News Release

07 April 2020

Anglo Pacific Group PLC
Results for the year ended 31 December 2019
and 32% increase in recommended final dividend

Anglo Pacific Group PLC ('Anglo Pacific', the 'Company' or the 'Group') (LSE: APF) (TSX: APY) is pleased to announce its full year results for the year ended 31 December 2019, representing a record year for income. The Company has also published its audited 2019 Annual Report and Accounts, which are available on the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com. The following statement should be read in conjunction with the audited financial statements.

Background
We are presenting this set of full year results amid the unprecedented global humanitarian and economic crisis caused by the COVID-19 pandemic. Along with the rest of the business community, we are focused on securing the safety of our employees and are mindful of the economic impact that we are likely to experience in the coming months.

Whilst it is very difficult to make forward looking statements or predictions with any great certainty, we believe that the impact of COVID-19 will be a temporary disruption and will ultimately pass. In the meantime, we have stress tested our business model to assess what the impact would be under several downside scenarios. Overall, we consider that Anglo Pacific is well positioned to withstand the challenges ahead, given the strength of our financial position and the diversity of our royalty portfolio.

2019 Portfolio Highlights

	2019 £m	YoY %	2018 £m	2017 £m	2016 £m	2015 £m
Kestrel	37.0	13.5%	32.6	28.8	13.1	3.6
Maracás Menchen	2.8	(52.5%)	5.9	2.0	0.8	0.6
Narrabri	4.0	14.3%	3.5	4.9	4.3	3.2
Mantos Blancos	1.0		-	-	-	-
Four Mile	0.3		0.1	-	0.3	-
EVBC*	-		-	1.7	1.2	1.3
Royalty income	**45.1**	**7.1%**	**42.1**	**37.4**	**19.7**	**8.7**
Dividends - LIORC and Flowstream	8.7		1.9	-	-	-
Interest - McClean Lake & Jogjakarta	1.9	(9.5%)	2.1	2.2	0.3	0.2
Royalty related revenue	**55.7**	**20.8%**	**46.1**	**39.6**	**20.0**	**8.9**
EVBC*	2.2	10%	2.0	-	-	-
Principal repayment - McClean Lake**	1.6	23%	1.3	3.0	-	-

Total portfolio contribution	**59.5**	**20.4%**	**49.4**	42.6	20.0	8.9

* 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.
** The McClean Lake principal repayment in 2017 included £1.8m relating to tolling receipts from H2 2016

Financial Highlights

- Record £55.7m in royalty related revenue, an increase of 21% on the previous record of £46.1m earned in 2018 driven by a strong performance at Kestrel
- Total portfolio contribution increased by 20% to £59.5m, or ~US$75m
- 21% increase in operating profit to £44.8m (2018: £37.1m) despite continued investment in the business which saw operating expenses rise to £7.1m
- Profit after tax, which includes valuation and impairment charges, in line with previous year of £29.0m resulting in basic earnings per share of 16.06p (2018: £28.8m and 15.97p)
- 13% increase in adjusted earnings[1] per share to 20.41p (2018: 18.02p)
- Net debt at the year-end of £28.8m (2018: net cash £3.1m) reflecting the £62.6m of acquisitions made during the year along with £14.4m of dividend payments
- Recently announced refinancing of the Group's borrowing facility to increase commitments from US$60m to US$90m, the retention of a US$30m accordion option and a twelve-month extension

Dividend update based on record performance and investment in 2019

- Recommended 32% increase in the final dividend for 2019 to 4.125p, which is in line with previous guidance. If approved at the 2020 AGM, it will be paid shortly thereafter
- Along with the 4.875p of interim dividends already paid in respect of 2019, the final dividend would bring the total dividend for 2019 to 9.00p, a 12.5% increase on that of 2018
- The Company will no longer be holding its 2020 Annual General Meeting on 11 May 2020 as originally intended given the current circumstances surrounding COVID-19. We are currently working to ensure that our 2020 AGM can be held as soon as reasonably practical and a separate announcement will be made shortly confirming the new AGM date, as well as a revised record and payment date for the final dividend

Operating Highlights

- US$75m (£62.6m) of income producing royalties acquired during 2019, a record level of investment and financed from the Group's balance sheet
- Kestrel operator achieved a 42% increase in saleable coal production, exceeding its 40% target, resulting in a record year of royalty income for the Group
- Income of £8.0m from LIORC was the Group's second largest source of revenue and, based on the investment made in 2018 represented a 16% yield in 2019
- Record production levels achieved at Maracas Menchen, with the expansion plan on track although the significant decrease in the vanadium price impacted revenue
- Post period-end, US$20m financing agreement entered into with Incoa Performance Minerals, diversifying our portfolio into industrial minerals

Outlook

- Refined investment strategy recently announced, with the Group committing to no further investment in thermal coal

- Further volume growth expected from the portfolio in 2020 subject to any impact of COVID-19 on business operations
- Kestrel owners are targeting a further 6.5% increase in saleable coal production in 2020
- Maracas operator is targeting further growth in 2020 following the completion of its plant expansion project in H2 2019
- Full year of revenue to come from the Group's Mantos Blancos royalty (only four months included in 2019)
- Further £5.7m LIORC addition in Q1 2020, representing the reinvestment of dividend income, taking our total stake to 7% and providing further source of revenue for 2020
- In excess of £60m (~US$75m) of available liquidity under the refinanced borrowing facility to finance growth opportunities

COVID-19 update

- Business as usual for Anglo Pacific with all staff members working remotely and investment opportunities being pursued
- No operational restrictions in force at Kestrel at the time of writing
- EVBC and McClean Lake have announced short-term shutdowns of two and four weeks respectively - based on 2019 results this would have represented 1% of portfolio contribution
- IOC has temporarily halted production of two (out of six) pellet machines in response to a slowdown in demand for pellets, adjusting production to meet increased demand for 65% Fe concentrate. In addition, the Quebec government has directed a reduction in activities from the port where the product is shipped to a minimum. The potential impact of these measures on sales prices and volumes is unclear at this time
- Spot prices of the commodities which underpin the Group's revenues have held up well thus far in 2020
- Currencies have remained volatile following unprecedented Government and Central Bank intervention, but at present the impact of a weakening Australian dollar has positive implications for the Kestrel weighted average royalty rate (assuming constant coal prices)
- Effective hedging program in place during 2019 which will benefit 2020 cashflow with ~A$33m contracted forward in 2020 at an average rate of GBP:AUD of 1.86 vs spot of 2.02

Julian Treger, Chief Executive Officer of Anglo Pacific, commented:
"Anglo Pacific enjoyed a very successful 2019, with a record level of investment and portfolio contribution. We are pleased to recommend a full year dividend for the year of 9p, consistent with our previous statement that it would not be less than this level despite the ongoing and ever evolving market turmoil. This means that we are proposing a final dividend of 4.125p, a 32% increase on the 2018 final dividend. At the current share price the dividend, which is over 2.3x covered, represents a very healthy income yield.

The most material mines from which we generate the majority of our revenue remain in production and are able to ship and sell. We have seen some instances of COVID-19 related shutdowns at EVBC and McClean Lake which are currently expected to last for between two to four weeks. We would expect to see production volume growth in the year ahead absent any further shutdowns.

Market conditions are very challenging for conventional mining finance, and this will see the environment for raising capital becoming much more difficult and perhaps prohibitively expensive. This should increase *the demand for alternative financing, and we will look to prudently put capital to work, financed from our recently upsized revolving credit facility.*

We at Anglo Pacific look long-term in respect of our strategy and strongly believe that climate change is an important issue facing the planet. The mining industry will be part of the climate change solution, providing the commodities needed to implement the technology which will allow the world to reduce dependence on fossil- based energy. We have aligned our investment focus accordingly and have committed not to increase our exposure to thermal coal through any new investment.

Our business remains in sound financial health, with leverage ratios of less than 0.7x, no material capital commitments, and debt maturity extended for a further twelve months to September 2022. We remain focused on growing our business in the year ahead."

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

[2] Free cash flow is the net increase/(decrease) in cash and cash equivalents prior to core acquisitions, equity raising and changes in the level of borrowings.

Analyst and Investor presentation

There will be an analyst and investor presentation via conference call and webcast at 9:30am (GMT) on 07 April 2020. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Juan Alvarez (Head of Investments).

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

Company Name	Anglo Pacific
Event Conference Title	Anglo Pacific - Results Presentation
Time Zone	Dublin, Edinburgh, Lisbon, London
Start Time/Date	09:30 Tuesday, 07 April 2020
Duration	60 minutes

Location	**Phone Number**
United Kingdom	0800 358 6377
International	+44 (0)330 336 9126

Confirmation Code 2039710

Webcast Link https://webcasting.brrmedia.co.uk/broadcast/5e860c5631da814c9fc676ad

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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.

Cautionary statement on forward-looking statements and related information

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

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

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

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

Third party information

As a royalty and streaming company, the Group often has limited, if any, access to non-public scientific and technical information in respect of the properties underlying its portfolio of royalties and investments, or such information is subject to confidentiality provisions. As such, in preparing this announcement, the Group has largely relied upon the public disclosures of the owners and operators of the properties underlying its portfolio of royalties and investments, as available at the date of this announcement. This announcement contains information and statement relating to the Kestrel mine that are based on certain estimates and forecasts that have been provided to the Group by Kestrel Coal Pty Ltd ("KCPL"), the accuracy of which KCPL does not warrant and on which readers may not rely.

Chairman's Statement

In these challenging times it would be easy to overlook the fact that 2019 was a record year for Anglo Pacific with portfolio contribution increasing by 20% to £59.5m (or ~US$75m). We also deployed a record £62.6m of capital in income producing royalty assets.

The outbreak of COVID-19 is a very significant humanitarian and economic event facing many countries and businesses. It has become clear that the combination of supply chain disruption, widespread travel restrictions and the lock down of many conurbations will result in a significant economic slowdown if not recession in the months ahead. The additional factor of a price war between major oil producers has added to the negative pressures.

Despite the severe disruption, there are some positives for Anglo Pacific in that the prices of the commodities from which the majority of our revenue is derived have held up well thus far this year. Furthermore, as of writing, we understand that there has not been any significant disruption reported by the majority of the operators of the mines from which we generate our royalty income, with Kestrel thus far unaffected. We have seen temporary shutdowns at EVBC and Cigar Lake (from which we earn a toll revenue) for a two and four week period respectively which would have represented less than 1% of our 2019 portfolio contribution. We are encouraged that the countries from which our material royalty revenue is derived, namely Australia and Canada, classify mining activity as a key economic activity and it is likely that every effort will be made to keep these businesses operational but naturally this could change depending on localised outbreaks of the virus which could see restrictions being imposed.

In this period of huge uncertainty, it is very difficult to make forward looking statements or predictions with any great certainty. However, we believe that the impact of COVID-19 will be a temporary disruption and will ultimately pass. In the meantime, we have stress tested our business model to understand what the impact would be under several shut down scenarios, as discussed in the Going Concern statements in this report.

We take comfort from the geographic diversification of our portfolio and that our revenue derives from multiple royalties. Importantly, the Group has a low level of gearing, with a leverage ratio of under 0.7x at December 2019 and no amortisation or deleveraging commitments. We remain in strong financial health and continue to look for growth opportunities despite the macro economic turmoil going on around us. With the cost of equity having increased significantly of late, we would anticipate opportunities arising as we move forward in 2020.

Given the strength of the cash flow we generated during 2019, and despite recent events, we are pleased to propose an increase in the full year dividend to 9p in line with our previous guidance, which would represent a 32% increase in the final dividend to 4.125p should it be approved by shareholders at the 2020 AGM. With access to liquidity and with market conditions being favourable for deal flow given the significant recent increase in the cost of capital for many, we believe that we are well placed to continue delivering on our growth strategy in the year ahead.

Although the threat posed by COVID-19 is serious and will impact on many economies, it should eventually pass. It is rightly consuming the focus of all governments, central banks and investors at present. However, the other longer-term priority is how the world responds to the threat posed by climate change. This remains at the forefront of our minds as we enter 2020 and we have recently refined our approach to this as discussed below.

2019 Performance

Our record year of portfolio contribution is attributable to both organic growth and income from the £62.6m (~US$75m) of acquisitions undertaken during the year. Allowing for a modest increase in costs associated with investment in business development, our profit after tax is in line with the previous year at £29.0m, resulting in earnings per share of 16.06p. When valuation and other non-cash items are removed, our underlying adjusted earnings per share increased by 13% to 20.41p.

At the beginning of 2019 we noted the owners of Kestrel were targeting a 40% increase in volume output for the year. Whilst this seemed ambitious at the time, we were very pleased to see that during the year a 42% increase in saleable coal production was achieved resulting in a 13% uplift in revenue from our royalty, despite pricing pressure.

Continuing our growth strategy during the year, we added two income producing royalties to our portfolio, representing a capital allocation ratio of 4:1 towards growth. The highlight for the year was the acquisition of a £42.3m (~US$50m) royalty over the Mantos Blancos copper project in Chile. Copper is a commodity which we have sought for several years and is a material which will play an increasingly significant role in developing the technology to enable the ongoing electrification movement. This will be an important part of the climate change solution in the years ahead.

We recently increased our financing capabilities by negotiating an increase in our committed lending facilities from US$60m to US$90m whilst retaining the option of a further US$30m through an accordion feature. Total potential borrowing lines now stand at US$120m of which some US$75m is available to finance future acquisitions.

Dividend

On the back of another record year, we have recommended that the final dividend be 4.125p, a 32% increase on the 2018 final dividend. Should this be approved at the 2020 AGM, the total dividends for 2019 would be 9p, an increase of 12.5% on the 8p paid in 2018. We believe that this level of dividend rewards the continued support of our shareholders whilst also allowing us to invest in growth opportunities which are essential for the long-term future of the business.

Refined Strategy and ESG

The Company has refined its strategy to move towards lighter, greener materials, which encompass environmental benefits. Many of these materials form part of the new wave of technologies around electrification, including renewable energy. Examples include higher quality iron ore pellets enabling improved energy efficiency by steel mills, base materials linked to energy storage or power transition, specialist alloying materials like niobium, vanadium and aluminium and battery materials like lithium, cobalt and nickel.

Anglo Pacific has been focused on environmental, social and governance (ESG) matters for some time. We have recently been engaged, with the help of expert consultants, in updating our policies and practices such that we ensure we operate to the highest standards. This is more fully described later in this Annual Report.

The acquisitions we have undertaken during the year are representative of the transactions we intend to pursue in the future, with commodities that will make a positive contribution towards climate change solutions - (Mantos) or those which are purer and more energy efficient (LIORC - premium iron ore pellet). As we have recently announced, the Group will not make any additional investments in thermal coal and with the Kestrel depletion now accelerating we would expect our coal contribution to be very low in five years' time.

We are enthusiastic about our ability to play a positive role by implementing our refined strategy and financing those commodities which will be essential in delivering the technology required to reduce dependence on fossil fuel and ultimately improve the planet.

Board

We were delighted to announce the appointments of Graeme Dacomb, Jim Rutherford as Non-Executive Directors and Kevin Flynn as an Executive Director to the Board during the year.

Graeme was a partner at Ernst and Young for 26 years where, for his last twelve years, he was a lead partner in the extractive industry. He brings a wealth of finance, governance and risk analysis experience to the Board. In June 2019, he was appointed as a non-executive director of Ferrexpo plc and chair of its audit committee.

Jim has over 25 years' experience in investment banking and investment management and brings capital markets expertise and an in-depth knowledge of the mining industry to the Board. He is an independent non-executive director of Anglo American plc, deputy chairman of Centamin plc, and independent non-executive director of GT Gold Corp.

Kevin has been with Anglo Pacific since 2012 as Chief Financial Officer and Company Secretary and his appointment to the Board is in recognition of his strong contribution to the Company.

Following five years of service on the Board, David Archer stepped down as a Non-Executive Director as of 1 November 2019 in order to focus on his other business interests. David was instrumental in assisting the Company through its considerable growth, particularly with his perspectives from his experience in the international mining industry.

We recently announced that Mike Blyth will retire from the Board after the forthcoming AGM. Mike joined the board as a Non-Executive Director in March 2013 and served as Chairman from April 2014 to May 2017. He was instrumental in establishing the current board structure and alignment with governance requirements and assisting the Company through its considerable growth.

I would like to express my sincere thanks to both Mike and David for their enormous contribution to the Company and their wise advice over the years. We all wish them well. They will be missed.

Following Mike's retirement, Vanessa Dennett will assume the Chair of the Remuneration Committee and Graeme Dacomb will assume the Chair of the Audit Committee. Jim Rutherford has assumed the role of Senior Independent Director.

We have resolved to establish a Sustainability Committee under the chairmanship of Jim Rutherford, which will be responsible for overseeing compliance with the Group's Environmental, Social and Governance policy and the development, implementation and on-going monitoring of the Group's processes supporting sustainable investment.

The changes listed above leave us with an invigorated and diverse Board with an excellent collection of varied skills and experience, which will be instrumental in determining strategy for the Company and providing guidance and oversight to management. The composition of the Board will be kept under constant review and further changes may be made when appropriate.

I would like to reiterate our commitment to ensuring that we maintain the highest standards in all areas of our business. It is a key responsibility of the Board to set the right tone and guidelines for the Group to operate with integrity and to the highest ethical standards.

Outlook

Despite the recent threat posed by COVID-19 and the resultant economic turmoil, our focus has not changed, and will not change so long as the underlying mining operations from which we generate our royalties suffer no material disruption. We remain committed to building on the significant progress we have made recently in creating a portfolio of royalties which will replace our Kestrel income when mining moves outside of our private royalty area in the next five years. We believe that we are on track to do so.

With a recently upsized borrowing facility available to us to utilise we would expect to see opportunities arise in the near-term for those who have access to capital such as Anglo Pacific. With a refined investment focus and a clear strategy to be part of the climate change solution, along with a well-covered dividend, we are confident that our equity story continues to be appealing to a wide range of stakeholders.

Finally, I would like to thank the Board, the executive team under the leadership of Julian Treger and all staff for their hard work and dedication to the success of Anglo Pacific and its development and growth. We were delighted that this was recognised at the recent 2019 Mines and Money awards when the Company was announced joint winner of the Best Alternative Finance Provider of the Year recognising the great work by our team. We have a first-class management team in place capable of sourcing and delivering the growth we are targeting in the coming years.

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

N.P.H. Meier
Chairman
6 April 2020

Chief Executive Officer's Statement

As the Chairman has noted, the recent COVID-19 pandemic has caused significant market turmoil. This remains largely outside of our control, but the Company is in sound financial health operating well within our banking covenants and with no near-term refinancing pressures. The flight to safe assets has inevitably impacted on the global equity markets. In times of equity sell offs such as these, there is often an opportunity for alternative finance providers to put capital to work and, with our strong balance sheet and access to liquidity, we remain firmly in growth mode as the market conditions move in our favour.

Our strong financial position is largely due to another year of record revenue and investment activity in 2019 as we continued to deliver on our strategy. We posted record portfolio contribution for the second year in a row, added £62.6m (~US$75m) of income producing royalties to our portfolio - financed entirely from our balance sheet - and increased our dividend once again from 8p per share in 2018 to 9p for 2019.

The business and finance reviews will go into further detail on our results, but it is particularly noteworthy that the ambitious 40% volume growth from the operators of Kestrel materialised during the year - a record level of saleable coal production for the mine which bodes well for the coming years.

Although pricing for coking coal and vanadium posted gains in the early part of 2020, the outlook for the year remains uncertain in light of the recent COVID-19 outbreak and its potential to impact on global economic growth, mining operations and commodity demand. At present, we are not aware of any significant operational disruptions at the mines from which our material royalty revenue is derived and absent any COVID-19 related restrictions we would anticipate further volume growth to come in 2020, but clearly there is a lot of uncertainty involved in making predictions at present.

Our focus remains on growth, and the recent spike in the cost of capital caused by the COVID-19 pandemic could create opportunities for us to invest our capital in a sector starved of liquidity. It remains business as usual for us in trying to uncover further investment opportunities and our team remains fully operational and active despite having to work remotely.

Kestrel

The accelerated volumes which we are receiving from Kestrel will boost our cash flow in the short term, but will also shorten the expected life of mining within our private royalty land. Replacing the Kestrel revenue has been a clear focus over the past number of years. We have made great progress to date and are confident that we will see opportunities in the coming years not just to replace the Kestrel revenue but to exceed it and create a bigger, more diversified business for our stakeholders.

We would expect, at the current levels of production, that there will be two to three years of very high volumes from Kestrel, following which we would expect volumes to reduce for a further two to three years before tailing off.

We have added ~£20m of annual income, based on 2019 revenue, to our portfolio through acquisitions over the past five years at a cost of ~£190m. To replace the Kestrel income earned in 2019 would require a further £17m of additional annual revenue to be acquired over the next five years. We believe we are on track to do so and add even more, given that we have access to liquidity through our borrowing facilities and we expect to generate significant free cash flow in the coming years. This is in stark contrast to many who operate in the sector, where capital continues to be scarce and alternative financing, including royalties, are becoming more mainstream, which should create further opportunities for the Group.

Acquisitions

We completed £62.6m (~US$75m) of income producing acquisitions in 2019, all financed without needing to raise capital. These transactions, as detailed below, are not only financially accretive to the Company, but are also additive to the quality of the portfolio of royalties which we are building, particularly from an ESG perspective. These acquisitions were made in the second half of the year, so 2020 will see the benefit of a full year of revenue from these acquisitions compared to the partial benefit reported in our 2019 results.

- Mantos Blancos ("Mantos")

  A clear highlight of 2019 was the £42.3m (~US$50m) copper royalty over the Mantos mine in Chile which provides us with our first exposure to copper without having to compromise on our strict investment and ESG criteria.

  Conclusions from the ESG diligence conducted at the time of the acquisition include an environmental mitigation policy which seeks to minimise the mine's environmental impact, and that Mantos has a good safety track record which is underpinned by integrated safety, occupational health, environmental management and quality policies which are applied consistently across the organisation under an Integrated Management System in compliance with the ISO 9001 certification. Mantos produces high grade copper concentrates with low levels of deleterious materials such as arsenic, as well as cathode products which are primarily Grade A 99.99% purity and LME registered. Mantos maintains a dialogue with communities in the areas of its mining operations and seeks to provide targeted economic and social development.

We are confident in the medium-term outlook for copper given the limited new supply coming online and what should be increased demand as the world transitions towards electrification as a means of reducing dependence on carbon intensive energy production. For this reason, we believe that there is a reasonable prospect that copper will perform well over time. Along with ramp up potential at the operation, we believe we identified a good entry point for copper over what will be a mine life in excess of 15 years.

- <u>Labrador Iron Ore Royalty Company ("LIORC")</u>

  In 2018 we announced that we had acquired a 4.28% equity stake in Labrador Iron Ore Royalty Corporation (LIORC). LIORC is a Toronto listed company which holds both a royalty and equity interest in the Labrador Iron Ore (IOC) project. This entitles LIORC to revenue from its 7% gross revenue royalty (along with a small commission) on revenue from the operation, along with dividend income from its equity stake.

  The investment thesis behind this was based on the underlying quality of the premium iron ore pellet product which the operation produces. This is very much in keeping with our view that, over time, cleaner, purer and more efficient commodities will command premium pricing (or conversely, those lower quality products will become unmarketable). High quality iron ore pellets are much more efficient in the production of steel, meaning that steel mills which use iron ore pellets as an input will have a better carbon footprint than those which do not. We believe that a big focus for the steel industry will be on reducing carbon emissions in future years, and high-quality iron ore pellet can greatly assist in this.

  A cornerstone of our ESG agenda is to support those commodities which will contribute towards a cleaner planet. However, the quality of the product will not be sufficient. We must be certain that the mines are operated to the highest standards in respect of safety, environmental impact and social support. This is, in our view, key to ensuring sustainability in mining. Mining operations which source electricity from renewable energy sources, such as the Iron Ore Company of Canada which benefits from access to hydro power generation, are key to reducing the mining industry's carbon footprint

  From a financial perspective, the investment we made in 2018 yielded 16.5% in 2019. Following a decline in the share price in the middle of the year, we identified an opportunity to add to this investment during 2019, acquiring a further 1.83% at a cost of £20.3m (~US$25m), bringing our total investment to £62.6m (~US$75m) for a 6.12% ownership. We have added a further £5.7m (~US$7.5m) in 2020, which represents the reinvestment of the dividend received, taking our holding up to 7%.

  The investment is considered by management to be the part ownership of a royalty given its single exposure to the Labrador Iron Ore project, but the investment was acquired through on market share purchases in the single asset vehicle.

  The LIORC share price has not been immune to the recent global equity sell off, which has resulted in a significant reduction in value on our balance sheet. However, we do not hold this for trading or for capital, our investment is based our income expectation based on the high quality iron ore pellet premium we would expect this operation to generate. As equities are now in many cases undervalued, we consider this to now represent an even more attractive entry price and may choose to selectively increase our exposure as we go through 2020.

- <u>Incoa</u>

  We were pleased to announce our recent participation in the Incoa Financing Arrangement, led by Orion Mine Finance Partners ("Orion") which affords the Company the opportunity to invest $20m into a calcium carbonate project at a point when it is in production and generating a certain level of revenue.

There are various conditions precedent which need to be met before our financing is unconditional so we see this as a de-risked option to invest capital at a time when the operation is successful, and the product has found an end market and is being operated in compliance with our ESG requirements.

The investment would further diversify our portfolio and represent our first exposure to industrial minerals which is less correlated with more cyclical base materials. The operation is located in the Dominican Republic. The product will be shipped untreated to the US where it will be treated at Incoa's processing plant and converted into its final state ready for market. The financing transaction is with Incoa's US parent company.

We are delighted to once again work with Orion (whom we participated with in the Mantos project) and hope to create other co-investment opportunities with them as a means of generating deal flow in the coming years.

Outlook

Ordinarily, the market background would be favourable for our prospects in the year ahead, both from our existing portfolio and also for growth opportunities. However, the outbreak of COVID-19 and its impact on the global economy has created a market environment rarely witnessed before. Global economic growth will be affected and the outlook for capital markets looks highly volatile and uncertain.

Those in the strongest position will be those with access to capital. Having recently announced an upsize and extension to our borrowing facility, along with operating at less than 0.7x levered, we are confident that we are not only in a strong financial position to withstand the current headwinds but to also continue deploying capital into growth opportunities.

We will continue to focus on diversifying our portfolio away from coal, with ESG at the forefront of our strategy going forward. A strong mining industry will be vital in providing the materials to enable the technological change required to reduce the global dependency on carbon generated energy. Mining will ultimately form part of the climate change solution and we will work to promote its virtues by financing the most sustainable operations which produce the materials required for a better world. This will remain our focus in the year ahead.

J.A. Treger
Chief Executive Officer
6 April 2020

2019 was another year of growth for Anglo Pacific, with record income from our royalty portfolio - the third consecutive year of record income. Total portfolio contribution was £59.5m, a 20% increase year on year. This was mainly due to increased volumes from Kestrel during the year as the operator delivered on its target to increase saleable coal production by 40% in the year, achieving an actual increase of 42%.

The story in 2019 was very much volume driven, with record production numbers achieved at Kestrel and Maracas, a recovery at Narrabri following the impact of a fault intrusion during 2018 and EVBC continuing to benefit from ongoing plant efficiencies. Offsetting some of these gains was a softer commodity pricing background, particularly for coking and thermal coal and vanadium following a slowdown in the Chinese economy due to its ongoing trade dispute with the US.

With a low and flexible cost base, our income translates directly to cash. The Group generated free cash flow of £47.7m which, along with utilising our borrowing lines, financed £62.6m of income generating acquisitions and dividends of £14.4m, a capital allocation of 4.3:1 in favour of growth. The level of earnings and cash flow enabled us to once again recommend an increase in dividend for 2019, to 9p per share from 8p in 2018, a 12.5% increase in the total dividend and a 32% increase in the recommended final dividend.

The increased volumes from Kestrel and the revenue generated from the £100.9m (~US$125m) of acquisitions completed over the past two years has significantly increased the Group's borrowing capacity. We negotiated an increase to our borrowing facility from US$60m to US$90m, maintaining a further US$30m accordion option, and extending the maturity by twelve months to September 2022.

The Group ended 2019 with drawn borrowings of £36.5m. This leaves approximately US$75m available to finance further acquisitions, a number which will increase as we generate additional free cash flow during the year. With accelerated volumes from Kestrel, our leverage ratio remains low at under 0.7x.

On a more macro level, currencies continued to be volatile during the year. The pound was marginally weaker against the dollar during 2019 as Brexit uncertainty persisted, although the US dollar was also held back due to ongoing concerns in its economy regarding low inflation and the downward pressure on interest rates. The Australian dollar weakened in the year, against both the US dollar and the pound. The former is important as a weaker Australian dollar impacts favourably on the weighted average royalty rate at Kestrel, and therefore Anglo Pacific benefitted from this rate during the year. This benefit reversed when translating the Australian dollar income back to pounds as the pound was almost 3% stronger in 2019. Currency is discussed further on in this section, particularly in relation to recent market volatility as Central Banks attempt to shield the market from the economic impact of COVID-19.

The outlook for the year ahead was positive for volume growth as we expected further increases from Kestrel, Narrabri, Maracas and a full year of contribution from Mantos and our increased shareholding in LIORC. However, this depends on whether the operations remain free from restrictions being imposed as a result of COVID-19 and its impact on the global demand for our commodities. We have seen minor disruption at EVBC and Cigar Lake with the operators putting a temporary shutdown in place for a period of two and four weeks respectively - shut downs of this nature would only have represented ~1% of our 2019 portfolio contribution which is immaterial to our day to day business.

With a strong balance sheet, modest levels of leverage and no refinancing obligations until Q3 2022 our balance sheet is strong enough to endure a period of COVID-19 related revenue disruption whilst we retain access to liquidity to take advantage of any opportunities which could arise as a result of the recent spike in the cost of capital in the sector.

Income statement

Profit after tax for the year of £29.0m was largely in line with the previous year and resulting in basic earnings per share of 16.06p (2018: 15.97p). The results for both years were impacted by the fair value movement in relation to Kestrel, with a £10.1m surplus being recognised in the Income Statement in 2018 and a £9.2m reduction being recorded in the current year. There was a £1.4m impairment charge recorded in the Income Statement in the year in relation to the Ring of Fire royalty as the royalty remains many years from generating income. Finally, 2018 benefitted from the utilisation of tax losses whereas there was a full tax charge in 2019.

Adjusted earnings

To remove the impact of such volatility and other non-cash items, we present an adjusted earnings measure which, we feel, better represents the underlying trading performance of the Group and is the measure used by the Board in considering dividend levels.

	2019		**2018**
	£'000		**£'000**
Royalty related revenue	55,728	21%	46,104
Receipts from royalty financial instruments	2,166	10%	1,975
Operating expenses - excluding share-based payments	(6,018)	28%	(4,709)
Finance costs	(1,337)	28%	(1,042)
Finance income	34	-58%	82

Net foreign exchange gains/losses	-	-100%	(593)
Other (losses)/income	(165)	-110%	1,656
Tax	(13,560)	23%	(10,991)
Adjusted earnings	36,848	13%	32,483
Weighted average number of shares ('000)	180,544		180,278
	20.41p	**13%**	**18.02p**

Adjusted earnings increased by 13% to £36.8m in 2019 from £32.5m the previous year. This translated into a 13% in adjusted earnings per share to 20.41p in 2019 from 18.02p in 2018. The main reason this increase was the significant increase in volumes from Kestrel as the operators delivered on their ambitious target to increase saleable coal production by 40% in 2019.

Royalty related revenue

The Group's royalty related revenue, is represented by royalties received from Kestrel together with the Group's royalty intangible assets (Narrabri, Maracás Menchen, Mantos Blancos and Four Mile) in addition to the interest received from the Denison financing arrangements and dividends received from the Group's investments in LIORC and Flowstream (both flow through royalty companies).

For the year ended 31 December 2019, the Group recorded its third year of record royalty related revenue, increasing from £46.1m in 2018 to £55.7m in 2019.

Kestrel was once again the single largest contributor to the Group's portfolio, although less concentrated than the previous year owing to the acquisitions we made over the past two years, accounting for 62% (2018: 66%) due to a significant increase in volumes during the year. The £8.0m in dividends received from Group's investment in LIORC became the second largest contributor in the Group's portfolio, driven by a combination of the Group investing a further £20.3m into LIORC and holding its 2018 investment for a full year. There was a significant decline in contribution from Maracás Menchen despite setting record production levels at the mine, the underlying vanadium price fell from an average of U$16.20/lbs achieved in 2018 to U$9.25/lbs in 2019.

Movement in royalty related revenue *http://www.rns-pdf.londonstockexchange.com/rns/9839I_1-2020-4-6.pdf*

As can be seen in the chart above, volume increases were the largest factor behind the increase in 2019, predominantly as a result of significant increases from Kestrel, where the operator delivered on its target to increase volumes by 40% in the year resulting in an uplift in our revenue of £11.7m. In addition, the benefit of a full year of revenue from the LIORC position acquired during 2018, along with further additions in 2019, combined with four months of revenue from Mantos, contributed £7.8m. The benefit of the increased volumes and acquisitions was somewhat offset by lower commodity prices on average during the year.

- Kestrel

  Revenue from Kestrel increased by 13% in the period, as the operator increased its saleable coal production by 42% in the year, meeting its ambitious target to increase production by 40%. Some of this benefit was offset by a lower coal price, particularly in the second half of the year as the Chinese authorities enforced import restrictions at certain ports in an attempt to promote their domestic industry. Our revenue also benefitted from a more favourable AUD:USD exchange rate, which increases the weighted average royalty rate through the ratchet structure. Adaro Energy have announced a target to increase saleable production by a further 6.5% in 2020.

- LIORC

LIORC represents the Group's second largest source of income and has exceeded expectations since we first began acquiring the position in Q2 2018. LIORC is a TSX listed single asset pass through vehicle, whose main income is that from a 7% gross revenue royalty earned from the Labrador Iron Ore mine operated by Rio Tinto. Given its single asset status and closed investment mandate, the position is considered akin to a part ownership of the royalty.

The Group acquired a 4.28% stake in LIORC during H2 2018 at an average on market price of C$24.06 per share. The total dividend paid on this stake during the year was C$4.00 per share, representing a cash yield of 16.6%. This yield reflected the benefit of a one-off distribution of retained cash in Q1 2019 along with iron ore pellet premia remaining well supported as restrictions on Brazilian supply remained in force during 2019. The cash retained in the business in 2018 occurred as management contemplated seeking shareholder approval to increase its investment mandate rather than to continue as a pure pass through vehicle. This strategy was abandoned as it appeared shareholder support would not be forthcoming and so excess cash was then distributed to shareholders.

The Group took advantage of favourable on market prices during the second half of 2019 and increased its stake by a further 2.03%. Including the £5.7m (~US$7.5m) added in the first quarter of 2020 through dividend reinvestment the Group now holds a 7% stake in the business at a cost of £64.4m (~US$82m).

- Narrabri

  Volume recovery at Narrabri led to a 16.2% increase in revenue in the year. Volumes improved as the operator continues to implement solutions related to moving the longwall infrastructure through a localised fault area within the deposit, a geotechnical issue which has hampered production in the previous two years.

  Whitehaven reported a 20% increase in total saleable production in the period to 5.7Mt, although actual sales were higher at 6.2Mt, a 48% increase on sales volumes in 2018. Similar to Kestrel, some of this benefit was reduced by lower average prices received in the period due to a combination of Chinese import restrictions and a period of lower quality coal being extracted at the outer edge of longwall panel 08 prior to changeout.

- Maracás Menchen

  Revenue from Maracas was impacted by the noticeable decline in the vanadium price which began to occur in Q3 2018 and persisted throughout 2019. The price of vanadium reduced from a high of ~US$34/lbs to current levels US$5-6/lbs mainly due to China rowing back on the timetable it is requiring steel manufacturers to increase rebar standards for use in domestic construction.

  When first announced, this change in rebar standard resulted in a rush for strengthening alloys such as vanadium and pushed prices up significantly. The relaxation of certain CSR policies, in some way designed to stimulate heavy industry in the wake of on-going weak Chinese economic performance as a result of trade disputes with the US, lead to excess stock of vanadium and therefore a slowdown in demand for the metal.

  Despite a 4% increase in sales volumes in the year, the impact of the pronounced decline in pricing resulted in a 53% reduction in revenue from the royalty in 2019.

- EVBC

  Although not included in royalty revenue, underlying revenue from EVBC increased by 10% in the period despite slightly lower production due to abnormally high levels of rainfall in November and December. The slight decline in volumes were compensated for by a higher gold price in the period, which has increased further above US$1,600oz thus far in 2020 due to higher demand for safe haven assets.

Orvana are continuing to prioritise efficiency at the plant by targeting higher grades. They are, however, in the meantime continuing to explore options for mine life extension in the surrounding licence area. Having achieved 3.8x payback on the original investment, any mine life extension at this stage is largely a bonus.

- McClean Lake

  Interest earned on the financing arrangement was in line with the previous year. It is the interest portion which is included in the income statement. Income from the financing arrangement should be relatively consistent at C$0.5-0.6m per months as there is no exposure to price fluctuations with the loan being repaid from a toll revenue from throughput from the Cigar Lake uranium mine in Canada.

- Four Mile

  Revenue in the year continued to be impacted by the ongoing legal dispute in relation to the level of deductions permissible under the royalty agreement. The Group is continuing to progress its dispute with Quasar over the allowable deductions, having filed a statement of claim in in the Supreme Court of Western Australia. The initial discovery process was completed in early 2020, and the case was transferred to the commercial and managed case list in February 2020 with further directions expected to be given by the judge appointed to the case in July 2020.

Operating expenses

Excluding the impact of share-based payments, operating expenses were £6.0m in the year, a 28% increase compared to £4.7m in 2018. The main reason for the increase is due to planned investment in additional resources to align with the Group's growth ambition.

The majority of the increase is in relation to staff costs, which increased by £0.7m. This is due to additional headcount in our investment team, as we continue to invest in searching for and appraising new deals. The bonus levels in 2019 were slightly higher due to the Group's record performance and the £62.6m (~US$75m) of acquisitions undertaken.

The Group also incurred an additional £0.3m in aborted deal costs in 2019 as we actively sought to originate larger deals. There were also additional PR & IR costs as we continue to market the Company in North America.

Given the record revenue being generated by the Group, we are continuing to allocate additional resources to growth initiatives, although in most instances we look to recover costs associated with our diligence processes, from our counter parties.

Finance costs

Finance costs increased by £0.3m in the year, largely due to the increased average level of borrowings resulting from the LIORC acquisition in H2 2018 and the Mantos acquisition in H2 2019.

Income tax

In line with the increased revenue generated in 2019, the Group's tax cost increased by 48% in the year, although this is not purely on a like for like basis as H1 2018 benefitted from the utilisation of the remaining Australian tax losses. As such, only 50% of the revenue in 2018 was subject to income tax whereas all of the income in 2019 was taxable.

Dividends

Having taken into account the record year of portfolio contribution, including key metrics such as adjusted earnings per share and free cash flow per share, the Board has recommended increasing the total dividend for the year to 9p, a 12.5% increase on the 8p per share paid in respect of 2018. The Group has paid quarterly instalments of 1.625p per share in the first three quarters, so the final dividend will be 4.125p.

With adjusted earnings per share of 20.41p, the dividend is 2.3 times covered, a similar coverage ratio to that in 2018 achieving a sensible balance of increased returns to shareholders at the same time as reinvesting in growth.

Balance Sheet
Net assets increased from £218m at the beginning of 2019 to £226m at 31 December 2019. The increase in net assets, which is largely due to the preservation of the Kestrel valuation despite record levels of income in 2019, resulted in the closing net assets per share increasing by 4p per share to 124p per share (31 December 2018: 120p).

http://www.rns-pdf.londonstockexchange.com/rns/9839I_2-2020-4-6.pdf

Despite earning £37m of income from Kestrel in 2019, the fair value of the royalty at the end of 2019 only decreased by £13.3m. This is due to a combination of the accelerated volumes being produced from the mine (the operator achieved a 42% increase in saleable coal production in 2019 and is targeting a further 6.5% in 2020) which was not considered at the end of 2018. The accelerated volumes, although shortening the mine life, increase the NPV. Secondly, the underlying AUD:USD exchange rate assumption, which forecasts a weaker Australian dollar in the medium term, serves to increase the weighted average royalty rate.

The Group's investment in LIORC produced a running yield of 16% during the year, which had a favourable impact on net assets as there is no depletion associated with this income being it is determined by the closing share price at the period end. As the asset was acquired through an on market equity purchase in the pass through vehicle, the value of the asset is subject to share price volatility following the recent equity sell off associated with the COVID-19 pandemic as investors turned towards safe assets and currencies. Along with our own share price decline, we have seen the share price of LIORC reduce also. The balance sheet carrying value was based on a year-end price of C$24.62, but following the recent sell off the stock has traded significantly lower.

The Group does not hold this asset for trading or capital appreciation. It is considered to be a royalty asset and its value in use is based on our expectation of royalty income based on our view that the quality of the iron ore being produced will continue to command a premium going forward based on its greater energy efficiency properties in the production of steel, enabling mills to reduce their carbon footprint. It is possible that based on the current share price and our view on longer-term iron ore that we could selectively add to our position at these levels.

The £62.6m (~US$75m) of acquisitions has had no impact on net asset value as these were financed from cash and borrowings.

The Group ended 2019 with £102m of royalty intangible assets, after amortisation of £3.8m and an impairment charge of £1.4m. As the Group's royalty intangible assets are carried on the balance sheet at either the lower of amortised cost or value, any inherent increase in carrying value is not recognised, only impairments. Consequently, the reported net asset position of the Company at the end of 2019 does not reflect the true NAV of the business which, given the constraint on recognising losses and not surpluses, means that this number understates the true value of the business.

Cash and borrowings
The Group generated free cash flow, before acquisitions, dividends and borrowings, of £47.8m during 2019. With opening net debt of £3.1m, this left £44.7m available for the Group to allocate.

http://www.rns-pdf.londonstockexchange.com/rns/9839I_3-2020-4-6.pdf

After dividends of £14.4m in the year, the Group drew down a further £31.4m to finance income producing acquisitions of £62.5m in 2019 leaving net debt of £28.8m at the end of 2019. This represents a capital allocation ratio of 4.3:1 in favour of growth during the year, very much in line with the growth strategy which management is pursuing.

Even with net debt of £28.8m at the end of 2019 the Group operates at leverage of under 0.7x, comfortably below its covenant level of 2x.

Given that the previous borrowing facility was negotiated before the Kestrel operator targeted 40% volume increases, the Group decided to amend its borrowing facility to increase commitments by US$30m and extend the term by twelve months to better reflect its current debt capacity as a result of a higher Kestrel run rate. As such, the Group's borrowing facility now stands at US$90m with a US$30m accordion.

With net debt of £28.8m and projections for further organic volume growth to come from the portfolio and the acquisitions made in 2019 in the year ahead, we expect to have immediate access to ~US$75m to finance growth opportunities, and would expect this number to increase as we generate free cash flow in the months ahead.

However, the outbreak of COVID-19 and subsequent lock down and restrictions on movement of people have heightened the possibility of mining operations being placed on a period of care and maintenance as we have seen with the recent four week shut down announced at Cigar Lake and the two week shutdown at EVBC. We have stress tested our financial models to analyse the impact of receiving no revenue from our portfolio for a period of up to twelve months. Although this is a severe and extreme scenario and viewed as unlikely to happen due to our geographic diversity, the results show that only in a nine and twelve month period would our covenants be breached, and this would only be for a brief period of time. As we would continue to have cash on hand and no material financial commitments or debt redemptions, we consider it reasonable to expect that the banks would be flexible in these circumstances. Our longer-term prospects remain unchanged as any operational disruption would result in the deferral rather than the loss of revenue.

Currency

The Group's results were impacted by both volatility in commodity prices and currencies during the year. The Group does not hedge its commodity prices, as this exposure is what most stakeholders seek through their investment in Anglo Pacific and there is no ready market for hedging coal or iron ore like there is for gold or oil.

The Group does, however, hedge a portion of its currency exposure and mainly does so by selling forward Australian dollars and purchasing sterling. The Group benefitted from the underlying AUD:USD rate during the period, as the Australian dollar remained under pressure in the face of a weaker domestic economy not helped by restrictions on Australian imports into China. With the underlying coal commodities being priced in USD but royalty paid in AUD equivalent, we benefited from a higher level of Australian dollars, particularly at Kestrel where the royalty ratchet varies depending on the Australian dollar price achieved.

We have sold forward ~A$33m in 2020 at a weighted average contract rate of 1.86 to the pound. The current rate is closer to 2.00.

Against this, the Group is also exposed to translation currency by reporting in pounds, which is the currency in which its dividend and majority of costs are incurred. To this extent, the pound appreciated in value against the weaker Australian dollar in the period, although we did put in place an effective hedging program during the period which produced a net benefit of £0.4m in 2019.

Several macro-economic events impacted on currency during 2019, noticeably the protracted Brexit process and downward pressure on the US economy which resulted in bond rates falling over the course of the year. Although the latter did not result in a US recession, the US dollar was held back by lower inflation numbers despite record employment levels, a trend mirrored in the UK economy.

The outlook for currency in 2020 remains mixed. It could be expected that the Australian dollar will weaken further, particularly as its economy is intrinsically linked to China which was heavily impacted by COVID-19 in Q1 2020 and was already showing increased signs of slowing down due to the ongoing US trade dispute and Chinese restrictions on Australian coal imports. The weaker Australian dollar has a favourable impact on our revenue from Kestrel as the AUD:USD rate determines the weighted average royalty rate.

Elsewhere, Central Banks and governments have responded quickly to the economic disruption being caused by COVID-19, by cutting headline interest rates to their historic recent lows and providing unprecedented financial support to markets and those businesses and employees are significantly impacted. The magnitude of the financial support, which in some instances has been projected to be between 10-15% of some economies' GDP, and the increase in government borrowing to support it looks likely to result in lower interest rates for the foreseeable future.

We will continue to keep a close eye on currency as we progress through 2020 but, commodity prices remain the primary price risk which ultimately impacts on profitability and cash flow.

	2019 £'000	2018 £'000
Royalty related revenue	55,728	46,104
Amortisation of royalties	(3,777)	(2,974)
Operating expenses	(7,132)	(6,032)
Operating profit before impairments, revaluations and gains on disposals	**44,819**	**37,098**
Impairment of royalty intangible assets	(1,367)	(2,234)
Revaluation of royalty financial instruments	2,478	(871)
Revaluation of coal royalties (Kestrel)	(9,215)	10,061
Finance income	34	82
Finance costs	(1,337)	(1,042)
Net foreign exchange gains/(losses)	2,703	(593)
Other (losses)/income	(480)	2,043
Profit before tax	**37,635**	**44,544**
Current income tax charge	(12,414)	(8,378)
Deferred income tax credit/(charge)	3,774	(7,373)
Profit attributable to equity holders	**28,995**	**28,793**
Total and continuing earnings per share		
Basic earnings per share	16.06p	15.97p
Diluted earnings per share	15.97p	15.94p

	2019 £'000	2018 £'000
Profit attributable to equity holders	**28,995**	**28,793**
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	(123)	290
Revaluation of mining and exploration interests	923	(12,147)
Deferred taxes relating to items that will not reclassified to profit or loss	(22)	-
	778	**(11,857)**
Items that have been or may be subsequently reclassified to profit or loss		
Deferred tax relating to items that have been or may be reclassified	-	(147)
Net exchange loss on translation of foreign operations	(8,703)	(6,669)
	(8,703)	**(6,816)**
Other comprehensive loss for the year, net of tax	**(7,925)**	**(18,673)**
Total comprehensive profit for the year	**21,070**	**10,120**

	Group	
	2019	**2018**
	£'000	**£'000**
Non-current assets		
Property, plant and equipment	955	22
Coal royalties (Kestrel)	96,419	109,778
Royalty financial instruments	65,801	46,205
Royalty and exploration intangible assets	102,201	71,194
Mining and exploration interests	3,642	2,848
Deferred costs	682	926
Trade and other receivables	17,919	19,335
Deferred tax	3,185	3,261
	290,804	253,569
Current assets		
Trade and other receivables	9,546	10,267
Derivative financial instruments	-	188
Cash and cash equivalents	7,597	5,223
	17,143	15,678
Total assets	**307,947**	**269,247**
Non-current liabilities		
Borrowings	36,401	8,300
Trade and other payables	1,659	575
Deferred tax	30,172	35,156
	68,232	44,031
Current liabilities		
Income tax liabilities	9,821	4,085

Derivative financial instruments	480	-
Trade and other payables	3,700	3,023
	14,001	7,108
Total liabilities	**82,223**	**51,139**
Net assets	**225,714**	**218,108**
Capital and reserves attributable to shareholders		
Share capital	3,629	3,629
Share premium	62,779	62,779
Other reserves	40,352	47,285
Retained earnings	118,954	104,415
Total equity	**225,714**	**218,108**

			Other reserves								
	Share capital £'000	**Share premium £'000**	**Merger reserve £'000**	**Warrant reserve £'000**	**Investment revaluation reserve £'000**	**Share based payment reserve £'000**	**Foreign currency translation reserve £'000**	**Special reserve £'000**	**Investment in own shares £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2018	3,618	61,966	29,134	143	11,727	3,032	22,685	632	(2,601)	88,601	218,937
Adjustment for transition to new accounting standards	-	-	-	-	477	-	-	-	-	(527)	(50)
Restated opening balance	3,618	61,966	29,134	143	12,204	3,032	22,685	632	(2,601)	88,074	218,887
Profit for the year	-	-	-	-	-	-	-	-	-	28,793	28,793
Other comprehensive income:											
Changes in fair value of equity investments held at fair value through other comprehensive income											
Valuation movement taken to equity	-	-	-	-	(11,857)	-	(65)	-	-	-	(11,922)
Deferred tax	-	-	-	-	(147)	-	155	-	-	-	8
Foreign currency translation	-	-	-	-	-	-	(6,759)	-	-	-	(6,759)
Total comprehensive income	**-**	**-**	**-**	**-**	**(12,004)**	**-**	**(6,669)**	**-**	**-**	**28,793**	**10,120**
Transferred to retained earnings on disposal	-	-	-	-	(398)	-	-	-	-	398	-
Dividends	-	-	-	-	-	-	-	-	-	(12,889)	(12,889)
Issue of ordinary shares	11	813	-	-	-	-	-	-	-	-	824
Value of employee services	-	-	-	-	-	1,127	-	-	-	39	1,166

Total transactions with owners of the company	**11**	**813**	**-**	**-**	**(398)**	**1,127**	**-**	**-**	**-**	**(12,452)**	**(10,899)**
Balance at 31 December 2018	**3,629**	**62,779**	**29,134**	**143**	**(198)**	**4,159**	**16,016**	**632**	**(2,601)**	**104,415**	**218,108**
Balance at 1 January 2019	3,629	62,779	29,134	143	(198)	4,159	16,016	632	(2,601)	104,415	218,108
Profit for the year	-	-	-	-	-	-	-	-	-	28,995	28,995
Other comprehensive income:											
Changes in fair value of equity investments held at fair value through other comprehensive income											
Valuation movement taken to equity	-	-	-	-	800	-	-	-	-	-	800
Deferred tax	-	-	-	-	(22)	-	-	-	-	-	(22)
Foreign currency translation	-	-	-	-	-	-	(8,703)	-	-	-	(8,703)
Total comprehensive profit	**-**	**-**	**-**	**-**	**778**	**-**	**(8,703)**	**-**	**-**	**28,995**	**21,070**
Transferred to retained earnings on disposal	-	-	-	-	12	-	-	-	-	(12)	-
Dividends	-	-	-	-	-	-	-	-	-	(14,444)	(14,444)
Value of employee services	-	-	-	-	-	980	-	-	-	-	980
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**12**	**980**	**-**	**-**	**-**	**(14,456)**	**(13,464)**
Balance at 31 December 2019	**3,629**	**62,779**	**29,134**	**143**	**592**	**5,139**	**7,313**	**632**	**(2,601)**	**118,954**	**225,714**

	Group	
	2019	**2018**
	£'000	**£'000**
Cash flows from operating activities		
Profit before tax	37,635	44,544
Adjustments for:		
Finance income	(34)	(82)
Finance costs	1,337	1,042
Net foreign exchange (gains)/losses	(2,703)	593
Other losses/(income)	480	(2,043)
Impairment of royalty and exploration intangible assets	1,367	2,234
Revaluation of royalty financial instruments	(2,478)	871
Royalties due or received from royalty financial instruments	2,166	1,975
Revaluation of coal royalties (Kestrel)	9,215	(10,061)
Depreciation of property, plant and equipment	224	26
Amortisation of royalty intangible assets	3,777	2,974
Amortisation of deferred acquisition costs	13	202

Share based payment	1,114	1,323
	52,113	43,598
Decrease/(Increase) in trade and other receivables	2,106	(1,554)
Increase/(Decrease) in trade and other payables	718	(650)
Cash generated from operations	54,937	41,394
Income taxes paid	(7,851)	(4,482)
Net cash generated from operating activities	**47,086**	**36,912**
Cash flows from investing activities		
Proceeds on disposal of mining and exploration interests	321	612
Proceeds on return of capital from mining and exploration interests	-	827
Purchase of property, plant and equipment	(9)	(4)
Purchase of royalty and exploration intangibles	(42,284)	-
Proceeds from royalty financial instruments	-	1,720
Purchases of royalty financial instruments	(20,287)	(38,408)
Repayments under commodity related financing agreements	1,577	1,276
Prepaid acquisition costs	-	(34)
Finance income	34	82
Net cash used in investing activities	**(60,648)**	**(33,929)**
Cash flows from financing activities		
Drawdown of revolving credit facility	44,951	17,300
Repayment of revolving credit facility	(14,225)	(9,000)
Proceeds from issue of share capital	-	75
Dividends paid	(14,444)	(12,889)
Lease payments	(199)	-
Finance costs	(1,074)	(1,264)
Net cash from/(used in) financing activities	**15,009**	**(5,778)**
Net increase/(decrease) in cash and cash equivalents	**1,447**	**(2,795)**
Cash and cash equivalents at beginning of period	**5,223**	**8,099**
Effect of foreign exchange rates	927	(81)
Cash and cash equivalents at end of period	**7,597**	**5,223**