	1,544	(1,614)	-	(189)	212	(47)
Charge/(credit) to other comprehensive income	-	-	139	-	-	139
Exchange differences	(385)	26	(139)	(20)	(184)	(702)
Effect of change in tax rate:						
- income statement	2,906	430	-	-	-	3,336
At 31 December 2018	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

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 2019 £'000	31 December 2018 £'000	30 June 2018 £'000
Deferred tax liabilities	(41,054)	(35,156)	(31,192)
Deferred tax assets	3,402	3,261	2,023
	(37,652)	(31,895)	(29,169)

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 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 2018 recognised a provision for uncertain tax positions of £1.7m (30 June 2018: nil), there has been no change in this position as at 30 June 2019.

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 2018. These amounts are estimated at £3.3m and £3.6m respectively. There has been no change in this position as at 30 June 2019.

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 provision 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
Group and Company					
Ordinary shares of 2p each at 1 January 2018	**180,902,034**	**3,618**	**61,966**	**29,134**	**94,718**
Issue of share capital on exercise of employee options (a)	37,954	1	35	-	36
Issue of share capital on completion of royalty acquisition (b)	478,951	9	740	-	749
Ordinary shares of 2p at 30 June 2018	**181,418,939**	**3,628**	**62,741**	**29,134**	**95,503**
Issue of share capital on exercise of employee options (c)	51,453	1	38	-	39
Ordinary shares of 2p at 31 December 2018 and 30 June 2019	**181,470,392**	**3,629**	**62,779**	**29,134**	**95,542**

(a) On 16 May 2018, the Group issued 37,954 new ordinary shares of 2p each following the exercise of options awarded to employees under the Company Share Option Plan. The shares were issued at the exercise price of 99.21p per share.

(b) On 11 June 2018, the Group issued 478,951 new ordinary shares of 2p each to Entrée Resources Limited as consideration for acquiring the Canariaco copper royalty (note 9). The shares were issued at 156.6p per share with the total consideration for the Canariaco copper royalty being £0.8m (US$1.0m).

(c) On 10 October 2018, the Group issued 51,453 new ordinary shares of 2p each following the exercise of options awarded to employees under the CSOP. The shares were issued at the exercise price of 77p 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 related 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, Mount Ida
Americas: McLean Lake, Maracás Menchen, LIORC, Amapá and Tucano, Ring of Fire, Groundhog, Piaui, Canariaco
Europe: EVBC, Salamanca, Isua, Bulqiza
Other: Dugbe 1, 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 results presented to the Executive Committee for making strategic decision 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 2019 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	25,075	5,952	-	226	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	5,706	-	(1,894)	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 six months ended 30 June 2018 is as follows:

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related revenue	15,732	3,268	-	77	19,077
Amortisation of royalties	(1,236)	(253)	-	-	(1,489)
Operating expenses	(1,215)	-	-	(1,908)	(3,123)
Total segment operating profit/(loss)	13,281	3,015	-	(1,831)	14,465
Total segment assets	163,598	57,833	5,649	30,569	257,649
Total assets include: Additions to non-current assets (other than financial instruments and deferred tax assets)	-	2,057	-	-	2,057
Total segment liabilities	30,737	1,136	561	8,092	40,526

The segment information for the twelve months ended 31 December 2018 is as follows:

	Australia Royalty £'000	Americas Royalty £'000	Europe Royalty £'000	All other segments £'000	Total £'000
Royalty related revenue	36,189	9,838	-	77	46,104
Amortisation of royalties	(2,469)	(505)	-	-	(2,974)
Operating expenses	(2,380)	-	-	(3,652)	(6,032)
Total segment operating profit/(loss)	31,340	9,333	-	(3,575)	37,098
Total segment assets	169,051	82,914	6,702	10,580	269,247
Total assets include: Additions to non-current assets (other than financial instruments and deferred tax assets	-	2,098	-	4	2,102
Total segment liabilities	38,738	1,178	668	10,555	51,139

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 £25.1m (2018: £15.7m) is substantially derived from the Kestrel royalty, which generated £22.7m for the six months ended 30 June 2019 (2018: £14.2m). 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 2019 and 30 June 2018.

The dividends derived from the Group's investment in LIORC of £3.2m for the six months ended 30 June 2019 also represents greater than 10% of the Group's revenue for the period. As the Group's investment in LIORC was predominantly made during the second half of 2018, the revenue generated in the six months ended 30 June 2018 of £0.1m was less than 10% of the Group's revenue for the period.

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 2019 £'000	**31 December 2018 £'000**	**30 June 2018 £'000**
Investment property (held at fair value)			
Coal royalties (Kestrel)	123,790	109,778	102,874
Fair value through other comprehensive income			
Royalty financial instruments	59,531	38,368	14,346
Mining and exploration interests	4,772	2,848	122,111
Fair value through profit of loss			
Royalty financial instruments	7,165	7,837	10,462
Derivative financial instruments	-	188	-
Loans and receivables			
Trade and other receivables	25,843	29,063	28,176
Cash at bank and in hand	14,512	5,223	11,155
Financial liabilities			
Trade and other payables	35	34	311
Borrowings	-	8,300	5,815
Deferred consideration	1,181	1,178	1,509
Derivative financial instruments	8	-	42

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 2019, the Group had cash and cash equivalents of £14.5m and subject to continued covenant compliance, the Group has access to £47.3m (US$60.0m) through its secured US$60.0m revolving credit facility which remains undrawn.

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 80% of the Group's income (30 June 2018: 82%), 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 2019, the fair value of the outstanding forward contracts was a loss of £8,000 (31 December 2018: gain £188,000).

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 2019:

		30 June 2019			
		Level 1	**Level 2**	**Level 3**	**Total**
Group	**Notes**	**£'000**	**£'000**	**£'000**	**£'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					
Financial derivative 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 30 June 2018:

		30 June 2018			
		Level 1	**Level 2**	**Level 3**	**Total**
Group	**Notes**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	102,874	102,874
Royalty financial instruments	(b)	14,346	-	10,462	24,808
Mining and exploration interests - quoted	(c)	8,891	-	-	8,891
Mining and exploration interests - unquoted	(d)	-	3,220	-	3,220
Liabilities					
Financial derivative instruments	(e)	-	(42)	-	(42)
Net fair value		23,237	3,178	113,336	139,751

The following tables present the Group's assets that are measured at fair value at 31 December 2018:

		31 December 2018			
		Level 1	**Level 2**	**Level 3**	**Total**
Group	**Notes**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	109,778	109,778
Royalty financial instruments	(b)	38,368	-	7,837	46,205
Mining and exploration interests - quoted	(c)	2,443	-	-	2,443
Mining and exploration interests - unquoted	(d)	-	405	-	405
Financial derivative instruments	(e)	-	188	-	188
Net fair value		40,811	593	117,615	159,019

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 6.0% (30 June 2018: 7.5% and 31 December 2018: 7.5%) 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 6.25% 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 2019		31 December 2018		30 June 2018	
	Classification	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**
EVBC	Fair Value through Profit or Loss	8.5%	100%	8.75%	100%	8%	100%
Dugbe 1	Fair Value through Profit or Loss	30%	75%	22%	75%	18%	75%
McLean Lake	Fair Value through Profit or Loss	6.25%	50%	7.5%	50%	7%	50%
Piaui	Fair Value through Profit or Loss	15%	25%	13.5%	30%	12%	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) Foreign currency financial instruments

The foreign currency financial instruments consist of the foreign exchange forward contracts entered into to hedge the Group's Australian dollar denominated royalty income. At the reporting date the foreign exchange forward contracts are valued based on the net present value of the discounted future cash flows estimated based on forward exchange rates and contract forward rates, discounted at a rate 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 2019.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At 1 January 2019	7,686	109,778	117,464
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	140	16	156
At 30 June 2019	7,165	123,790	130,955

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2018.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At 1 January 2018	10,867	104,266	115,133
Revaluation gains or losses recognised in:			
Income statement	752	1,794	2,546
Royalties due or received from royalty financial instruments	(1,003)	-	(1,003)
Foreign currency translation	(154)	(3,186)	(3,340)
At 30 June 2018	10,462	102,874	113,336

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018.

	Royalty financial instruments £'000	Coal royalties (Kestrel) £'000	Total £'000
At 1 January 2018	10,867	104,266	115,133
Revaluation gains or losses recognised in:			
Income statement	(871)	10,061	9,190
Royalties due or received from royalty financial instruments	(1,975)	-	(1,975)
Foreign currency translation	(184)	(4,549)	(4,733)
At 31 December 2018	7,837	109,778	117,615

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 £39,747 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 2019 (2018: £41,070). As at 30 June 2019, Audley Capital Advisors LLP, owe the Group a further £19,079 for the subletting of office space (31 December 2018: £2,411 and 30 June 2018: £20,777).

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.

	£'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)	
Proceeds from royalty financial instruments	-	
Repayments under commodity related financing agreements	1,015	
Free cash flow for the period ended 30 June 2019	27,384	**15.17p**

	£'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 2018	15,064	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	612	
Finance income	71	
Finance costs	(218)	
Proceeds from royalty financial instruments	1,720	
Repayments under commodity related financing agreements	741	
Free cash flow for the period ended 30 June 2018	17,990	9.92p

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

	30 June 2019	30 June 2018
Weighted average number of shares in issue	180,544,459	180,005,712

20 Events occurring after period end

Subsequent to the period end, the Group increased its investment in LIORC as described in note 9, by a further ~£9m. This additional investment was financed from the Group's existing cash balances.

21 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 2019, 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 cash flow statement and related notes 1 to 21. 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.

This report is made solely to the company 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

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 2019, 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, UK
21 August 2019

Cautionary statement on forward-looking statements and related information

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

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

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

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

Third party information

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