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News Release

25 August 2021

Anglo Pacific Group PLC
Interim results for the six months ended 30 June 2021

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 2021 which are available on both the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com.

Following the transformational $205m Voisey's Bay cobalt stream acquisition in March 2021 and the associated financing, the Company has determined that it is now appropriate to commence reporting results in US dollars rather than in British pounds. With four of the Group's nine royalties being received in US dollars, the majority of Anglo Pacific's revenue, and the remaining ones largely being based on US dollar prices but then converted to local currency, the Company feels now is the right time to transition its presentation currency to one that more appropriately reflects the underlying performance of the business and is in line with its peers.

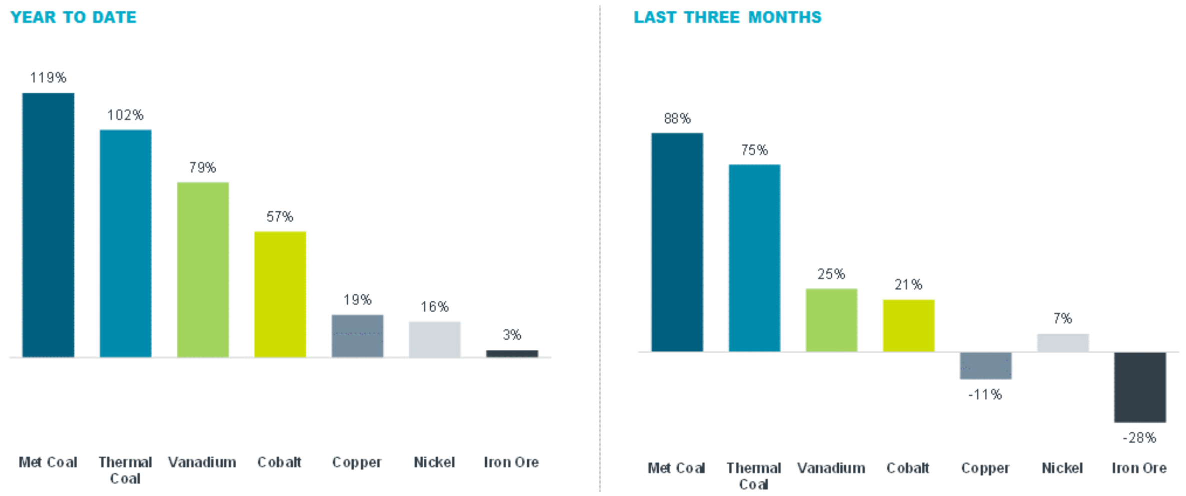
The change in presentation currency does not impact the underlying business nor dividends, in particular the previously announced interim dividends of 1.75p per share to be paid in November 2021, December 2021 and February 2022.

Results

	HY1 2021 $m	YoY%	HY1 2020 $m	HY1 2021 £m	YoY%	HY1 2020 £m
Kestrel	9.55	(37%)	15.10	6.88	(43%)	11.97
Voisey's Bay	3.12	-	-	2.25	-	-
Narrabri	1.15	(43%)	2.00	0.83	(48%)	1.59
Mantos Blancos	2.75	82%	1.51	1.98	65%	1.20
Maracás Menchen	1.46	484%	(0.38)	1.05	439%	(0.31)
Four Mile	0.10	(41%)	0.17	0.07	(46%)	0.13
Royalty and stream income	**18.13**	**(1%)**	**18.40**	**13.06**	**(10%)**	**14.58**
Dividends - LIORC & Flowstream	2.86	(1%)	2.89	2.06	(10%)	2.30
Interest - McClean Lake	1.23	10%	1.12	0.89	0%	0.89
Royalty and stream related revenue	**22.22**	**(1%)**	**22.41**	**16.01**	**(10%)**	**17.77**
EVBC*	1.59	34%	1.19	1.15	19%	0.97
Principal repayment - McClean Lake	-	(100%)	0.50	-	(100%)	0.40
Less:						
Metal streams cost of sales	(0.77)		-	(0.55)		-
Total portfolio contribution	**23.04**	**(4%)**	**24.10**	**16.61**	**(13%)**	**19.14**

* Following the application of IFRS 9, the royalties received from EVBC are reflected in the fair value movement of the underlying royalty rather than recorded as royalty income.

KEY COMMODITIES UNDERLYING APG PORTFOLIO
(Re-based to 100) [(1)]



[1] Bloomberg as of 18 August 2021

Highlights:

- Portfolio contribution of $23.0m in H1 21 compared to $24.1m in H1 20, reflects lower coking coal prices and volumes at both Kestrel and Narrabri, primarily in Q1 21, but is offset by maiden contributions from the Group's Voisey's Bay stream of $2.4m
- 62% of the Group's asset value is derived from battery materials (31 December 2020: 22%) with coal exposure reducing 19% (31 December 2020: 33%)
- 53% of the Group's portfolio contribution is derived from non-coal revenue (H1 2020: 29%)
- Successful integration of the Voisey's Bay cobalt stream acquisition into the business, with 14 deliveries processed thus far
- 90% increase in the spot price of coking coal in the last three months and an 80% increase for thermal coal both of which are the strongest performing commodities within the period and will assist in driving H2 21 revenue
- Dividends from LIORC of C$2.75 per share declared in H1 21 compared to C$0.80 per share in H1 20 – benefitting from continued strong iron ore pricing throughout the first six months of 2021
- Realised copper and vanadium prices (vanadium is up 80% year to date) were higher in the period which benefitted the Company's Mantos Blancos and Maracás Menchen revenue (the latter was impacted by a one-off off-take adjustment charge in H1 20)
- All of the Group's producing assets are back in operation, following the recommencement of activities at the McClean Lake Mill after a period of COVID-19 related care and maintenance
- Adjusted earnings of 5.5c (H1 20: 7.7c), or ~3.95p, which should be viewed in the context that the majority of the Group's earnings are expected to come through in H2 21
- Net debt of $108.9m at the end of June 2021 ($33.3m at the beginning of the year) reflecting the acquisition of the Voisey's Bay cobalt stream in Q1 21, with operating leverage under 2.5x
- With $29.0m of undrawn borrowings, ~US$33.0m residual position in LIORC and ~US$8.0m of treasury shares, the Group has financing flexibility of ~US$70.0m to finance further growth opportunities
- Strategic review under way to consider options in relation to a possible divestment of the Narrabri thermal coal royalty, which would see the Group being thermal coal free
- Next quarterly dividend payment of 1.75p to be paid on 10 November 2021 to shareholders on the register at 7 October 2021

Anglo Pacific expects H2 21 to be much stronger given that coal prices are trading at 52-week highs and that the majority of these increases will only impact on cash flow in Q3 21. Cobalt prices are up 20% in the last three months which, along with increased deliveries to come during H2 21, will benefit revenue from the Voisey's Bay stream.

Julian Treger, Chief Executive Officer, commented:
"The first half results do not reflect what appears likely to be a strong year for Anglo Pacific. The recent increase in coking and thermal coal spot prices, currently at 52-week highs, accelerated at the beginning of June, lagging the increases which took hold for other commodities at the beginning of the year. Coking coal prices have increased 120% in the year to date, with 90% of this occurring in the last three months. Thermal coal is up by 102% year to date and 80% in the last three months. With stability now appearing to have returned to coal markets, we are cautiously optimistic that these price levels can be sustained through the second half of 2021.

In addition to coal prices, cobalt has increased by 20% in the last three months, which looks set to benefit the transformational $205m Voisey's Bay stream acquisition completed at the end of Q1 21.
The outlook for commodities in general continues to be well supported by significant infrastructure commitments outlined by some of the largest economies as a means to ensure no lasting damage caused by the COVID pandemic. This is most recently evidenced by the approval of the $1tn stimulus package in the US. Coupled with ongoing momentum in the development of decarbonisation technology, and the possibility of rising inflation, we see solid fundamentals for sustained pricing levels for commodities. As a result, we are confident that the second half will see a significantly higher outturn than that of the first six months of the year.

We continue to be busy appraising further growth opportunities and have ~US$70m of financing flexibility to do so."

Analyst presentation

There will be an analyst presentation webcast at 9:30am (BST) on 25 August 2021. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Marc Bishop Lafleche (CIO).

Please join the event 5-10 minutes prior to the scheduled start time. When prompted, provide the confirmation code or event title.

Event Conference Title	Anglo Pacific Interim Results
Time Zone	Dublin, Edinburgh, Lisbon, London
Start Time/Date	09:30 (BST) / Wednesday 25 August 2021
Duration	60 minutes
Phone	+44 (0)330 336 9434 UK Tollfree/freephone 0800 279 7209
Confirmation Code	5853511
Webcast Link	https://webcasting.brrmedia.co.uk/broadcast/611d0b81c97de6636c2d993d

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Notes to editors:

About Anglo Pacific

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

Alternative Performance Measures

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

Portfolio contribution

Portfolio contribution represents funds received or receivable from the Group's underlying royalty and stream related assets which is taken into account by the Board when determining dividend levels. Portfolio contribution is royalty and stream related revenue net of metal stream costs of sales, plus royalties received or receivable from royalty financial instruments carried at FVTPL and principal repayments received under the Denison financing agreement. Refer to note 19 of the condensed consolidated interim financial statements for portfolio contribution.

Operating profit

Operating profit represents the Group's underlying operating performance from its royalty and stream interests. Operating profit is royalty and stream related revenue, less metal streams cost of sales, amortisation and depletion of royalties and streams and operating expenses. Operating profit excludes impairments and revaluations, and reconciles to 'operating profit before impairments and revaluations' on the income statement.

Adjusted earnings and adjusted earnings per share

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

Free cash flow and free cash flow per share

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

Free cash flow per share is calculated by dividing net cash generated from operating activities, plus proceeds from the disposal of non-core assets and any cash considered as the repayment of principal, less finance costs, by the weighted average number of shares in issue. Refer to note 18 to the condensed consolidated interim financial statements for free cash flow per share.

BUSINESS REVIEW

The biggest impact on our earnings for 2021 is yet to come, with recent significant increases in the spot price of both coking coal (up 88% in the last three months) and thermal coal (up 80%) which lagged wider commodity increases and did not benefit the results in H1 21.

The highlight of the first half of 2021 was the transformational $205m acquisition of the Voisey's Bay cobalt stream. This acquisition dealt immediately with the two largest challenges facing the Group: that our hitherto cornerstone asset was approaching the latter stages of mining within the Group's royalty land; and that the majority of our revenue was derived from coal (although the vast majority of this was coking coal rather than thermal coal).

The acquisition firmly demonstrated how we are executing on our strategy of pivoting the business towards 21st century materials which will be vital for the decarbonisation of energy, essential to meet climate change targets. With perhaps a little over two years of significant revenue left to come from Kestrel, and the company considering strategic alternatives with respect to its thermal coal royalty, for which we have received a number of expressions of interest, the business could be materially coal free within the next three years.

The impact of the Voisey's Bay cobalt stream acquisition is evident on our balance sheet. As at 30 June 2021, 62% of our asset value is now derived from battery and base metals, a significant increase on the 22% at 31 December 2020. Importantly, coal now only represents 19% of our asset value, with the thermal coal portion decreasing to just 10%. Although the transition on our earnings profile will take a little longer to come through, it was nonetheless very encouraging that over 53% of our portfolio contribution was derived from non-coal income – a significant move from the 29% for 2020 as a whole.

Commodity prices

Commodity prices have enjoyed a significant run thus far in 2021, although for coking and thermal coal these gains have only come in the last three months and so are not reflected in our H1 21 earnings. Coking coal is up 120% in the year to date, 88% of this coming in the last three months. Thermal coal is similar with 102% and 80% respectively. Both commodities are trading at 52-week highs and this gain will come through the H2 21 numbers. Vanadium is the next most significant increase at 79% and 25% respectively. Cobalt, which is now our largest component of asset value, is up 57% and 20% respectively.

Commodity prices are benefitting from two main factors: likely global coordination of infrastructure spending; and the threat of inflation as economies reopen following Covid-19. There is also likely to be a bigger push towards decarbonisation of energy, which will require significant government spending, in order to achieve climate change targets, which many scientists now seem to agree is likely to have an even shorter runway towards irreversible damage.

Whilst commentators are not quite predicting a new super cycle, it does seem reasonable to believe commodity prices will be well supported in the medium term.

Coal, both coking and thermal, was the noticeable outlier across commodities during H1 21. This was largely due to the ongoing disruption to the markets caused by the ban on Australian imports into China as a result of ongoing tensions between the two countries. This resulted in some Australian coal being diverted onto the seaborne market where exporters became price takers at the time when other Asian markets were only opening up again following Covid-19 and so steel manufacturing remained low.

In the meantime, China became largely self-sufficient in terms of coking coal. This happened when demand for steel in China post Covid-19 really picked up and the price of domestic coking coal exceeded $300/t when the price of Australian coking coal tumbled to just over $100/t. Consequently, although the iron ore price traded at decade level highs, the other ingredient for steel manufacturing, coking coal, was in reverse.

It now looks like this market imbalance has adjusted. Supply restrictions in China, mainly led by ESG issues on internal production, has seen imports begin to rise again. Other Asian markets, noticeably India, are returning to more normal levels. As such, prices have now rebounded and are currently at ~$220/t, with many commentators seeing coking coal well supported above $150/t. A similar dynamic has taken place in the thermal coal market.

Given the significant movement in commodity prices over the last three months, it looks like H2 21 for the Company could show increased contribution from our portfolio as spot prices remain for most of our commodities firmly ahead of consensus predictions for H2 21. Tailwinds around government construction and climate infrastructure investment, the continued move towards the decarbonisation of energy and the threat of inflation post Covid-19 could see commodities continue to outperform into the medium term.

<u>Cobalt</u>
The Group's largest asset by value is now the Voisey's Bay cobalt stream.

Cobalt has several uses based on its functional properties. The largest cobalt demand source is for use in lithium-ion batteries contained in electric vehicles and consumer electronics. Industrial end market demand for cobalt alloy metal is the second largest source of demand, which includes usage in jet and gas turbine engines. Cobalt is also used in catalysts, pigments, magnets and medical grade alloys. In most applications, substitution of cobalt would result in a reduction of performance.

Whilst electric and hybrid vehicles are much more commonplace on the roads these days, sales represent only approximately 6% of the total global light vehicle sales. Car manufacturers have set ambitious near-term targets towards eliminating the production and sale of combustion engine vehicles, supported by strong electric and hybrid vehicle sales growth of ~160% in H1 21 compared to the same period last year. While this growth comes in the context of a global rebound in all automobile sales, the share of electric vehicles has effectively doubled to 6.7% with demand dominated by China and Europe. It is likely that future public transport and state vehicles will be transitioned towards hybrid and electric status as governments seek to meet their climate change targets. This movement towards the electrification of the automobile industry, coupled with an ever-increasing urgency to contain climate change, will see a surge in demand for commodities supporting the decarbonisation of energy consumption.

Cobalt is a key raw material to support the decarbonisation of global vehicle fleets. While nickel-based lithium-ion battery technological developments have resulted in a reduction in cobalt loadings relative to nickel, lithium and manganese, cobalt is essential in preventing nickel-based lithium-ion batteries from experiencing thermal runaway and catching fire. Therefore, thrifting of cobalt in lithium-ion battery chemistries must be balanced against safety considerations. In addition, any further thrifting is likely to be insignificant compared to the additional volume of batteries required to meet likely future demand for electric vehicles.

Alternative battery technologies have and will arise, although for the foreseeable future nickel-based cobalt bearing battery technologies are expected to continue to offer significant advantages in terms of power density which yields performance, travel distance, and charging cycle life benefits.

Around 75% of the world's output comes from the Democratic Republic of Congo ("DRC"). Over time, we think it is likely that cobalt sourced from outside the DRC, in our case Canada, could command a premium as end buyers may seek to mitigate supply chain ESG risks.

<u>Results</u>
Total portfolio contribution for the first half was $23.0m, down 4% on H1 20 and resulting in adjusted earnings per share of 5.5c. However, the outlook for the second half looks very positive, with the key commodities underlying our portfolio now at twelve-month highs and appearing well supported at these levels. As such, we are expecting a stronger performance in the second half from the portfolio.

Earnings were impacted by the financing for Voisey's Bay, which saw us dispose of 77% of our LIORC stake, removing this revenue from H1 21, whilst revenue from Voisey's Bay only commenced in Q2 21.

As noted above, income from Voisey's Bay only really commenced in Q2 21 but we are very pleased with the way in which the stream is now operating, and how it has been fully integrated into the business. We have processed 14 deliveries, with a further 12-15 possible shipments in the remaining months of 2021. Four of these shipments were paid on account at the closing of the transaction and so were registered for the vendors' account and do not show as revenue in our income statement.

Continuing the theme of materials aligned to battery storage and electric vehicles, our copper and vanadium exposure, which made up 18% of overall portfolio contribution, benefitted from a higher pricing environment in H1 21. The outlook for copper continues to look very attractive as a result of post-Covid-19 pandemic economic recovery, copper supply constraints, as well as the continued drive for the electrification energy consumption which should support copper prices into the medium term. The current copper price of ~$4.23/lbs remains well in excess of our copper price forecasts at the time of acquiring the Mantos Blancos copper royalty in H2 2019.

The vanadium price has also shown significant gains in the year to date, up 80% on a spot basis and our royalty is now benefitting from higher prices as Largo Resources have commenced the sale of their higher purity V-Pure product which is being produced for battery end users. This is coinciding with higher volumes following plant enhancements during H1 21.

Although now a much smaller proportion of overall revenue, dividends from LIORC were up 250% in the period to C$2.75 adding $2.3m to our earnings in H1 21 and we continue to have exposure to the gold price through our EVBC royalty which extended its reserves based mine life by 5 years.

We ended the first half with net debt of just under $109m, reflecting the financing of the Voisey's Bay acquisition in March 2021. Despite these higher levels of borrowings, our leverage ratio remained under 2.5x and, in the absence of any further acquisitions, should fall to approximately 2.0x by the end of the year, which provides plenty of headroom given that leverage to 3.5x is permitted under the new facility.

Our residual stake in LIORC is currently valued at around $33.0m. Along with $29.0m of undrawn borrowings and around $8.25m in treasury shares, the Group has ~$70.0m of financing flexibility in order to undertake new acquisitions.

Capital markets and opportunities

Although the outlook for commodities remains favourable, the state of the markets continues to challenge those looking to advance projects at the junior end of the scale. The major mining companies in the non-precious space have undoubtably benefitted enormously from the boom in iron ore prices, although capital allocation seems to be directed towards dividends rather than reinvestment in growth. This has seen yields on offer increasing significantly, which is perhaps a sign that the sector continues to be downgraded by the market. Some of this is naturally down to ESG and recent mining controversies.

We have also observed that it has become increasingly difficult to own coal in a public vehicle, with some coal operations changing hands recently at highly subsidised prices by vendors. To this extent we have reviewed our own portfolio and, despite Narrabri producing one of the lowest ash and sulphur thermal coal products in a highly regulated mining jurisdiction, we have decided to explore whether it is in our shareholders' best interests to continue to own this asset. We have commenced discussing a potential sale with a number of a parties and, although this is at an early stage in the process, we are encouraged by the level of interest to date.

What is clear though is that the need for the supply of key strategic minerals to deliver the technology required to meet climate change targets is going to increase. We will also likely see an increase in integrated investment into the mining sector as end users and governments, look to secure the supply of certain materials and reduce dependence on China for rare earths and batteries. We have seen this taking place already in our Piauí project in Brazil, where the US Government have invested directly into the project. We have also seen electric vehicle manufacturers and technology companies funding directly into mining operations.

This does seem to suggest that the need for alternative forms of finance to produce essential materials for the decarbonisation of energy will continue, and this should continue to include space for royalty and streaming companies. The business model seems to be getting more widespread recognition and acceptance into the capital structure of junior and mid-tier mining companies. We have also seen two royalty and streaming companies list on the LSE over the last year and, although most are focused on precious metals or specific commodities, we have seen the emergence of a number of start-up companies in this space. We are not, and have never been complacent, and continue to work hard to add additions to our business and build on the considerable progress we have made over the last number of years

People

As announced separately today, our Chief Executive Officer, Julian Treger has indicated that he wishes to step down as CEO in due course, to pursue other opportunities. His intention is to leave Anglo Pacific at the end of March 2022 and a search is underway to appoint his successor. He has assured the Board that he remains fully committed to his role in the meantime and has a number of ambitions to achieve in the Company before departing.

Julian joined Anglo Pacific as Chief Executive in October 2013, at a time when revenue from Kestrel was in decline and previous investments had not borne fruit. Under his leadership, the Company has embarked on a strategy to recycle coal cash flows into 21st century materials. Julian will leave behind an impressive investment legacy, deploying $450m, with a further $90m of optionality through the Incoa and Piauí projects. He will no doubt continue to be successful in his future endeavours.

In the meantime, we have a very experienced team in place and have made a number of promotions over the past few years. Kevin Flynn, who joined as Chief Financial Officer in 2012 joined our Board at the beginning of 2020. Marc Bishop Lafleche, who joined the Company in 2014, was made Chief Investment Officer in late 2020. Alice England, who joined as Head of Legal in 2019 became General Counsel this year. Jason Gray, the Group's Financial Controller since 2010 has also taken on the role as Company Secretary as announced in late 2020. Supported by a highly experienced Board, we believe there will be no disruption to our business or the ability to generate deal flow in the upcoming transitionary period.

The Board has also recently been strengthened by the appointment of Varda Shine, who brings with her a wealth of financial expertise and relevant mining connections through her former executive role at De Beers Trading Company and in her non-executive roles at Lonmin and Petra Diamonds. We look forward to working with Varda on delivering the next phase of growth for the Company. Varda will also take over the role of Remuneration Committee chair effective from 1 September.

Finally, we would once again like to take the opportunity to thank our employees. For large parts of 2021 we have had to once again work remotely and for the team to be able to undertake a transaction such as Voisey's Bay whilst facing the challenges of working away from the office and the personal interaction with colleagues is a huge reflection on the talented and dedicated team that we have in place. We look forward to delivering further growth in the near-term.

PORTFOLIO REVIEW

Other than a period of care and maintenance at the McClean Lake Mill in Q1 21, all of the Group's underlying producing royalty and streaming assets remained in operation throughout the first half of 2021 with no material Covid-19 disruptions.

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

PRODUCING ASSETS

Voisey's Bay ($2.4m net of cost of sales, 10.5%)

The Group received attributable cobalt delivers of approximately 154,000 pounds to 30 June 2021 and has subsequently received a further 154,000 pounds to date, which is in-line with our expectations. Revenue for H1 21 was impacted by the timing of deliveries in the middle of the year with a number of cobalt deliveries occurring in July. Overall, FY 21 cobalt deliveries appear to remain broadly in line with that assumed at the time of the cobalt stream acquisition.

The average cobalt price for the Company's attributable cobalt deliveries is approximately $22.20/lbs year to date. With spot cobalt prices currently at $23.25/lbs, we would expect a stronger financial performance from the stream in H2 21.

In June, the Reid Brook deposit at the Voisey's Bay Mine Expansion Project in Northern Labrador produced its first ore. The project involves developing two underground mines – Reid Brook and Eastern Deeps – and is expected to reach an annual production rate of 40,000 tons of nickel in concentrate by 2025, with about 20,000 tons of copper and 2,600 tons of cobalt as by-products. The project is 66% complete, with executed capital expenditures of $1.3bn and Eastern Deeps start-up expected for 2022.

Kestrel ($9.6m, 43%)

Kestrel is moving eastwards in its mine plan, gradually moving towards the boundary of Anglo Pacific's private royalty land. Mining conditions as the longwall moves eastwards are expected to be more difficult and as a result volume on an annual basis are expected to reduce slightly, along with some isolated areas not subject to the Group's royalty.

2020 saleable coal production was 5.66mt with a target of 5.74mt for 2021. Volumes within the Group's land were down ~20% in H1 21, and despite a planned longwall changeout during Q3 21 we are expecting a strong finish to the year.

As noted in the Business Review, despite coal prices currently trading at twelve-month highs, prices were for the most part of H1 21 significantly impacted by the continued ban on Australian imports into China. Although Kestrel coal largely goes to India, South Korea and Japan, the removal of a key export market at a time when other Asian markets remained subdued due to Covid-19 led to prices on the seaborne market collapsing. The average price achieved at Kestrel fell by 19% in H1 21, which also lowered the weighted average royalty rate.

With guidance remaining at 5.74mt, we are expecting our income from Kestrel in 2021 to be weighted more towards the second half. With a recovery in pricing levels since June 2021 this bodes well for our revenue in 2021 as a whole as more volumes should be sold at higher prices which will attract a higher average royalty rate.

Mantos Blancos ($2.8m, 12.5%)

Volumes from Mantos were relatively consistent over the first half of the year, with 21.6kt of payable copper – a 15% increase on H1 21. Along with the benefit of higher volumes also came the benefit of a higher copper price. The price achieved increased by 47% compared to H1 20 and 28% in the year to date. As noted in the business review, copper is one commodity which should benefit significantly from planned global infrastructure investment going forward.

The commissioning of a new ball mill and associated processing infrastructure to increase annual sulphide ore throughput capacity to 7.3 Mtpa from 4.3 Mtpa continues to be underway, and upon completion is expected to increase annual copper production to approximately 52,000 tonnes.

LIORC ($2.3m, 10%)
The Iron ore price has fallen off slightly over the last few weeks, with recent weaker steel demand in China, price levels remain elevated at $172/t with pellet premiums at $54/t. These levels are still significantly in advance of price levels this time last year which were around $115/t and $39/t. IOC produces both products.

The Group monetised 77% of its position in LIORC, during Q4 20 and Q1 21 realising ~$83.0m, to part finance the Voisey's Bay cobalt stream acquisition. The residual stake is currently valued at ~$33m based on current share price and exchange rates.

Income from LIORC increased by 2.5x in H1 21 compared to H1 20. This is partly due to higher iron ore prices but also due to planned capex at IOC in H1 20 which restricted the special dividend component associated with the quarterly distributions. As such, dividends declared for H1 21 were C$2.75 per share compared to just C$0.80 in H1 20 (C$2.25 in H2 20). Broker consensus for dividends for H2 21 are ~C$1.90.

Maracás Menchen ($1.5m, 6.5%)
The H1 21 to H1 20 comparison is not like for like, as H1 20 included a $1.3m charge in relation to the Glencore offtake termination arrangement.

Volumes were up 22% on H1 21 as Largo completed their latest plant expansion plan meaning that monthly nameplate capacity is expected to increase to 1,100 tonnes of V_2O_5. Largo has guided 2021 V_2O_5 production of 12,000 to 12,500 tonnes. Largo is also commissioning a V_2O_3 plant and is targeting production in Q3 21. This should see a greater portion of vanadium products being sold to the battery markets rather than to steel end users going forward.

In addition to volume increases, vanadium pricing is also up in the year to date, with Largo noting an average price of $8.19 in Q2 21, 33% higher than Q2 20. The current spot price is now closer to $10/lbs. We would expect to see average pricing achieved exceeding the benchmark V_2O_5 price as purer V_2O_3 is produced for the battery market, suggesting the possibility of upside to come from this royalty going forward.

Narrabri ($1.1m, 5%)
Sales volumes were down 49% in H1 21 as a result of well documented challenges faced by Whitehaven in navigating around the localised fault in the deposit along with undertaking repairs to the longwall infrastructure. Pricing was also impacted due to quality deterioration from coal mined in the fault.

These factors led to Whitehaven reducing fiscal year ending 30 June 2021 guidance from ~6.5Mt to ~4.7Mt. However, they remain optimistic that once they have moved outside of the offending panel, that mining rates will begin to increase again.

In the meantime, thermal coal prices should significantly benefit revenue in H2 21. The average price realised in Q2 21 was $91/t whereas the spot Newcastle thermal coal benchmark price is in excess of $165/t.

EVBC ($1.6m, 7%)
The previously announced new reserves report published by Orvana support an EVBC reserves based mine life of at least five years, with the possibility of further mine life extension thereafter. The current gold price, in advance of $1,700oz, should ensure that this is economical to produce. This is a significant fillip for the Group's royalty, which has already delivered in advance of 3x payback since 2011.

Revenue in H1 21 is up 33%, reflecting continued elevated gold prices and, although volumes were down in Q1 21, Orvana has not altered their guidance for FY 21 and so the royalty should continue to add meaningful cash flow in H2 21.

Denison financing arrangement (McClean Lake Mill) ($1.2m, 5.5%)
Revenue from the financing arrangement was impacted by the McClean Lake Mill being placed on care and maintenance in Q1 21. This was for a period of four months but has now returned to full operations. Ordinarily this generates in the region of C$0.4-0.6m per month for the Group.

Four Mile

We remain in dispute with Quasar in relation to the level of charges which are being applied against the royalty revenue. The Company believes that its royalty revenue should be considerably higher as Quasar, in our view, treat the contract as akin to a profit interest, whereas the Company remains of the view that this is an NSR and that refining or processing costs should not be allowable deductions.

The Company has applied to the courts in Australia and has a trial date scheduled for October this year. The Company remains committed to pursuing this matter in full. We are hopeful that there will be some tangible progress made in relation to this case over the coming months.

Amapá

We note the recent announcements by Cadence Minerals as to the shipment of iron ore from the stockpiles at the Santana port and the subsequent receipt of proceeds. We have yet to receive any correspondence from the operator in relation to the royalties due on these sales. We have written to the operator, and Cadence Minerals, to inform them of the contractual obligations and will have no issue in escalating this matter through legal avenues.

Finance Review

The results for H1 21 and going forward will be presented in US dollars following the Voisey's Bay acquisition. This reflects the fact that most of our revenue is now received in dollars, with the rest being derived from US dollar pricing. Furthermore, our borrowings are drawn in US dollars with only our operating costs and dividend based on British pounds. This is now in line with how most of the mining sector reports its financial performance.

Results

Results for the first half of 2021 were impacted by the disruption in the coal markets caused by the ongoing Chinese import ban on Australian coal. This, coupled with weaker demand in other Asian markets as a result of Covid-19 led to a period of depressed prices on the seaborne market.

Just as H1 20 was impacted by a number of one-off items, H1 21 does not paint a full picture. This is largely due to the financing strategy for the Voisey's Bay stream acquisition, which saw us dispose of 77% of our position in LIORC by the end of February 2021 before the record date for the Q1 21 LIORC dividend. As the transaction closed at the end of March, we ended up with the full impact of the forgone revenue from LIORC in H1 21 whilst the stream only contributed for one quarter.

There were also some timing differences in the first half, with certain cobalt deliveries expected in June deferred to July 2021. Revenue in H1 was also impacted by the mining difficulties faced by Whitehaven at Narrabri, but we expect these to now be in the past and a smoother profile going forward, notwithstanding longwall changeovers.

The remainder of the portfolio benefitted from higher commodity prices and, whilst coking and thermal coal prices are currently more than double their levels from the beginning of the year, this increase largely only took effect in the last month of the second quarter and as such will not benefit our revenue until H2 21.

We would expect, based on current commodity price levels, a significant increase in contribution from our portfolio to come in H2 21.

Adjusted earnings

Total portfolio contribution for the period was $23.0m compared to $24.1m in H1 20. This is made up of the following:

	HY1 2021		HY1 2020		Variance	
	$m	% PC	$m	% PC	%	Notes
Kestrel	9.56	42%	15.10	63%	(37%)	Volume down 20%, price achieved down by 17% Guidance remains at 5.75Mt, suggesting strong H2 Current coking coal price of $220/t is up 115% in the YTD
Voisey's Bay – net contribution	2.35	10%	-	0%	0%	Reflects 3 months of ownership Timing difference on receipt of cobalt – 1 delivery in June, 5 in July Cobalt prices up 22% over the past three months
Narrabri	1.15	5%	2.00	8%	(42%)	Volume down by 49% due to mining difficulties and damage to equipment Current spot prices of $165/t far exceed the $91/t achieved in Q2 21
Mantos Blancos	2.75	12%	1.51	7%	82%	Volumes up 15%, price achieved 47% higher
Maracás Menchen	1.46	6%	-0.38	(2%)	484%	H1 20 impacted by $1.3m charge in relation to Glencore offtake agreement termination Volumes up 22%, V2O5 price up more than 80% year to date Largo are producing a higher quantity of VPure product for the battery market which should achieve higher pricing
Four Mile	0.10	1%	0.17	1%	(38%)	
Royalty and stream income	**17.37**		**18.40**			
Dividends - LIORC & Flowstream	2.86	12%	2.89	12%	(1%)	C$2.75/share in H1 21 vs C$0.80/share in H1 20 77% of position monetised in H1 21 to part finance Voisey's Bay H1 20 impacted by planned capex, reducing dividend
Interest - McClean Lake	1.23	5%	1.12	5%	10%	
Royalty and stream related revenue	**21.46**		**22.41**		(4%)	
EVBC	1.59	7%	1.19	5%	33%	Volumes lower in H1 21, guidance maintained suggesting strong H2 21 Orvana announced a significant mine life extension of 5 years
Principal repayment - McClean Lake	0.00	0%	0.50	1%	(100%)	
Total portfolio contribution	**23.05**		**24.10**		(4%)	

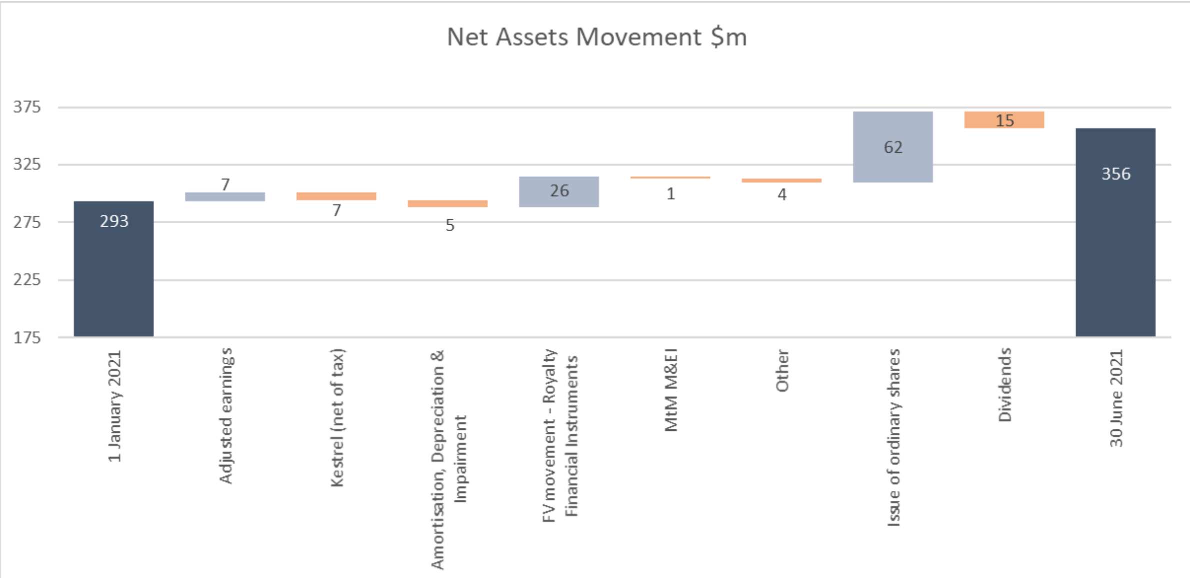
Operating costs increased in the period by 18% to $5.0m. This mainly relates to increased staff costs in the period along with a higher bonus provision for 2021 following the Voisey's Bay stream acquisition – executive bonuses were between 31.5-35% in 2020. In addition, the Group added a further employee into the legal team and had a number of consultants assisting with the Voisey's Bay acquisition.

Finance costs reflect the increased level of borrowings in the period and the costs associated with both the new facility and terminating the outgoing one. The tax charge reduced in line with operating profit.

Taking this into account, adjusted earnings in the first half of 2021 were 5.5c per share, a decrease from the 7.7c in H1 20. With commodity prices, noticeably coal and cobalt, well above those prevailing in H1 21, and currently well above consensus prices, we expect a stronger performance in H2 21.

Balance sheet

Following the Voisey's Bay stream acquisition in Q1 21, the balance sheet now looks significantly different. The stream was acquired in an existing structure and as such the value of the stream consideration of $205m is bifurcated between the portion attributable to the expected future income and the value attaching to the tax losses within the acquisition vehicle which are available to offset future revenue. As such, the stream is represented both in the metal streamline and also within deferred tax assets.



Based on the valuations at 30 June 2021, over 60% of the Group's assets are based on battery metals, a significant increase on the 22% at the beginning of the year. Thermal coal now only represents 10% of the Group's asset base and, when combined with Kestrel, coal in total represents 19%. This really demonstrates the considerable progress which has been made over the past five years in recycling the Kestrel cash flow into base and battery material exposure.

Cash flow and liquidity

A new $150m revolving credit facility was put in place in order to part finance the Voisey's Bay stream acquisition. This is a new 3-year facility with Scotia, RBC and CIBC – three blue chip north American institutions who are market leaders in lending to the royalty and streamlining sector.

The Group drew $123.5m at completion, and along with the $83m part monetisation of the LIORC position and a successfully, oversubscribed $62m equity raise provided the financing for the transaction. Of the $270m financing raised, $208m was paid on closing, which reflected the purchase price of $205m plus approximately $2m for cobalt which was in transit at the date of closing. Amounts owing on the outgoing RCF totalled $60m. Deal costs associated with the acquisition, the new debt facility, the LIORC disposal and the equity raise – total M&A value of $0.5bn, was ~$13m, or just under 2.5%.

At 30 June 2021 our operating leverage, the key financial covenant associated with our facility, was 2.44x. The new facility allows us to have operating leverage of up to 3.5x and as such there is plenty of headroom at the end of June, although internally management are eager to keep this level between 2-2.5x in the near term with a view to dropping below 2x thereafter.

The cost of the new facility is LIBOR plus a margin ratchet depending on leverage. We would expect, other than for the initial period post completion, that the cost will be LIBOR + 2.75-3.5%, notwithstanding that we will need to transition away from LIBOR in the coming months.

With $121.0m drawn currently, we still have access to $29.0m on the facility. We retain a stake of just over 1m shares in LIORC which at today's price and exchange rate approximates to ~$33.0m. We also have around 4.6m shares in treasury following our share buyback program in H2 20, which is a further $8.25m. As such, the Group has financing flexibility of ~$70m available to finance future growth opportunities. Along with a much better outlook for commodity prices for the second half of the year, the Group is in a strong financial position and, following the Voisey's Bay stream acquisition, now has a much steadier revenue profile as Kestrel begins to mine towards the private royalty boundary.

Principal risks and uncertainties

Anglo Pacific 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 relate to the following:

- Catastrophic event
- Global Pandemic
- Supply and demand for royalties
- Financing capability
- Trade disputes and commodity tariffs
- Increased competition
- Stakeholder support
- Operation dependence
- Investment approval
- Operational management

The Group is exposed to changes in the economic environment, including to tax rates and regimes, as with any other business.

Details of any key risks and uncertainties specific to the period are covered in the Business and Portfolio review sections. Details of relevant tax matters are included in note 6 to the Condensed financial statements. The principal risks and uncertainties facing the Group at the 2020 year end are set out in detail on pages 28 to 35 of the strategic report in the 2020 Annual Report and Accounts. The 2020 Annual Report and Accounts is available on the Group's website www.anglopacificgroup.com

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended	
		30 June	**30 June**
		2021	**2020**
	Notes	**$'000**	**$'000**
Royalty and stream related revenue	2	22,222	22,407
Mineral streams cost of sales	19	(767)	-
Amortisation and depletion of royalties and streams	9, 11	(5,698)	(3,444)
Operating expenses		(5,029)	(4,252)
Operating profit before impairments and revaluations		**10,728**	**14,711**
Revaluation of royalty financial instruments	10	16,315	126
Revaluation of coal royalties (Kestrel)	8	(9,132)	(30,202)
Finance income	3	-	61
Finance costs	4	(4,024)	(1,435)
Net foreign exchange losses		(1,927)	(3,805)
Other (losses)/income		(143)	1,050
Profit/(Loss) before tax		**11,817**	**(19,494)**
Current income tax charge		(2,869)	(4,027)
Deferred income tax (charge)/credit	15	(1,687)	9,360
Profit/(Loss) attributable to equity holders		**7,261**	**(14,161)**
Total and continuing earnings per share			
Basic earnings/(loss) per share	6	3.83c	(7.84c)
Diluted earnings/(loss) per share	6	3.82c	(7.84c)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021 $'000	Six months ended 30 June 2020 $'000
Profit/(Loss) attributable to equity holders		**7,261**	**(14,161)**
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 – net of income tax	10	9,143	(312)
Revaluation of mining and exploration interests – net of income tax	12	(1,333)	2,313
Deferred tax relating to items that will not be reclassified to profit or loss	15	636	37
		8,446	**2,038**
Items that have been or may be subsequently reclassified to profit or loss			
Net exchange loss on translation of foreign operations		(1,418)	(5,863)
		(1,418)	**(5,863)**
Other comprehensive profit/(loss) for the period, net of tax		**7,028**	**(3,825)**
Total comprehensive profit/(loss) for the period		**14,289**	**(17,986)**

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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2021

	Notes	30 June 2021 $'000	Audited 31 December 2020 $'000	30 June 2020 $'000
Non-current assets				
Property, plant and equipment		1,040	1,036	1,180
Coal royalties (Kestrel)	8	65,385	76,268	93,045
Metal streams	9	166,287	-	-
Royalty financial instruments	10	62,904	99,923	88,842
Royalty and exploration intangible assets	11	124,843	130,512	129,440
Mining and exploration interests	12	8,118	10,946	6,816
Deferred costs		5,132	2,067	1,592
Other receivables	13	24,195	23,219	22,306
Deferred tax	15	47,019	4,458	3,997
		504,923	348,429	347,218
Current assets				
Trade and other receivables		12,486	14,711	6,952
Derivative financial instruments		-	13	-
Cash and cash equivalents		14,556	27,513	6,619
		27,042	42,237	13,571
Total assets		**531,965**	**390,666**	**360,789**
Non-current liabilities				
Borrowings	14	123,500	60,767	55,728
Other payables		5,791	2,183	2,187
Deferred tax	15	27,261	27,475	29,011
		156,552	90,425	86,926
Current liabilities				
Income tax liabilities		5,332	3,913	2,763
Derivative financial instruments		-	-	164
Trade and other payables		14,534	2,842	3,401
		19,866	6,755	6,328
Total liabilities		**176,418**	**97,180**	**93,254**
Net assets		**355,547**	**293,486**	**267,535**
Capital and reserves attributable to shareholders				
Share capital	16	5,706	4,670	4,792
Share premium	16	87,883	83,214	83,214
Other reserves		137,081	94,949	51,116
Retained earnings		124,877	110,653	128,413
Total equity		**355,547**	**293,486**	**267,535**

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

				Other reserves									
	Notes	Share capital $'000	Share premium $'000	Merger reserve $'000	Warrant reserve $'000	Investment revaluation reserve $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Special reserve $'000	Treasury shares $'000	Investment in own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2020		4,785	82,779	38,416	189	781	6,776	9,642	833	-	(3,430)	156,848	297,619
Loss for the year		-	-	-	-	-	-	-	-	-	-	(14,161)	(14,161)
Other comprehensive income: Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity		-	-	-	-	2,001	-	-	-	-	-	-	2,001
Deferred tax	15	-	-	-	-	37	-	-	-	-	-	-	37
Foreign currency translation		-	-	-	-	-	-	(5,863)	-	-	-	-	(5,863)
Total comprehensive profit		**-**	**-**	**-**	**-**	**2,038**	**-**	**(5,863)**	**-**	**-**	**-**	**(14,161)**	**(17,986)**
Transactions with owners of the company:													
Transferred to retained earnings on disposal		-	-	-	-	-	-	-	-		-	-	-
Dividends		-	-	-	-	-	-	-	-		-	(13,089)	(13,089)
Issue of ordinary shares	16	7	435	-	-	-	-	-	-		-	-	442
Shares held in treasury		-	-	-	-	-	-	-	-	-	-	-	-
Value of employee services		-	-	-	-	-	(161)	-	-	-	1,895	(1,185)	549
Total transactions with owners of the company		7	435	-	-	-	(161)	-	-	-	1,895	(14,274)	(12,098)
Balance at 30 June 2020		**4,792**	**83,214**	**38,416**	**189**	**2,819**	**6,615**	**3,779**	**833**	**-**	**(1,535)**	**128,413**	**267,535**

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

				Other reserves									
	Notes	Share capital $'000	Share premium $'000	Merger reserve $'000	Warrant reserve $'000	Investment revaluation reserve $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Special reserve $'000	Treasury shares $'000	Investment in own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020		4,792	83,214	38,416	189	2,819	6,615	3,779	833	-	(1,535)	128,413	267,535
Profit for the year		-	-	-	-	-	-	-	-	-	-	(9,711)	(9,711)
Other comprehensive income:													
Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity		-	-	-	-	32,819	-	-	-	-	-	-	32,819
Deferred tax	15	-	-	-	-	(3,016)	-	-	-	-	-	-	(3,016)
Foreign currency translation		-	-	-	-	-	-	20,586	-	-	-	-	20,586
Total comprehensive profit		-	-	-	-	29,803	-	20,586	-	-	-	(9,711)	**40,678**
Transactions with owners of the company:													
Transferred to retained earnings on disposal		-	-	-	-	(6,822)	-	-	-	-	-	6,822	-
Dividends		-	-	-	-	-	-	-	-	-	-	(8,317)	(8,317)
Issue of ordinary shares		-	-	-	-	-	-	-	-	-	-	-	-
Shares held in treasury	16	(122)	-	-	-	-	-	-	-	122	-	(6,554)	(6,554)
Value of employee services		-	-	-	-	-	144	-	-	-	-	-	144
Total transactions with owners of the company		(122)	-	-	-	(6,822)	144	-	-	122	-	(8,049)	**(14,727)**
Balance at 31 December 2020		4,670	83,214	38,416	189	25,800	6,759	24,365	833	122	(1,535)	110,653	**293,486**

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2021

				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**	**Treasury shares $'000**	**Investment in own shares $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 January 2021		4,670	83,214	38,416	189	25,800	6,759	24,365	833	122	(1,535)	110,653	293,486
Profit for the year		-	-	-	-	-	-	-	-	-	-	7,261	7,261
Other comprehensive income:													
Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity		-	-	-	-	7,810	-	-	-	-	-	-	7,810
Deferred tax	15	-	-	-	-	636	-	-	-	-	-	-	636
Foreign currency translation		-	-	-	-	-	-	(1,418)	-	-	-	-	(1,418)
Total comprehensive profit		**-**	**-**	**-**	**-**	**8,446**	**-**	**(1,418)**	**-**	**-**	**-**	**7,261**	**14,289**
Transferred to retained earnings on disposal		-	-	-	-	(14,795)	-	-	-	-	-	14,795	-
Dividends		-	-	-	-	-	-	-	-	-	-	(15,357)	(15,357)
Issue of ordinary shares	16	1,028	4,669	56,431	-	-	-	-	-	-	-	-	62,128
Utilisation of treasury shares to satisfy employee related share base payments	16	8	-	-	-	-	(159)	-	-	(8)	-	511	352
Value of employee services	22	-	-	-	-	-	(6,365)	-	-	-	-	7,014	649
Total transactions with owners of the company		**1,036**	**4,669**	**56,431**	**-**	**(14,795)**	**(6,524)**	**-**	**-**	**(8)**	**-**	**6,963**	**47,772**
Balance at 30 June 2021		**5,706**	**87,883**	**94,847**	**189**	**19,451**	**235**	**22,947**	**833**	**114**	**(1,535)**	**124,877**	**355,547**

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Profit/(Loss) before taxation		11,817	(19,494)
Adjustments for:			
Finance income	3	-	(61)
Finance costs	4	4,024	1,435
Net foreign exchange losses		1,927	3,805
Other losses/(income)	5	143	(1,050)
Revaluation of royalty financial instruments	10	(16,315)	(126)
Royalties due or received from royalty financial instruments	10	1,592	1,194
Revaluation of coal royalties (Kestrel)	8	9,132	30,202
Depreciation of property, plant and equipment		2	5
Amortisation and depletion of royalties and streams	9, 11	5,698	3,444
Amortisation of deferred acquisition costs		9	8
Share based payment		48	213
		18,077	19,575
Decrease in trade and other receivables		4,654	4,168
Increase in trade and other payables		622	21
Cash generated from operations		23,353	23,764
Income taxes paid		(5,566)	(13,301)
Net cash generated from operating activities		**17,787**	**10,463**
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests	12	1,694	-
Purchase of property, plant and equipment		(7)	-
Purchase of royalty and exploration intangibles	11	-	(1,500)
Proceeds on disposal of royalty financial instruments	10	62,984	-
Purchase of royalty financial instruments	10	-	(7,413)
Purchase of metal streams	9	(208,060)	-
Repayments under commodity related financing agreements	13	-	499
Prepaid acquisition costs		(62)	(397)
Finance income	3	-	61
Net cash used in investing activities		**(143,451)**	**(8,750)**
Cash flows from financing activities			
Drawdown of revolving credit facility	14	123,500	20,190
Repayment of revolving credit facility	14	(60,994)	(11,572)
Proceeds from issue of share capital	16	62,128	442
Dividends paid	7	(4,288)	(13,089)
Finance costs		(7,951)	(1,178)
Net cash from/(used in) financing activities		**112,395**	**(5,207)**
Net decrease in cash and cash equivalents		**(13,269)**	**(3,494)**
Cash and cash equivalents at beginning of period		**27,513**	**10,017**
Effect of foreign exchange rates		312	96
Cash and cash equivalents at end of period		**14,556**	**6,619**

1. Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became United Kingdom adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards on 1 January 2021 and accordingly the Group's annual Consolidated financial statements for the year ending 31 December 2021 will be prepared under United Kingdom adopted international accounting standards. There was no impact or changes in accounting policies from the transition.

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended 30 June 2021. They have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'. 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 2020.

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 2020 were approved on 13 April 2021. Those accounts, which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

1.1 Going concern

The financial position of the Group and its cash flows are set out on pages 18 and 22. The Directors have considered the principal risks of the Group which are set out on pages 28 to 35 of the 2020 Annual Report, and considered key sensitivities which could impact on the level of available borrowings. As at 30 June 2021 the Group had cash and cash equivalents of $14.6m and borrowings under its revolving credit facility of $123.5m leaving $26.5m undrawn as set out in note 14.

The Directors have considered the Group's cash flow forecasts for the period to the end of 31 December 2022 under base and downside scenarios, with consideration given to uncertainty in respect of the Covid-19 pandemic on both the wider macro-economic environment, including the demand for the commodities produced and the prices realised by the underlying operations of the Group's royalty and stream portfolio, and the ongoing operations themselves, including production levels. In all of the scenarios modelled, the Group continues to operate within its banking covenant limits with no debt redemption or amortisation commitment within the 12-month period from the date of approval of these interim condensed consolidated financial statements.

The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance and other uncertainties, together with the Group's cash position and access to the revolving credit facility, show that the Group will be able to operate within the levels of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its condensed interim financial statements.

1.2 Alternative Performance Measurers

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

1.3 Changes in accounting policies

The accounting policies applied are materially consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2020 with the exception of the change in the Group's presentational currency detailed in note 1.4 and the classification of metal streams detailed in note 1.5. New accounting pronouncements, principally minor amendments to existing standards, also became effective on 1 January 2021 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 adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 with no significant impact. The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

1.4 Functional and presentational currency

The functional currency of the Company changed from pounds sterling to US dollars, as this is now the primary currency in which the Company's financing activities and investment returns are denominated. The change was effective from 1 January 2021 and in line with IAS 21 "The Effects of Changes in Foreign Exchange Rates" has been accounted for prospectively from this date.

The Group changed its presentational currency to US dollars, to better align with the Group's operations, which following the acquisition of the Voisey's Bay cobalt stream, are primarily influenced by US dollars, given the financing associated with acquisition being denominated in US dollars. In addition, the contribution generated by the Group's royalties and streams, arise from sales revenue denominated in US dollars. Following the change in presentational currency, the impact of foreign exchange rate movements is expected to be reduced. The change in presentational currency was effective from 1 January 2021 and represents a change in accounting policy, as a result this change has been accounted for retrospectively in line with IAS 8 and IAS 21.

Financial information included in the consolidated financial statements for the years ended 31 December 2020 and 31 December 2019, together with the period ended 30 June 2020 previously reported in pounds sterling have been restated into US dollars using the procedures outlined below:

- Assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rates of exchange on the relevant balance sheet date;
- Non-US dollar income and expenditure were translated at the average rates of exchange prevailing for the relevant period; and
- Share capital, share premium and the other reserves were translated at the historic rates of exchange prevailing on the date of each transaction with effect from 31 December 2019, translation prior to this date was deemed impractical.

As a result of the translation detailed above, the Group's foreign currency translation reserve was restated.

The exchange rates of pounds sterling to US dollar over the period presented in this report are as follows:

	30 June 2021	31 December 2020	30 June 2020	31 December 2019
GBP/USD translation rate				
Income statement	1.39	1.28	1.26	1.28
Balance sheet	1.38	1.37	1.23	1.32

1.5 Key sources of estimation uncertainty and critical accounting judgements

With the exception of the items noted below, key areas of critical accounting judgement and estimation uncertainty that have the most significant effect on the Group's consolidated financial statements remain as disclosed in note 4 of the consolidated financial statements of the Group for the year ended 31 December 2020.

Classification of Voisey's Bay cobalt stream: initial recognition and subsequent measurement
On 12 March 2021, the Group completed the acquisition of a holding company that, in turn, holds a 70% net interest in a stream on cobalt production from the Voisey's Bay mine in Canada (note 9). The Directors considered the Group's existing criteria to identify the characteristics which determine which accounting standard to apply to the stream as disclosed in note 4 of the consolidated financial statements of the Group for the year ended 31 December 2021.

Similar to the Group's royalty intangible assets, the steam exposes the Group to existence risk (the commodity physically existing in the quantity reported), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by supply and demand) on a similar basis to the owner of the underlying mineral licence. However, unlike the Group's royalty intangible assets, the stream results in the physical delivery of cobalt with the consequent inventory risk prior to sale and the revenue generated is under the Group's direction, rather than a percentage of revenue generated by the operator. As a result, the Directors concluded the stream should be classified as property, plant and equipment in accordance with IAS 16 – Property, Plant & Equipment.

In accordance with IAS 16, the Group's mineral stream interests, for which settlement is called for in the underlying commodity, the amount of which is based on production at the mines, are stated at cost less accumulated depletion and accumulated impairment charges, if any.

The cost of the asset is comprised of its purchase price and any closing costs directly attributable to acquiring the asset. The purchase price is the aggregate cash amount paid and the fair value of any other non-cash consideration given to acquire the asset.

Depletion
The cost of the Group's mineral stream interests are allocated to the total expected deliveries to be received over the life of the mine determined by reference to reserves, resources and exploration potential. The cost of the mineral stream interests are depleted on a unit-of-production basis over the total expected deliveries to be received.

Impairment review
The Group's mineral stream interests are assessed for indicators of impairment at each reporting date with the assessment considering variables such as the production profiles, production commission dates where applicable, forecast commodity prices and guidance from the mine operators.

Where indicators are identified, the starting point for the impairment review will be to measure the future cash flows expected from the mineral stream interest should the project continue/come into production. A pre-tax nominal discount rate is applied to the future cash flows. The discount rate applied to the metal stream interest is derived using a capital asset pricing model specific to the underlying project, making reference to the risk-free rate of return expected on an investment with the same time horizon as the expected mine life, together with the country risk associated with the location of the operation. Changes in discount rate are most sensitive to changes in the risk-free rate, country risk premiums and the expected mine life.

For metal stream interests not currently 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 stream 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.

Contingent consideration
The contingent consideration in relation to the acquisition is determined by reference to minimum production thresholds and cobalt prices, and has been classified as a financial liability that is carried at fair value based on the discounted expected future cash outflows.

2 Royalty and stream related revenue

	Six months ended	
	30 June 2021	30 June 2020
	$'000	$'000
Royalty revenue	15,021	18,392
Stream sales	3,118	-
Interest from royalty related financial assets	1,227	1,120
Dividends from royalty financial instruments	2,856	2,895
	22,222	22,407

Interest from royalty related financial assets for the six months ended 30 June 2021 of $1.2m (30 June 2020: $1.1m) relates to interest earned on the Group's 13-year amortising loan of C$40.8m with an interest rate of 10% per annum, to Denison Mines Inc ("Denison"), which is classified as non-current other receivables (note 13).

Dividends from royalty financial instruments for the six months ended 30 June 2021 of $2.9m (30 June 2020: $2.9m) relates to the dividends received from the Group's investments in Labrador Iron Ore Company (2021: $2.3m; 2020: $2.6m) as described in note 10, together with the dividends received from the Group's investment in Flowstream Vintage (2021: $0.6m; 2020: $0.3m), an unquoted oil and gas streaming company.

3 Finance income

	Six months ended	
	30 June 2021	30 June 2020
	$'000	$'000
Interest on bank deposits	-	1
Other interest	-	60
	-	61

Professional fees represent legal and arrangement fees relating to the Group's revolving credit facility. These fees are capitalised and amortised over the term of the facility.

4 Finance costs

	Six months ended	
	30 June 2021	30 June 2020
	$'000	$'000
Professional fees	(1,591)	(305)
Revolving credit facility fees and interest	(2,433)	(1,130)
	(4,024)	(1,435)

5 Other (losses)/income

	Six months ended	
	30 June 2021	30 June 2020
	$'000	$'000
Revaluation of foreign exchange instruments	(143)	1,154
Other losses	-	(104)
	(143)	1,050

6 Earnings/(Loss) per share

Earnings per ordinary share is calculated on the Group's profit after tax of $7.3m for the six months ended 30 June 2021 (30 June 2020: loss $14.2m) and the weighted average number of shares in issue during the period of 189,424,759 (2020: 180,644,312).

	Six months ended	
	30 June 2021	**30 June 2020**
	$'000	**$'000**
Net profit/(loss) attributable to shareholders		
Earnings/(Loss) - basic	7,261	(14,161)
Earnings/(Loss) - diluted	7,261	(14,161)
	2021	**2020**
Weighted average number of shares in issue		
Basic number of shares outstanding	189,424,759	180,644,312
Dilutive effect of Employee Share Option Scheme	331,721	-
Diluted number of shares outstanding	189,756,480	180,644,312
Earnings/(Loss) per share – basic	3.83c	(7.84c)
Earnings/(Loss) per share – diluted	3.82c	(7.84c)

The weighted average number of shares in issue excludes shares held the Anglo Pacific Group Employee Benefit Trust, as the trust has waived its right to receive dividends on the 444,726 ordinary 2p shares it holds as at 30 June 2021 (30 June 2020: 366,667).

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

Adjusted earnings per share

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

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

	Earnings $'000	**Earnings per share c**	**Diluted earnings per share c**
Net profit attributable to shareholders			
Earnings - basic and diluted for the six months ended 30 June 2021	7,261	3.83c	3.82c
Adjustment for:			
Amortisation and depletion of royalties and streams	5,698		
Amortisation of finance costs	600		
Receipts from royalty financial instruments	1,592		
Revaluation of royalty financial instruments	(16,315)		
Revaluation of coal royalties (Kestrel)	9,132		
Revaluation of foreign currency instruments	143		
Unrealised foreign exchange (gains)/losses	1,796		
Tax effect of the adjustments above	470		
Adjusted earnings - basic and diluted for the six months ended 30 June 2021	10,377	5.48c	5.46c

	Earnings $'000	Earnings per share c	Diluted earnings per share c
Net profit attributable to shareholders			
Earnings - basic and diluted for the six months ended 30 June 2020	(14,161)	(7.84c)	(7.84c)
Adjustment for:			
Amortisation and depletion of royalties and streams	3,444		
Receipts from royalty financial instruments	1,194		
Revaluation of royalty financial instruments	(126)		
Revaluation of coal royalties (Kestrel)	30,202		
Revaluation of foreign currency instruments	(1,154)		
Share-based payments and associated national insurance	213		
Unrealised foreign exchange (gains)/losses	4,506		
Tax effect of the adjustments above	(10,216)		
Adjusted earnings - basic and diluted for the six months ended 30 June 2020	13,903	7.70c	7.67c

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

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

	2021	2020
Weighted average number of shares in issue		
Basic number of shares outstanding	189,424,759	180,644,312
Dilutive effect of Employee Share Option Scheme	331,721	-
Diluted number of shares outstanding	189,756,480	180,644,312

7 Dividends and dividend cover

On 17 February 2021, an interim dividend of 1.75p per shares was paid to shareholders ($4.3m) in respect of the year ended 31 December 2020.

The Board recommended and the Company's shareholders approved a final dividend in respect of the year ended 31 December 2020 of 3.75p per shares at the Annual General Meeting on 26 May 2021. The final dividend totalling $11.0m (£8.0m) was paid on 18 August 2021, and has been included as a liability in these financial statements.

Three interim dividends of 1.75p per share have been declared for the year ended 31 December 2021 and will be paid on 10 November 2021, 22 December 2021 and 16 February 2022.

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 2021, is 5.48c per share (note 6) with interim dividends totalling 4.86c (3.5p), resulting in dividend cover of 1.12x (30 June 2020: adjusted earnings per share 7.70p, interim dividend 4.41c (3.5p), dividend cover of 1.74x).

8 Coal royalties (Kestrel)

	$'000
At 1 January 2020	127,136
Foreign currency translation	(3,889)
Gain on revaluation of coal royalties	(30,202)
At 30 June 2020	93,045
Foreign currency translation	9,761
Loss on revaluation of coal royalties	(26,538)
At 31 December 2020	76,268
Foreign currency translation	(1,751)
Loss on revaluation of coal royalties	(9,132)
At 30 June 2021	65,385

The coal royalty was valued during June 2021 at $65.4m (A$87.1m) 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 2020: 6.5% and 31 December 2020: 6.5%). The key assumptions in the independent valuation relate to price, foreign exchange rates and discount rate.

The price assumptions used in the 30 June 2021 valuation decrease from US$141/t in the short term to a long-term flat nominal price of US$140/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$73.5m ($55.2m) and an $10.5m increase to the revaluation loss in the income statement, resulting in a revaluation loss of $19.6m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A$102.2m ($76.7m) and an $11.6m reversal of the revaluation loss in the income statement, resulting in a revaluation gain of $2.5m.

The AUD:USD exchange rate assumptions used in the 30 June 2021 valuation assume a strengthening in the Australia dollar from a short-term rate of 0.69 to a long term rate of 0.75 against the US dollar. If the Australian dollar were to strengthen or weaken by 10% against the US dollar over the life of the mine that valuation effect would be:

- a 10% strengthening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at A$74.6m ($56.0m) and an $9.6m increase to the revaluation loss in the income statement, resulting in a revaluation loss of $18.7m; and
- a 10% weakening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at A$103.8m ($77.9m) and a $12.9m reversal of the revaluation loss in the income statement, resulting in a revaluation gain of $3.7m.

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$89.0m ($66.8m) and a $1.5m decrease in the revaluation loss in the income statement to $7.6m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at A$85.2m ($64.0m) and a $1.5m increase in the revaluation loss in the income statement to $10.6m.

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 USD presentation currency recognised in the foreign currency translation reserve.

Were the coal royalty to be realised at the revalued amount, there are $7.4m (A$9.9m) of capital losses potentially available to offset against taxable gains. As the Directors do not presently have any intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation (note 15). Were the coal royalty to be carried at cost the carrying value would be $0.3m (2020: $0.3m).

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

9 Metal streams

	Cost $'000	Contingent Consideration $'000	Total $'000
Gross carrying amount			
At 1 January 2021	-	-	-
Additions	164,069	4,137	168,206
At 30 June 2021	164,069	4,137	168,206
Depletion and impairment			
At 1 January 2021	-	-	-
Depletion	(1,601)	(318)	(1,919)
At 30 June 2021	(1,601)	(318)	(1,919)
Carrying amount 30 June 2021	162,468	3,819	166287

On 12 March 2021, the Group completed the acquisition of a holding company that, in turn, holds a 70% net interest in a stream on cobalt production from the Voisey's Bay mine in Canada for cash consideration of $205m at closing and further potential contingent consideration subject to cobalt prices over the next five years. Cost directly associated with the acquisition were $3.1m, resulting in a total payment of $208.1m. The holding company acquired had carried forward tax losses of $163.9m, resulting in $43.4m of the cash consideration being allocated to deferred tax assets on acquisition (note 15).

The contingent consideration in relation to the acquisition is determined by reference to minimum production thresholds and cobalt prices, and has been classified as a financial liability that is carried at fair value based on the discounted expected cash outflows. The fair value of the contingent consideration is remeasured at each reporting date, and depreciated over the period to 30 June 2025 during which the contingent payments may fall due. As the estimated future cash outflows to satisfy the contingent consideration are not expected to occur within the next twelve months, the financial liability is classified as non-current and included in non-current other payables.

Under the stream agreement, the Group is entitled to 22.82% of all cobalt production from Voisey's Bay. This will step down to 11.41% once 7,600 tonnes of finished cobalt has been delivered. The stream covers Voisey's Bay's open pit and underground production. The Group will pay 18% of an industry cobalt reference price until the original upfront amount paid for the stream, by its original holder, of US$300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter, with this payment reflect in mineral streams cost of sales in the income statement. The cobalt delivered under the stream is currently sold through an offtake agreement with a global metals trader on a take or pay basis.

The cost of the stream is being depleted on a units-of-production basis over the total expected deliveries to be received. During the period to 30 June 2021, the Group received 154,322lbs of cobalt resulting in an depletion charge of $1.6m.

10 Royalty financial instruments

	$'000
Fair value	
At 1 January 2020	86,764
Additions	7,413
Royalties due or received from royalty financial instruments	(1,194)
Revaluation of royalty financial instruments recognised in profit or loss	126
Revaluation of royalty financial instruments recognised in equity	(312)
Foreign currency translation	(3,955)
At 30 June 2020	88,842
Disposals	(20,264)
Royalties due or received from royalty financial instruments	(1,773)
Revaluation of royalty financial instruments recognised in profit or loss	1,008
Revaluation of royalty financial instruments recognised in equity	25,760
Foreign currency translation	6,350
At 31 December 2020	99,923
Disposals	(62,984)
Royalties due or received from royalty financial instruments	(1,592)
Revaluation of royalty financial instruments recognised in profit or loss	16,315
Revaluation of royalty financial instruments recognised in equity	11,233
Foreign currency translation	9
At 30 June 2021	62,904

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

	Commodity	Original Cost '000	Royalty Rate	Escalation	Classification	30 June 2021 Carrying Value $'000
EVBC	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	FVTPL	12,905
Dugbe 1	Gold	U$15,000	2.00%	2.5% >U$1,800/oz & production <50,000oz/qrt	FVTPL	1,267
McCLean Lake	Uranium	C$2,700	-	22.5% of toll milling receipt on production >215Mlbs	FVTPL	2,752
Piaui	Nickel-Cobalt	U$2,000	1.00%	-	FVTPL	6,869
Labrador Iron Ore	Iron Ore	C$66,105	7.00%	-	FVTOCI	39,111
						62,904

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 2020.

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

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

During the six months ended 30 June 2020 the Group made a further investment of C$9.8m ($7.4m) in Labrador Iron Ore Company, increasing its shareholding to 4,486,890 shares. The Group undertook a partial sale of its holding to fund the acquisition of the Voisey's Bay cobalt stream that was completed in March 2021 (refer to note 9), selling 944,000 shares by 31 December 2020 generating C$26.2m ($20.3m) in proceeds. The Group's partial sale of its holding in LIORC resulted in a capital gain of C$3.3m ($2.6m) which was transferred directly to retained earnings.

The Group sold a further 2,510,700 shares in the first quarter of 2021 generating a further C$82.4m ($63.0m) in proceeds to fund the Voisey's Bay acquisition and retained 1,032,190 shares. The Group's partial sale of its holding in LIORC in the first quarter of 2021, resulted in a capital gain of C$19.2m ($15.5m) which was transferred directly to retained earnings, net of C$2.6m ($2.1) in income tax arising from the gain.

11 Royalty and exploration intangible assets

	Exploration and Evaluation Costs $'000	Royalty Interests $'000	Total $'000
Gross carrying amount			
At 1 January 2021	919	205,957	206,876
Foreign currency translation	-	(3,135)	(3,135)
At 30 June 2021	919	202,822	203,741
Amortisation and impairment			
At 1 January 2021	(919)	(75,444)	(76,364)
Amortisation charge	-	(3,779)	(3,779)
Foreign currency translation	-	1,245	1,245
At 30 June 2021	(919)	(77,979)	(78,898)
Carrying amount 30 June 2021	-	124,843	124,843

	Exploration and Evaluation Costs $'000	Royalty Interests $'000	Total $'000
Gross carrying amount			
At 1 January 2020	919	193,269	194,188
Foreign currency translation	-	(3,121)	(3,121)
At 30 June 2020	919	190,148	191,067
Amortisation and impairment			
At 1 January 2020	(919)	(58,509)	(59,428)
Amortisation charge	-	(3,444)	(3,444)
Foreign currency translation	-	1,245	1,245
At 30 June 2020	(919)	(60,708)	(61,627)
Carrying amount 30 June 2020	-	129,440	129,440

	Exploration and Evaluation Costs $'000	Royalty Interests $'000	Total $'000
Gross carrying amount			
At 1 January 2020	919	193,269	194,188
Foreign currency translation	-	12,688	12,688
At 31 December 2020	919	205,957	206,876
Amortisation and impairment			
At 1 January 2020	(919)	(58,509)	(59,428)
Amortisation charge	-	(7,087)	(7,087)
Impairment charge	-	(4,303)	(4,303)
Foreign currency translation	-	(5,545)	(5,545)
At 31 December 2020	(919)	(75,444)	(76,364)
Carrying amount 31 December 2020	-	130,512	130,512

Royalty interests

During the first quarter of 2020, Largo Resources generated sales, which on an annualised basis exceeded 12,000t, triggering the second tranche of deferred consideration of $1.5m in relation to the Maracás Menchen royalty to become payable. On 29 May 2020, the Group paid the $1.5m of deferred consideration that had been accrued since 30 June 2018 and included in the carrying value of Maracás Menchen royalty.

The amortisation charge for the period, of $3.8m (30 June 2020: $3.4m) relates to the Group's producing royalties, Mantos Blancos, Narrabri, Maracás Menchen and Four Mile. Amortisation of the remaining interests will commence once they begin commercial production.

All intangible assets are assessed for indicators of impairment at each reporting date. The key sources of estimation uncertainty impacting the assessment for indicators of impairment as at 30 June 2021 are detailed in note 1.5. As at 30 June 2021 no further impairment charges were recognised (31 December 2020: $4.3m). The Group's intangible assets will be assessed for indicators of impairment again at 31 December 2021.

12 Mining and exploration interests

	$'000
Fair value through other comprehensive income	
At 1 January 2020	4,802
Revaluation adjustment	2,313
Foreign currency translation	(300)
At 30 June 2020	6,816
Additions	2,366
Disposals	(5,540)
Revaluation adjustment	7,059
Foreign currency translation	245
At 31 December 2020	10,946
Disposals	(1,694)
Revaluation adjustment	(1,333)
Foreign currency translation	199
At 30 June 2021	8,118

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

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

Total mining and exploration interests are represented by:

	30 June 2021 $'000	31 December 2020 $'000	30 June 2020 $'000
Quoted investments	5,311	8,172	6,450
Unquoted investments	2,807	2,774	366
	8,118	10,946	6,816
Number of investments	9	9	8

13 Non-current other receivables

	$'000
At 1 January 2020	23,628
Interest	1,120
Repayments of principal and interest	(1,456)
Amortisation of deferred costs	(8)
Expected credit losses	(103)
Foreign currency translation	(874)
At 30 June 2020	**22,306**
Interest	1,168
Repayments of principal and interest	(999)
Amortisation of deferred costs	(9)
Expected credit losses	(565)
Foreign currency translation	1,318
At 31 December 2020	**23,219**
Interest	1,227
Repayments of principal and interest	(912)
Amortisation of deferred costs	(9)
Expected credit losses	-
Foreign currency translation	670
At 30 June 2021	**24,195**

In 2017, the Group completed a C$43.5m ($33.3m) financing and streaming agreement with Denison. The streaming agreement is classified as a royalty financial instrument (note 9), with an initial value of C$2.7m ($2.1m).

The financing agreement is structured as a 13-year secured loan of C$40.8m ($31.2m) with an interest rate of 10% per annum payable to the Group. The loan contains mandatory repayment provisions in any period where the equivalent toll revenues exceed the interest liability. Conversely, in any period when toll revenues are less than the interest payment, the shortfall is capitalised and carried forward to the next period. The loan principal, along with any capitalised interest, is repayable in full at maturity.

Following the suspension of operations at the Cigar Lake uranium mine in response to the COVID-19 pandemic, the McClean Lake Mill was placed on care and maintenance in March 2020 to September 2020. During the six months ended 30 June 2020, the Group earned $1.1m in interest revenue and received principal repayments of $0.5m.

While operations at the McClean Lake Mill resumed in September 2020, they were once again suspended in January 2021 due to the COVID-19 pandemic and remained suspended until the end of April 2021. During the six months ended 30 June 2021, the Group earned $1.2m in interest revenue and received total toll milling receipts of $0.9m with the balance of the interest receivable being added to the loan balance.

The Group assesses the carrying value of the Denison financing agreement for expected credit losses over the next 12 months by making reference to the security held by the Group and the financial position of Denison at each reporting date. As at 30 June 2020, the provision for expected credit losses increased by $0.1m to $0.4m. A further provision for expected credit losses of $0.6m was recognised at 31 December 2020, increasing the total provision to $1.0m. There was no movement in the provision for expected credit losses during the six months ended 30 June 2021. The implied probability of default has been assessed at 4.30% (June 2020: 1.49%).

14 Borrowings

	30 June 2021 $'000	31 December 2020 $'000	30 June 2020 $'000
Secured borrowing at amortised cost			
Revolving credit facility	123,500	60,767	55,728
	123,500	60,767	55,728

In January 2020, the Group amended and extended the 2018 facility, increasing the revolving credit facility to $90.0m and retaining the $30.0m accordion. The amended and extended facility was expected to mature in September 2022 and was available at LIBOR plus 175bps.

In conjunction with the Voisey's Bay cobalt stream acquisition, the Group repaid its borrowings in full and cancelled the existing facility in March 2021, before entering a new $180.0m revolving credit facility which was reduced to $150.0m following the completion of the equity placing detailed in note 16. To part finance the acquisition, the Group drew down $123.5m on the new facility.

The new facility has a three-year term with the option to extend to request a one-year extension within the first year and is available at LIBOR plus 2.75% to 4.50% depending on leverage ratios and 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 2021.

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

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

	30 June 2021 $'000	31 December 2020 $'000	30 June 2020 $'000
Revolving credit facility	(123,500)	(60,767)	(55,728)
Cash and cash equivalents	14,556	27,513	6,619
Net debt	(108,944)	(33,254)	(49,110)

15 Deferred tax

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 2021 $'000	31 December 2020 $'000	30 June 2020 $'000
Deferred tax liabilities	(27,261)	(27,475)	(29,011)
Deferred tax assets	47,019	4,458	3,997
	19,758	(23,017)	(25,014)

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

	Revaluation of coal royalty $'000	Revaluation of royalty instruments $'000	Accrual of royalty receivable $'000	Other tax losses $'000	Total $'000
At 1 January 2020	38,141	(3,324)	772	(4)	35,585
Charge/(credit) to profit or loss	(9,065)	82	(480)	4	(9,459)
Charge/(credit) to other comprehensive income	-	(37)	-	-	(37)
Exchange differences	(1,156)	19	(37)	-	(1,174)
Effect of change in tax rate:					
- income statement	-	99	-	-	99
At 30 June 2020	27,920	(3,161)	255	-	25,014
Charge/(credit) to profit or loss	(7,992)	(255)	600	-	(7,647)
Charge/(credit) to other comprehensive income	-	3,016	-	-	3,016
Exchange differences	2,953	(446)	127	-	2,634
At 31 December 2020	22,881	(846)	982	-	23,017
Deferred tax assets on acquisition	-	-	-	(43,446)	(43,446)
Charge/(credit) to profit or loss	(2,739)	3,955	(440)	720	1,496
Charge/(credit) to other comprehensive income	-	(636)	-	-	(636)
Exchange differences	(526)	160	(14)	-	(380)
Effect of change in tax rate:					
- income statement	-	191	-	-	191
At 30 June 2021	19,616	2,824	528	(42,726)	(19,758)

Deferred tax assets on acquisition

On 12 March 2021, the Group completed the acquisition of a holding company that, in turn, holds a 70% net interest in a stream on cobalt production from the Voisey's Bay mine in Canada. The holding company acquired had carried forward tax losses of $163.9m, resulting in $43.4m of the cash consideration being allocated to deferred tax assets on acquisition.

Uncertain tax positions

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

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreement with tax authorities. Tax obligations assessed as having probable future economic outflows capable of reliable measurement are provided for. As at 31 December 2020 the Group recognised a provision for uncertain tax positions of $3.1m (30 June 2020: $2.1m); this provision remained unchanged at 30 June 2021.

During 2017 on advice from professional advisors, the Group undertook the capital restructuring of a number of subsidiaries with significant historical losses and impairment charges. This advice involved the interpretation of certain tax legislation for which there is no clear precedent or guidance. Absent clear guidance from relevant tax authorities there is the possibility that those tax authorities could interpret the legislation in a different way from the Group. With the utilisation of certain other tax losses since the capital restructure was undertaken, should the relevant tax authorities interpret the legislation in a different way from the Group, this could result in an income tax charge of $8.6m (2020: $8.6m).

The Group does not currently have any material unresolved tax matters or disputes with tax authorities. Recent changes to and the interpretation of tax legislation in certain jurisdictions where the Group has established structures may however, be a potential source of challenge from tax authorities. Due to the complexity of changes in international tax legislation, the Group has taken local advice and has recognised provisions where necessary. None of these provisions are material in relation to the Group's assets or liabilities.

16 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 2020	**181,470,392**	**4,785**	**82,779**	**38,416**	**125,980**
Issue of share capital on exercise of employee options (a)	288,327	7	435	-	442
Ordinary shares of 2p at 30 June 2020	**181,758,719**	**4,792**	**83,214**	**38,416**	**126,422**
Share buyback (b)	(4,629,703)	(122)	-	-	(122)
Ordinary shares of 2p at 31 December 2020	**177,129,016**	**4,670**	**83,214**	**38,416**	**126,300**
Issue of share capital under private placing (c)	33,664,371	952	-	56,431	57,383
Issue of share capital under retail offer (c)	2,687,372	76	4,669	-	4,745
Utilisation of shares held in treasury on exercise of employee options (d)	300,000	8	-	-	8
Ordinary shares of 2p at 30 June 2021	**213,780,759**	**5,706**	**87,883**	**94,847**	**188,436**

(a) On 18 May 2020, the Company issued 288,327 new ordinary shares of 2p each following the exercise of options awarded to employees under the Company's Unapproved Share Option Plan. The shares were issued at the exercise price of 126.07p per share.

(b) Between 25 September 2020 and 6 November 2020, the Company completed a share buyback programme and repurchased in aggregate 4,629,703 ordinary shares of 2p each in the Company for a total consideration of $6.6m (£5.0m), at a volume weighted average price of 107.97p per share. The repurchased shares are held in treasury.

(c) On 24 February 2021, the Company completed a private placing of 33,664,371 new ordinary shares of 2p each and a retail offer of 2,687,372 new ordinary shares of 2 each. Both the private placing and the retail offer were price at 128p per share raising total proceeds of $62.1m net of costs. As the shares issued in relation to the private placing were placed in return for acquiring over 90% of the share capital of a related entity, the proceeds raised in excess of the nominal value issued was recorded in the merger reserve. The funds raised through the private placing and the retail offer were used to part finance the Voisey's Bay acquisition (note 9).

(d) 11 March 2021, the Company utilised 300,000 ordinary shares of 2p each from treasury, following the exercise of options awarded to employees under the Company's Unapproved Share Option Plan.

17 Segment information

The Group's chief operating decision maker is considered to be the Executive Committee. The Executive Committee evaluates the financial performance of the Group based on a portfolio view of its individual royalty arrangements. Royalty income and its associated impact on operating profit is the key focus of the Executive Committee. The income from royalties is presented based on the jurisdiction in which the income is deemed to be sourced as follows:

Australia:	Kestrel, Narrabri, Four Mile, Pilbara
Americas:	Voisey's Bay, Mantos Blancos, Maracás Menchen, LIORC, Flowstream, McLean Lake, Piauí Ring of Fire, Canariaco, Ground Hog
Europe:	EVBC, Salamanca
Other:	Dugbe I, and includes the Group's mining and exploration interests

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

The segment information provided to the Executive Committee for the reportable segments for the six months ended 30 June 2021 is as follows (noting that total segment operating profit corresponds to operating profit before impairments and revaluations which is reconciled to profit/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 and stream related revenue	10,811	11,411	-	-	22,222
Amortisation and depreciation of royalties and streams	(1,700)	(3,998)	-	-	(5,698)
Mineral streams cost of sales	-	(767)	-	-	(767)
Operating expenses	(2,346)	(83)	-	(2,600)	(5,029)
Total segment operating profit/(loss)	6,765	6,562	-	(2,600)	10,728
Total segment assets	130,966	363,639	17,327	20,033	531,965
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	164,069	-	7	164,076
Total segment liabilities	23,637	133,634	3,226	15,921	176,418

The segment information for the six months ended 30 June 2020 is as follows:

	Australia Royalty $'000	Americas Royalty $'000	Europe Royalty $'000	All other segments $'000	Total $'000
Royalty related revenue	17,265	5,142	-	-	22,407
Amortisation of royalties	(1,448)	(1,996)	-	-	(3,444)
Operating expenses	(2,624)	-	-	(1,628)	(4,252)
Total segment operating profit/(loss)	13,193	3,146	-	(1,628)	14,711
Total segment assets	153,926	177,431	8,020	21,412	360,789
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-
Total segment liabilities	31,567	42,958	810	17,919	93,254

The segment information for the twelve months ended 31 December 2020 is as follows:

	Australia Royalty $'000	Americas Royalty $'000	Europe Royalty $'000	All other segments $'000	Total $'000
Royalty and stream related revenue	27,786	15,868	-	-	43,654
Amortisation and depreciation of royalties and streams	(3,039)	(4,048)	-	-	(7,087)
Operating expenses	(4,300)	-	-	(3,919)	(8,219)
Total segment operating profit/(loss)	20,447	11,820	-	(3,919)	28,348
Total segment assets	143,494	193,497	7,454	46,221	390,666
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	9	9
Total segment liabilities	27,609	64,521	605	4,445	97,180

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 $10.8m (2020: $17.3m) is substantially derived from the Kestrel royalty, which generated $9.6m for the six months ended 30 June 2021 (2020: $15.1m). The royalty and stream related income derived from the Kestrel royalty represent greater than 10% of the Group's revenue for the six months ended 30 June 2021 and 30 June 2020.

The royalty related income from the Americas for the six months ended 30 June 2021 of $11.4m (2020: $5.1m) is substantially derived from the Voisey's Bay metal stream sales of $3.1m (2020: nil), Mantos Blancos royalties of $2.8m (2020: $1.5m) and dividends received from the Group's investment in LIORC of $2.3m (2020: $2.6m). The royalty and stream related income derived from the Group's Voisey's Bay metal stream, Mantos Blancos royalty and investment in LIORC each represent greater than 10% of the Group's revenue for the six months ended 30 June 2021. For the period ended 30 June 2020, only the royalty and stream related revenue from the Group's investment in LIORC represented greater than 10% of the Group's revenue.

18 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.

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.

	2021 $'000	Free cash flow per share c
Net cash generated from operating activities		
Net cash generated from operating activities for the period ended 30 June 2021	17,787	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	1,694	
Finance costs	(7,951)	
Free cash flow for the period ended	11,530	6.08c

	2020 $'000	Free cash flow per share c
Net cash generated from operating activities		
Net cash generated from operating activities for the period ended 30 June 2020	10,463	
Adjustment for:		
Finance income	61	
Finance costs	(1,178)	
Repayments under commodity related financing agreements	499	
Free cash flow for the period ended	9,845	5.45c

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

	30 June 2021	30 June 2020
Weighted average number of shares in issue	189,502,818	180,644,312

19 Portfolio contribution

Portfolio contribution represents the funds received or receivable from the Group's underlying royalty and stream related assets. A number of the Group's royalty financing arrangements result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. In addition, following the adoption of IFRS 9, royalty receipts from those royalty financial instruments classified as FVTPL such as EVBC, are no longer recognised in the income statement. The Group considers total portfolio contribution as a means of assessing the overall performance of the Group's underlying royalty related assets.

Portfolio contribution is royalty and stream related revenue (note 2), less metal stream cost of sales, plus royalties received or receivable from royalty financial instruments carried at FVTPL (note 10) and principal repayment received under the Denison financing agreement (note 13) as follows:

	Six months ended 30 June 2021 $'000	Six months ended 30 June 2020 $'000
Royalty and stream related revenue (note 2)	22,222	22,407
Royalties due or received from royalty financial instruments (note 10)	1,592	1,194
Repayments under commodity related financing agreements (note 13)	-	499
Metal streams cost of sales	(767)	-
	23,047	24,100

Metal streams costs of sales represent the cost of cobalt purchases under the Voisey's Bay stream agreement, marketing costs and insurance. The cost of cobalt purchases is 18% of an industry cobalt reference price until the original upfront amount paid for the stream, by its original holder, of US$300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter.

20 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 2021 $'000	31 December 2020 $'000	30 June 2020 $'000
Investment property (held at fair value)			
Coal royalties (Kestrel)	65,385	76,268	93,045
Fair value through other comprehensive income			
Royalty financial instruments	39,111	90,672	79,822
Mining and exploration interests	8,118	10,946	6,816
Fair value through profit or loss			
Royalty financial instruments	23,793	9,251	9,019
Cash at bank and on hand	14,556	27,513	6,619
Financial assets at amortised cost			
Trade and other receivables	30,901	34,952	27,548
Financial liabilities at amortised cost			
Trade and other payables	197	63	311
Borrowings	123,500	60,767	55,728
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	-	-	164
Contingent consideration	4,137	-	-

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 2021, the Group had borrowings of $123.5m (31 December 2020: $60.8m; 30 June 2020: $55.7m) cash and cash equivalents of $14.6m (31 December 2020: $27.5m; 30 June 2020: $6.6m). Subsequent to the period ended 30 June 2021, the Group repaid $2.5m and subject to continued covenant compliance, the Group continued to have access to a further $29.0m through its secured $150.0m revolving credit facility.

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

Foreign exchange risk
The Group's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. With royalty income from Kestrel and Narrabri accounting for over 48% of the Group's income (30 June 2020: 76%), the Group's primary foreign exchange exposure is to the Australian dollar, which these royalties are denominated in. In addition to the Group's exposure to the Australian dollar, it is also exposed to the Canadian dollar through the royalty related revenue from LIORC and McClean Lake which is denominated in Canadian dollars and accounted for 16% of the Group's income (30 June 2020: 17%).

The Group's hedging policy allows foreign exchange forward contracts to be entered into with a maximum exposure of 70% of forecast Australian and Canadian dollar denominated royalty revenue expected to be received during a period not exceeding 12 months from contract date to settlement. There were no outstanding forward contracts at 30 June 2021 (30 June 2020: fair value loss $164,000).

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 2021:

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	65,385	65,385
Royalty financial instruments	(b)	39,111	-	23,793	62,905
Mining and exploration interests - quoted	(c)	5,311	-	-	5,311
Mining and exploration interests - unquoted	(d)	-	2,807	-	2,807
Liabilities					
Derivative financial instruments	(e)	-	-	-	-
Contingent consideration	(f)	-	-	(4,137)	(4,137)
Net fair value		44,422	2,807	85,041	132,271

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

Group	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	93,045	93,045
Royalty financial instruments	(b)	79,822	-	9,019	88,842
Mining and exploration interests - quoted	(c)	6,450	-	-	6,450
Mining and exploration interests - unquoted	(d)	-	366	-	366
Liabilities					
Derivative financial instruments	(e)	-	(164)	-	(164)
Net fair value		86,272	202	102,064	188,538

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2020:

Group	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets					
Coal royalties (Kestrel)	(a)	-	-	76,268	76,268
Royalty financial instruments	(b)	90,672	-	9,251	99,923
Mining and exploration interests - quoted	(c)	8,172	-	-	8,172
Mining and exploration interests - unquoted	(d)	-	2,774	-	2,774
Liabilities					
Derivative financial instruments	(e)	-	-	-	-
Net fair value		98,844	2,774	85,519	187,137

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 2020: 6.5% and 31 December 2020: 6.5%) 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 7.5% and 30%. The discount rate of each royalty arrangement is derived using a capital asset pricing model specific to the underlying project, making reference to the risk-free rate of return expected on an investment with the same time horizon as the expected mine life, together with the country risk associated with the location of the operation.

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

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

		30 June 2021		31 December 2020		30 June 2020	
	Classification	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**
EVBC	Fair Value through Profit or Loss	7.5%	100%	6.5%	100%	7.0%	100%
Dugbe 1	Fair Value through Profit or Loss	30.0%	75%	30.0%	75%	30.0%	75%
McLean Lake	Fair Value through Profit or Loss	7.5%	50%	6.5%	50%	5.5%	50%
Piaui	Fair Value through Profit or Loss	13.5%	50%	13.5%	25%	13.5%	25%

The Group has reviewed the impact on the carrying value of its royalty financial instruments, and does not consider a +/- 1% change in the discount rate or a +/- 10% change in the underlying commodity prices to have a material impact.

(c) Mining and exploration interests – quoted

All the quoted mining and exploration interests have been issued by publicly traded companies in well-established security markets. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(d) Mining and exploration interests – unquoted

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

(e) Derivative financial instruments

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

(f) Contingent consideration

Contingent consideration relates to the acquisition of the Voisey's Bay metal stream completed on 11 March 2021 (note 9). For the period from completion date until 30 June 2025, the Group may become liable for additional consideration payments determined by reference to minimum production thresholds and cobalt prices. This contingent consideration has been classified as a financial liability that is carried at fair value based on the net present value of the discounted future cash outflows estimated based on forward looking cobalt prices and expected production volumes. The financial liability in relation to the contingent consideration will be remeasured at each reporting date, with movements recognised in carrying value of metal stream and depreciated over the period to 30 June 2025 during which payments may fall due.

Fair value measurements in Level 3

The Group's financial assets and liabilities 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 2021.

	Royalty financial instruments $'000	**Coal royalties (Kestrel) $'000**	**Contingent Consideration $'000**	**Total $'000**
At 1 January 2021	9,251	76,268	-	85,519
Revaluation gains or losses recognised in:				
Income statement	16,315	(9,132)	-	7,183
Royalties due or received from royalty financial instruments	(1,592)	-	-	(1,592)
Acquisition of metal stream (note 9)	-	-	(4,137)	(4,137)
Foreign currency translation	(181)	(1,752)	-	(1,933)
At 30 June 2021	23,793	65,385	(4,137)	85,041

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2020.

	Royalty financial instruments $'000	Coal royalties (Kestrel) $'000	Total $'000
At 1 January 2020	10,634	127,136	137,770
Revaluation gains or losses recognised in:			
Income statement	126	(30,202)	(30,076)
Royalties due or received from royalty financial instruments	(1,194)	-	(1,194)
Foreign currency translation	(547)	(3,889)	(4,436)
At 30 June 2020	9,019	93,045	102,064

The following table presents the changes in Level 3 instruments for the year ended 31 December 2020.

	Royalty financial instruments $'000	Coal royalties (Kestrel) $'000	Total $'000
At 1 January 2020	10,634	127,136	137,770
Revaluation gains or losses recognised in:			
Income statement	1,134	(56,740)	(55,606)
Royalties due or received from royalty financial instruments	(2,967)	-	(2,967)
Foreign currency translation	450	5,872	6,322
At 31 December 2020	9,251	76,268	85,519

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.

21 Related party transactions

The Group received £40,803 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 2021 (2020: £19,041). As at 30 June 2021, Audley Capital Advisors LLP, had £19,110 outstanding to the Group (31 December 2020: £20,476 and 30 June 2020: £nil).

During the six months ended 30 June 2020, the Group paid Audley Capital Advisors LLP, £1,913 for the reimbursement of travel expenses, there were no payments made during the six months ended 30 June 2021. No amounts were owing to Audley Capital Advisors LLP as at 30 June 2021 (31 December 2020: £nil; 30 June 2020: £nil).

22 Share-based payments

On 11 March 2021, certain employees exercised 300,000 options under the Company's Unapproved Share Option plan. The exercise of these option was settled through the use of 300,000 ordinary shares of 2p each held in treasury (refer to note 16).

Upon the exercise of the options, $0.2m (net) was recycled from the Group's share-based payment reserve and investment in own shares to retained earnings.

On 15 June 2021, the performance period for awards granted in 2014 and 2016 under the Group's Value Creation Plan ended with applicable performance conditions not having been met and the awards lapsing in full. As a result, $6.4m was released from the Group's share-based payment reserve to retained earnings.

23 Contingent Liabilities

On 2 March 2020, the Group together with Orion Mineral Royalty Fund LP – Series 1 and Orion Mineral Royalty Fund LP – Overflow Series 1 (collectively "Orion"), entered into a financing agreement with Incoa Performance Minerals LLC and certain of its affiliates ("Incoa") which will fund the construction of Incoa's calcium carbonate mine and associated infrastructure in the Dominican Republic as well as a processing facility located in Mobile, Alabama, in the United States of America.

The financing agreement is structured into two tranches, with Tranche 1 proceeds financing the project through construction and into production. Orion funded Tranche 1 in full in the first half of 2020.

The Group's $20 million Tranche 2 commitment follows construction completion when the operation is in production and generating cash flow, and will provide Incoa with additional capital to bring its ground calcium carbonate products to market. Under the terms of the financing agreement, the Group is entitled to receive quarterly payments of approximately 1.23% of Incoa gross revenue following funding of the Anglo Pacific Tranche 2 Commitment.

The Tranche 2 Commitment is subject to a number of conditions, including Incoa's successful construction and operation of the project, which is expected to achieved in early 2022. As the Group's requirement to fund Tranche 2 is dependent upon the successful construction and operation of the project, a liability has not been recognised on the balance as at 30 June 2021.

24 Events occurring after period end

On 12 July 2021, Berkeley Energia announced that the Board of the Nuclear Safety Council had issued an unfavourable report for the grant of the authorisation for construction, required to commence construction of the uranium concentrate plant at the Salmanca project, over which the Group has a 1% NSR royalty. In subsequent announcements on 23 July 2021 and 5 August 2021, Berkeley Energia outlined the steps its is taking to overturn the unfavourable decision by the Nuclear Safety Council and that in accordance with Spanish administrative law a hearing process in relation to the decision has been opened.

The unfavourable report from the Nuclear Safety Council and Berkeley Energia's response were considered in the assessment for indicators of impairment as at 30 June 2021, and it was concluded that until the outcome from the hearing is known, the production probability factor of 50% as detailed in note 20, remains appropriate and no impairment charge has been recognised as at 30 June 2021. The carrying value of the Salamanca royalty is $3.2m as at 30 June 2021.

25 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.

Responsibility statement

The Directors are responsible for preparing the Interim Results for the six months ended 30 June 2021 in accordance with applicable law, regulations and accounting standards. In preparing the condensed interim Financial Statements, the Directors are responsible for ensuring that they give a true and fair view of the state of affairs of the Group at the end of the period and the profit or loss of the Group for that period, as required by DTR 4.2.4.

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

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

The Directors are listed in the Group's 2020 Annual Report and Accounts. A list of the current Directors is maintained on the Anglo Pacific website: www.anglopacificgroup.com. The maintenance and integrity of this website is the responsibility of the Directors.

On behalf of the Board

J.A. Treger
Chief Executive Officer
24 August 2021

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 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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

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

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

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

Use of our report
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.

Deloitte LLP
Statutory Auditor
London, United Kingdom
24 August 2021