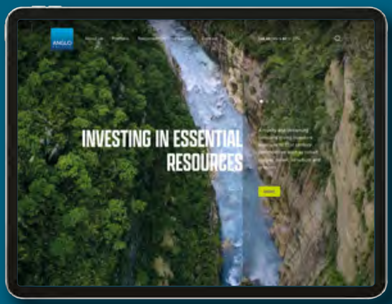
A RECORD YEAR

ANGLO PACIFIC GROUP PLC

2021 ANNUAL REPORT & ACCOUNTS

NEW APG WEBSITE...

www.anglopacificgroup.com



WHAT'S INSIDE...

PERFORMANCE MEASURES

Throughout this report a number of financial measures are used to assess the Group's performance. The measures are defined as follows:

Portfolio contribution
Portfolio contribution represents the funds received or receivable from the Group's underlying royalty related assets which is taken into account by the Board when determining dividend levels.

Portfolio contribution is royalty and stream related revenue (refer to ***note 5***) plus royalties received or receivable from royalty financial instruments carried at fair value through profit or loss ('FVTPL') and principal repayment received under the Denison financing agreement (refer to ***note 21***). Refer to ***note 35*** to the financial statements for portfolio contribution.

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

Adjusted earnings per share
Adjusted earnings represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit/(loss) attributable to equity holders, plus royalties received from royalty financial instruments carried at fair value through profit or loss, less all valuation movements and impairments (which are non-cash adjustments that arise primarily due to changes in commodity prices), together with amortisation charges, foreign exchange gains/(losses), any associated deferred tax and any profit or loss on non-core asset disposals.

Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to ***note 12*** to the financial statements for adjusted earnings/(loss) 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 13*** to the financial statements for dividend cover.

Free cash flow per share
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 repayment of principal, less finance costs, by the weighted average number of shares in issue. Refer to ***note 34*** to the financial statements for free cash flow per share.

WE ARE THE LEADING LONDON LISTED ROYALTY AND STREAMING BUSINESS FOCUSED ON INVESTING IN THE COMMODITIES REQUIRED TO PROVIDE FOR A MORE SUSTAINABLE WORLD

03 16 66

A RECORD AND TRANSFORMATIONAL YEAR FOR ANGLO PACIFIC

As the world moves towards a low-carbon economy, Anglo Pacific has also undergone its own transformation during 2021.

06

EXECUTING OUR STRATEGY

Anglo Pacific has successfully executed on its strategy to build a diversified royalty and streaming portfolio with a focus on commodities which encompass environmental benefits and support a more sustainable world.

08

INVESTING IN ESSENTIAL RESOURCES

A royalty and streaming company giving investors exposure to 21st century commodities such as cobalt, copper, nickel, vanadium and uranium.

10

A RECORD YEAR IN THE GROUP'S HISTORY

14

EVOLUTION 2016-2022

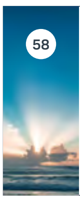
RECORD ROYALTY PORTFOLIO CONTRIBUTIONS

18

SPOTLIGHT ON COBALT

24

OUR PORTFOLIO READY FOR A LOW CARBON FUTURE



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HOW DO WE CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS?

66

SUSTAINABILITY PROGRESS REPORT

OUR BUSINESS AT A GLANCE

ROYALTIES AND STREAMS PROVIDE INVESTORS WITH 'TOP LINE' EXPOSURE TO A BASKET OF COMMODITIES WITHOUT OPERATIONAL OR INFLATIONARY RISK

PRIMARY LISTING

LSE

London Stock Exchange
(LSE: APF)

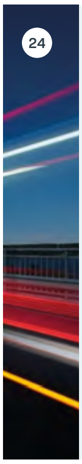
SECONDARY LISTING

TSX

Toronto Stock Exchange
(TSX: APY)

08

15 ROYALTY AND STREAMING RELATED ASSETS ACROSS 5 CONTINENTS AND 10 COMMODITIES



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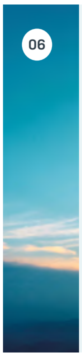
OVER THE PAST EIGHT YEARS ANGLO PACIFIC HAS TRANSFORMED ITS COMMODITY EXPOSURE

Towards 21st century commodities and driving global decarbonisation. Our 15 principal royalty and streaming related assets across 10 commodities.

Read more in our business review.



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DISCIPLINED INVESTMENT APPROACH

Long-term value for all of our stakeholders can only be achieved by sustainable and responsible investment.

ROYALTIES AND STREAMS EXPLAINED

A natural resources royalty is a non-operating interest in a project that provides the royalty holder with the right to a proportion of revenue, profit or production.

Historically, royalties originated as a result of the sale of a mineral property, allowing the seller to retain some ongoing economic participation in the property. However, an increasing number of royalties are now created directly by operators and developers as a source of finance. A royalty holder is not generally obligated to contribute towards operating or capital costs, nor environmental or reclamation liabilities.

TYPES OF NATURAL RESOURCES ROYALTIES AND STREAMS

The Group's royalties are mostly revenue or production-based royalties. Typically, these royalties are either Gross Revenue or Net Smelter Return royalties, each of which can be described in more detail opposite.

GRR: GROSS REVENUE ROYALTY

A GRR entitles the royalty holder to a fixed portion of the gross revenues generated from the sales of mineral production from a property. In calculating a GRR payment, deductions, if any, applied by the property owner to reduce the royalty payment are usually minimal, and GRRs are therefore the simplest form of royalty to account for and implement.

NSR: NET SMELTER RETURN ROYALTY

NSR royalties entitle the holder to a fixed portion of the net revenues received from a smelter or refinery from the sales of mineral production from a property, after the deduction of certain offsite realisation costs. Typical realisation costs include those related to transportation, insurance, smelting and refining. These deductions are generally higher in base metals mines due to the semi-finished product, such as concentrate, often being produced at the mine site, when compared to precious metals mines, which produce a nearly-finished product on site

PRIMARY VERSUS SECONDARY ROYALTIES

Primary royalties are entered into between a royalty company and the property owner directly, where the property owner grants a royalty to the royalty company in return for one or more up-front cash payments from the royalty company. In contrast, secondary royalties are existing royalties that are acquired from a third party with no payment made to the owner of the underlying property.

METAL STREAMS

A metal stream is an agreement that provides, in exchange for an upfront payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the stream. Streams, whilst providing similar outcomes for Anglo Pacific, are not royalties because they do not constitute an interest in land and there is an ongoing cash payment required to purchase the physical metal. However, a stream holder is not ordinarily required to contribute towards operating or capital costs, nor environmental or reclamation liabilities.

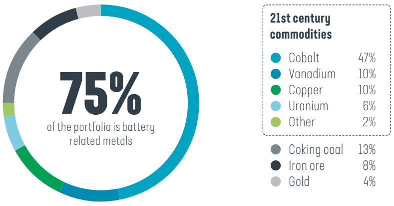
INNOVATIVE STRUCTURES

Our primary focus is on royalty and streaming transactions, however, we will also review alternative structures that deliver superior long-term cash flows. An example would be the Denison financing arrangement executed in 2017 which was structured as a long-term loan with a separate stream element, deriving income from a tolling agreement on the McClean Lake uranium mill, which processes ore from the world class Cigar Lake uranium operation in Canada. We will always look for ways of gaining exposure to tier one natural resource projects and sometimes this will involve creative thinking and structuring to support our main objective of acquiring royalties and streams.

OUR RECORD RESULTS ARE ALLOWING US TO REPAY BORROWINGS AND RECYCLE CAPITAL INTO GROWTH OPPORTUNITIES WHILST ALSO MAINTAINING A SECTOR LEADING DIVIDEND

24 66

RE-POSITIONED TOWARDS 21ST CENTURY COMMODITIES



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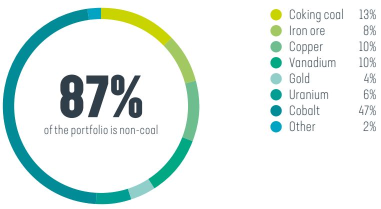
COMMODITY EXPOSURE

by asset value at 31.12.21



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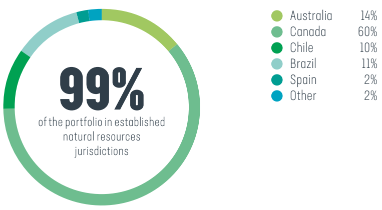
GEOGRAPHIC EXPOSURE

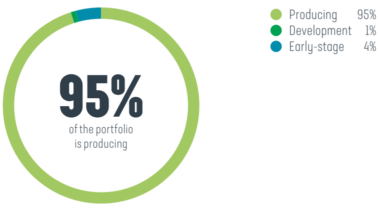
by asset value at 31.12.21



26 46 51

STAGE OF PRODUCTION

by asset value at 31.12.21



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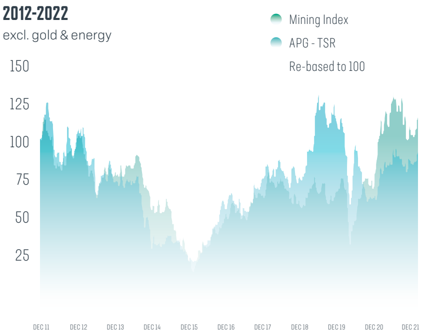
EMIX GLOBAL MINING INDEX

2012-2022

excl. gold & energy



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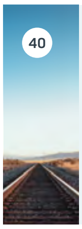


EXIT FROM THERMAL COAL

Narrabri sale completed in November 2021, consistent with our stated strategy of moving away from carbon-based energy exposure.

16

SEAMLESS TRANSITION

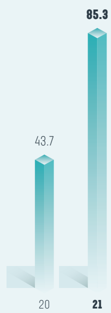
Pleased to announce the appointment of Mr. Marc Bishop Lafleche as Chief Executive Officer, with effect from 1 April 2022. Mr. Bishop Lafleche succeeds Mr. Julian Treger.

57

$85.3m

$43.7m

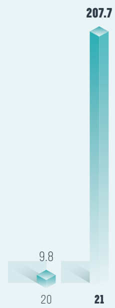
ROYALTY RELATED REVENUE



$207.7m

$9.8m

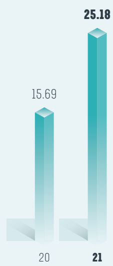
ROYALTY ASSETS ACQUIRED



25.18c

15.69c

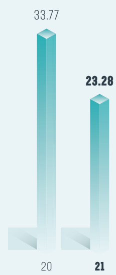
ADJUSTED EARNINGS PER SHARE



23.28c

33.77c

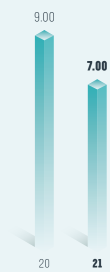
FREE CASH FLOW PER SHARE



7.00p

9.00p

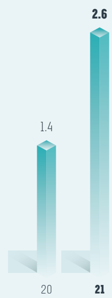
DIVIDEND PER SHARE



2.6x

1.4x

DIVIDEND COVER



OUR BUSINESS MODEL

PROVIDING INVESTORS WITH UNIQUE EXPOSURE TO FUTURE FACING COMMODITIES THROUGH A BUSINESS MODEL SHELTERED FROM INFLATION

1 OUR PURPOSE

Financing investment in natural resources to enable a sustainable future

2 STRATEGY

To grow our portfolio of royalties and streams in relation to the commodities required to achieve global sustainability objectives

3 OUR VALUES

Sustainability
We believe long-term value can only be achieved through sustainable and responsible investment

Integrity and respect
We are committed to the highest ethical standards of conduct and best practices

Diversity
We seek to achieve diversity in our investments and our team

Collaboration
We believe teamwork is essential to achieving our purpose and delivering value to our stakeholders

4 STRATEGIC DRIVERS

Achieving our strategy through acquisitions which satisfy these criteria

- High-quality and low-cost assets
- Attractive returns
- Strong operational management teams
- Long-life assets
- Diversification of royalty portfolio
- Established natural resources jurisdictions
- Strong ESG credentials
- Production and exploration upside potential

WE BELIEVE TEAMWORK IS ESSENTIAL TO ACHIEVING OUR PURPOSE AND DELIVERING VALUE TO OUR STAKEHOLDERS

OUR ACHIEVEMENTS ARE STRENGTHENED THROUGH THE DIVERSIFICATION OF OUR ROYALTY PORTFOLIO

OUR TRACK RECORD DEMONSTRATES HOW MANAGEMENT HAS CREATED VALUE TO DATE BY ADHERING TO EXACTING INVESTMENT CRITERIA AND CONDUCTING RIGOROUS DUE DILIGENCE

HOW WE CREATE VALUE FOR OUR SHAREHOLDERS

Our track record demonstrates how management has created value to date by adhering to exacting investment criteria and conducting rigorous due diligence. We adopt a strong focus on operations producing high-quality, lower-polluting products which are operated ethically and responsibly. We will look to leverage this experience and our reputation in the market to execute our strategy over the coming years.

Generating long-term cash returns
The Group is seeking to grow its portfolio of cash-generative royalties and streams by investing in producing or near-term producing assets with long time horizons. Given the relatively low overhead requirements of the business, the Group believes cash flow to shareholders can be maximised through economies of scale, which would allow for growth in the portfolio without significantly increasing our cost base.

Lower risk through top-line, revenue participation
Revenue-based royalties limit the Group's direct exposure to operating or capital cost inflation of the underlying operations, as there is no ongoing requirement for the Group to contribute to capital, exploration, environmental or other operating costs post investment.

Lower volatility through commodity and geographic diversification
The Group is building a diversified portfolio of royalties and streams across a variety of different commodities and geographic locations. This diversification reduces the dependency on any one asset or location and any corresponding cyclicality. A fully diversified portfolio can help to reduce the level of income volatility, stabilising cash flows which contribute towards investment returns and dividend payments.

Exposure to increases in mineral reserves and production
Royalty holders generally benefit from improvements made to the scale of a project. Exploration success, or lower cut-off grades as a result of rising commodity prices, can serve to increase economic reserves and resources. Increased reserves will extend a project's life, or facilitate an expansion of the existing operations. Any subsequent increases in production will generally result in higher royalty payments, without the requirement of the royalty holder to contribute to the cost of expanding or optimising the operation.

Exposure to commodity prices
Royalties and streams provide exposure to underlying commodity prices. Anglo Pacific offers the opportunity for investors to gain exposure to commodities which do not have a liquid Exchange Traded Fund (ETF) without having to invest in the underlying operation.

HOW WE CREATE VALUE FOR OUR COUNTERPARTIES

An investment by Anglo Pacific, after conducting thorough due diligence, can be seen as an endorsement of the project, which can provide other stakeholders with greater confidence and possibly result in a re-rating for the operator.

We serve as a partner to the operators
Royalties and streams reduce the upfront capital financing required to fund the development of a project. These are generally structured as asset (or even by-product) specific, often leaving the remaining assets of the operator unencumbered for raising additional finance.

An alternative form of financing to conventional debt and equity
Compared to the issuance of new equity, royalties and streams do not depend on the prevailing state of the capital markets but are rather the result of bilateral negotiations. Royalties and streams are not dilutive, unlike the issuance of new equity. In addition, royalties and streams are not regarded as debt nor do they encumber assets.

Primary royalties
ALTERNATIVE FORM OF FINANCE TO CONVENTIONAL DEBT PROVIDING GREATER FLEXIBILITY AND WHICH DOES NOT IMPACT ON CREDIT RATINGS

Royalties and streams do not typically levy interest, nor do they typically require principal repayments or have a maturity date. More importantly, unlike conventional debt arrangements where interest payments tend to start immediately or are capitalised until cash payments can be made from a project's cash flow, most royalties are payable only once the project comes into production and is generating sales. In addition, many forms of debt, such as project finance, include restrictive covenants and may require commodity price hedges to be put in place. These are not only typically costly in terms of fees, but can also limit the operator's exposure to upside in the prices of their core commodities.

Secondary royalties
SOURCE OF LIQUIDITY FOR HOLDERS OF EXISTING ROYALTIES

The value of a royalty is realised over the duration of the project's life. Often royalty owners may have a need to free up cash in order to recycle capital. There is a limited secondary market for royalties and Anglo Pacific can be a source of valuable liquidity for private royalty holders.

Innovative structures
Our primary focus is on royalty and streaming transactions, however, we will also review alternative structures that deliver superior long-term cash flows. An example would be the Denison financing arrangement executed in 2017 which was structured as a long-term loan with a separate stream element, deriving income from a tolling agreement on the McClean Lake uranium mill, which processes ore from the world class Cigar Lake uranium operation in Canada. We will always look for ways of gaining exposure to tier one natural resource projects and sometimes this will involve creative thinking and structuring to support our main objective of acquiring royalties and streams.

OUR APPROACH AND INVESTMENT STRATEGY

WE SEEK TO CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS

by generating superior cash returns from a diverse and growing portfolio of royalty and streaming investments, and other innovative structures in the natural resources sector.

OUR DISCIPLINED INVESTMENT APPROACH

COMMODITY

- Base and battery related metals
- Bulk materials
- Industrial minerals
- Opportunistically considering other commodities that support a more sustainable world

ASSET SPECIFIC CONSIDERATIONS

- Jurisdictional risk
- Compliance with ESG criteria
- Profit margin & position on the industry cost curve
- Counterparty risk
- Management's operating track record

VALUATION CONSIDERATIONS

- Detailed due diligence on mine production profile
- Site visits by technical team and independent technical advisers
- Production assumptions based on existing mineable reserves, resource conversion assumptions evaluated on case-by-case basis
- Consider other factors such as geology, infrastructure and permitting, which could impact production volumes or mine life
- Detailed understanding of commodity outlook

PORTFOLIO GROWTH POTENTIAL

46 Piaui
49 Incoa

OUR APPROACH IN ACTION

18 The critical importance of cobalt
26 Voisey's Bay

AN AGENT FOR POSITIVE CHANGE

We look to be an influencer to our royalty and stream counterparties and seek to be an agent for positive change in the mining sector.

IDENTIFY RISKS IN RELATION TO NEW INVESTMENTS

- ESG due diligence aimed at identifying key risk areas.
- Anglo Pacific primarily targets jurisdictions where political risk and corruption/bribery are considered low.

MITIGATE RISKS IN RELATION TO NEW INVESTMENTS

- Seek or require counterparty implementation of ESG practices and standards.

MONITOR AND INFLUENCE

- Encourage royalty/stream counterparties to adopt best practices voluntarily.

COMMUNICATE

- Disclose Anglo Pacific ESG policies and due diligence processes in relation to new investments as well as highlight best performing counterparties.

2021 SUSTAINABILITY HIGHLIGHTS

66 **We believe that a strong focus on sustainable and responsible investments is vital for the long-term success of our underlying assets and the maximisation of shareholder value. As a result, we are committed to integrating ESG considerations into all our strategic decision-making and capital allocation. Here are some of the 2021 highlights.**

EXIT FROM THERMAL COAL

In 2020, we made a strategic decision to make no further investment in thermal coal, and in 2021, we went a step further and made the decision to sell the only thermal coal royalty in our portfolio to the operator Whitehaven Coal Limited, marking the Group's exit from thermal coal.

CARBON NEUTRAL

We are pleased to report that we are a carbon neutral company at the corporate level. Going forward we are committed to maintaining carbon neutrality for our corporate operations alongside continuing efforts to reduce our operational footprint.

COMMITTED TO ALIGN WITH TCFD FRAMEWORK

Our focus on sustainability has led to our voluntary commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), building on our existing ESG activity.

PARTICIPANT IN THE UNITED NATIONS GLOBAL COMPACT

As a participant, we have committed to voluntarily aligning our operations and strategy with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

COMMUNITY AND CHARITY INITIATIVES

We have expanded our social commitments to include community initiatives in London

FOCUS ON SUSTAINABILITY

70 **At the core of Anglo Pacific's business is our belief that long-term value for all our stakeholders can only be achieved through sustainable and responsible investment.**

71 **More information on the Group's investment due diligence framework can be found on *page 71*.**

74 **In addition to shaping our investment due diligence framework, our focus on sustainable investment has led to our voluntary commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosure ('TCFD').**

OUR PORTFOLIO

READY FOR A LOW-CARBON FUTURE

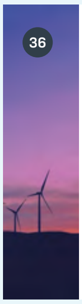
99% of the portfolio is located in well-established mining jurisdictions providing diversified commodity exposure

COBALT

Voisey's Bay

Co
Cobalt

Cobalt is a metal used in numerous diverse commercial, industrial, and military applications, many of which are strategic and critical. On a global basis, Cobalt is primarily used in **lithium-ion batteries**, and in the manufacture of magnetic, wear-resistant and **high-strength alloys. These super-alloys** are used to make parts for gas turbine engines. Cobalt is also used to make **airbags** in automobiles; **catalysts** for the petroleum and chemical industries; **cemented carbides** (also called hard-metals); and **diamond tools** and much more.

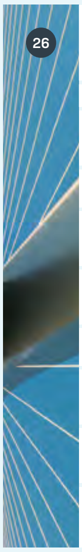


COPPER

Mantos Blancos

Cu
Copper

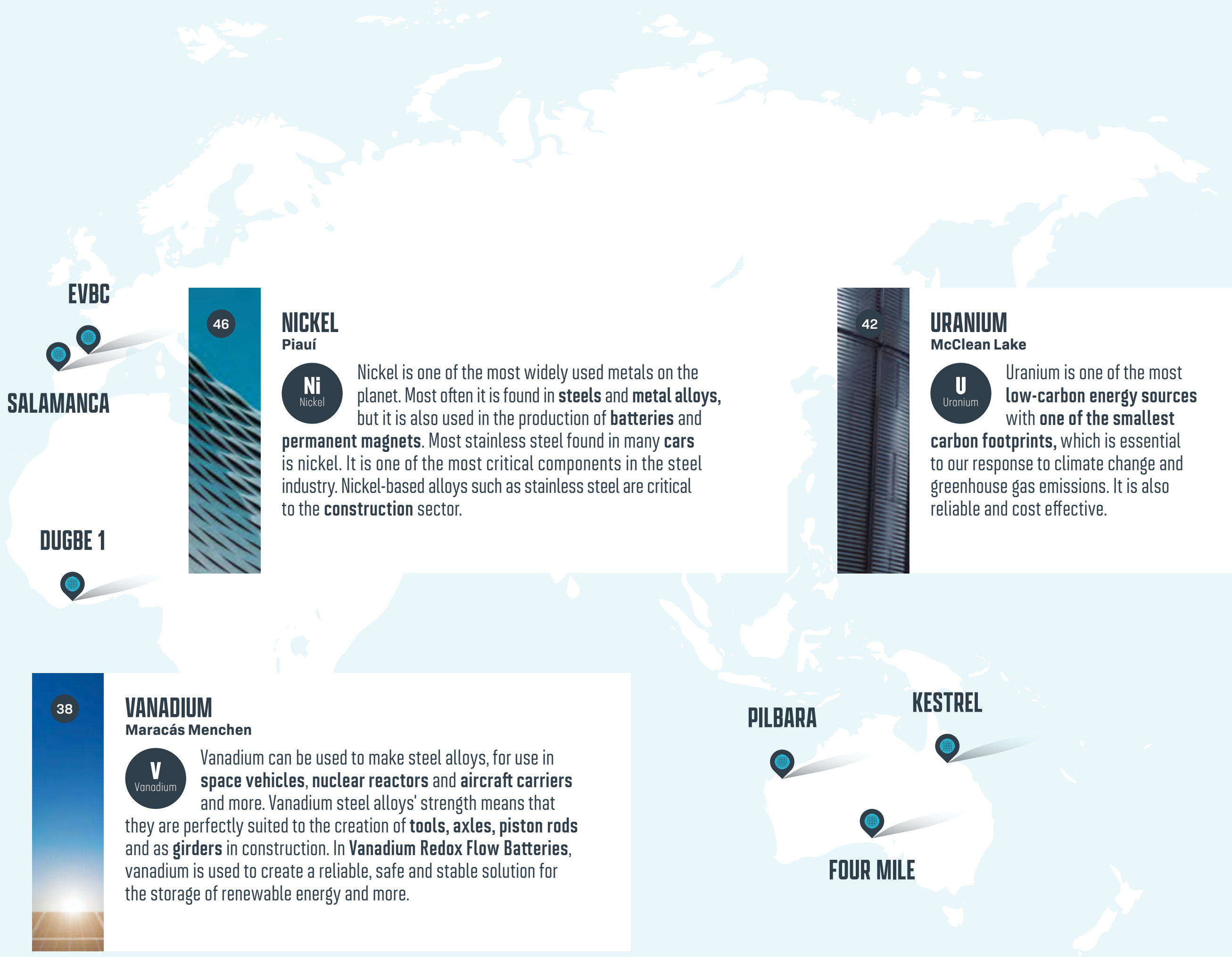
Copper is used for its superior properties, such as having the best **electrical** and **thermal conductivity** of any commonly used metal, as well as its durability and hygienic properties, copper is a key material for innovation in a number of sectors including **renewable energy supplies, energy efficiency, sustainable buildings, transport systems** and **healthcare** and much more.



PRODUCING

Asset	Commodity	Operator	Location	Rate and type	Balance sheet classification	
Voisey's Bay	Cobalt	Vale	Canada	22.82% attributable production	Mineral stream interests (P,P&E)	26
Kestrel	Coking coal	Kestrel Coal Pty Ltd	Australia	7.0 – 15.0% GRR[1]	Investment property	30
Labrador Iron Ore Royalty Corporation ('LIORC')	Iron ore & iron ore pellets	Iron Ore Company of Canada ('IOC') / Rio Tinto	Canada	Indirect interest in 7.0% GRR	Royalty financial instrument	32
Mantos Blancos	Copper	Mantos Copper /Capstone	Chile	1.525% NSR	Royalty intangible	36
Maracás Menchen	Vanadium	Largo Resources	Brazil	2.0% NSR	Royalty intangible	38
McClean Lake mill	Uranium	Orano	Canada	Tolling revenue	Loan & royalty financial instrument	42
El Valle-Boinás / Carlés ('EVBC')	Gold, copper & silver	Orvana Minerals	Spain	2.5 – 3.0% NSR[2]	Royalty financial instrument	44
Four Mile	Uranium	Quasar Resources	Australia	1.0% NSR	Royalty intangible	45

1. *Kestrel: 7% of the value up to A$100/tonne, 12.5% of the value over A$100/tonne and up to A$150/tonne, 15% thereafter.*
2. *EVBC: 2.5% escalates to 3% when the gold price is over US$1,100 per ounce.*



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NICKEL
Piauí

Ni
Nickel

Nickel is one of the most widely used metals on the planet. Most often it is found in **steels** and **metal alloys**, but it is also used in the production of **batteries** and **permanent magnets**. Most stainless steel found in many **cars** is nickel. It is one of the most critical components in the steel industry. Nickel-based alloys such as stainless steel are critical to the **construction** sector.

42

URANIUM
McClean Lake

U
Uranium

Uranium is one of the most **low-carbon energy sources** with **one of the smallest carbon footprints**, which is essential to our response to climate change and greenhouse gas emissions. It is also reliable and cost effective.

38

VANADIUM
Maracás Menchen

V
Vanadium

Vanadium can be used to make steel alloys, for use in **space vehicles**, **nuclear reactors** and **aircraft carriers** and more. Vanadium steel alloys' strength means that they are perfectly suited to the creation of **tools, axles, piston rods** and as **girders** in construction. In **Vanadium Redox Flow Batteries**, vanadium is used to create a reliable, safe and stable solution for the storage of renewable energy and more.

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DEVELOPMENT

Asset	Commodity	Operator	Location	Rate and type	Balance sheet classification	
Piauí	Nickel & cobalt	Brazilian Nickel	Brazil	1.25% GRR	Royalty financial instrument	46
Cañariaco	Copper, gold & silver	Candente Copper	Peru	0.5% NSR	Royalty intangible	47
Amapá	Iron ore	DEV	Brazil	1.0% GRR	Royalty intangible	48
Incoa	Calcium Carbonate	Incoa Performance Minerals	Dominican Republic / USA	~1.23% GRR	–	49
Salamanca	Uranium	Berkeley Energia	Spain	1.0% NSR	Royalty intangible	50

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EARLY-STAGE

Asset	Commodity	Operator	Location	Rate and type	Balance sheet classification	
Dugbe 1	Gold	Hummingbird Resources	Liberia	2.0 – 2.5% NSR[3]	Royalty financial instrument	51
Pilbara	Iron ore	BHP	Australia	1.5% GRR	Royalty intangible	52
Ring of Fire	Chromite	Noront Resources	Canada	1.0% NSR	Royalty intangible	53

3. Dugbe 1: 2% except where both the average gold price is above US$1,800 per ounce and sales of gold are less than 50,000 ounces, in which case it increases to 2.5% in respect of that quarter.

THE TRANSFORMATION OF THE BUSINESS ACCELERATED IN 2021 WITH THE VOISEY'S BAY ACQUISITION AND THE DISPOSAL OF THE NARRABRI ROYALTY

N.P.H. Meier
Chairman

FINANCIAL HIGHLIGHTS 2021

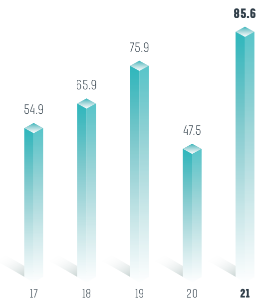
$85.3m
Royalty related revenue increased by 95% from $43.7m to $85.3m

18.03c
Basic earnings per share 18.03c (loss 13.33c)

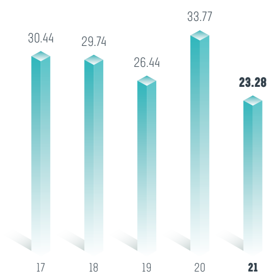
7p
Total proposed dividends of 7p per share (2020: 9p)

96%
Operating profit increased 96% from $28.3m to $55.7m

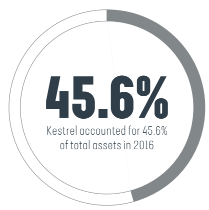
25.18c
Adjusted earnings per share 25.18c (2020: 15.69c)



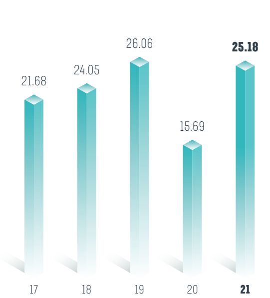
PORTFOLIO CONTRIBUTION
($m)



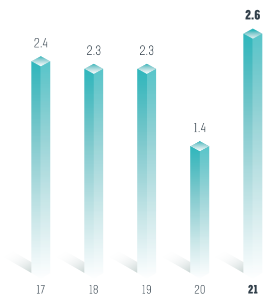
FREE CASH FLOW PER SHARE
(c)



TOTAL ASSETS 2016
(%)



ADJUSTED EARNINGS PER SHARE
(c)



DIVIDEND COVER
(x)

TOTAL ASSETS 2021
(%)

CHAIRMAN'S STATEMENT

I am very pleased to write to you following what has been the most transformative and profitable year in the Group's history. It is hard to imagine that at the time of writing this report last year we were in lockdown and the commodities from which we expected to derive most of our revenue, coking coal and cobalt, were trading at depressed levels, and thermal coal constituted 11% of our business. Fast forward one year to where we are now, and we have a business that is unrecognisable from that of twelve months ago with record portfolio contribution and a balance sheet predominantly exposed to battery metals and now free of thermal coal.

At the time of writing, geopolitical tensions between Russia and the West are at levels that haven't been seen in decades, resulting from the condemnable conflict in Ukraine. The world has borne witness to significant human suffering which we hope will come to end as quickly as possible. Anglo Pacific has no direct exposure to Russian or Central Asian assets. Whilst this conflict may not directly impact on the operations underlying our portfolio, it is perhaps too early to understand what the economic effects will be. In the short-term we are seeing the price of oil and gas and many other commodities increasing further, adding to already heightened inflationary pressures. Indeed, the commodities to which we have most exposure, namely cobalt, coking coal, copper and vanadium were all at elevated levels before the Russian invasion of Ukraine. Since then, they have increased further to levels which were unforeseeable a few months ago.

On a macro level, the disruption caused by the COVID-19 pandemic has reduced over the course of the past year, with the latest variant posing less of a threat to life in countries with an established vaccine programme and we have seen very little operational disruption at the mines and mills underlying our portfolio.

We are still seeing global supply chain disruption continue, which is now driving inflation, at a time when consumer and government led demand is also increasing. Historically, inflation has tended to benefit hard assets such as commodities, and with current prices remaining buoyant, even before the Ukraine conflict, this appears to continue to be the case. Unlike the mine operators who will see this benefit eroded by increases in operating and capital costs, our royalty and streaming business model protects us as we are only exposed to the top line. In addition, the operations underlying our portfolio are well positioned on the cost curve which adds to the resilience of our portfolio as a whole.

FAST FORWARD TO TODAY, AND WE HAVE A BUSINESS WHICH IS UNRECOGNISABLE FROM THAT OF 12 MONTHS AGO

Delivering on our strategy

2021 was a year in which we delivered on our stated strategy, with our record investment of $205m to acquire the Voisey's Bay cobalt stream in March 2021. We took the view at the time that the fundamentals for cobalt looked very encouraging given the strong growth expected in demand for batteries as vehicle sales increasingly become electric rather than traditional petrol or diesel fuelled. The immediate and significant increase in the cobalt price far exceeded our expectations and supports our investment thesis for this commodity given its importance in battery chemistry and the continued growth in demand for electric vehicles. There is further information on cobalt and its applications on ***pages 18 and 19*** of this report.

The acquisition was a very significant transaction for the Group in pivoting the business towards 21st Century commodities and away from our legacy coal heritage. The transaction immediately resulted in over 60% of our business, by asset value, being derived from battery materials. While we were very pleased with the market reaction to the transaction, there was also a clear message from investors that the continued ownership of our sole thermal coal royalty diluted our powerful equity story based on creating the largest battery metals royalty and streaming company.

Following a strategic review in Q2 2021, we decided to test market appetite for the Narrabri royalty and are delighted that we were able to agree to its divestment on favourable terms. The combination of the Voisey's Bay acquisition and the Narrabri divestment has led to a remarkable transformation of the business, with 21st century commodities now representing 75% of the Group's balance sheet by asset value.

These transactions evidence our core belief that long-term value for all our stakeholders can only be achieved through sustainable and responsible investment. We continue to prioritise sustainability matters across our business including how we assess new opportunities, monitor, and manage our portfolio, and how we conduct ourselves on a day-to-day basis. We discuss the significant actions and progress we have made in this regard on ***pages 66 to 75***.

CHAIRMAN'S STATEMENT
continued

2021 performance
The record portfolio contribution for the year of $85.6m was a significant achievement and an 80% increase on that generated in 2020.

The results benefitted from a very sudden and significant increase in coking coal prices in the second half of 2021. Since the onset of the COVID-19 pandemic two years ago, most commodity prices have enjoyed significant gains as governments have provided strong support for economic activity, including infrastructure projects. This benefitted many commodities, particularly iron ore, and copper. Coking coal, however, lagged in the first half of 2021 due to the flooding of the seaborne market with excess supply following Chinese import bans on Australian coal, and the closure of key Asian import markets, most noticeably India, as part of a series of measures designed to contain COVID-19 outbreaks.

The impact of the sudden increase of supply onto the seaborne market kept coking coal prices subdued until June 2021 when the balance began to be restored in the market. As industrial activity increased in Asia, the price of coking coal rose from $125/t on 31 May 2021 to $341/t on the last day of 2021, a 170% increase over the course of seven months. This coincided with a period when the majority of production from Kestrel was within our private royalty land. The higher sales price also resulted in a higher weighted average royalty rate and meant that revenue in the final quarter alone from Kestrel was $26m – higher than the $23m received from Kestrel for FY 2020 in total.

A similar trend emerged in the cobalt market, where COVID-19 related logistic disruptions impacted supply chains. This coincided with strong electric vehicle sales growth and resulted in the price of cobalt spiking in the last three months of the year by 30%.

As always, the royalty and streaming model ensures that increased contributions drop down directly to earnings per share. Basic earnings per share were 18.03c in 2021, an increase from the 13.23c loss in 2020. Removing non-cash valuation and impairment charges resulted in adjusted earnings per share of 25.18c in the year, a 60% increase on the 15.69c in 2020.

While the overall impact of these price movements on earnings in 2021 was highly favourable, it is equally pleasing to see price levels thus far in 2022 well in excess of the levels at the end of 2021 paving the way for what should be a good H1 2022.

Returns to shareholders
We clarified our capital allocation policy following the Voisey's Bay acquisition which prioritises balance sheet strength and growth while committing to a quarterly dividend of 1.75p. Given the need to continue deleveraging following the acquisition and our continued focus on growth, we have recommended that the final dividend be 1.75p. Should this be approved at the 2022 AGM, the total dividends for 2021 will be 7p (2020: 9p). Whilst our dividend cover is high by historical comparison, it reflects the recycling of elevated earnings from Kestrel, in particular into reduction in leverage levels to prepare for further acquisitions in future facing commodities that will replace coking coal as Kestrel winds down over the next few years.

Following the Group's change in reporting currency, dividends for the year ended 31 December 2022 and beyond will be determined in US dollars, translated at exchange rates prevailing on the record date of each dividend declared and payable in sterling and Canadian dollars to our shareholders on the London and Toronto stock exchanges respectively.

Shareholder engagement
We analysed more ways in which to engage with shareholders during the year, especially in light of having to hold a virtual AGM once again. We were pleased to have been able to offer retail participation in the equity raise undertaken to part finance the Voisey's Bay acquisition through the 'Primary Bid' platform. We were gratified that the equity financing was significantly oversubscribed as a result of the healthy take up from our existing shareholders and we welcome our new shareholders and thank them for their support.

We also undertook our inaugural 'Investor Meets Company' session at the end of 2021 where our CEO designate, Marc Bishop Lafleche and our CFO, Kevin Flynn gave a presentation and hosted a Q&A session. This was very well attended, and we were delighted with the engagement from the participants. Again, this is something we will seek to repeat in the future as well as exploring other channels of engagement. We very much hope to be able to hold our AGM in person once again this year and details of this will be released shortly.

WITH SIMILAR VOLUMES EXPECTED IN 2022, A YEAR ALREADY SHOWING HIGHER PRICING, WE ARE WELL POSITIONED FOR ANOTHER STRONG PERFORMANCE FROM OUR PORTFOLIO

Board
Following the 2021 AGM, Vanessa Dennett retired from the Board. We were pleased to announce the appointment of Varda Shine who joined the board on 23 August 2021 as a non-executive director. Varda brings a wealth of mining and capital markets experience from her position as CEO of De Beers Trading Company.

A key part of the Board's role is to ensure that we maintain the highest standards in our business and that we operate with integrity and to the highest ethical standards. While we believe the Board continues to reflect an appropriate mix of skills, experience, and diversity well able to determine strategy and provide guidance and oversight to management, succession planning for all directors is a critical and ongoing cycle of work. As a result, the composition of the Board is kept under constant review and changes will be made as tenures come to an end and as the business continues to evolve.

In 2021 we again took great care to ensure continuity of the Board's proceedings. A full schedule of meetings, including those of the Board's Committees, was held as planned, albeit the majority in a virtual environment. More information on the operation and activities of the Board can be found on ***pages 78 to 84***.

Chief Executive Officer Succession
Julian Treger notified the Board during 2021 of his intention to resign on 31 March 2022 after eight and a half years as the Group's CEO. Julian has been instrumental in creating the vision for the business and pivoting the Group towards commodities which will be essential to the electrification required for a low carbon future. He has been very successful in identifying opportune entry points into vanadium, copper, iron ore, nickel, and now cobalt. As a result, the Group has a stable medium-term revenue profile and is in a strong financial position to pursue further growth opportunities. Julian leaves with our gratitude for his commitment to and achievement of the transformation of Anglo Pacific. We will miss his insight and wisdom, and I have no doubt that he will continue to enjoy success in his future ventures.

Following an extensive process, the Board concluded that the Group's Chief Investment Officer, Marc Bishop Lafleche was the appropriate successor. Marc, having been with the Group for the past eight years has been instrumental in originating, negotiating, structuring, and executing the acquisitions that have transformed the business. This practical experience and industry knowledge, combined with Marc's understanding of Anglo Pacific's culture and values, uniquely qualifies him to take the Group forward.

Outlook
The outlook for growth in 2022 looks promising. We are expecting similar volumes to come from Kestrel this year before mining then moves to the boundaries of our private royalty land in future years, Coking coal prices remain well ahead of price levels in 2021, rising above $600/t in March 2022, post the invasion of Ukraine. Similarly, cobalt prices have continued to increase since the end of 2021, and have touched $38/lb. There is likely to be higher income from Kestrel and Voisey's Bay in 2022, despite lower expected volumes, particularly at Voisey's Bay as operations move underground from the open pit, before they ramp up again in future years.

We remain committed to growth and continue to see strong opportunities to deploy capital. We are busy appraising potential transactions with our disciplined approach to financial, technical, legal, operational, and ESG due diligence. As described in the financial review, we are well positioned for further growth with approximately $120m of financing flexibility.

Thanks
Finally, I would like to congratulate and thank the entire team for a record year of investment and results. This has been achieved despite considerable challenges posed by the COVID-19 pandemic, home working, and the sheer volume of activity that we have seen. I am impressed by their dedication and hard work and am sure they will continue to thrive under the new executive leadership. I look forward to the year ahead with confidence.

Strategic report
Our 2021 Strategic Report, from ***pages 01 to 77***, was reviewed and approved by the Board on 29 March 2022.

N.P.H. Meier
Chairman

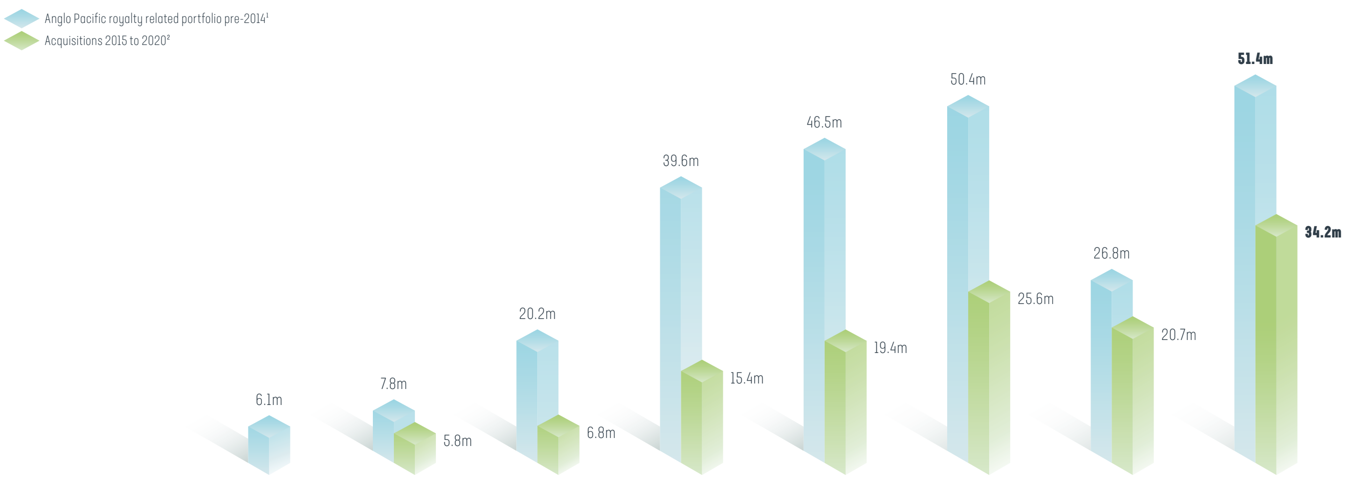
29 March 2022

IN 2013, WE WERE EXPECTING REVENUE FOR 2014 OF JUST $5m. IN 2021, WE ARE ANNOUNCING RECORD RESULTS WITH PORTFOLIO CONTRIBUTION OF $86m – 17x THAT FOR THE FIRST YEAR

J.A. Treger
Chief Executive Officer

RECORD CONTRIBUTIONS

OUR ROYALTY PORTFOLIO CONTRIBUTION 2014-2021



	2014	2015	2016	2017	2018	2019	2020	**2021**
Portfolio contribution ($m)	**$6.1m**	**$13.6m**	**$27.0m**	**$54.9m**	**$65.9m**	**$75.9m**	**$47.5m**	**$85.6m**
Asset	**Maracás Menchen**	**Narrabri[5]**		**McClean Lake**	**LIORC 4.25%**	**Mantos Blancos**		**Voisey's Bay**
Commodities	Vanadium	Thermal coal		Uranium	Iron ore	Copper		Cobalt
Transaction date	June 2014	March 2015		February 2017	August 2018	August 2020		March 2022
Acquisition consideration ($m)	25m	67.9m		35.4m	19.0m[3]	50.8m		207.7m
Cumulative income ($m)	19.9m	34.1m		22.1m	26.7m[4]	10.6m		12.5m

1. *Includes Kestrel, EVBC, Four Mile and Jogjakarta royalties.*
2. *Includes Narrabri, Maracás Menchen and Mantos Blancos royalties, Denison/McClean Lake royalty financing agreement and investment in LIORC.*
3. *Represents the cost of the Group's cumulative investment in LIORC acquired between 2018 and Q1 2020 of $82.8m, less the cost base of the partial disposal in Q1 2021 of $63.7m.*
4. *Represents the total dividends received since the Group's initial investment in 2018.*
5. *On 31 December 2021, the Group completed its disposal of the Narrabri royalty for fixed consideration of $21.6m and contingent consideration with a fair value of $4.0m - refer to note 19*

CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction
In what is my final report to you, it is appropriate to reflect on the last eight and half years and the journey that we have been on together. When I took over as CEO in October 2013, the Group was predominantly a single asset coal business. Some of the investments previously made were soon to be impaired to no value, residual non-core equity investments had suffered heavy losses and access to liquidity was depleting quickly. In short, the Group needed a change of direction.

We identified in the middle of the last decade that the world was transitioning very quickly towards a future in which carbon generation would be very hard to support in a public vehicle. At the same time, significant developments were taking place in the electrification of vehicles. It became apparent that a significant number of base metals such as copper, nickel, cobalt, and vanadium would be required in order to meet the inevitable increase in demand from battery end users.

Our vision at the time was to recycle what was becoming short-term coking coal cash flows into such commodities. At the same time, we also sought to invest in only the purest forms of such commodities and those produced sustainably. Today, we now have, in my view, the highest quality portfolio of base metal royalties and streams in the listed sector globally – a portfolio that would be virtually impossible to replicate from a standing start.

Transformational activity in 2021
Our journey was significantly accelerated through two transactions in 2021: the $205m Voisey's Bay cobalt stream acquisition, and the disposal of our only thermal coal royalty.

Taking the Voisey's Bay acquisition first, we took the view at the beginning of 2021 that cobalt offered a very attractive price entry point, having traded into the low teens over the past 18 months and at just over $20/lbs at the point of acquisition. Today, the price nears $40/lbs, buoyed by continued strong demand from new battery end users in the past year and COVID-19 related supply disruptions from key African markets. Furthermore, we also believe that over time, commodity markets should differentiate between those commodities ethically sourced with high ESG credentials (such as Voisey's Bay), which should command a premium, and those which have more questionable origins which should trade at a discount. Whilst this has not manifested itself in terms of market pricing yet, this is a trend we think has the possibility to result in greater value for what is now our largest asset.

I AM EXTREMELY PROUD OF THE TEAM THAT WE HAVE BUILT AT ANGLO PACIFIC

The logical next step following the Voisey's Bay transaction was to explore options in relation to our one remaining exposure to thermal coal, the Narrabri royalty. Accordingly, we commenced a process in the second half of 2021 to solicit possible interest in a divestment.

It was very pleasing, although not surprising given the underlying quality, to witness considerable demand for this royalty, especially in the context of limited value being ascribed to other thermal coal assets in the sector during the year. Following a thorough and competitive process, we were pleased to announce a transaction with the mine operator, Whitehaven Coal, in Q3 2021 and the completion of the transaction on 31 December 2021 for what we consider to be an attractive consideration package. Total consideration together with the value of usable tax losses generated on disposal results in a transaction value of up to $31m. In terms of multiples, this could see a value of 10x trailing cash flows – which is right at the top of the range of what thermal coal assets were trading for during the year. Further details on the Narrabri disposal can be found on ***page 41***.

As a result of these two transactions, and the close to $500m of transactions in total during my time as CEO, Anglo Pacific is now a business which is 75% 21st century commodities by balance sheet value, a number which will only increase in the short-term as Kestrel begins its transition out of the Group's private royalty lands.

CHIEF EXECUTIVE OFFICER'S STATEMENT
continued

BUILDING ON A POSITION OF STRENGTH

I am taking on the role of CEO at an exciting time. The strategy that Julian has led and I have been integral to developing and executing, has put Anglo Pacific in a position of strength.

We have transformed our portfolio to focus on 21st century commodities that are essential for a decarbonised, sustainable future and I am fully committed to further this strategic direction as I lead the Company into its next phase.

Our ability to execute on this strategy is supported by very strong team with industry leading non-precious metals royalties and streaming sector expertise. We are all motivated by the role Anglo Pacific can play, helping to finance the production of resources that are essential for a more sustainable world. A central part of my role as CEO will be ensuring more people understand our vision and how the sustainability principles that guide our investments make strong economic sense.

The Company has been transformed over the past eight years, and as we look to the future I believe we require a new company name to signal our move away from Anglo Pacific's coal heritage.

The new name will be announced in the coming financial year and will be aligned and embedded with our commitment to bridging sustainability and the production of commodities required to achieve global net zero climate change objectives, as well as our leading non-precious metals royalty and stream sector track record.

Marc Bishop Lafleche
Chief Investment Officer, CEO Designate

29 March 2022

Results
When I took over in 2013, we were expecting revenue for 2014 of just $5m. As I depart shortly, it is very pleasing to announce record results for 2021 with a total portfolio contribution of $86m, 17x times that for the first year. The results are discussed in more detail in the finance review on *pages 54 to 56*.

The impact of the record cash generated during H2 2021 came through during Q1 2022 and we were able to make a meaningful repayment on our borrowing facility at the end of January. With strong prices throughout the first quarter of 2022, we would expect another significant quarter of portfolio contribution to enable further deleveraging.

These accelerated borrowing repayments, along with higher earnings, have combined to reduce our debt such that we ended the year with leverage of just 1.20x, well below that forecast at the time of the Voisey's Bay acquisition and comfortably below our limit of 3.5x. As a result, at the end of Q1 2022, the Group is expected to have undrawn borrowings of $80m and a further ~$30m of potential liquidity from our residual stake in LIORC to finance new acquisitions.

I am extremely proud of the team that we have built at Anglo Pacific. They have proved themselves on numerous occasions over the last number of years in terms of originating, executing, and financing our growth initiatives. To that extent, I was very pleased that the Nomination Committee recommended that my successor be an internal candidate, which will ensure that the strategy remains on course and that growth can continue to be delivered in a disciplined manner.

Marc Bishop Lafleche, currently the Group's Chief Investment Officer, will take over from me as Chief Executive Officer from 1 April 2022. Marc and I have worked closely over the past years. He has been in charge of the execution of our last few major acquisitions and disposals, and I believe he has all the qualities required to be a very successful leader of your Company. Marc will be supported by our highly professional and dedicated team and a very experienced and knowledgeable Board.

Thank you
I leave Anglo Pacific in a position of strength. The portfolio is generating record levels of income and based on current pricing levels we should see another strong performance in the year ahead. Our portfolio is well positioned in terms of commodity mix and future organic growth, while our debt has been paid down more rapidly than initially expected due to higher income generation from higher commodity prices. This positions us well to do more and take the business to another level.

Whilst I leave a truly transformed Anglo Pacific, the journey continues. The team is busy exploring further growth opportunities, and I wish Marc and the team all the best as they embark on the next chapter.

Finally, a big thank you to all of you, our shareholders, and stakeholders, for your support and faith over the past few years. I hope you have been encouraged by the results of our progress thus far.

J.A. Treger
Chief Executive Officer

29 March 2022

MARC AND I HAVE WORKED CLOSELY OVER THE PAST YEARS. HE HAS BEEN IN CHARGE OF THE EXECUTION OF OUR LATEST MAJOR ACQUISITIONS AND DISPOSALS, AND I BELIEVE HE HAS ALL THE QUALITIES REQUIRED TO BE A VERY SUCCESSFUL LEADER OF YOUR COMPANY

Julian Treger

I AM TAKING ON THE ROLE OF CEO AT AN EXCITING TIME. WE HAVE TRANSFORMED OUR PORTFOLIO TO FOCUS ON COMMODITIES THAT ARE ESSENTIAL FOR A SUSTAINABLE FUTURE. I AM FULLY COMMITTED TO THIS STRATEGIC DIRECTION AS I LEAD THE COMPANY DURING ITS NEXT PHASE

Marc Bishop Lafleche

MARKET OVERVIEW

COBALT DEMAND EXPECTED TO INCREASE SIXFOLD BY 2040

SPOTLIGHT ON COBALT

COBALT IS A KEY COMPONENT OF BATTERY CHEMISTRY – IT ACTS AS A STABILISING AGENT MAKING BATTERIES SAFER AND MORE RELIABLE

Cobalt overview
Cobalt is a vital element present in a variety of products from electronic devices and batteries that power our digital world, to forming part of the circuitry and the semi-conductors that power computers. In the form of cobalt sulphate, it is particularly important in lithium batteries, where it acts as a cathode stabiliser, preventing thermal runaway and ensuring safe and reliable operation. Demand for these high energy density batteries, used in electric vehicles ('EVs'), laptops and mobile phones, is forecast to increase year on year, with these markets already surpassing traditional industrial uses such as super alloys and cemented carbides.

Demand by end market
As we move towards a zero-emissions future, cobalt-based batteries will become increasingly in-demand to help decarbonise travel and help support renewable energy sources to manage an ever-increasing energy demand. Increasing global EV sales are the key driver of cobalt demand growth and by the end of the decade batteries used for EVs & energy storage and portable electronics are forecast to account for 65% and 17% of total cobalt demand respectively.

Global cobalt mine supply
Global cobalt supply is currently highly concentrated. Approx. 70% of 2020 supply was sourced from The Democratic Republic of Congo ('DRC') and the majority of near-term growth is also forecast to come from projects and expansions in the DRC. Cobalt supply as a by-product from Indonesia's large nickel developments is expected to come to provide significant medium-term growth, however many of these projects are currently at an early stage.

Global cobalt supply / demand outlook and market balance
Material increases in cobalt supply from both primary and increasingly secondary sources will be required to meet expected demand which is forecast to increase sixfold by 2040. Even with large increases in supply from existing mines, early-stage projects coming into production, and the development of battery recycling infrastructure, a growing cobalt market deficit is projected post 2030.

Battery chemistry overview
To meet the demands of the rapidly growing EV market, battery technology has evolved quickly as manufacturers seek to optimise performance, stability, input costs and longevity. Battery cathode technology which includes cobalt currently has a ~70% market share which is forecast to continue over the longer term. Nickel Cobalt Manganese Oxide (NCM) batteries have become the dominant technology, given their blend of stable chemistry along with reasonable performance and cost. Within the NCM battery category, the specific proportions of the component commodities have shifted over time with a move from originally having equal weightings of nickel, cobalt and manganese (NCM 111) or NCM 532, to the NCM 811 configuration, which contains 80% nickel, 10% cobalt and 10% manganese and is forecast to eventually become the market leader over the longer term. Cobalt has traditionally been the most expensive component in the battery chemistry mix, which has partly driven the changing configuration. However following the recent rallies in the nickel and lithium prices, the relative dynamics have changed which could lead to a partial shift back towards cobalt if current trends continue.

COBALT IS PRIMARILY USED IN LITHIUM-ION BATTERIES

On a global basis, Cobalt is primarily used in **lithium-ion batteries**, and in the manufacture of magnetic, wear-resistant and **high-strength alloys. These super-alloys** are used to make parts for gas turbine engines.

Cobalt is also used to make **airbags** in automobiles; **catalysts** for the petroleum and chemical industries; **cemented carbides** (also called hard-metals); and **diamond tools** and much more.

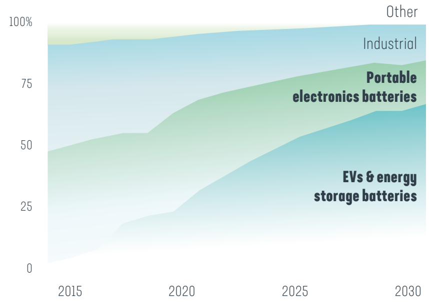
27
Co
Cobalt

COBALT-BASED BATTERIES WILL BECOME INCREASINGLY IN-DEMAND

Increasing global EV sales are the key driver of cobalt demand growth and by the end of the decade batteries used for EVs and energy storage and portable electronics are forecast to account for 65% and 17% of total cobalt demand respectively.

Source: Benchmark Minerals

DEMAND BY END MARKET 2015-2030



GLOBAL COBALT MINE SUPPLY 2020-2040

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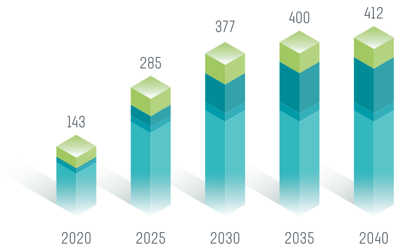

GLOBAL COBALT SUPPLY IS CURRENTLY HIGHLY CONCENTRATED

Approximately 70% of 2020 supply was sourced from The Democratic Republic of Congo ('DRC') and the majority of near-term growth is also forecast to come from projects and expansions in the DRC.

- DRC
- Australia
- Indonesia
- ROW

Source: Benchmark Minerals

GLOBAL COBALT SUPPLY / DEMAND OUTLOOK AND MARKET BALANCE 2020-2040

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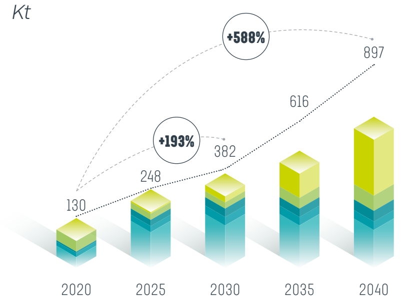


EXPECTED DEMAND FORECAST TO INCREASE SIXFOLD BY 2040

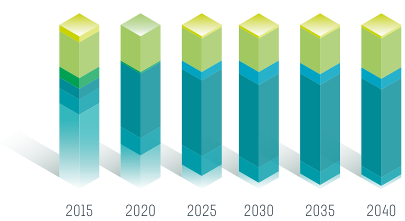
Material increases in cobalt supply from both primary and increasingly secondary sources will be required to meet expected demand which is forecast to increase sixfold by 2040.

- Operational supply
- Highly probable supply
- Probable supply
- Possible supply
- Secondary supply
- Total demand

Source: Benchmark Minerals

COBALT BASED BATTERY TECHNOLOGIES 2015-2040

%



BATTERY TECHNOLOGY HAS EVOLVED QUICKLY

To meet the demands of the rapidly growing EV market, battery technology has evolved quickly as manufacturers seek to optimise performance, stability, input costs and longevity. Battery cathode technology which includes cobalt currently has a ~70% market share which is forecast to continue over the longer term.

- Lithium Cobalt Oxide (LCO)
- Nickel Cobalt Aluminium Oxide (NCA)
- Nickel Cobalt Manganese Oxide (NCM)
- Lithium Nickel Manganese Spinel (LMNO)
- Lithium Manganese Spinel (LMO)
- Lithium Iron Phosphate (LFP)
- Other

Source: Benchmark Minerals

MARKET OVERVIEW
continued

2020–2022 COMMODITY PRICES

THE MINING SECTOR PERFORMED STRONGLY THROUGHOUT 2021 AGAINST THE WIDER BACKDROP OF TURBULENT MARKET CONDITIONS

29 46

COBALT
US$/lbs

13.75
LOW
33.50
HIGH
33.50
at 31.12.21

36 44 47

COPPER
US$/lbs

2.10
LOW
5.13
HIGH
4.42
at 31.12.21

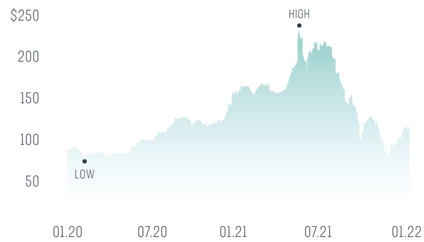
39

VANADIUM
US$/kg

5.10
LOW
9.88
HIGH
8.75
at 31.12.21

35 52

IRON ORE
US$/t



76.2
LOW
238.6
HIGH
114.1
at 31.12.21

30

COKING COAL
US$/t

100.0
LOW
398.0
HIGH
341.8
at 31.12.21

40

THERMAL COAL
US$/t

48.8
LOW
269.5
HIGH
170.1
at 31.12.21

MANY MINING COMPANIES RETURNED NOTABLE REVENUE GROWTH AS A RESULT OF THE STRONG COMMODITY PRICE ENVIRONMENT, HOWEVER **HIGHER COST INFLATION HAS DAMPENED THE PROFITABILITY OF PRIMARY COMMODITY PRODUCERS,** HIGHLIGHTING THE BENEFITS OF THE ROYALTY MODEL

YEAR IN REVIEW

The COVID-19 pandemic dominated global headlines once again, with Delta and Omicron variants continuing to disrupt supply chains as well as the flow of goods and people. The cost of freight skyrocketed as lockdowns impacted the loading and unloading of vessels, and in some circumstances power was rationed in response to rising energy costs. Supply pressures led to a draw on inventories, even forcing the LME to apply trading restraints as global warehouse copper stocks sank to their lowest level since 1974.

COP26 provided a snapshot of the growing calls for all sectors to transition away from fossil fuels. Participating nations acknowledged the need to eliminate coal usage but stopped short of setting concrete targets. Yet as the global energy crisis unfurled, energy security was placed over emission targets as the world consumed more coal to generate electricity than ever before. Thermal and metallurgical coal prices were up a staggering 110% and 230% respectively over the course of the year.

The role the mining sector must play in the energy transition was further understood by the investment community, which sought to gain exposure to future facing commodities. Base metals critical for batteries and electric vehicles such as copper, nickel and cobalt performed strongly, but it was lithium that dominated the headlines. Seaborne lithium carbonate gained 413% over the course of the year, accompanied by a 254% rise in lithium hydroxide.

Electric vehicle sales continued to surpass expectations with global sales up over 100% on 2020 levels despite a shortage of semiconductors in the second half of the year. The lithium-iron-phosphate ('LFP') battery technology market share increased, dominated by sales in China. However LFP battery raw material costs experienced a fourfold price increase during the course of the year, significantly impacting the cost vs performance equation. Nickel-cobalt batteries continue to hold approximately 70% market share in electric vehicles due to their superior safety and performance. Cobalt's role as the stabilising element in these batteries positions Anglo Pacific favourably in this growing market.

In order to capitalise on any 'green' re-rating, miners sought to pivot their portfolios towards 21st century commodities, accompanied by revised emissions targets and ambitious development plans. Most of the majors sought to rebalance their portfolios and align with the Paris Agreement's Scope 1 and 2 emission targets, whilst also investing in growth opportunities. Notable examples include BHP's exit from petroleum, Anglo American's demerger of its South African coal operations, and Rio Tinto's announced strategy to double growth capex in transition metals.

Following a period of significant outperformance, the sector stuttered from Q3 onwards driven by a number of economic shocks to Chinese markets. Evergrande was the first domino in an ensuing real estate crisis (with Chinese property sales turning negative from July), and increased emission scrutiny and power shortages led to periods of inactivity in industrial sectors.

MARKET OVERVIEW
continued

2021 WITNESSED THE HIGHEST NUMBER OF IPOS WITH OVER 2,500 PLACINGS ACROSS ALL SECTORS VALUED AT $504bn. MINING IPOS SOUGHT TO CAPITALISE ON BUMPER EQUITY MARKETS, RAISING $1.5bn ACROSS 135 DEALS

Chinese emission restrictions enforced on domestic steel production drove the weakest YoY steel production growth since 2008. Benchmark 62% CFR China iron ore prices fell from an all-time peak of $240/t in May to finish the year at $114/t. However, the demand for high purity 65% grade products and iron ore pellets remained strong given their relative productivity gains vs. lower quality products and lower Scope 3 carbon emissions per unit of steel production. The quality premium for 62%/65% grade iron ore products ended the year at approx. $26/t, while pellet premiums touched close to all-time highs during the course of the year, finishing at approx. $56/t.

Inflation and rising capex intensity is already being felt in the industry and is likely to remain a key trend over the coming years. Anglo Pacific is positioned to benefit from tight markets and increased prices, while not being burdened with inflationary and cost pressures, with unique exposure to the commodities that will be driving change over the foreseeable future.

EQUITY MARKETS REVIEW

2021 witnessed the highest number of Initial Public Offerings ('IPOs') with over 2,500 placings across all sectors valued at $504bn. Mining IPOs sought to capitalise on bumper equity markets, raising $1.5bn across 135 deals. Australia's ASX led on both deal count and value, accounting for 76% and 73% respectively.

As with previous years, precious metal IPOs were dominant, however a number of base and battery metal names debuted capitalising on the energy transition narrative. The largest listing of the year was copper-focused 29Metals, raising $400m in May off the back of strong production figures and elevated copper prices. Precious metal royalty and streaming company Triple Flag had the second-largest mining IPO, raising $260m as investors credited the royalty and streams operating model.

The MSCI World Mining index finished the year up 8%, losing ground mid-way through the year in correlation to iron ore's fall from record highs. Lithium listings possessed similar traits to tech stocks, with some posting over 1,000% gains despite the majority only at exploration or development stage. Investors are increasingly focused on seeking exposure to transition elements to avoid missing out on the secular trend.

Anglo Pacific finished the year up 5%, underperforming our commodity basket. We are positioned strongly heading into 2022, with the cornerstone acquisition of the Voisey's Bay cobalt stream fully integrated, and strong returns anticipated from its first full year with the Group.

DECARBONISATION WILL REMAIN A KEY THEME FOR THE SECTOR WHICH WE ENVISION WILL LEAD TO RISING CAPEX, FURTHER DRIVING INFLATIONARY PRESSURES

ROYALTY AND STREAMING REVIEW

Precious metals royalty and streaming companies continue to dominate the sector, however non-precious royalty and streaming companies have embedded themselves as a crucial source of financing for mining, development and exploration of raw materials. A lack of traditional project finance in non-precious metals presents opportunities, particularly in commodities that are not as well-understood as copper and nickel but are equally fundamental to achieving global climate objectives. Anglo Pacific is the largest listed royalty company on the LSE focused on 21st century commodities.

OUTLOOK

Global instability has increased considerably in early 2022. Russia's invasion of Ukraine sets in motion conflict between two major commodity exporters, and the potential impact on supply chains and long-term pricing could be dramatic. Whilst Anglo Pacific has no direct exposure to Russia or Ukraine, we anticipate the move will lead to increased volatility and a sharper geo-political focus on protecting the supply of critical raw materials.

The global economic recovery following COVID-19 will continue to be impacted as governments opt for different strategies to combat the virus. Disruptions at mines will continue unless vaccinations are made available to developing nations, whilst China's zero-COVID policy may impact metal processors. Energy access and supply chains are anticipated to remain tight and market strains are already being exacerbated due to events in Ukraine.

Decarbonisation will remain a key theme for the sector which we envision will lead to rising capex, further driving inflationary pressures. Following record 2021 results, miners are expected to increase capex spending on growth opportunities linked to the energy transition, as well as carbon reduction programmes. Cost inflation pressures have been gradually building, but with sustained demand will likely be passed through into higher prices as miners seek to protect margins. Anglo Pacific will naturally benefit from any price upside but is not burdened with rising costs at the mine site – a unique investment model in an industry critical for the world to transition.

BUSINESS REVIEW

OUR PORTFOLIO READY FOR A LOW-CARBON FUTURE

The portfolio contribution generated by the Group's royalty and metal stream related assets increased by 80% to $85.6m for the year ended 31 December 2021 (2020: $47.5m), with the largest contributions being generated by Kestrel and the newly acquired Voisey's Bay cobalt stream.

The acquisition of the Voisey's Bay cobalt stream and the Group's disposal of the Narrabri royalty transformed the complexion of our portfolio decisively towards commodities needed to facilitate the energy transition and achieve a low-carbon future. These transactions together with the organic growth opportunities within the existing portfolio such as Piauí and Incoa, demonstrate our belief that long-term value for all our stakeholders can only be achieved through sustainable and responsible investment.

In addition to the record portfolio contribution and the transformative transactions outlined above, there have been a number of significant developments across the portfolio. A key highlight is the progress made by Brazilian Nickel in developing Piauí, with first nickel production forecast for the end of Q2 2022. By contrast, the ongoing permitting issues faced by Berkeley Energia in relation to the Salamanca project resulted in the full impairment of the Group's royalty at 31 December 2021.

Further details on the Group's portfolio of royalties and streams, together with performance and progress to throughout 2021, can be found on ***pages 26 to 53***.

COVID-19

With the exception of the McClean Lake mill which was shut from January 2021 to April 2021, there was limited disruption to the operations underlying the Group's producing assets during the period attributable to COVID-19.

P26

PRODUCING

OUR PORTFOLIO HAS TRANSFORMED TOWARDS COMMODITIES NEEDED TO FACILITATE THE ENERGY TRANSITION AND ACHIEVE A LOW-CARBON FUTURE

P46

DEVELOPMENT

THE PROGRESS MADE BY A NUMBER OF DEVELOPMENT ROYALTIES WAS ENCOURAGING, GIVEN THESE ROYALTIES REPRESENT CONSIDERABLE UPSIDE TO THE GROUP'S FUTURE PORTFOLIO CONTRIBUTION

P51

EARLY-STAGE

PROGRESS MADE BY A NUMBER OF EARLY-STAGE ROYALTIES REPRESENTING FURTHER UPSIDE IN THE PORTFOLIO

DEMAND FOR COBALT IS PROJECTED TO SURGE FOURFOLD BY 2030 IN PACE WITH THE ELECTRIC VEHICLE BOOM

BUSINESS REVIEW
continued

AN OPERATING NICKEL-COBALT-COPPER MINE LOCATED IN CANADA, OPERATED BY ONE OF THE WORLD'S LARGEST MINING COMPANIES

VOISEY'S BAY
Cobalt

Stage
Producing

Commodity
Cobalt

Operator
Vale

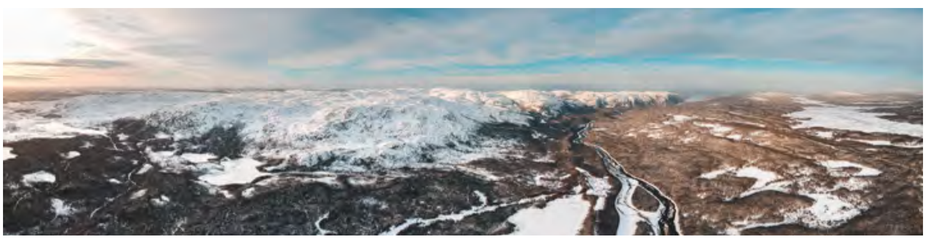
Location
Canada

Rate and type
22.82% attributable production
Production payment – 18% of spot price

Balance sheet classification
Mineral stream interests (P,P&E)

An operating nickel-cobalt-copper mine, located in the Province of Labrador and Newfoundland, Canada, operated by Vale Canada, a subsidiary of Vale S.A., one of the world's largest mining companies.

The acquisition of the Voisey's Bay cobalt stream has transformed the complexion of our portfolio decisively toward those commodities needed to facilitate the energy transition and achieve a low-carbon future. →



BUSINESS REVIEW
continued

VOISEY'S BAY
Cobalt

Stage
Producing

Commodity
Cobalt

Operator
Vale

Location
Canada

Rate and type
22.82% attributable production
Production payment – 18% of spot price

Balance sheet classification
Mineral stream interests (P,P&E)

What we own
In March 2021, the Group acquired a 70% net interest in an existing metal stream on cobalt production from the Voisey's Bay nickel and cobalt mine in Canada for cash consideration of $205m at closing and further potential contingent consideration subject to minimum cobalt prices and production volumes over the next five years.

Under the stream agreement, on a 100% basis, the Group is entitled to 22.82% of all cobalt production from Voisey's Bay. This entitlement steps down to 11.41% once 7,600 tonnes of finished cobalt have been delivered; since the stream's inception 520 tonnes have been delivered. The Group pays 18% of an industry cobalt reference price for each delivery until the original upfront amount paid for the stream, by its original holder, of $300m is reduced to nil (as at 31 December 2021, $28.8m in deliveries had been received). Thereafter the Group will pay 22%, with these payments reflected in metal streams cost of sales in the income statement. The cobalt delivered under the stream is currently sold through a marketing agreement with a global metals trader on a take or pay basis.

Performance
In total, the Group received 294Kt of cobalt during the period from completion through to 31 December 2021. Metal stream revenue from the cobalt received was $16.5m and after metal stream cost of sales, generated a net contribution of $12.5m.

PROJECTED MINE LIFE TO 2034, BASED ON CURRENT RESERVES, WITH POTENTIAL FOR FURTHER MINE LIFE EXTENSIONS

The Group achieved an average sales price of $25.49/lbs for the period to 31 December 2021, with deliveries heavily weighted towards the second half of the year when the cobalt price increased from around $20/lbs to above $30/lbs in the final two months of the year. Cobalt prices during 2021 exceeded our expectations at the time of acquisition of approximately $21/lbs for the period.

The cobalt price and production volumes in the second half of 2021, resulted in $1.0m of the price and volume linked contingent consideration becoming payable. This amount is included in current trade and other payables as at 31 December 2021 (refer to ***note 29*** of the financial statements).

Outlook
As noted at the time of acquisition, volumes are expected to be somewhat lower in 2022 as the mining transitions from open pit volumes of lower grade into the underground mine which is ramping up. Beyond 2022 as the underground production continues to grow and open pit operations cease, the volumes build annually with steady state production achieved by 2025.

The cobalt price outlook continues to be very positive. While the 2021 prices benefitted from temporary supply chain issues, the general view is that demand from battery related end users is going to continue to increase in the short-term. The percentage of electric vehicle sales continues to grow significantly year on year and this trend does not look to be reversing as governments encourage and support their adoption. Cobalt should continue to be a key component in battery chemistry for the foreseeable future, and while next generation nickel-based battery chemistries are expected to have lower cobalt loadings, the absolute level of expected cobalt demand growth remains strong.

Valuation
The Voisey's Bay cobalt stream is classified as a metal stream asset on the balance sheet. As such, this asset is carried at cost, less depletion and impairments. Metal stream assets are depleted once commercial production commences, on a unit-of-production basis over the total expected deliveries to be received.

The contingent consideration associated with the Voisey's Bay acquisition has been classified as a financial liability carried at fair value based on the discounted expected future cash outflows. The contingent consideration is included as a non-current liability on the balance sheet as at 31 December 2021 (refer to ***note 29*** of the financial statements).

LAPTOPS, SMARTPHONES AND ELECTRIC VEHICLES DRIVING DEMAND FOR COBALT

ON A GLOBAL BASIS, COBALT IS PRIMARILY USED IN LITHIUM-ION BATTERIES

Cobalt is a metal used in numerous diverse commercial, industrial, and military applications, many of which are strategic and critical.

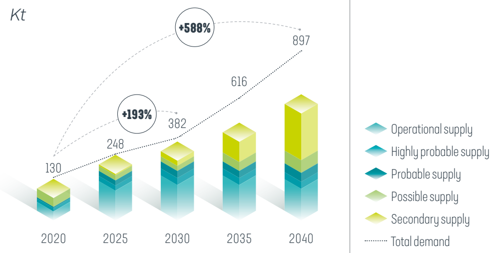
On a global basis, Cobalt is primarily used in **lithium-ion batteries**, and in the manufacture of magnetic, wear-resistant and **high-strength alloys. These super-alloys** are used to make parts for gas turbine engines. Cobalt is also used to make **airbags** in automobiles; **catalysts** for the petroleum and chemical industries; **cemented carbides** (also called hard-metals); and **diamond tools** and much more.

27
Co
Cobalt

EXPECTED DEMAND FORECAST TO INCREASE SIXFOLD BY 2040

Material increases in cobalt supply from both primary and increasingly secondary sources will be required to meet expected demand which is forecast to increase sixfold by 2040.

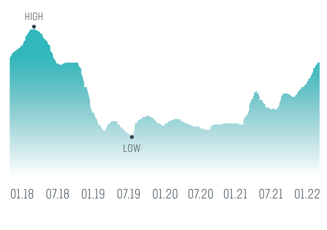
GLOBAL COBALT SUPPLY / DEMAND OUTLOOK AND MARKET BALANCE 2020-2040
Kt



COBALT PRICES ARE EXPECTED TO STABILISE IN 2022 AFTER TRADING AT THEIR HIGHEST LEVELS IN THREE YEARS

The cobalt price rose by 10% in November, breaking through $30 per pound for the first time since the end of 2018. Prices have risen by 92% year-to-date. "With greater interest in lithium iron phosphate battery chemistries and with EV sales still likely to suffer from the semiconductor shortage, we would not be surprised if the current rise in cobalt prices is limited and if prices fall back again" said Fastmarkets.

COBALT PRICES 2018-2022
US$/lbs



12.10
LOW

43.70
HIGH

33.50
at 31.12.21

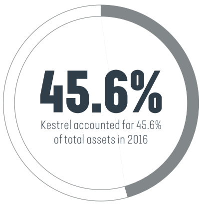
COBALT IS USED IN ELECTRONIC DEVICES AND BATTERIES THAT POWER OUR DIGITAL WORLD

BUSINESS REVIEW
continued

REDUCING OUR RELIANCE ON KESTREL

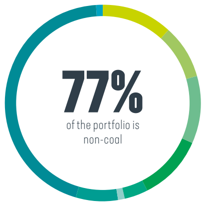
THE COMPLEXION OF OUR PORTFOLIO HAS DECISIVELY PIVOTED AWAY FROM OUR COAL HERITAGE

2016
TOTAL ASSETS
(%)



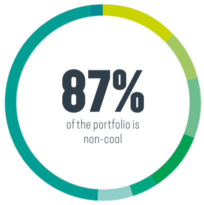
2021
TOTAL ASSETS
(%)

2020
COMMODITY EXPOSURE
by asset value at 31 December 2020



Coking coal	12%
Iron ore	9%
Copper	11%
Thermal coal	11%
Vanadium	4%
Gold	1%
Uranium	7%
Cobalt	45%
Other	1%

2021
COMMODITY EXPOSURE
by asset value at 31 December 2021



Coking coal	13%
Iron ore	8%
Copper	10%
Vanadium	10%
Gold	4%
Uranium	6%
Cobalt	47%
Other	2%

KESTREL
Coking coal

Stage
Producing

Commodity
Coking coal

Operator
Kestrel Coal Pty Ltd

Location
Australia

Rate and type
7.0 – 15.0% GRR

Balance sheet classification
Investment property

COKING COAL
US$/t

100.0	398.0	**341.8**
LOW	HIGH	at 31.12.21

An underground coal mine located in the Bowen Basin at Crinum, 51km north-east of Emerald in Central Queensland, Australia.

What we own
Kestrel is an underground, predominantly metallurgical coal mine located in the Bowen Basin of Queensland, Australia. The Group owns 50% of certain sub-stratum lands which, under Queensland law, entitle it to coal royalty receipts from the mine. The majority of coal sales from the operation are on a contract basis and are delivered to India, Japan and South Korea.

The royalty rate to which the Group is presently entitled is that prescribed by the Queensland Mineral Resources Regulations. These regulations currently stipulate that the basis of calculation is a three-tiered fixed percentage of the invoiced value of the coal; see opposite.

The Kestrel Mine is operated by Kestrel Coal Resources ('KCR'), a private joint venture between EMR Capital (an Australian private equity investment company) and Adaro Energy (a major coal mine operator and developer based in Indonesia).

Performance
Kestrel produced its highest ever year of royalty related revenue, buoyed by strong coking coal prices during the second half of 2021 as stability returned to the market. This record was despite slightly lower volumes in 2021 due to the ongoing difficult mining conditions from known faulting resulting in sales from the Group's private royalty lands decreasing by 7% from 5.6Mt in 2020 to 5.2Mt in 2021. Lower volumes in 2021 now look like being a positive, as these volumes are likely to be sold in a higher pricing environment in H1 2022 as the price of coking coal has increased by ~60% in the year to date backed by supply constraints at the beginning of the year and then the Russian invasion of Ukraine resulting in a rebasing of commodity price levels.

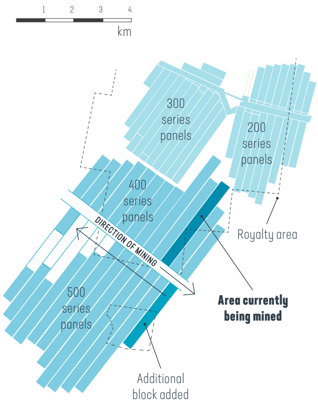
THREE-TIERED ROYALTY RATES
Average price per tonne for period

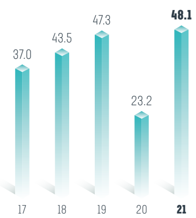
Up to and including A$100
Rate : 7.0%

Over A$100 and up to and including A$150
Rate : First A$100 : 7.0%
Rate : Balance : 12.5%

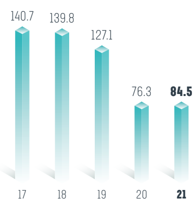
More than A$150
Rate : First A$100 : 7.0%
Rate : Next A$50 : 12.5%
Rate : Balance : 15.0%

KESTREL MINE PLAN
Showing area being mined compared to private land boundary





COAL ROYALTY RELATED REVENUE
$48.1m



COAL ROYALTY VALUATION
$84.5m

Similarly to 2020, there was a heavier weighting to Q4 sales reflecting the timing of the longwall changeovers, and together with the increase in the underlying coking coal price, this resulted in the single largest quarterly contribution from Kestrel in the Group's history of $26m in Q4, compared to the $23m generated for the whole of 2020.

The coking coal price was subdued for most of 2020 and began 2021 in a similar fashion. This was very much against the grain of other commodities since the onset of the pandemic. The reason for this was largely due to a Chinese import ban on Australian coal, resulting in large volumes being diverted onto the seaborne market at a time when key import markets had shut down in efforts to contain COVID outbreaks. Price pressure continued in the first half of 2021, averaging just $125/t. This position reversed suddenly and significantly from June 2021 onwards as Asian import markets reopened and the supply shock was absorbed.

This coincided with volumes from Kestrel increasing. Prices averaged $288/t in H2 21 and ended the year at $340/t. Not only did this have the benefit of increasing the sales revenue to which the Group's royalty is applied, but due to the price linked royalty rate there was also the additional benefit of the weighted average royalty rate increasing to 11.04% (2020: 8.69%).

The impact of the significant increase in price and the applicable royalty rate combined to produce record royalty revenue in FY 2021 of $48m (2020: $23m) and beat the previous record of $47m in 2019 – a year when record volumes of 6.3Mt were sold from within the Group's private royalty land.

Outlook
Coking coal prices have maintained their upward trajectory since the beginning of the year, rising above $600/t in March 2022. Consequently, the average price in Q1 2022 was higher than that of H2 2021 which points towards a strong first half. Encouragingly, the normal coking coal price dip which is often observed over the Chinese winter and during Chinese New Year seems to have been bypassed and with resilient industrial demand and balance restored to the seaborne market there is reason to be optimistic on pricing for FY 2022.

AN ADDITIONAL 1.3Mt OF MINING INVENTORY EXPECTED TO BE WITHIN THE GROUP'S PRIVATE ROYALTY LAND

In terms of volumes, we are expecting to see a similar volume level in FY 2022 to 2021 following the latest review of the mine plan by our independent consultants. Of more significance is the latest report received from the operator, which revealed an additional 1.3Mt of mining inventory expected to be within the Group's private royalty land. This is due to the inclusion of a new longwall panel at the beginning of the 500 series panels. This should result in a more gradual decline of production within the Group's private royalty lands between 2022 and 2026, although volumes are still expected to step down by approximately 50% in 2023.

Valuation
The Kestrel royalty is classified as coal royalties on the balance sheet and accounted for as an investment property. As such, this asset is carried at fair value by reference to the discounted expected future cash flows over the life of the mine.

Despite the record royalty income in the year, the independent valuation of the Kestrel royalty increased to $84.5m (A$116.3m) as at 31 December 2021 and accounts for 13% of the Group's total assets net of deferred tax (2020: $76.3m; A$98.9m; 17%).

The increase in the valuation is primarily attributable to the higher underlying coal price assumptions, the effect of which increased the valuation by A$32.1m ($24.1m) more than offsetting the A$19.5m ($14.6m) impact of depletion during the year. In addition, the inclusion of the new longwall panel at the beginning of the 500 series added a further A$5.6m ($4.2m) to the valuation as at 31 December 2021. Further details on the valuation can be found in *note 16* of the financial statements.

The independent valuation of Kestrel was undertaken by a Competent Person in accordance with the Valmin Code (AusIMM, 2005), which provides guidelines for the preparation of independent expert valuation reports. The Group monitors the accuracy of this valuation by comparing the actual cash received to that forecast. The value of the land is calculated by reference to the discounted expected royalty income from mining activity, as described in *note 16*.

As the asset has a nominal cost base, the carrying value almost entirely represents the valuation surplus. The Group recognises a deferred tax provision against the valuation surplus and, as such, the net value on the balance sheet is $53.7m (2020: $52.4m).

98% OF IRON ORE IS USED IN STEELMAKING. STEEL IS USED PRIMARILY IN BRIDGES, BUILDINGS, SHIPS, CARS AND MACHINERY

BUSINESS REVIEW
continued

LIORC IS EXPOSED TO ONE OF THE TOP FIVE SEABORNE PELLET PRODUCERS IN THE WORLD

LABRADOR IRON ORE ROYALTY CORP. (LIORC)

Iron ore

Stage
Producing

Commodity
Iron ore & iron ore pellets

Operator
Iron Ore Company of Canada ('IOC') / Rio Tinto

Location
Canada

Rate and type
Indirect interest in 7.0% GRR

Balance sheet classification
Royalty financial instrument

Mined and produced in Newfoundland and Labrador, Canada, the pellets are transported 418km by rail to the port at Sept-Îles, Quebec, where they are shipped to various markets throughout the world.

IOC produces a high-quality iron ore pellet which is highly sought after, which reduces the carbon footprint of the steel produced. Its quality is supported by its low levels of impurities, noticeably low in phosphorus, alumina and sulphur. These attributes are very desirable in the steel sector. →

BUSINESS REVIEW
continued

LABRADOR IRON ORE ROYALTY CORP. (LIORC)
continued

Stage
Producing

Commodity
Iron ore & iron ore pellets

Operator
Iron Ore Company of Canada ('IOC') / Rio Tinto

Location
Canada

Rate and type
Indirect interest in 7.0% GRR

Balance sheet classification
Royalty financial instrument

What we own
An equity stake in Labrador Iron Ore Royalty Corporation (LIORC). 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 sales from the operation, along with dividend income from its equity stake.

LIORC is effectively a pass-through vehicle in so much that it has a limited mandate to pass through its net cash to shareholders by way of dividend, subject to retaining sufficient working capital. Given the restricted investment mandate available to its management, Anglo Pacific considers this to effectively be a part ownership of the IOC royalty and accounts for this income as such.

Between May 2018 and February 2020, Anglo Pacific acquired a 7.01% interest in LIORC, investing C$109m ($82.8m) in total. To partially fund the acquisition of the Voisey's Bay cobalt stream, the Group disposed 76% of its holding in LIORC between November 2020 and February 2021 and now retains an interest of 1.6%.

Underlying operation
As the investment in LIORC is considered to be a part ownership of the royalty, an understanding of the underlying operation and product is important. This was a key focus of our due diligence when considering making this investment.

A LONG-LIFE OPERATION WITH RESERVES SUFFICIENT FOR ~25 YEARS

IOC is one of Canada's top iron ore producers, operated by Rio Tinto, and is among the top five producers of seaborne iron ore pellets in the world. It is a long-life operation with reserves sufficient for ~25 years at the current rate of production. The operation extracts ~55Mt of crude ore annually and processes this into concentrate and pellets before transporting it by rail to port at Sept-Iles in Quebec. All of the infrastructure is owned by the operation, another key attraction of this investment.

IOC produces a high-quality iron ore pellet which is highly sought after due to its efficient use in steel mills, which reduces the carbon footprint of the steel produced. Its quality is supported by its low levels of impurities, noticeably low in phosphorus, alumina and sulphur. These attributes are very desirable, particularly in Asia.

Performance
LIORC declared total dividends of C$6.00 per share for the year ended 31 December 2021, an increase of 97% on the previous year's dividends of C$3.05 per share. The 2021 dividends were well in advance of the C$4.10 per share consensus at this time last year and represent a yield on investment of ~25% in the year.

The dividends in the current year benefited from iron ore prices trading at above recent average levels throughout the year, and in H1 2021 in particular.

Despite the increase in the dividends declared, the Group's income from LIORC decreased from $8.9m (C$12.0m) in 2020 to $4.9m (C$6.2m) in 2021. The decrease follows the Group's disposal of 76% of its holding in LIORC between November 2020 and February 2021 to part fund the Voisey's Bay acquisition. Total proceeds generated by the Group's disposal were C$108.6m ($85.0m) and resulted in the Group realising a gain of C$24.7m ($17.7) which when combined with the dividends received represents a total return on the Group's investment of ~60%.

Outlook
LIORC 2022 guidance for saleable production tonnage (CFS plus pellets) is 17.0Mt to 18.7Mt. This compares to 16.6Mt of saleable production in 2021. Given current pellet premiums, it is expected that LIORC will continue to focus on maximising pellet production in 2022.

Iron ore prices reached record levels during the first half of 2021, before retreating to approximately $114/t over the course of the second half of the year. However, the market for high grade 65% pellet feed product remains strong, with the current 62/65 product quality differential of approximately $23/t. The pellet market remains equally strong, with pellet premiums averaging approx. $59/t in the first two months of 2022.

While consensus forecast prices for iron ore are trending downwards, iron ore content premiums along with pellet premiums received by LIORC products are expected to remain strong as a result of Chinese Government policies to curtail steel production for environmental reasons.

LIORC declared a Q1 2022 dividend of C$0.50/share and the full year consensus is for dividends to total C$3.53/share.

Valuation
The investment in LIORC is classified as a royalty financial instrument on the balance sheet. It is carried at fair value by reference to the quoted bid price of LIORC at the reporting date.

On initial recognition, the Group made the irrevocable election to designate its investment in LIORC as fair value through other comprehensive income (FVTOCI). As a result, all fair value movements accumulate in the investment revaluation reserve, within 'Other reserves'.

60% TOTAL RETURN REALISED ON THE LABRADOR IRON ORE ROYALTY MONETISATION

IRON ORE IS THE SOURCE OF PRIMARY IRON FOR THE WORLD'S IRON AND STEEL INDUSTRIES

Iron ore pellets are small balls of iron ore used in the production of steel. They are made with technology that uses the powder that is generated during the ore extraction process, once considered waste.

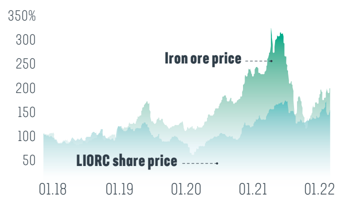
Iron ore is the source of primary iron for the world's iron and steel industries. It is therefore essential for the production of steel, which in turn is essential to maintain a strong industrial base. 98% of iron ore is used in steelmaking. **Steel is used primarily in bridges, buildings, ships, cars, and machinery and much more.**

26
Fe
Iron

FINISHED PRODUCT IS TRANSPORTED TO ITS PORT FACILITIES WHERE IT IS SHIPPED TO MANY MARKETS THROUGHOUT THE WORLD

IOC produces a high-quality iron ore pellet which is highly sought after, which reduces the carbon footprint of the steel produced. Its quality is supported by its low levels of impurities, noticeably low in phosphorus, alumina and sulphur. These attributes are very desirable, particularly in Asia.

LIORC PRODUCTS TO CONTINUE TO BENEFIT FROM IRON ORE CONTENT AND PELLET PREMIUMS



IRON ORE PRICE AND LABRADOR IRON ORE ROYALTY CORP. SHARE PRICE PERFORMANCE[1]
Re-based to 100

1. Bloomberg

ESG CREDENTIALS

SCOPE 3
Lower Scope 3 carbon emission in steel production

100%
Steel is 100% recyclable

LABRADOR IRON ORE

Pellet products typically result in lower Scope 3 carbon emissions in steel production relative to sinter feed products.

STEEL RECYCLING CREDENTIALS

Steel is one of the most recycled materials in the world.
More steel is recycled every year than paper, glass, aluminium and plastic combined. Steel has a potentially endless life cycle because it is easy to recover and practically 100% recyclable without any significant loss of quality. Recycling steel saves the equivalent energy to power about 18 million households for a year.

FINISHED PRODUCT IS SHIPPED TO MANY MARKETS THROUGHOUT THE WORLD

BUSINESS REVIEW
continued

COPPER IS AN ESSENTIAL COMPONENT IN THE INFRASTRUCTURE FOR RENEWABLE ENERGY

Around 75% of the copper produced today is used in the electronics, communication and energy industries where its excellent conductivity and ductile properties make it ideal for wiring and electronic circuitry, telecommunication cables, and electrical wires. In fact, **60% of copper ends up in wiring alone.**

When it comes to electrical conductivity, only silver outranks copper. That's why copper is widely used in everything from the electrical wiring in our houses to renewable power sources like wind turbines. **Copper can help to achieve a greater efficiency of other materials and thus it is going to play an important role in achieving a more sustainable future.**

Copper also promises to play an essential role in the transition to the low-carbon economy. A greener, healthier and more sustainable future relies on the use of copper. Products containing copper tend to operate more efficiently because copper is the best non-precious conductor of heat and electricity.

Copper is already an important ingredient in our most innovative technologies, such as smart energy technology, aquaculture and electric cars, and its role in electro-mobility, energy efficiency and renewable energy is growing. **McKinsey has estimated a 43% potential increase in copper demand by 2035 versus today's demand of 22m tonnes.**

29
Cu
Copper

MANTOS BLANCOS MINE PRODUCES HIGH-QUALITY COPPER PRODUCTS

Producing high-grade copper concentrates with low levels of deleterious materials. The cathode products are primarily Grade A with 99.99% purity and are LME registered.

To expand production at Mantos Blancos, a debottlenecking plan has been created. The project will raise daily throughput to 20,000 tonnes from 11,000 tonnes. In 2024, annual production will grow to 55,000 tonnes of copper at an all-in sustaining cost of $1.97 per payable pound. The expansion is approaching completion and is currently in the commissioning phase.

After debottlenecking, Mantos Blancos Phase II PFS expected in Q3 2022 evaluating a potential further expansion of ore throughput capacity from 7.3 Mtpa to 10.0 Mtpa.

>50%
50% of power will be from renewable energy sources

95%
premium-grade scrap has 95% of the value of primary metal

An estimated 80% of historically mined copper is still in use today. Copper's recycle value is so great that premium-grade scrap has at least 95% of the value of primary metal from newly mined ore.

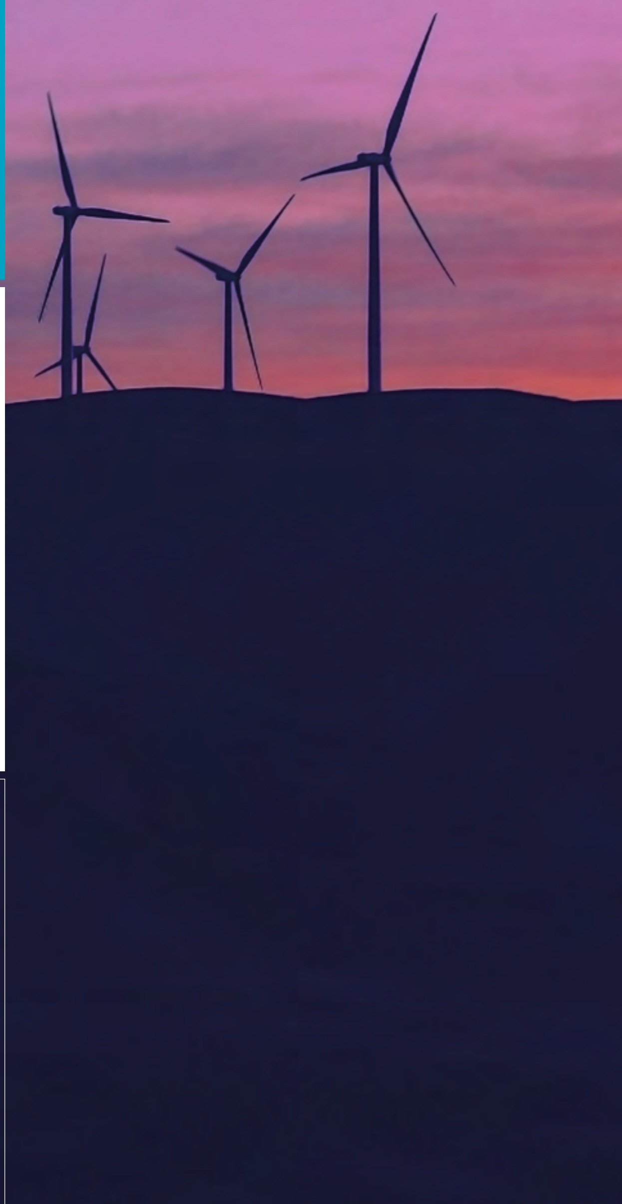
ESG CREDENTIALS
MANTOS BLANCOS

At least 50% of power provided to Mantos Copper S.A will be from renewable energy sources from 2025.

COMMUNITY SUPPORT
Mantos has implemented programmes to regularly assess the community impact of its operations in line with national laws and guidelines. A Sustainability Committee manages several local community support projects.

HEALTH AND SAFETY
Mantos Copper has repeatedly obtained the J.T. Ryan prize awarded by the Mine Institute of Canada and Sernageomin.

ENVIRONMENTAL RESPONSIBILITY
Environmental performance and management policies are in place – the environmental mitigation policy seeks to minimise the environmental impact of Mantos' operations.



COPPER IS WIDELY USED IN EVERYTHING FROM ELECTRICAL WIRING TO RENEWABLE POWER SOURCES LIKE WIND TURBINES

INCOME FROM THE GROUP'S ROYALTY INCREASED 75% FROM $3.7m IN 2020 TO $5.7m IN 2021

MANTOS BLANCOS

Copper

Stage
Producing

Commodity
Copper

Operator
Mantos Copper / Capstone Mining Corp

Location
Chile

Rate and type
1.525% NSR

Balance sheet classification
Royalty intangible

Mantos Blancos is located 45km from the port city of Antofagasta in Chile's north and is 800m above sea level.

What we own

The Group acquired a 1.525% net smelter return ('NSR') royalty over the Mantos Blancos copper mine in Chile for $50.3m in 2019. The Mantos Blancos mine is an open pit operation located in Chile, producing copper with silver by-products. The NSR entitlement applies exclusively to copper production at the mine. The operation is owned by Mantos Copper, which announced a merger with Capstone Mining Corp in early 2022.

Performance

Income from the Group's royalty increased 75% from $3.7m in 2020 to $5.7m in 2021. While the Group benefitted from the 9% increase in total payable copper volumes from 41.3Kt in 2020 to 45.0Kt in 2021, the primary driver of the growth in royalty revenue was the 38% increase in the underlying copper price to $8,318/t for the year (2020: $6,044/t).

Copper prices have performed well since the beginning of the pandemic as industrial output, particularly in China, remains resilient. Most commentators are predicting a supply deficit in the copper market over the course of the next decade as new supply has been slow to come online at a time when demand, both from traditional sources and the electric vehicle market, has increased. It would appear that over the medium-term there could be more upside than downside risk to the copper price.

While volume growth was welcomed during the year, the progress of the debottlenecking project, which our royalty part financed, has faced ongoing delays primarily due to the impact of COVID-19 on workforce arrangements. The volume improvements from the project which are designed to increase the mill feed capacity for sulphide ore from 4.3Mtpa to 7.3Mtpa are now expected to come through later in 2022.

Outlook

We welcomed the announcement of the merger between Capstone Mining Corp, a C$2.5bn mining conglomerate, and Mantos Copper which completed in early 2022 and see this as a long-term positive for our royalty. A revised technical report was issued as part of the combination, which identified further production growth potential via the further increase of the sulphide ore processing plant capacity, a potential extension in the life of oxide ore leaching beyond 2023, and exploration drilling in the bottom of the pit.

While there has been some uncertainty around political events in Chile over the past year following the election of a new government with ambitions to radically alter the mining tax regime, this does not impact upon our royalty which is only exposed to NSR deductions – highlighting one of the main benefits of the royalty model. Importantly, we would not expect any tax changes to impact on the fundamental commercial viability of the underlying operation or the financing required to complete the debottlenecking project.

Valuation

The Mantos Blancos royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

COPPER

US$/lbs

2.10 LOW

5.13 HIGH

4.42 at 31.12.21

BUSINESS REVIEW
continued

MARACÁS MENCHEN
Vanadium

Stage
Producing

Commodity
Vanadium

Operator
Largo Resources

Location
Brazil

Rate and type
2.0% NSR

Balance sheet classification
Royalty intangible

The mine is located in the eastern Bahia State of Brazil, 250km south-west of Salvador, the capital of Bahia, and 800km north-east of Brasilia, the capital of Brazil.

What we own
The Group has a 2% NSR royalty on all mineral products sold from the area of the Maracás Menchen mine to which the royalty interest relates. The project is located 250km south-west of the city of Salvador, the capital of Bahia State, Brazil and covers an area in excess of the current mining permits which offers potential for exploration upside. Maracás Menchen is 99.97% owned and operated by TSX listed Largo Resources Limited ('Largo').

Performance
Royalties from the Maracás Menchen mine totalled $3.4m for the year ended 31 December 2021, compared to $0.7m in 2020. The $2.7m increase is in part due to the one-off price adjustment of $1.3m in 2020 which arose on the termination of the offtake agreement between Largo and Glencore in 2020. In addition, the Group's 2021 royalties benefitted from the underlying vanadium price increasing from $5.58/lbs in 2020 to $9.15/lbs in 2021. Excluding the effect of the one-off price adjustment in 2020, royalty income increased by 56% in the year.

The increase in the underlying vanadium price achieved in 2021 is reflective of both the general increase experienced by the market and of the performance of Largo's sales and marketing function in targeting a greater portion of sales to high purity vanadium markets as well as the battery market. The latter has the potential to add premiums to the benchmark V_2O_5 price.

EXPECTS TO DELIVER ITS FIRST VCHARGE VANADIUM REDOX FLOW BATTERY THIS YEAR

Following the termination of the offtake agreement, the majority of Largo's product is now sold on a CFR basis rather than mine gate terms. Accordingly, applicable freight and transport charges are permitted deductions to the revenue subject to the Group's royalty. There are also additional costs incurred in refining the final product bound for the battery market although these appear to be compensated by higher margins. Overall allowable deductions increased from 12% in 2020 to 15% in 2021.

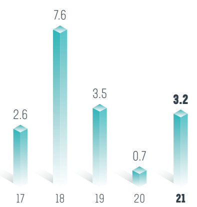
While production for 2021 was 13% lower than 2020 at 10.3Kt due to planned capacity upgrade works and unexpected heavy rainfall in Q4 2021, sales of V_2O_5 equivalent increased by 11% to meet the low end of Largo's revised guidance.

Outlook
Largo has announced production and sales guidance of 12-13Kt for 2022, which represents an increase of 20% to 30%. In addition to V_2O_5, Largo is now targeting the production and sale of V_2O_3 in early 2022 and expects to deliver its first VCHARGE vanadium redox flow battery in H2 2022, which will be a significant milestone in aligning Largo's products with the energy storage market.

Pricing levels have been much less volatile over the past year, averaging around $8.5/lbs signalling that stability has returned to the market following pronounced swings over the two preceding years.

Significantly for Anglo Pacific, Largo announced an updated Technical Report and Pre-Feasibility Study, through the filing of a NI 43-101 at the end of 2021. This provided an updated mine life of 20 years due to increased drilling and engineering work performed at the Campbell Pit, and at the Novo Amparo Norte and Gulçari A Norte deposits, with the planned production of ilmenite. This adds approximately eight years to the life of mine assumed at the time of acquiring the royalty. The Group's royalty applies to minerals extracted from the Campbell Pit and the Gulçari A Norte deposit.

Valuation
The Maracás Menchen royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.



MARACÁS ROYALTY RELATED REVENUE
$3.2m

GLOBAL ENERGY STORAGE CAPACITY IS EXPECTED TO GROW AT A ANNUAL GROWTH RATE OF 31% THROUGH 2030

DRIVEN BY THIS GROWTH, BATTERY STORAGE PROJECTS HAVE INCREASED IN RECENT YEARS

Driven by this growth, battery storage projects have increased in number and size in recent years, transactions and deal structures for the development and financing of storage have proliferated, and the geographic diversity of storage projects has expanded around the world.

In the face of the devastating impacts of climate change, governments and investors across the globe have increased their political and financial commitments to both renewables and battery storage. The energy transition is well underway and storage development is at a present-day peak due to a combination of long-term decreases in battery costs, increasing renewables penetration and political momentum. These dynamics have prompted increased public and private investments into storage as well as substantial mandates for utility and other LSE procurements for products and services from stand-alone storage and hybrid/co-located storage facilities.

23
V
Vanadium

THE WORLD'S MOST ADVANCED VANADIUM REDOX FLOW BATTERY SYSTEM

Largo Clean Energy's goal is to become a leading supplier of safe, durable, long-duration grid-scale vanadium redox flow batteries (VRFB) for the fast-growing global renewable energy storage market.

Their VCHARGE battery systems use patented battery technology and proprietary vanadium electrolyte processing to provide customers with a fully integrated and cost-competitive renewable energy storage system comprised of power conditioning, system control and thermal management subsystems.

Through the combination of Largo's unrivalled high purity vanadium products and Largo Clean Energy's VRFB business, we are confident that Largo Clean Energy is well positioned to capture a significant portion of future renewable energy storage demand going forward.

ONE OF THE HIGHEST-GRADE VANADIUM DEPOSITS IN THE WORLD

VPURE™ and VPURE™+ are industry preferred vanadium products produced from one of the highest-grade vanadium deposits in the world.

Vandium Products are ideal for use in master alloying, various steel applications, chemicals/catalysts and VRFBs. Largo has a proven track record of operational stability at the Maracás Menchen Mine which provides customers with a reliable source of vanadium supply.

<96%
Up to 96% of the water drawn is reused

99%+
99%+ employees are Brazilian

ESG CREDENTIALS

MARACÁS MENCHEN

Between 91% and 96% of the water drawn at Maracás Menchen is reused.

FOCUS ON LOCAL EMPLOYMENT

99%+ are Brazilian employees.

79% are from Bahia state.

BUSINESS REVIEW
continued

THE GROUP CONTINUES ITS STRATEGY OF RECYCLING ITS COAL CASH FLOWS INTO COMMODITIES THAT WILL CONTRIBUTE TO A REDUCTION IN CARBON EMISSIONS AND THE CREATION OF A CLEANER ENVIRONMENT

NARRABRI

Thermal & PCI coal

Stage
Producing

Commodity
Thermal & PCI coal

Operator
Whitehaven Coal

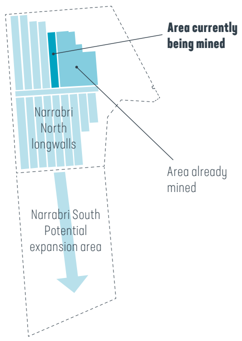
Location
Australia

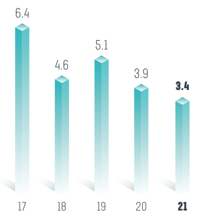
Rate and type
1.0% GRR

Balance sheet classification
Royalty intangible

NARRABRI MINE PLAN

Showing South potential expansion area





NARRABRI ROYALTY RELATED REVENUE

£3.4m

Located 17km south-east of Narrabri, 70km north-west of Gunnedah, New South Wales, Australia.

What we owned

In March 2015, the Group acquired a royalty interest in the Narrabri coal project, a thermal and pulverised coal injection ('PCI') mine located in New South Wales, Australia, operated by ASX-listed Whitehaven Coal Limited ('Whitehaven'). The Narrabri royalty entitled the Group to royalty payments equal to 1% of gross revenue on all coal produced from within the area covered by the Narrabri royalty.

Further to the Group's announcement in 2019 that it was committed to making no further investments in thermal coal and following a strategic review in Q2 2021, the Board approved the disposal of the Narrabri royalty which completed on 31 December 2021 as detailed below.

Performance

Total royalties from Narrabri decreased by 12% to $3.4m (2020: $3.9m) as a result of the ongoing geotechnical issues being faced by Whitehaven in countering the known fault in the current longwall panels which led to a 50% reduction in sales volumes to 3.1Mt for the year (2020: 6.4Mt).

The impact of the reduction in sales volumes was offset by the increase in the underlying thermal coal price which, similar to coking coal, saw a significant recovery in the second half of 2021 and was on average 62% higher than the second half of 2020.

THE GROUP DISPOSED OF ITS NARRABRI THERMAL COAL ROYALTY ON 31 DECEMBER 2021 FOLLOWING A THOROUGH STRATEGIC REVIEW

Disposal

The Group disposed of its Narrabri thermal coal royalty on 31 December 2021 following a thorough strategic review. The Group has embarked for a number of years on a strategy to recycle its coal cash flows into commodities that will contribute to a reduction in carbon emissions and the creation of a cleaner environment. In line with this strategy and following the Group's acquisition of the Voisey's Bay cobalt stream, management listened carefully to shareholder feedback, which largely encouraged the divestment of thermal coal, and made an informed decision to sell its Narrabri royalty, marking the Group's exit from thermal coal.

Anglo Pacific carried out an extensive sales process to solicit interest in the asset and was pleased with the level of interest received in exploring a possible transaction at an acceptable valuation. The process culminated in an agreement to sell the Narrabri royalty to the mine operator, Whitehaven Coal, with the transaction completing on 31 December 2021.

The transaction was structured not with a view to obtain immediate cash consideration but to achieve the highest possible value for the royalty. As such, the deal was structured as follows:

- Fixed consideration of $21.6m to be received in instalments until 31 December 2026, of which $4.4m was received on completion and a further $8.4m will be received within 18 months of the transaction completing.
- Price linked contingent consideration, whereby the Group is entitled to receive bi-annual payments ranging from $0.05/t where realised coal prices exceed $90/t to $0.25/t where realised coal prices exceed $150/t during the period from completion to 31 December 2026.
- Further contingent consideration consisting of $5.0m, payable in instalments upon the approval of the Narrabri South extension project by state and federal authorities in Australia, prior to 31 December 2026.
- Deferred consideration package which will be activated depending on the prevailing thermal coal price over a five-year period post disposal.

Based on current spot prices, and assuming average sales volumes of 4.3-5.0Mt, the price linked contingent consideration could result in an additional consideration of $9.0m. As a result, the transaction could generate total proceeds of between $21.6m - $35.6m, compared to the book value of $44.0m on completion. In addition, as the transaction completed on 31 December 2021, the Group continued to receive the H2 2021 royalty which totalled $2.3m.

Based on the total royalties of $3.5m received in 2021, the disposal proceeds represent a cash multiple of between 6-10x. These multiples have far exceeded equivalent thermal coal asset disposals in the market over the course of the past 12 months.

Balance sheet classification

Following the completion of the Narrabri disposal, the fixed consideration is included in non-current other receivables and carried at amortised cost less a provision for expected credit losses. The contingent consideration is also included in non-current other receivables and has been classified as a financial asset carried at fair value and will be revalued at each reporting date. For further information refer to ***note 19*** and ***note 23*** of the financial statements.

BUSINESS REVIEW
continued

DENISON MINES INC. MAKE PRINCIPLE INTEREST REPAYMENTS TO THE GROUP FROM THEIR 22.5% SHARE OF TOLL REVENUE GENERATION FROM THROUGHPUT AT THE McCLEAN LAKE MILL

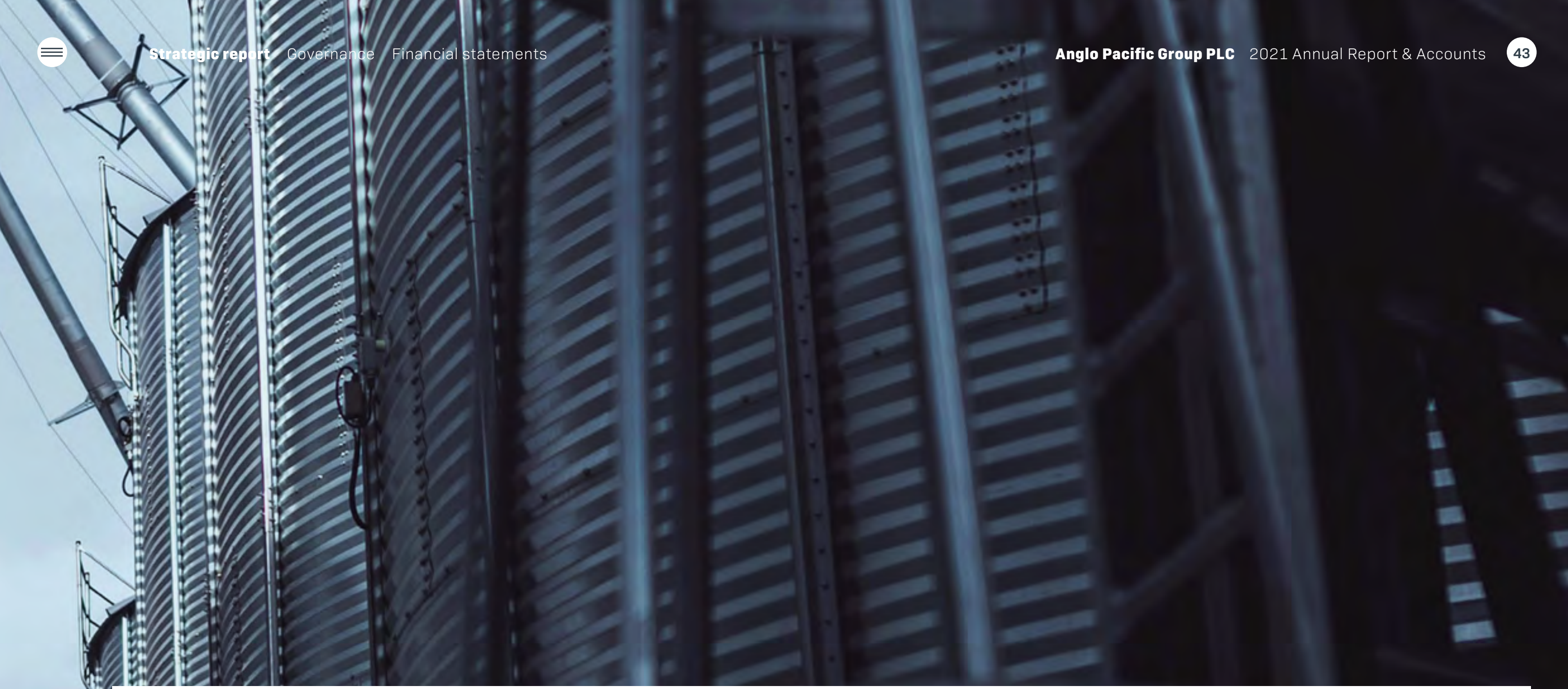
CLOSE ENGAGEMENT WITH INDIGENOUS PEOPLE HELPS TO ENSURE THE SOCIO-ECONOMIC BENEFITS

Cameco's close engagement with indigenous people helps to ensure the socio-economic benefits of its Cigar Lake Mine reached aboriginal communities.

Clearly defined contributions are enshrined in collaboration agreements and memorandums of understanding.

Many aboriginal people are employed at the uranium mine. Across its four mines Cameco is the largest industrial employer of aboriginal people in the region. The company also contributes to community investment initiatives and spends millions of dollars with aboriginal owned businesses and organisations.

CAMECO IS THE LARGEST INDUSTRIAL EMPLOYER OF ABORIGINAL PEOPLE IN THE REGION



McCLEAN LAKE MILL
Uranium

Stage
Producing

Commodity
Uranium

Operator
Orano

Location
Canada

Rate and type
Tolling revenue

Balance sheet classification
Loan & royalty financial instrument

A world-class mine located in the Athabasca Basin, Saskatchewan, Canada, approximately 660km north of Saskatoon. The McClean Lake mill is located 69km north-east of the mine site by road.

What we own
In 2017, Anglo Pacific provided Denison Mines Inc ('Denison') with a C$40.8m, 13-year loan bearing interest at a rate of 10% per annum. The interest payments are payable from the cash flows received by Denison from the toll revenue generated from its 22.5% interest in the McClean Lake mill, located in Canada and operated by Orano Group (previously Areva). The mill processes all ore produced from the nearby Cigar Lake uranium mine, operated by Cameco, and pays a C$/lbs toll rate for use of the mill. In any period where the cash flow from the toll revenue exceeds the interest payment, the balance is received by Anglo Pacific as a repayment of principal. In any period where the cash flows are less than the interest, the interest will capitalise and be repaid out of cash flows in the following period. Any amounts outstanding at maturity are due and payable regardless of the cash generated from the toll.

As the income from the toll revenue is based on a C$/lb of throughput, it is not sensitive to movements in the uranium price. As such, the Group's cash flows will not alter with uranium price fluctuations. The risk to the Group's cash flow is instead from any shut down of the mine or the mill.

In addition to the loan, the Group also entered into a financial transaction with Denison to purchase the entire share of their toll receipts received from Cigar Lake for C$2.7m. This allows for potential mine life extension at Cigar Lake.

Performance
The Cigar Lake mine, whose output provides the throughput at the McClean Lake mill from which the Group derives a toll revenue, faced operational disruption as a result of the COVID-19 pandemic. The mine was placed on care and maintenance for a six-month period in 2020 and again from January to April of 2021. During this time, there was no throughput at the mill and as such no toll revenue accrued.

Operations at Cigar Lake and the McClean Lake mill resumed in April 2021 and monthly toll revenue has now returned to normal levels, averaging C$0.5m in H2 2021.

Despite not receiving toll milling receipts during the periods that the mill was shut down, the interest on the Denison loan continued to accrue. The Group received $3.4m in capital and interest payments during the year (2020: $2.5m) on throughput of 12.5Mlbs (2020: 10.0Mlbs). Total interest earned under the loan for the year was $2.4m (2020: $2.3m).

Outlook
Cameco has provided guidance on Cigar Lake production of 15Mlbs during 2022, due to delays and deferrals in development work caused by the impact of COVID-19 and supply chain issues, as it focuses on bringing a new production panel online and closing out a completed one in the year ahead. This implies the Group will continue to receive its toll milling entitlement of approximately C$0.5-0.6m per month.

Valuation
The loan instrument is accounted for as a receivable and carried at amortised cost. The stream is considered a financial instrument in accordance with the Group's accounting policies and is therefore carried at fair value. All valuation movements are recognised directly in the income statement.

USES FOR URANIUM
Uranium is now used to power commercial nuclear reactors that produce electricity and to produce isotopes used for medical, industrial, and defence purposes around the world. Uranium is a very important element because it provides us with nuclear fuel used to generate electricity in nuclear power stations. It is also the major material from which other synthetic transuranium elements are made.

BUSINESS REVIEW
continued

THERE IS INCREASING DEMAND FOR 21ST CENTURY COMMODITIES

EL VALLE-BOINÁS /CARLÉS (EVBC)

Gold, copper & silver

Stage
Producing

Commodity
Gold, copper & silver

Operator
Orvana Minerals

Location
Spain

Rate and type
2.5 – 3.0% NSR

Balance sheet classification
Royalty financial instrument

USES FOR GOLD

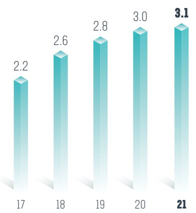
Wealth protection
Purchased by governments, central banks, financial institutions and private investors, gold is used as a physical store of wealth. Gold's ability to maintain value while other assets are dropping means it is stored for its investment value alone.

Jewellery
Jewellery, and other decorative gold products, account for the largest global use of gold.

Electronics
Gold does not corrode, is a great conductor of electricity, and is highly resistant to heat. Gold is perfect to use in electronics, particularly for cables and connectors. With consumer technology growing annually, there is increasing demand from the electronics industry, particularly in mobile phones.

Space exploration
Besides the numerous electronic components, thin coatings of the metal are used for shields and visors, and gold's dependability is essential for the high-risk situation of space travel and exploration.

Medicine and dentistry
Because it is non-reactive and non-toxic, gold has for many years been used in dentistry and medicine. New applications are being discovered every year, for example in prosthesis, where longevity is essential. Small amounts of gold are also injected as a treatment for Rheumatoid arthritis and muscle damage, and micro-particles are being used in the treatment of some cancers.



EVBC ROYALTY RECEIPTS
$3.1m

The El Valle-Boinás/Carlés project is located in the Rio Narcea Gold Belt in Northern Spain, near the port city of Avilés.

What we own
The Group has a 2.5% life of mine NSR royalty on the EVBC gold, copper and silver mine owned by TSX-listed Orvana Minerals Corp ('Orvana'). EVBC is located in the Rio Narcea Gold Belt of northern Spain and was previously mined from 1997 to 2006 by Rio Narcea Gold Mines. The royalty rate increases to 3% when the gold price is over US$1,100 per ounce.

Performance
The portfolio contribution from the EVBC royalty increased by 13% to $3.2m in the year (2020: $3.0m), despite operational performance at the mine being at the lower end of Orvana's revised guidance. The lower production volumes in the year reflect a 10% reduction in head grade, as in previous years, Orvana had targeted higher-grade ore which is usually unsustainable over a longer period. Production was also impacted by a plant stoppage in Q3 2021 for maintenance work to the tailings pumping circuit.

As a result of the lower production volumes, total gold sales for the year reduced by 11% to 46.0koz (2020: 51.5koz) and copper reduced by 8% to 6.21Mlbs (2020: 6.76Mlbs). The increase in the underlying gold and copper price during the year, however, compensated for the lower volumes resulting in record revenue from the royalty.

Taking into account the $3.2m received in 2021, the Group has received $30m from this royalty since it was acquired for C$7.5m in March 2008 and with at least five years of mine life remaining and the potential for expansion on top of that, it is a very good example of how the royalty model can work well through evolving resource and exploration expansion, common at many mines.

Outlook
Orvana announced EVBC production guidance for its FY 2022 (ending 30 September 2022) 48Koz to 53koz of gold and 5.8-6.5Mlbs of copper. This compares favourably to their actual production of 47.4koz of gold and 6.3Mlbs of copper in its financial year ended 30 September 2021, particularly with gold trading at elevated levels of around $1,950/oz in March 2022.

In addition to the production guidance, Orvana had issued an updated NI 43-101 which showed considerable potential for mine life expansion, beyond the rolling five years of reserves Orvana targets. During the course of 2021 the company continued to undertake drilling work to explore for further resources around the existing operation.

Orvana reported encouraging results from its drilling activity in Ortosa-Godan in its Q1 2022 report. This is an area which is close to the Carlés mine and suggests there could be a continuation of the gold belt from EVBC around this area. Orvana intends to undertake further drilling into FY 2022. As Anglo Pacific's royalty is payable from any throughput into the smelter regardless of the origination of the ore, any exploration upside from Ortosa-Godan would be subject to the Group's royalty.

Valuation
The EVBC royalty is classified as a financial asset within royalty financial instruments on the balance sheet. It is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. All valuation movements are recognised directly in the income statement.

THE URANIUM MARKET SAW PRICES INCREASE SIGNIFICANTLY

FOUR MILE
Uranium

Stage
Producing

Commodity
Uranium

Operator
Quasar Resources

Location
Australia

Rate and type
1.0% NSR

Balance sheet classification
Royalty intangible

Located in the Frome Basin in far north of the state of South Australia, 600km north of the state capital, Adelaide.

What we own
The Group has a 1% life of mine NSR royalty on the Four Mile uranium mine in South Australia. Four Mile is operated by Quasar Resources Pty Ltd ('Quasar').

Performance
The Group received $0.3m in royalty income from Four Mile in 2021, compared to $0.6m received in 2020. The 50% reduction in royalties for the year reflects lower volumes from the operation, particularly in Q3 2021. The Group understands that some of this is a timing difference and is likely to be made up in Q1 2022.

Allocable charges dispute
The legal dispute between the parties in relation to the level of allocable charges being applied by the operator against the royalty remains ongoing. The dispute was heard in the Supreme Court of Western Australia during Q4 2021 and we are currently awaiting the judgment which is expect to be received in H1 2022.

Outlook
Once the judgment in relation to the allocable charges dispute is received, the Group will be able to assess future prospects of the royalty together with any retrospective adjustment to the royalties received to date.

In the meantime, the uranium market saw prices increase significantly in 2021 driven by an improved sentiment towards nuclear energy as a low-carbon energy source and also increased investment demand. Sprott Inc commenced a physical uranium fund which purchased uranium on the market and then held such uranium as inventory. This, along with a similar venture at Yellow Cake plc, resulted in spot prices trading from a 12-month low of $27/lbs to as high as $51/lbs in the year. Uranium is currently trading in the mid $50/lbs range, which is higher than the average price achieved to generate the Group's royalty throughout 2021.

Valuation
The Four Mile royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

USES FOR URANIUM
Uranium is now used to power commercial nuclear reactors that produce electricity and to produce isotopes used for medical, industrial, and defence purposes around the world.

Uranium is a very important element because it provides us with nuclear fuel used to generate electricity in nuclear power stations. It is also the major material from which other synthetic transuranium elements are made.

BUSINESS REVIEW
continued

The progress made by a number of the Group's development royalties during the year was encouraging, given these royalties represent considerable upside to the Group's future portfolio contribution. The Piauí project in particular has the potential to create meaningful shareholder value following the progress made during 2021 both at site and in terms of fund raising – the latter which looks set to benefit significantly from a re-rating of the nickel price due to concerns about supply disruption from Russian and Ukrainian sources.

PIAUÍ
Nickel & cobalt

Stage
Development

Commodity
Nickel & cobalt

Operator
Brazilian Nickel

Location
Brazil

Rate and type
1.25% GRR

Balance sheet classification
Royalty financial instrument

USES FOR NICKEL & COBALT

On a global basis, Cobalt is primarily used in lithium-ion batteries

Cobalt is a metal used in numerous diverse commercial, industrial, and military applications, many of which are strategic and critical.

On a global basis, Cobalt is primarily used in lithium-ion batteries, and in the manufacture of magnetic, wear-resistant and high-strength alloys. These super-alloys are used to make parts for gas turbine engines. Cobalt is also used to make airbags in automobiles; catalysts for the petroleum and chemical industries; cemented carbides (also called hard-metals); and diamond tools and more.

Nickel & cobalt-based alloys and super-alloys are used in jet engines, gas turbines, chemical processing, petroleum refining, marine, electronics and other applications where common stainless steels may not provide adequate performance.

COBALT
US$/lbs

12.10 LOW

33.50 HIGH

33.50 at 31.12.21

The project is an open-pit nickel-cobalt mining operation located in the state of Piauí, in north-eastern Brazil.

What we own
The Group has a royalty over the Piauí nickel project in Brazil owned by Brazilian Nickel PLC ('BRN'), a private UK company. Anglo Pacific contributed an initial investment of $2.0m for a 1.25% GRR on the project in 2017 and has, at its election, the right to increase this investment by a further US$70.0m for a total gross royalty of 4.25% upon the satisfaction of certain developmental milestones.

Progress
BRN continues to make significant progress in developing the Piauí project. In addition to the $27.5m capital raised at the end of 2020, BRN secured further funding of $24.8m in September 2021. Of this amount, 70% was subscribed by Resource Capital Fund, a specialist mining investor. Along with the other cornerstone investor, TechMet Limited, which is supported by the US International Development Finance Corporation, BRN has a very strong shareholder base capable of continuing to support the capital requirements of the business through to construction.

The $52.3m in funding raised by BRN has enabled it to progress the bankable feasibility study ('BFS'), being carried out by SNC-Lavalin ('SNCL') in relation to the full-scale project. With value engineering now underway the BFS will be completed in the first half of 2022.

In parallel to the BFS, BRN has also used the funding to expand its existing demonstration plant to continuously produce 1,400t of nickel and 35t of cobalt a year, known as the 'PNP1000' project. The necessary operating licences for the PNP1000 were awarded in Q4 2021 and with construction 81% complete, BRN is targeting first nickel production at the end of Q2 2022.

Early off-take discussions have also progressed with various major groups with the aim of securing significant contributions towards funding BRN's full-scale project.

Outlook
2022 will be a pivotal year for BRN, during which we anticipate they will successfully achieve multiple significant milestones, including the completion of the DFS Engineering Study in relation to the full-scale project and first nickel and cobalt hydroxide production following the start-up of the PNP1000.

Following the successful start-up of the PNP1000, the Group expects to receive its maiden royalties from the 1.25% GRR over the project. Of more significance for the Group is the right, subject to final Anglo Pacific Board approval, to invest a further $70m into the project to increase the royalty rate up to 4.25%. Based on the progress achieved to date, this could be invested as early as H2 2023. Once fully ramped up this royalty could contribute in excess of $14m per annum by the later part of the decade (assuming long-term nickel prices of $17,800/t).

Valuation
The Piauí royalty is classified as a royalty financial instrument on the balance sheet. It is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. The option to invest further amounts is also classified as a royalty financial instrument on the balance sheet and carried at fair value. All valuation movements relating to the royalty and the option are recognised directly in the income statement.

CAÑARIACO

Copper, gold & silver

Stage
Development

Commodity
Copper, gold & silver

Operator
Candente Copper

Location
Peru

Rate and type
0.5% NSR

Balance sheet classification
Royalty intangible

The Cañariaco Sur deposit and Quebrada Verde prospect is located 3.5km south of Cañariaco Norte and immediately south-southwest of Cañariaco Sur, Peru.

What we own

The Group has a 0.5% life of mine NSR royalty over the Cañariaco copper project ('Cañariaco') located in Northern Peru and owned by TSX-listed Candente Copper Corp. ('Candente') and Fortescue Metals Limited. Cañariaco is a large-scale copper project which includes the Cañariaco Norte deposit, the Cañariaco Sur deposit and Quebrada Verde prospect located 3.5km south of Cañariaco Norte and immediately south-southwest of Cañariaco Sur. Canariaco Norte has a delineated resource estimate totalling 7.5Blbs of contained copper in the Measured and Indicated category, plus 1.4Blbs of contained copper in the Inferred category.

Progress

During 2021 Candente and Fortescue worked on the PEA study for the project (focused on the Norte deposit) to evaluate an alternative business case for developing Cañariaco with a smaller initial capital cost option. The intention is that once the development capital is paid back, the smaller operation could then be expanded to fully recognise the value of the large copper-gold resource that exists at Cañariaco. This is expected to enable permitting and financing to production more quickly than the larger option.

In January 2022, Candente announced an Initial Inferred Mineral Resource had been estimated for the portion of the Cañariaco Sur deposit drilled to date, containing 2.2 billion pounds of copper and 1.2 million ounces of gold. This deposit contains higher levels of gold and molybdenum than Cañariaco Norte, minimal arsenic levels and mineralisation that starts at surface. Cañariaco Sur has the potential to add significant value to the resources at Cañariaco Norte, 2km to the northeast.

In February 2022 Candente announced positive PEA results for the Cañariaco (Norte deposit) which shows the project has versatility to scale and growth, as the lower initial capital cost will be easier to finance and enables the expansion to the full rate of 80,000tpd to be self-funded through operational cash flow, while using best practices with filtered tailings and comingling management of waste rock.

This project advancement and other characteristics more recently worked on, like the geometallurgical modelling, afford a better understanding of the mineralization, resulting in a highly marketable concentrate with no need for arsenic treatment. This is all very encouraging as Candente and Fortescue look to move forward with a Feasibility Study.

The full PEA study associated with the Norte deposit was filed on 15 March 2022 as the NI 43-101 Technical Report for the 2022 PEA on the Cañariaco Copper Project.

Outlook

Candente also intends to further advance the resource development with a Feasibility on Cañariaco Norte and further drilling on Cañariaco Sur.

With the significant copper supply shortage expected in the market over the coming decade, and the backing of Fortescue as an invested party, the prospect for this potentially large operation looks increasingly more positive.

Valuation

The Cañariaco royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

BUSINESS REVIEW
continued

AMAPÁ
Iron ore

Stage
Development

Commodity
Iron ore

Operator
DEV

Location
Brazil

Rate and type
1.0% GRR

Balance sheet classification
Royalty intangible

The Amapá Project is a large-scale iron open pit ore mine with associated rail, port and beneficiation facilities located in the northern Brazilian state of Amapá.

What we own
The Group has a 1% life of mine GRR on all iron ore and other non-precious minerals produced from the Amapá Iron Ore System ('Amapá') in northern Brazil, operated by DEV Mineração S.A. and consisted of a mine in Pedra Branca do Amapári and a port in Santana, which are linked by a railway.

Progress
Significant progress was made during the year to bring the Amapá mine back into production. Pre-feasibility studies are underway and Anglo Pacific understands that progress is being made towards the re-development and reconstruction of the mine, after the port collapsed in 2013.

As part of the judicial recovery proceedings in Sao Paulo, Brazil, the court permitted the owner of the Amapá project to ship sufficient stockpiled iron ore to realise $20.0m in profits. Anglo Pacific understands that several shipments of stockpiled iron ore were made in 2021. The Group believes it is entitled to royalty payments on these recent shipments. As a result, the Group is attempting to engage with Cadence Minerals plc, which in Q1 22 completed its investment in the Amapá project via a joint venture with Indo Sino Pty Ltd. The Group will consider formal avenues to retrieve its royalty payments if it does not get meaningful engagement from the owners of the Amapá project.

Outlook
Cadence announced an updated Mineral Resource Estimate in November 2020, which showed a 21% uplift, which allows for the production of 5.3mt of 62-65% Fe over a mine life of 14 years.

Valuation
The Amapá royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

Following the port collapse in 2013 and the subsequent suspension of operations, the Group fully impaired the Amapá royalty in 2016 following Zamin filing for bankruptcy protection in Brazil. The Group will continue to monitor the progress made in bringing Amapá back into production and assess for indicators that the previous impairment should be reversed at each reporting date.

INCOA

Calcium carbonate

Stage
Development

Commodity
Calcium carbonate

Operator
Incoa Performance Minerals LLC

Location
Dominican Republic / USA

Rate and type
~1.23% GRR

The project consists of a calcium carbonate mine and associated infrastructure in the Dominican Republic and a processing facility located in Mobile, Alabama, USA.

The opportunity

The Group, together with Orion Mineral Royalty Fund ('Orion'), entered into a financing agreement with Incoa Performance Minerals LLC ('Incoa') in 2020, whereby Anglo Pacific will contribute US$20m to Incoa's calcium carbonate mine in the Dominican Republic and processing facility in Alabama, USA, following construction completion, in exchange for ~1.23% of gross revenue from the project.

Anglo Pacific's participation provides us with our first exposure to industrial mineral products and fits into our strategy of investing in high-quality products with reduced environmental footprints.

Development progress

Construction activities progressed well in 2021 despite the challenges presented by COVID-19. The port facilities and processing facility have now been completed and initial mining operations have commenced. Commissioning activities are underway, with saleable product being produced and sold since Q3 2021.

Outlook

Completion of the commissioning phase for the full range of products in the Alabama mill is anticipated to be in Q2 2022. Based on the progress to date, we would expect the Group's $20 million funding commitment to be due towards the end of 2022 following satisfaction of a number of conditions precedent, which include the construction and operation of the mine and associated processing infrastructure in-line with the project plan, for further details refer to ***note 38*** in the financial statements. Phase II funding will provide Incoa with additional capital to bring its calcium carbonate products to market.

After funding, the Group anticipates receiving average annual cash flow of approximately $1.75m to $2m over the first 10 years, and approximately $2.75m to $3.0m per annum longer term over the life of the project (in real terms).

BUSINESS REVIEW
continued

SALAMANCA
Uranium

Stage
Development

Commodity
Uranium

Operator
Berkeley Energia

Location
Spain

Royalty rate and type
1.0% NSR

Balance sheet classification
Royalty intangible

The world-class uranium project is being developed in an historic mining area located in Salamanca Province in western Spain, 250km west of Madrid.

What we own
The Group has a 1% life of mine NSR royalty on the Salamanca uranium project located in Spain and operated by ASX-listed Berkeley Energia Limited ('Berkeley'). The project consists of four main deposits (Retortillo, Alameda, Zona 7 and Gambuta) and is located in the Salamanca Province, Spain, approximately 250 km west of Madrid.

Progress
Berkeley announced in July 2021 that the Nuclear Safety Council ('NSC') issued an unfavourable report for the grant of the Authorisation for Construction required for the construction of the uranium concentrate plant at its Salamanca project. Subsequently Berkeley took steps to have the report reassessed by the NSC and the Ministry for Ecological Transition and the Demographic Challenge ('MITECO'), however, in November 2021 MITECO rejected the authorisation for construction. In response Berkeley Energia have submitted an administrative appeal under Spanish law and await the outcome.

In addition to the permitting issues, the Oman Investment Authority, through its Singaporean subsidiary, has commenced legal proceedings against Berkeley in relation to the status of the $65m convertible note the two parties entered into in 2017. Berkeley intends to strongly defend the claim that the monies are refundable, and instead issued the holders with common shares in the company in November 2021.

Outlook
As a result of the ongoing permitting issues, the Group has fully impaired the Salamanca royalty as at 31 December 2021 and recognised an impairment charge of $3.2m in the income statement (refer to ***note 19*** in the financial statements). Should Berkeley be successful in its administrative appeal and successfully obtain the authorisation for construction, the impairment will be reassessed.

Valuation
The Salamanca royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

DUGBE 1

Gold

Stage
Early-stage

Commodity
Gold

Operator
Hummingbird Resources

Location
Liberia

Rate and type
2.0 – 2.5% NSR

Balance sheet classification
Royalty financial instrument

The Dugbe Shear Zone is located in south-eastern Liberia, located 64km by road from the deep water port of Greenville, the capital city of County Sinoe.

What we own

The Group entered into a royalty financing agreement with AIM-listed Hummingbird Resources PLC ('Hummingbird') in December 2012 in relation to its Dugbe 1 gold project in Liberia. In exchange for $15m, paid in three tranches of $5m, the Group is entitled to a 2% life of mine NSR royalty from any sales of gold mined within a 20 km radius of a specified point within the Dugbe 1 resource.

Performance

During 2021 Pasofino Gold Limited ('Pasofino'), Hummingbird's joint venture partner, had up to four drilling rigs at work on the project and executed a 10,000m drill programme targeting open areas of mineralisation and upgrading some classifications of resource. In addition, a 2,500m trenching programme was also completed. These are the first new drillings since 2014 on the Dugbe 1 project, with Pasofino announcing various results and increases in mineralisation throughout the year.

In June 2021, Pasofino announced positive results from the Independent Preliminary Economic Assessment on the Dugbe 1 project and in November 2021 announced an updated Mineral Resource Estimate including 3.4Moz in Measured & Indicated. This is a 1Moz increase on the previous estimate. This provided Pasofino with the basis for its Feasibility Study which commenced in 2021 and is expected to be completed in 2022.

Outlook

Pasofino intends to complete the Feasibility Study on the Dugbe 1 project in Q2 2022 and further advance exploration work to expand deposits, increase classification of resource and test additional targets.

With the Feasibility Study scheduled to complete in April 2022, at that time Pasofino will, subject to satisfying certain other conditions in the earn-in agreement with Hummingbird, earn a 49% interest in the project (prior to the issuance of the Government of Liberia's 10% carried interest). Following its successful earn-in, Pasofino intends, subject to the receipt of all required approvals, including approval of the TSX Venture Exchange, to exercise its put right to acquire 100% of the project by converting Hummingbird's 51% interest in the project into a 51% shareholding interest in Pasofino.

Our royalty would survive any change of control, and depending on how this is structured, could result in Anglo Pacific electing to terminate its royalty in return for the repayment of the $15m invested.

Valuation

The Dugbe 1 royalty is classified as a financial asset within royalty financial instruments on the balance sheet. It is carried at fair value by reference to the discounted expected future cash flows over the life of the mine. All valuation movements are recognised directly in the income statement.

BUSINESS REVIEW
continued

PILBARA
Iron ore

Stage
Early-stage

Commodity
Iron ore

Operator
BHP

Location
Australia

Rate and type
1.5% GRR

Balance sheet classification
Royalty intangible

An integrated system of four processing hubs and five mines connected by more than 1,000km of rail infrastructure and port facilities in the Pilbara region of northern Western Australia.

What we own
The Group has a 1.5% life of mine GRR over three exploration tenements in the central Pilbara region of Western Australia, owned by a wholly-owned subsidiary of BHP Group Limited ('BHP'), which is listed on the ASX.

The tenements, covering 263km², host a number of known iron occurrences, including the Railway deposit. The tenements are supported by extensive rail infrastructure including the rail lines from Rio Tinto's West Angeles and Yandicoogina mines and BHP's rail line serving its current operations at Mining Area C, which lie immediately to the east of the Railway deposit.

Progress
We do not anticipate any tangible progress on the tenements covered by the Group's royalty until ~2040, while BHP continues to develop their other iron ore interests in the Pilbara.

Valuation
The Pilbara royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

Following the Group's bi-annual impairment review, an impairment charge of $1.2m was recognised in the income statement for the year ended 31 December 2021 (2020: $3.5m) – refer to *note 19* in the financial statements.

RING OF FIRE

Chromite

Stage
Early-stage

Commodity
Chromite

Operator
Noront Resources

Location
Canada

Rate and type
1.0% NSR

Balance sheet classification
Royalty intangible

Ontario's Ring of Fire is located approximately 500km north-east of Thunder Bay and covers about $5,000^2$ km.

What we own
The Group has a 1% life of mine NSR royalty over a number of claims on the Black Thor, Black Label and Big Daddy chromite deposits operated by Noront Resources Limited.

Progress
2021 was an active year for Noront Resources Limited ('Noront'), which became subject to a bidding war between BHP and Wyloo Metals Pty Ltd ('Wyloo'). This culminated in a recommendation being put forward by management to accept the Wyloo cash offer of C$1.10 per share. This represented a 358% premium to the undisturbed share price in May 2021 and a 75% premium to BHPs initial bid.

While the Group sees the proposed acquisition of Noront by Wyloo as a positive development for the Group's Ring of Fire royalties, in the absence of an update to the project timeline the development of the Black Thor, Black Label and Big Daddy deposits is expected to occur after the Eagle's Nest nickel project.

Valuation
The Ring of Fire royalty is classified as a royalty intangible asset on the balance sheet. As such, this asset is carried at cost less amortisation and impairments. Royalty intangible assets are amortised when commercial production commences, on a straight-line basis over the expected life of the mine.

Following the Group's bi-annual impairment review, an impairment charge of $0.9m was recognised in the income statement for the year ended 31 December 2021 (2020: $nil) – refer to *note 19* in the financial statements.

FINANCIAL REVIEW

THE RECORD PORTFOLIO CONTRIBUTION HAS LED TO QUICKER DELEVERAGING AND A STRONG BALANCE SHEET

K. Flynn
Chief Financial Officer

Overview

Anglo Pacific achieved a record level of portfolio contribution in 2021, buoyed by commodity prices. Since the outbreak of the COVID-19 pandemic, commodity prices have increased significantly across the board. This is largely due to infrastructure led responses by governments, continued growth in Chinese industrial output and supply chain disruptions occurring at a time of increased demand. In addition, for certain other commodities, the continued trend towards decarbonisation technologies and electric vehicles is creating meaningful additional demand.

The risk of COVID-19 related disruption has largely been replaced by that of inflation and the prospect of increasing interest rates. The royalty and streaming business model tends to be more insulated against inflation, as it provides exposure to commodities at the top line. As inflation tends to benefit hard assets, this provides Anglo Pacific with an advantage compared to those running the underlying operations where cost inflation has the potential to rapidly erode margins. The threat of inflation to the Group's portfolio contribution is therefore confined to the relative position on the cost curve of individual operators. Given the profile of Group's portfolio, the threat of underlying operations becoming uneconomic is relatively low.

Interest rate exposure is a greater issue for the Group, especially following the increase in borrowings as part of the financing strategy for the Voisey's Bay acquisition. As described below, however, the impact of the record results in 2021 should result in an accelerated deleveraging profile in H1 2022. As a result, the impact of interest rate increases on the Group's borrowing profile is expected to be relatively low, given the Group's current borrowing levels.

Following a record year can often be challenging, but we are encouraged that volumes from our portfolio are likely to be in line with those in 2021. Given that the commodity prices for our two key assets, which produce cobalt and coking coal, are well in advance of the prices at this time last year there is a reasonable prospect of further growth to come in the current year.

Looking further ahead, we would expect volumes in 2023 from Kestrel to be around half the level of 2022 as mining begins to transition outside of the private royalty land. We were very pleased to see data from the operator which shows a new longwall panel at the beginning of the 500 series panels which adds around 1.3mt to our total expected tonnage over the remainder of private royalty land. This should result in volumes for 2023 through 2025 being on average slightly more than 2Mt per annum.

As part of the Voisey's Bay financing plan, balance sheet gearing was allowed to increase. At the time, we anticipated gearing to exceed 2x our pre-tax adjusted earnings into H2 2022, based on consensus coking coal prices of ~$140/t and cobalt prices of $17.50/lb in H2 2021. The sudden return to stability in the coking coal market saw prices well in advance of $300/t at the end of the year and cobalt prices almost double. As a result, leverage fell to 1.2x at the end of the year and this should continue to decrease as we go through H1 2022 as coking coal and cobalt prices remain at their twelve-month highs.

The financial priority for the year ahead continues to be deleveraging and maintaining a strong balance sheet. With the timing of the $20m Incoa investment looking more like H2 2022, and with coking coal and cobalt prices at recent historic highs, there is a real prospect net debt could fall below $50m at the half year. The increased debt capacity on the back of stronger than expected results and further liquidity by way of our residual position in LIORC of ~$30m, provides the Group with a strong financial position to finance further growth.

2021 RESULTS

Following the Voisey's Bay acquisition in March 2021, the Group changed its presentational currency to US dollars. This aligns with the fact that most commodities are priced in US dollars, and that our borrowings and acquisitions are mainly dollar denominated. The Group's main exchange rate risk is now in relation to its dividend and central costs, which are both primarily paid in pounds sterling. Reporting in US dollars also brings the Group in line with its peers and the majority of the mining sector.

Portfolio contribution

The contribution from the Voisey's Bay cobalt stream along with a sudden recovery in the coking coal markets combined to produce a record year for the Group. Overall portfolio contribution of $85.6m for the year was 80% higher than the previous year. Of this amount, 70% was earned in H2 2021 and with prices currently higher than those in the second half of 2021, there is the potential for further growth to come in 2022.

	2021 $m	YoY%	2020 $m
Kestrel	48.1	*107%*	23.3
Voisey's Bay	16.5		–
Narrabri	3.4	*(12%)*	3.9
Mantos Blancos	5.7	*55%*	3.7
Maracás Menchen	3.3	*358%*	0.7
Four Mile	0.3	*(40%)*	0.5
Royalty and stream income	**77.3**	***140%***	**32.1**
Dividends – LIORC & Flowstream	5.6	*(39%)*	9.2
Interest – McClean Lake	2.4	*7%*	2.3
Royalty and stream related revenue	**85.3**	***95%***	**43.6**
EVBC	3.0	*5%*	3.0
Principal repayment – McClean Lake	1.3	*41%*	0.9
Less:			
Metal streams cost of sales	(4.0)		–
Total portfolio contribution	**85.6**	***80%***	**47.5**

2021 was really a tale of two halves. Coking coal markets had remained relatively subdued during H1 2021, averaging just below $125/t as the impact of COVID-19 import restrictions and Chinese bans on Australian coal remained in force. This led to the seaborne market being overburdened with additional product. Once the initial supply shock worked through the system, stability returned to the market very suddenly from the beginning of June 2021, and prices rapidly began to pick up, averaging $288/t in H2 2021 and finishing the year at ~$340/t. With volumes largely consistent at Kestrel between H1 and H2, the impact of pricing and the associated increase in the weighted average royalty rate resulted in revenue in H2 2021 of $38m bringing total revenue for FY 2021 from Kestrel to $48.1m – a new record.

A similar trend emerged in the cobalt market during the year. Prices in H1 2021 averaged $22/lb and increased to $27/lb in the second half, ending the year at $34/lb. As the Voisey's Bay acquisition only completed at the end of March 2021, 81% of its overall contribution of $12.5m was earned in the second half of the year. Pricing increased during the second half due to logistical disruptions in key African export markets due to COVID-19 at a time when there was increasing demand from battery markets.

The table does not fully reflect the like for like position. Due to the financing strategy for the Voisey's Bay acquisition, 77% of the Group's LIORC stake was disposed at the beginning of the year and the shares sold did not qualify for the Q1 2021 dividend. The Voisey's Bay acquisition did not complete until the end of Q1 2021, as a result, there was a full quarter where no income was earned from the LIORC shares used to finance the acquisition with contribution from the acquisition only beginning in Q2 2021. In addition, the Maracás Menchen royalty related revenue for 2020 was impacted by a one-off charge of $1.3m relating to the termination of the offtake arrangement between Largo and Glencore.

The individual asset performance is discussed in greater detail in the business review section on ***pages 26 to 53***. The following are some high-level observations explaining the variances in 2021:

Kestrel	6% decrease in volumes due to faulting, offset by 60% increase in average price and weighted average applicable royalty rate increasing from 8.75% in 2020 to 10.25% in 2021
Voisey's Bay	Represents 9 months contribution since acquisition
Narrabri	62% increase in average price, offset by 50% reduction in volumes due to ongoing geotechnical issues
Mantos	38% increase in weighted average sales price for the year, combined with a 9% increase in sales volumes
Maracás Menchen	65% increase in weighted average sales price for the year, whiles sales volumes remained flat FY 2020 income was impacted by a $1.3m one-off adjustment upon the termination of the offtake agreement between Largo and Glencore
Four Mile	Modest increase year on year reflecting higher uranium prices
LIORC	77% reduction in the Group's holding in LIORC, partially offset by the dividend per share increasing from C$3.05/share in 2020 to C$6.00/share in 2021
McClean Lake	Increase in principal repayments reflects the impact of the 6-month shut down during 2020 due to COVID-19, during the current year operations were suspended for approximately 3 months from late January to early April

Adjusted earnings

One of the virtues of the royalty model is that incremental post-tax revenue drops more or less directly to the bottom line both in terms of adjusted earnings and free cash flow, two of our main KPIs. We saw this again in 2021 where our contribution of $85m resulted in adjusted earnings of $53m. This resulted in adjusted earnings of 25.24c in the period, a 61% increase on the adjusted earnings of 15.69c in 2020.

	2021 $m	%	2020 $m
Royalty related revenue	85.3	*95%*	43.6
Receipts from royalty financial instruments	3.0	*5%*	3.0
Metal streams cost of sales	(4.0)		–
Operating expenses	(10.7)	37%	(7.8)
Finance costs	(7.3)	144%	(3.0)
Finance income	–	*(99%)*	0.1
Foreign exchange and other	0.1	*(115%)*	(0.6)
Tax	(14.1)	*99%*	(7.1)
Adjusted earnings	52.3	*85%*	28.2
Weighted average number of shares ('000)	207,901		180,374
	25.18c	***61%***	**15.69c**

Overhead costs in the period increased by 37% to $10.7m. Over 60% of our costs are represented by staff costs and the increase in the year reflects a higher bonus accrual associated with the record level of investment in the year and record results. Elsewhere, costs continued to be incurred in relation to the Four Mile trial which was heard in November 2021, however, these costs are not likely to recur going forward.

FINANCIAL REVIEW

continued

Finance costs were also noticeably higher in the period. This is due to the new financing facility put in place as part of the Voisey's Bay acquisition which resulted in the accelerated write off of the previous facility costs which were hitherto being amortised over a three-year period. Finance costs also reflected the higher average borrowings in the Group over the course of 2021, as discussed in more detail later in this report.

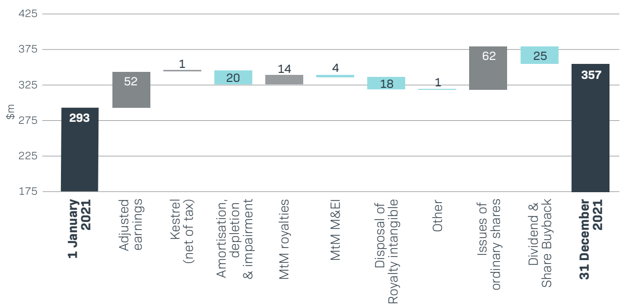
The tax charge in the period was $16m, principally in relation to our Australian assets. The headline tax charge for the year is lower as the Narrabri loss qualifies for a tax deduction. As we do not bring the capital loss into our adjusted earnings calculation then the tax shield is also disregarded.

Adding back non-cash valuation and impairment items results in basic earnings per share of 18.03c compared to a loss per share of 13.23c in 2020.

BALANCE SHEET

Net assets increased to $357.1m during the year ended 31 December 2021. This was largely due to the impact of the increase in the underlying metallurgical coal offsetting the impact of depletion in Kestrel valuation, together with the fundraising undertaken to acquire the Voisey's Bay cobalt stream. At 31 December 2021, the Group's net asset per share was $1.72 compared to $1.63 a year ago.

Movement in net assets ($m)



The Voisey's Bay acquisition was completed in March 2021. The cost under IFRS was split on the balance sheet between a fixed asset and a deferred tax asset, the latter is due to the acquisition being that of a holding structure which had considerable tax losses available to offset future stream revenues. There is also an amount included on the balance sheet for the fair value of the potential deferred consideration associated with the transaction in the event of the cobalt price reaching certain milestones. The first such payment crystallised in Q1 2022 due to the significant increase in cobalt price during H2 2021, but any such payments are effectively self-financed through the increased cash flows from the royalties above and beyond those envisaged at the time of the acquisition.

Kestrel is the only material asset which is fair valued on the balance sheet and, despite record earnings, it remained broadly flat due to the new reserve discovery and a higher price outlook. The Voisey's Bay asset is carried on the balance sheet at cost and is then depreciated on a units of production basis. The carrying value is subject to impairment review, which can be influenced by a decrease in future price assumptions; however, in the event of price increases, which have taken place post acquisition, there is no equivalent increase.

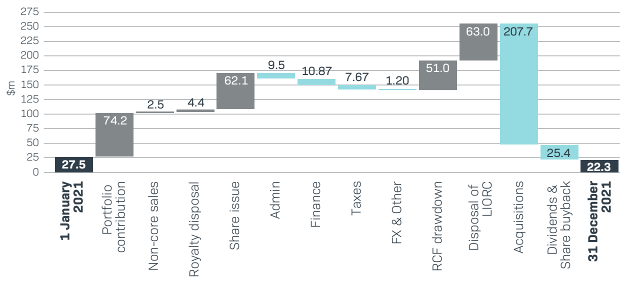
Following a strategic review post the Voisey's Bay acquisition, the Group solicited interest for a possible divestment of its Narrabri thermal coal royalty. We were very pleased, although not surprised, with the level of interest in the royalty which suggested that there could be a path to obtaining an acceptable valuation. This culminated in the announcement during Q3 2021 of an exit of our thermal coal exposure through a structured sale to the mine operator, Whitehaven Coal.

The deal consideration was based on three elements: non-contingent consideration, consideration contingent upon the granting of the Narrabri South permit; and consideration contingent upon the thermal coal price outperforming consensus over a period of time (see ***page 41*** for further details). At 31 December 2021, the date the transaction completed, the estimated fair value of the total consideration was $25.6m, which resulted in a loss on disposal of $19.0m. Of the $21.6m non-contingent consideration, $4.4m was received on completion and the balance of $17.2m is split between current and non-current receivables. The contingent consideration valued at $4.0m is accounted for as a financial asset carried at fair value through profit or loss and included in non-current receivables. Refer to ***note 23*** of the financial statements for further details.

CASH FLOW AND LIQUIDITY

The Group's portfolio generated significant cash flow in the second half of 2021, buoyed by recent historically high coking coal and cobalt prices. However, a significant portion of these earnings was only received at the end of January 2022.

Cash flow sources and usage ($m)



Capital allocation in the period reflected our growth ambitions, with $207.7m invested in growth and $25.4m of shareholder returns. The Voisey's Bay acquisition was funded in part through the part disposal of our stake in LIORC ($20.3m was disposed at the end of Q4 2020 in the run up to the transaction). The disposal of Narrabri, whilst realising $4.4m of guaranteed proceeds, will be received in semi-annual payments over a 5-year period.

The Group increased its gearing in the first half of the year with the Voisey's Bay acquisition and reported a leverage ratio of 2.44x at the half year. It was anticipated that the leverage ratio would remain above 2x in 2022. This was based on forecast coking coal prices at that time of $136/t in H2 2021 and cobalt prices of $20.50/lb. The actual prices received in H2 2021 far exceeded these levels and this resulted in a significant reduction in leverage ratios to 1.2x by the end of the year. As coking coal and cobalt prices are currently in excess of the average Q4 2021 prices, we would expect to generate significant cashflow in H1 2022 and further accelerate the deleveraging profile and leverage ratios in the short-term.

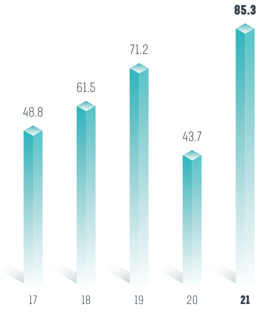
With cash of $22.0m at the end of 2021, $38.0m of undrawn borrowings, and with ~$30.0m of further liquidity in the residual LIORC stake, along with the $23.5m of Q4 2021 royalty receivables and $8.6m in Kestrel instalments received in Q1 2022, the Group has access to immediate liquidity of ~$120m to finance further acquisitions – a number which is expected to increase throughout H1 2022 in light of the current commodity prices.

K. Flynn
Chief Financial Officer

29 March 2022

KEY PERFORMANCE INDICATORS

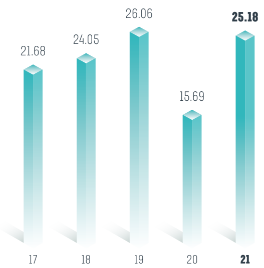
2021: A record level of income and investment



$85.3m

ROYALTY RELATED REVENUE ($m)

Royalty related revenue reflects the revenue from the Group's underlying royalty and streaming assets on an accruals basis, including the interest earned on royalty financing arrangements and the dividend income received from the Group's investment in LIORC (refer to ***note 5*** for further details).



25.18c

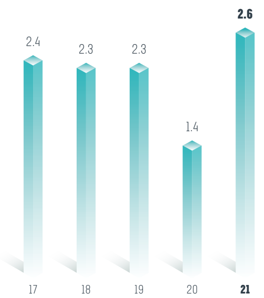
ADJUSTED EARNINGS PER SHARE (c)

Adjusted earnings per share excludes any non-cash valuation movements, impairments, amortisation, foreign exchange gains/(losses) and share-based payment expenses.

It also adjusts for any profits or losses which are realised from the sale of equity instruments within the mining and exploration interests.

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

Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per hare (refer to ***note 12*** for further details).

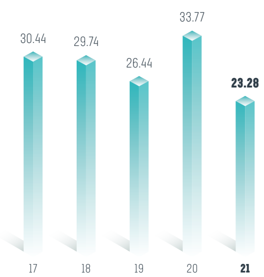


2.6x

DIVIDEND COVER (x)

It is a policy of the Group to pay a significant portion of its royalty income as dividends. Just as important as maintaining the dividend is maintaining the quality of the dividend. Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share (refer to ***note 13*** for further details).

In any period where there is an adjusted loss, the dividend cover will be reported as nil.

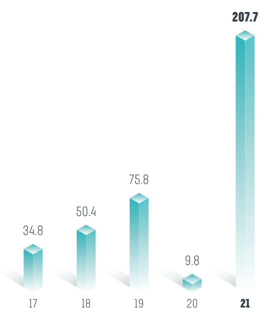


23.28c

FREE CASH FLOW PER SHARE (c)

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. Management have determined that free cash flow per share is a key performance indicator, as the Board considers the free cash flows generated by its assets when recommending dividends.

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 repayment of principal, less finance costs by the weighted average number of shares in issue (refer to ***note 34*** for further details).



$207.7m

ROYALTY ASSETS ACQUIRED ($m)

The Group's strategy is to acquire cash or near-cash producing royalty related assets which will be accretive and in turn enable dividend growth. The graph shows how much the Group invested in royalty acquisitions in each period.

ENGAGING WITH OUR STAKEHOLDERS

ANGLO PACIFIC AIMS TO CREATE BOTH SHORT AND LONG-TERM VALUE FOR ITS STAKEHOLDERS

In doing so, we actively engage with our stakeholders to understand the issues and factors that are significant for them and to ensure the Group's purpose, culture and values are aligned with this objective.

WE ACTIVELY ENGAGE WITH OUR INVESTORS

WE ACTIVELY ENGAGE WITH OUR COUNTERPARTIES & MINE OPERATORS

WE ACTIVELY ENGAGE WITH OUR COMMUNITIES

EMPLOYEES

How we engage

With only ten employees, the Board is often in direct contact with the Group's entire workforce. Since 2018 the role of Designated Non-Executive Director responsible for workforce engagement has been rotated between the Company's Non-Executive Directors to further enhance the Board's interaction with and exposure to the Company's employees. The Designated Non-Executive Director for workforce engagement is responsible for meeting with employees at least twice per year through one-on-one meetings and town halls. The terms of reference for the Group's Designated Non-Executive Director for workforce engagement can be found on our website ***www.anglopacificgroup.com/responsibility/#governance***

Mr. Stan assumed the role of Designated Non-Executive Director in November 2020 and throughout 2021 held a number of virtual and in-person townhalls with all employees, with feedback from the meeting and action items arising placed on the Board's agenda.

Significant topics raised

- Engagement and alignment with the Group's purpose and values
- Proposed changes to the Group's workforce related policies and procedures, including hybrid working and return to office protocols to ensure staff safety
- Opportunities for personal development
- Workforce remuneration policies, particularly focused on long-term retention

Diversity

The Group's employees are instrumental to its success, and it respects and values the individuality and diversity that every employee brings to the business. As at 31 December 2021, 70% of the Group's employees were female as the Group had ten employees, seven of whom were female. In terms of the Company's Board of Directors, there were seven Directors, six of whom were male. The Group recognises that it has more to do in encouraging and supporting diversity at both the Board and Executive Committee level and hopes to be able to identify and develop talent at all levels in the organisation as the Group continues to grow. More information on the Nomination Committee's approach to diversity can be found on *page 85*.

INVESTORS

How we engage

AGM, investor roadshows, one-on-one meetings, conferences and results webcasts.

Significant topics raised

- Progress on the diversification of the Group's royalty portfolio
- Acquisition of the Voisey's Bay cobalt stream
- The Group's exit from thermal coal through the disposal of the Narrabri royalty
- Capital returns to shareholders
- Revisions to the Directors' Remuneration Policy

Due to the ongoing health and safety measures imposed by the UK Government in response to the COVID-19 pandemic, the Company was again unable to host the AGM in its usual format in 2021. Instead, shareholders were invited to attend a live webcast during which the Chairman and Chief Executive Officer provided an overview of the Group's performance in 2020 and an outlook for 2021. Following the presentation, all members of the Board were available to respond to questions from shareholders.

COUNTERPARTIES & MINE OPERATORS

How we engage

Contract negotiation, site visits and ongoing monitoring of developments, with a focus on ESG at the operations generating our royalty related income.

Significant topics raised

- Evidence of environmentally and socially responsible performance and risk management
- Performance of the underlying operations and outlook
- Terms and conditions of royalty and streaming agreements

COMMUNITIES

How we engage

As a royalty and streaming company, Anglo Pacific does not operate any of the underlying assets within its portfolio. While this limits the direct involvement the Group has with the communities impacted by the operations underlying the portfolio, the Board, through the Executive Committee led by the Chief Executive Officer, engages with the mine operators seeking to influence and encourage compliance with relevant ESG standards.

Significant topics raised

- Updates on significant environmental or community related incidents
- The standards adopted by the Group in relation to ESG matters and the standards expected of our operators

In light of the limited direct involvement the Group has with the communities impacted by the operations underlying the portfolio, employees in our London Head Quarters have been encouraged throughout 2021 to participate in community initiatives and volunteering.

Further details on the Group's community and charity initiatives can be found on page 69 of our Sustainability Progress Report.

HAVING REGARD TO OUR STAKEHOLDERS IN BOARD DECISION-MAKING

We were delighted to offer existing shareholders direct participation in our Voisey's Bay equity raise through the Primary Bid platform.

N.P.H. Meier
Chairman

Section 172(1) statement
When making decisions, the Directors have acted in a way that they considered to be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with or are impacted by its business. In doing so the Board had regard, amongst other matters, to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with its counterparties;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

You can find out more about how Anglo Pacific engages with its stakeholders on the page opposite.

Considering a broad range of stakeholder interests is an important part of the Board's decision-making process however, in doing so, it will not always be possible to deliver the desired outcomes of all stakeholders.

How does the Board engage with stakeholders?
Due to the size of the Group's operations and the niche position it has as one of the few natural resources royalty and streaming companies on the London Stock Exchange, the Board will occasionally engage directly with certain stakeholders on certain issues. Where this is not possible or efficient, stakeholder engagement takes place at the Executive Committee level, led by the Chief Executive Officer.

The Board considers and discusses information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting and through in-person presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

Engagement in action
The following are some examples of how the Directors have considered matters set out in sections 172(1)(a)-(f) when discharging their section 172 duties and the effect of such considerations on certain decisions taken by them. These examples also illustrate how the views and interests of some of the stakeholders set out on ***page 58*** impact the Directors' decision-making.

Principal decisions

Distributions to Shareholders and Capital Allocation
Despite the wider disruption to and volatility in the macro-economic environment, there was limited disruption to the operations underlying the Group's producing assets during the period from COVID-19. We believe this is testament to our strict focus on well-established mining jurisdictions where mining industries are prioritised and protected, given their key economic contributions. As a result, the Board had the confidence to approve the payment of interim dividends totalling 5.25p per share and is recommending a final dividend per share of 1.75p for 2021.

In determining the recommended final dividend of 1.75p, the Board considered the overall performance of the Group for the year, the ability to accelerate the deleveraging of the business and our growth strategy. The Board is of the view that dividends totalling 7p for the year ended 31 December 2021 (2020: 9p) has been well flagged to the market throughout the year as part of our capital allocation policy, which is currently prioritising the repayment of debt drawn to fund the Voisey's Bay acquisition. This dividend level also allows the Group to maintain a strong financial position from which to fund the further growth needed for all of our stakeholders.

Disposal of Narrabri royalty and exit from thermal coal
Following the completion of the Voisey's Bay cobalt stream, management listened carefully to shareholder feedback, which largely encouraged the divestment of thermal coal. The Board undertook a thorough strategic review of the Group's portfolio of royalties and streams. It was concluded that disposing of the Group's Narrabri royalty and exiting thermal coal was the logical next step in transitioning the business toward commodities required for a low-carbon future.

Following a thorough and competitive process, which was run in-house, we were pleased to announce a transaction with the mine operator, Whitehaven Coal, in Q3 2021 and the completion of the transaction on 31 December 2021 for what is considered to be an attractive consideration package. Total consideration together with the value of usable tax losses generated on disposal results in a transaction value of up to $31m. In terms of multiples, this could see a value of 10x trailing cash flows – which is right at the top of the range of what thermal coal assets were trading at during the year. More information on the disposal of the Narrabri royalty can be found on ***page 41.***

The divestment of the Narrabri royalty marks the Group's exit from thermal coal, which is consistent with and builds on the commitment we made in 2020 to make no further investment in thermal coal. Through this divestment the Group's access to capital through new shareholders and lenders previously restricted due to our coal exposure is expected to be enhanced which will further support our growth ambitions.

RISK MANAGEMENT

The annual report is being prepared against the background of ever-changing geopolitical tensions between Russia and the West following the devastating decision by the Russian President to invade Ukraine. The Board has considered the wide-ranging implications of this conflict on the Group's business which at present is taking the form of increased commodity price volatility, albeit currently to the upside. The Board will continue to monitor the situation closely. For our risk disclosure we have added geopolitical risk to our framework, and this is discussed on *page 63*.

Our strategy, values and risk appetite inform and shape our risk management and internal controls framework. The Board and the Executive Committee provide oversight of our principal and emerging risks, and the Audit Committee monitors the overall effectiveness of our risk management processes and internal controls. As understanding and effectively managing the Group's risks is fundamental to being able to execute our strategy, we are committed to a robust system of identifying and responding to the risks we face.

The impact of risk on our strategy and viability

Risk can arise from events outside of our control or from operational matters. Each of the risks described on the following pages can have an impact on our ability to deliver our strategy and the Group's ongoing viability.

Risk assessment and classification

Our risk assessment process considers the likelihood and impact of risks, and the timescale over which a risk could occur. From this assessment, we classify the risks faced by the Group as emerging risks, principal risks and catastrophic risks.

Emerging risks

Emerging risks are those on the three-year horizon, in line with our viability statement. We also define risks as emerging if we need to know more about how likely they are to materialise, or what impact they might have if they did materialise. We will investigate and analyse these risks further before classifying them as principal risks.

Climate change

The Group recognises that climate change is one of the biggest challenges of our times and that we have a responsibility to assess the physical and transitional risks and opportunities associated with it that could potentially impact our business. While our overall strategy has already been influenced by the way we believe our business will be affected by climate-related issues and those issues are already addressed within our existing ESG policy (see below), we currently classify climate as an emerging risk. This is because of the inherent uncertainties over impacts and timescales associated with climate change. Moving forward we will be undertaking TCFD-aligned activity (*see pages 74 to 75*) to better understand the potential financial impacts of climate issues on our business and the resilience of our strategy over a range of timescales. This work will inform a materiality assessment of the risk classification to ensure such issues are fully embedded within our risk management framework.

We operate solely within office environments with a small workforce and do not control or directly operate any mines or mills, accordingly our most significant exposure to physical and transition climate impacts (and opportunities) arises indirectly through the operations underlying our portfolio of royalties and streams. Although the Group does not control or directly operate any of the mines or mills from which it receives royalties or physical metal deliveries, it does control its strategy and investment decisions. We identified in the middle of the last decade that in order to manage climate change, a significant shift in energy origination, consumption and storage would be needed in future years. We realised that a significant amount of base metals and rare earths would be required to construct the technologies which would be required to drive such a step change and began to shape our strategy and investment decisions towards these future facing commodities. We continue to believe that considerable quantities of these commodities will be required and so our investment priorities are to focus on such materials.

Once an opportunity is identified, our investment decision-making is guided by our ESG policy, which outlines how we mitigate risk, including climate change risk, through our investment criteria, due diligence, contractual agreements and ongoing engagement with our operating partners, and has led the Group to seek opportunities to increase its exposure to commodities that are required for a low-carbon future.

As a result of the indirect nature of the Group's main source of emissions and exposure to physical climate impacts, the potential financial impact of climate change on the operations underlying our portfolio has not yet been fully assessed. Throughout 2022, the Group will continue to engage with its mining partners together with climate change experts to undertake a complete assessment of our portfolio utilising scenario analysis informed by standard future climate scenarios, including relevant climate-related physical and transition risks to quantify the climate-related risks and opportunities that may impact our business. Until this assessment is completed, climate change will continue to be classified as an emerging risk. We also will consider how climate change may interact with existing risk categories.

Supply chain disruption
While Anglo Pacific does not own or operate any of the mines and mills underlying its portfolio of royalties and streams, and has therefore not experienced any direct impact from the recent disruptions to the global supply chain infrastructure caused by the post-pandemic demand surge, the same may not be true for our operators. Severe supply chain and logistics disruptions have the potential to impact not only the production and distribution of our operators' underlying commodities but also the timely delivery of development projects in the case of our non-producing royalties.

Principal risks
We define a principal risk as a risk or combination of risks that would threaten the business model, future performance, solvency or liquidity of the Group. While principal risks are typically current risks that could affect our ability to achieve our long-term objectives, they are also considered over the next three years as a minimum, with the Group recognising that many of them will be relevant for a longer period.

In addition to principal risks, we continue to be exposed to other risks related to the day-to-day operation of the business. The impact of these would not be so significant as to materially affect the Group's business model, future performance, or solvency. The identification and mitigation of these risks is through the Group's internal control framework, the effectiveness of which is reviewed at least annually by the Chief Financial Officer as outlined.

For more on the Group's principal risks refer to pages 62 to 64.

Catastrophic risks
The Group also faces certain risks that are deemed catastrophic risks. These are very high severity, very low likelihood events that could result in an unplanned fundamental change to the Group's strategy and have significant financial consequences. The Board does not consider 'likelihood' when assessing these risks, as the potential impact means these risks must be treated as a priority. Catastrophic risks are included as principal risks.

Risk appetite
Although the ultimate success of Anglo Pacific will depend on its ability to continue to add value enhancing royalties and streams to its portfolio, the focus of the viability statement is on the existing business of the Group and the ability of the current portfolio to generate sufficient cash to meet the Group's outgoings, including the dividend. Under our 'severe but plausible' case it would be expected that there would be a need to negotiate covenant waivers and refinance the Group's facility at maturity or take other corrective action which would remedy any defaults.

The Directors' risk appetite is therefore capped with reference to an acceptable and supportable level of borrowings relative to the Group's likely income profile over the next three years on a 'severe but plausible' basis. Throughout 2021 and at the date of this report, all of the Group's principal risks and uncertainties were operating within the limits of the Directors' risk appetite.

Changes to our risks in 2021
The Group's risk profile evolved in 2021 following acquisition of the Voisey's Bay cobalt stream and the associated refinancing of our revolving credit facility. The acquisition materially dealt with the need to replace revenue from Kestrel as production gradually moves out of private royalty lands between 2023 and 2026. In addition, the new syndicate of lending banks and enlarged facility provide the Group with greater financing flexibility to acquire additional royalties and streams to further diversify the Group's portfolio.

The partial recovery in the global economy from the negative impacts of COVID-19 helped ease the macro-economic risks faced by the Group in previous years, in particular the strong recovery in commodity prices which led to a record year of portfolio contribution. Conversely, we consider political risks to have increased in light of the potential armed conflict involving world powers following the invasion of Ukraine by Russia, together with ongoing global trade disputes.

An outcome of our periodic review of risks impacting the business, together with our revision to the definition of principal risks, was the removal of two risks – foreign exchange risk and interest rate risk – with management now considering both risks to be related to the day-to-day operations of the business the impact of which would not materially affect the Group's business model, future performance, or solvency. In addition, our periodic review resulted in the combination of the investment approval risk and operational management risk from 2020 into the single risk of investment approval.

The Group's catastrophic risks remain our highest priority risk, given the potential consequences. The remaining principal risks are set out in order of priority on the following pages.

PRINCIPAL RISKS

D DECREASING N NEUTRAL I INCREASING

CATASTROPHIC AND NATURAL CATASTROPHIC RISK

N

A potentially catastrophic incident such as a mine shaft failure, slope wall failure, fire or flood at one of the operations underlying the Group's portfolio or royalties and streams, which could result in the destruction or loss of ore body or render it uneconomic.

CAUSE
Inadequate design or construction, adverse geological conditions, natural events such as seismic activity or floods.

IMPACT
A major incident could result in our mining partner losing their licence to operate or lead to a halt in royalties or metal deliveries, resulting in lower cash flows, potential impairments/valuation losses and limiting the Group's ability to pursue its growth strategy.

MITIGATION
Although these risks cannot be easily mitigated or transferred, the Group undertakes extensive due diligence engaging both internal and external experts to assess the viability of the project, before proceeding with an investment.

The Group monitors all operational incidents, including technical and ESG related matters, through ongoing engagement with our mining partners. All incidents are reviewed and discussed by the Sustainability Committee.

COMMENTARY
While such risks have a low frequency, their impact is potentially very high, as a result they are treated with the highest priority.

FUTURE DEMAND FOR OUR PRODUCT

N

Demand for royalties and streams may decline depending on macro-economic conditions.

CAUSE
High commodity price environments typically reduce the demand for near-term financing through royalties or streams, as operators have greater access to conventional sources of financing. Increased competition in the royalty and stream sector could make it difficult to execute deals in a depleted pool of opportunities.

IMPACT
Royalties and streams are, by their nature, depleting assets, as a result failing to acquire new assets may lead to lower cash flows, profitability and valuation, which in turn limits the Group's ability to pursue its growth strategy. Anglo Pacific does not directly compete with the well-established precious metals royalty and stream companies, and it is uniquely placed, focusing on future-facing metals.

MITIGATION
Disciplined application of investment criteria which includes the preference for long-life assets that will generate returns through the cycle.

Anglo Pacific has built a credible global brand and network, backed by a successful track record of identifying and executing royalty transactions.

COMMENTARY
Following the completion of the Voisey's Bay transaction, the Group now has a stable mid-term revenue profile to support growth initiatives. Management continues to assess opportunities in its pipeline and remains well placed to execute on transactions that meet our investment criteria.

More information on the Group's business model, investment criteria and how we create value for our counterparties can be found on ***pages 04 to 07.***

COMMODITY PRICES

D

Global macro-economic conditions leading to sustained low product prices and/or volatility.

CAUSE
Factors that could contribute to this risk include armed conflict involving major economies, global trade disputes and sanctions, economic slowdown in a leading economy and a disrupted recovery from the COVID-19 pandemic as a result of new variants being resistant to vaccines.

IMPACT
Low commodity prices can result in lower levels of cash flow, profitability and valuation. Lower cash flows and valuations may in turn constrain the Group's ability to fund the acquisition or new royalties and streams, or meet financial covenants associated with its borrowing facility.

MITIGATION
Maintaining a portfolio of royalties and streams that is diversified by both commodity and geography.

Regular updates of economic analysis and commodity price assumptions are discussed by the Executive Committee and the Board.

Disciplined approach to investment decisions, including the assessment of commodity price forecasts, with a focus on generating shareholder returns through the cycle.

COMMENTARY
Through its disciplined approach to investment, the Group made strategic and informed decisions to invest in nickel, cobalt and iron ore at a time when these commodities demonstrated an upward trajectory. This is evidenced by the returns on our investment in LIORC and the outperformance of the cobalt price since our acquisition of the Voisey's Bay stream – for more information on the Group's LIORC and Voisey's Bay assets refer to ***pages 27 to 29*** and ***33 to 35.***

D DECREASING N NEUTRAL I INCREASING

OPERATOR DEPENDENCE AND CONCENTRATION RISK

N

The Group is dependent on our asset counterparties operating effectively and in line with high ESG standards to provide the returns expected at the time of investment.

Of the Group's eight producing royalties and streams, two account for 71% of our portfolio contribution in 2021.

CAUSE
Anglo Pacific is not directly involved in the ownership or operation of mines and mills underlying its portfolio. As a result it is generally the owners and operators who determine the manner in which the underlying projects are mined, including decisions to expand, advance, continue, reduce, suspend or discontinue production, together with decisions about the marketing of the minerals extracted from the projects.

IMPACT
The timing and quantum of cash flows may differ materially from those expected at the time of investment, potentially resulting in asset impairments/valuation losses, reduced profitability and lower corporate valuation. Lower cash flows and valuations may in turn constrain the Group's ability to fund the acquisition of new royalties and streams required to pursue its growth strategy.

MITIGATION
When assessing potential investment opportunities, the Group undertakes extensive counterparty due diligence. For our existing portfolio, we maintain ongoing engagement with our mining partners, to understand the mine plans and development timetables associated with our assets.

The Group has extensive information and audit rights which it generally exercises on the identification of any unexpected royalty outcome. It has also developed an ESG Risk Assessment and Monitoring Framework which assists pre- and post-acquisition reporting on matters which are fundamental to the Group's investment thesis.

In the terms of our Voisey's Bay stream, which accounted for 15% of our portfolio contribution in 2021, there is downside protection, if the mill throughput does not reach target levels by December 2025, in the form of reimbursement of some of the Group's initial investment.

The Group aims to include change of control clauses into its new royalty agreements to help ensure its exposure continues to be to trusted counterparties underpinned by strong ESG principles.

The Group is actively expanding and diversifying its portfolio of royalties and streams to ensure that it has a well-balanced source of income.

COMMENTARY
For further details on the Group's operator engagement together with its information and audit rights refer to ***pages 72 to 73.***

GEOPOLITICAL EVENTS

I

Geopolitical events and tensions have the potential to negatively impact our business.

CAUSE
Geopolitical disputes between major economic countries. Armed conflict involving world powers. Restrictions and constraints to free trade. Geopolitical risk can create counterparty risk in circumstances where a country introduces capital controls.

IMPACT
Commodity price and sales volume volatility experienced by the operations underlying Group's portfolio, as a result of trade actions (increased tariffs, retaliations and sanctions) could lead to lower levels of cash flow, profitability and valuation, which in turn could constrain the Group's ability to fund the acquisition of new royalties and streams, or meet financial covenants associated with its borrowing facility.

If capital controls are introduced by a country, this could subsequently lead to a counterparty being unable to remit funds to the Group.

MITIGATION
The Group's portfolio of royalties and metal streams is diversified by both commodity and geography.

COMMENTARY
Throughout the first half 2021 the Group's income from Kestrel was impacted by the ongoing trade dispute between China and Australia, resulting in lower realised sales price as new markets were found. For further details refer to ***pages 30 to 31.***

FINANCING CAPABILITY

D

The Group is dependent on access to capital in order to achieve its growth ambitions.

CAUSE
Sudden adverse change in capital market conditions. Production issues or significant commodity price volatility.

IMPACT
The inability to access either debt or equity funding could materially impact the Group's ability to achieve its growth ambitions.

MITIGATION
The Group has a strong shareholder base and a syndicate of lenders who understand the royalty and streaming business model and are supportive of the Group's strategy.

We regularly meet with advisers, shareholders and lenders to discuss the types of transactions we are considering to gauge their support.

COMMENTARY
The Group's Voisey's Bay transaction was part financed through the new revolving credit facility and oversubscribed equity placing, demonstrating the support of our lending syndicate and shareholders.

PRINCIPAL RISKS
continued

D DECREASING N NEUTRAL I INCREASING

STAKEHOLDER SUPPORT (D)

Anglo Pacific needs to be well supported by all stakeholders including:

- **Operating counterparties**
- **Employees**
- **Shareholders**
- **Lending banks**
- **Brokers/Analysts**

CAUSE
Failure to identify, understand and respond to the needs and expectations of our stakeholders.

IMPACT
A breakdown in the relationship between Anglo Pacific and any of its stakeholders could materially impact its ability to achieve its strategy, fund future growth and execute on new acquisitions.

MITIGATION
The Group's Code of Conduct governs our interaction with all our stakeholders. In addition, the Executive Committee and the Board have regular and ongoing interaction with all of our stakeholders, with the support of external advisers.

COMMENTARY
Further information on how we engage with our stakeholders can be found on ***pages 58 to 59.***

INVESTMENT APPROVAL (N)

Anglo Pacific's success will depend on the Executive Committee making sound investment decisions to ensure that the royalties and streams acquired match or exceed expectations at the point of acquisition.

CAUSE
The actual performance of the royalties and streams acquired fail to achieve the expected returns, due to variations in the commodity prices, production volumes, and start dates assumed in the investment base case model.

IMPACT
The underperformance of an investment could result in the inability to achieve cash flow or profitability targets. In turn the Group's ability to obtain funding for future growth, service its debt obligations and provide shareholder returns could be significantly reduced.

Potential damage to Anglo Pacific's reputation, and loss of support from stakeholders.

MITIGATION
The Group undertakes a thorough due diligence and screening process when considering each investment opportunity, which is key to reducing the risks of making a bad investment.

Disciplined approach to investment, based on key criteria set out on ***pages 6 to 7.*** With all material investments subject to review and challenge by Executive Committee and the independent Directors.

COMMENTARY
Over the past 8.5 years ~$500m has been invested to transform the Group from a predominant single asset coal business to one which is now 75% battery metals focused with eight producing assets. Further details of the Group's track record can be found on ***page 14.***

PANDEMIC (D)

On-going disruption caused by the COVID-19 pandemic.

CAUSE
Vaccine resistant strains of COVID-19 or disruptions in the vaccine supply chain.

IMPACT
Operational disruption at the mines and mills underlying the Group's portfolio. Further shocks to the global economy, through supply chain disruption and inflation.

MITIGATION
Diversified portfolio and operators who have protocols in place to limit disruption to production. The royalty and streaming business model provides a natural inflation hedge as it is only exposed to underlying operations at revenue level.

Anglo Pacific updated its health and safety policies and procedures, responded to government guidelines on working from home and introduced a hybrid working policy to safeguard our employees.

COMMENTARY
Despite the wider disruption caused by successive waves of COVID-19 throughout 2021, we were pleased that other than a minor disruption at McClean Lake due to COVID-19, our royalties and streams remained in production during the year, generating record portfolio contribution.

VIABILITY STATEMENT

Context

An understanding of our strategy, business model, the Board's risk appetite, together with our principal risks and how these are managed, is key to the assessment of our prospects.

Our strategy is "to be a leading natural resources company through investing in high-quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles". Central to our strategy is the belief that long-term value can only be achieved through sustainable and responsible investment.

More details on the Group's strategy and business model are provided on pages 04 to 05.

2021 was a transformational year for the Group. Completing the $205m acquisition of the Voisey's Bay cobalt stream in March 2021 and disposing of the Group's Narrabri thermal coal royalty in December, simultaneously addressed two of our major strategic challenges: replacing Kestrel's income which begins to decline in 2023; and significantly reducing our exposure to thermal coal. These acquisitions also clearly demonstrate the delivery of our stated strategy.

The Voisey's Bay acquisition was funded through the part disposal of the Group's interest in LIORC, a $62.1m private placing and retail offer, together with a new $150.0m revolving credit facility. As at 31 December 2021, the Group had $112.0m drawn under the facility and subsequent to year end made a partial repayment of $32.0m leaving a balance of $80.0m drawn as of the date of this report.

At the time of entering into the new facility, the Group had forecast operational leverage in excess of 2x at 31 December 2021. The sudden and significant recovery in commodity prices in the second half of 2021 which led to the Group's royalties and streams generating record portfolio contribution of $85.3m, accelerated the Group's deleveraging resulting in operational leverage of 1.2x at the end of the year, with approximately two-years until the facility matures and the option to request a one-year extension.

While the commodity prices for our two key assets, coking coal and cobalt, are well in advance of the prices at this time last year, which if sustained will further accelerate the Group's deleveraging, the ongoing geo-political and macro-economic uncertainties are expected to cause continued commodity price volatility. Against that background, the Board remains committed to growth while maintaining our disciplined approach to financial, technical, legal, operational and ESG due diligence.

Assessment process and key assumptions

Assessment of the Group's prospects is based on our strategy, base case financial forecast and principal risks.

Our base case financial forecast covering the next three years is based on a number of key assumptions, the most important of which include commodity prices, estimated volumes, exchange rates and no further acquisitions or investments and holding our cost base (overheads and dividends) constant. On this basis, the Group would expect to remain firmly covenant compliant throughout the tenure of the facility with a manageable refinance ratio at maturity.

The principal risks are those that would threaten the Group's business model, future performance, solvency or liquidity of the Group and have been considered as part of the Group's viability.

Assessment of viability

Assessment of the Group's viability is based on a financial forecast covering the next three years, which is consistent with the Group's medium-term planning horizon and the terms of its borrowing facility. The financial forecast has been stress tested on a 'severe but plausible' scenario to see whether the same conclusion would be reached should this materialise. In normal circumstances this scenario would be the Group's base case financial model adjusted for:

- 15% reduction in volumes (this does not impact on LIORC which is not volume based)
- 15% reduction in consensus commodity price assumptions (Denison is not impacted by this as it is a toll)
- 10% weakening in the currencies the Group is exposed from their current levels

The combination of the above would result in a ~45% reduction in overall portfolio contribution and unsurprisingly it would be expected that absent corrective action, there would be a number of covenant breaches and dividend restrictions. The Group retains certain flexibility to address this, including suspending its dividend, reducing its cost base and would work with its lending banks to agree to the sale of the residual ~$30m position in LIORC and the shares which are held in treasury such that no default would exist under the borrowing facility.

Directors' statement on viability

The Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the next three years. This period has been selected as it is aligned with the term of the Group's borrowing facility.

A year of transition

SUSTAINABILITY PROGRESS REPORT

A YEAR OF TRANSITION

THE THEME OF THIS YEAR'S SUSTAINABILITY PROGRESS REPORT IS ONE OF TRANSITION.

AS THE WORLD MOVES TOWARDS A LOW-CARBON ECONOMY, ANGLO PACIFIC HAS CONTINUED TO EXECUTE ON ITS STRATEGY TO BUILD A DIVERSIFIED ROYALTY AND STREAMING PORTFOLIO WITH A FOCUS ON COMMODITIES WHICH ENCOMPASS ENVIRONMENTAL BENEFITS TO MAKE THE WORLD A BETTER PLACE FOR FUTURE GENERATIONS.

Eight years ago, Anglo Pacific's exposure to coal accounted for over 80% of its portfolio. Today, 75% of the Group's portfolio (by asset value) consists of future-facing metals that are essential to drive a cleaner, more sustainable world. These commodities form part of the new wave of technologies around the electrification and decarbonisation of energy consumption and production.

Please refer to ***pages 74 to 75*** for our first reporting aligned with the TCFD which sets out more detail in relation to our transformation and diversification of our portfolio over the past eight years, and how we will be taking this forward to identify the climate-related financial risks and opportunities for our business.

Anglo Pacific has achieved such transformation through the continued rigorous application of its investment criteria which includes a focus on the sustainability profile of the underlying mining operations and projects, product purity as well as commodity end market uses.

The acquisition of the Voisey's Bay cobalt stream in Canada not only provides investors exposure to one of the largest sources of cobalt outside of the Democratic Republic of the Congo but Skarns Associates estimates Voisey's Bay to be amongst the lowest emitters of carbon per unit of nickel production compared to all global nickel mining operations.

Our cornerstone investment into Brazilian Nickel's Piauí project provides exposure to a nickel product that can flow straight into a battery supply chain. The project is expected to be amongst the lowest emitters of carbon per unit of nickel produced amongst all global nickel producers.

The vanadium deposits at the Maracás Menchen mine can service multiple vanadium market applications through the supply of its unrivalled VPURETM and VPURE+TM products, which are sourced from one of the world's highest-grade vanadium deposits, driving the world's shift to a low-carbon future through innovative energy storage.

The Labrador Iron Ore Project produces pellets and products that typically result in lower Scope 3 carbon emissions per unit of steel production relative to sinter feed iron ore feedstock.

Please refer to 'Our portfolio' section on pages 72 and 73 for more information on our existing assets.

Anglo Pacific will continue to focus on being the partner of choice, offering investors exposure to future-facing commodities, in high-quality assets, well positioned on global cost curves, with strong counterparties underpinned by robust environment, social and governance ('ESG') principles.

The Group's only remaining metallurgical coal exposure, which is used in steel production, is expected to gradually decline in the coming years such that Anglo Pacific is positioned to have no material coal revenue exposure after 2025. Absent further acquisitions, the Group's commodity exposure by 2025 is expected to consist of 85% of future-facing metals. In the interim, our strategy is to invest cash flows received from the Company's metallurgical coal exposure to accelerate this transition.

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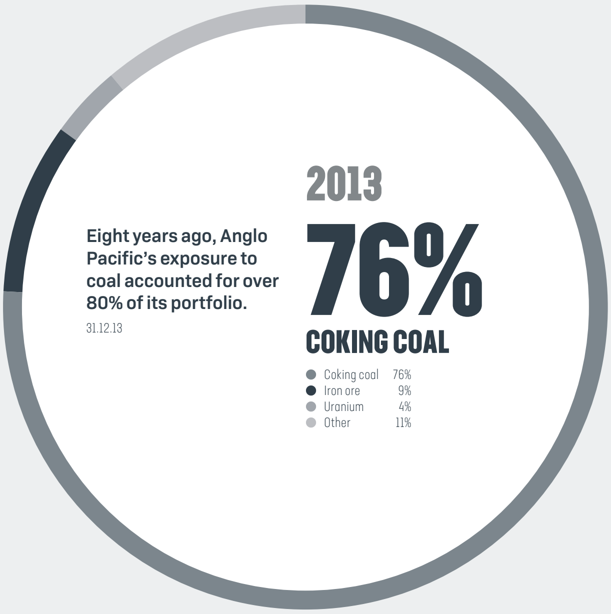
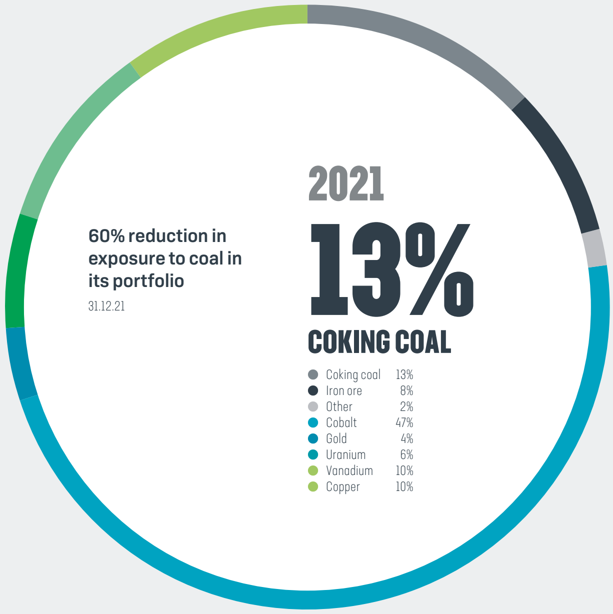
COAL EXPOSURE
2013 & 2021

by asset value



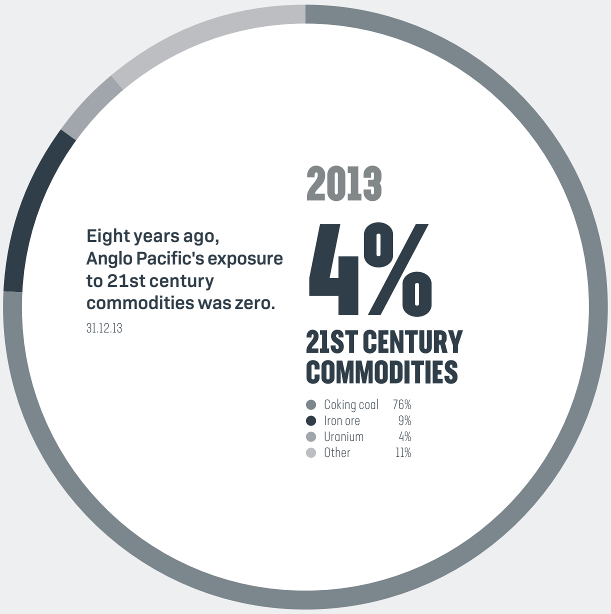


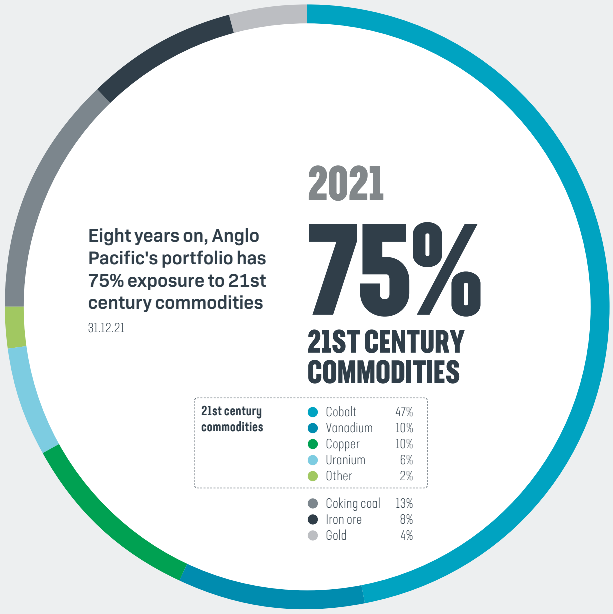
Coking coal expected to be ~8% of total portfolio contribution by 2025 and rapidly decline thereafter

03
24
76

21ST CENTURY COMMODITY EXPOSURE
2013 & 2021

by asset value





A year of transition

2021 SUSTAINABILITY HIGHLIGHTS

ANGLO PACIFIC RECOGNISES THE ROLE THAT EVERYONE HAS TO PLAY IN REDUCING THEIR ENVIRONMENTAL AND CARBON IMPACT

We believe that a strong focus on sustainable and responsible investments is vital for the long-term success of our underlying assets and the maximisation of shareholder value. As a result, we are committed to integrating ESG considerations into all our strategic decision-making and capital allocation.

Exit from thermal coal

Carbon neutral company at the corporate level

Commitment to align with TCFD framework

Participant in the UNGC

Community and charity initiatives

1. *With regards to being carbon neutral, we include our Scopes 1, 2 and 3 emissions (with the exception of Scope 3 emissions related to investments).*

EXIT FROM THERMAL COAL

In 2020, we made a strategic decision to make no further investment in thermal coal. In 2021, Anglo Pacific listened carefully to its stakeholders and made the informed decision to sell its Narrabri royalty to the operator, Whitehaven Coal Limited, marking the Group's exit from thermal coal.

This transaction is consistent with our stated strategy of moving away from fossil fuel exposure. The Group will look to recycle the proceeds from the disposal into 21st century commodity investments.

ACTING ON OUR CORPORATE IMPACTS

Anglo Pacific recognises the role that everyone has to play in reducing their environmental and carbon impact. The Group itself has only a small, direct footprint with one office and 12 employees, yet it continues to look at ways to improve its energy efficiency and carbon reduction. We are pleased to report that we have been recognised by ClimatePartner as a carbon neutral company (at the corporate level). Going forward we are committed to maintaining carbon neutrality for our corporate operations alongside continuing efforts to reduce our operational footprint. With regards to being carbon neutral, we include our Scopes 1, 2 and 3 emissions (with the exception of Scope 3 emissions related to investments). We fully acknowledge that our operational emissions are limited, compared to the assets in which we invest. During the course of 2022, we are exploring opportunities to work with our counterparties to understand how they are adapting their operations to reduce their climate impact.

We have implemented workplace initiatives to reduce our carbon footprint and complemented this by purchasing high quality carbon offsets to account for emissions that we cannot eliminate or reduce. We view our purchase of voluntary carbon credits as complementary to carbon reduction and as a sign of support for the wider development of voluntary carbon markets encouraging the flow of finance into decarbonisation.

At the start of 2021, we switched energy suppliers to e.on next and now 100% of electricity in our office is generated by green, renewable energy sources, such as solar and wind power.

In addition, Anglo Pacific enlisted the help of ClimatePartner, a leading solutions provider for corporate client action, to measure the carbon footprint of the London office to understand its impact on the environment and to further reduce and offset our operational emissions.

The results of their assessment identified our 2019 emissions as 0tCO2e scope 1, 19tCO2e scope 2 and 122tCO2e scope 3 (recognising that this only reflects a small proportion of our total scope 3 footprint). The assessment was undertaken following GHG Protocol guidance.

For 2021, we offset our global emissions by purchasing from ClimatePartner, a Verified Carbon Standard (VERRA) wind energy project in Brazil. This carbon offset project comprises the implantation and operation of 14 wind power plants in the states of Piauí and Pernambuco in the northeast of Brazil. The choice to source our offsets from Brazil was intended so that we can have an impact in countries where we have made investments.

In addition, we have also introduced a sustainable travel and expenses policy to allow employees to make informed decisions around travel choices to reduce their associated emissions.

Of course, we acknowledge that our operational emissions are limited, compared to the operations in which we invest. Much of our ability to have a positive impact on the climate relates to our capital allocation strategy and our rights to influence under the royalty and stream agreements, which is described in the 'Our portfolio' section below.

OUR VOLUNTARY COMMITMENTS

Anglo Pacific has made several voluntary commitments to adhere to high standards of ESG performance.

Task Force on Climate-related Financial Disclosures

At the core of Anglo Pacific's business is our belief that long-term value for all our stakeholders can only be achieved through sustainable investment. Our focus on sustainability has led to our voluntary commitment to continue to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), building on our existing ESG activity. The TCFD seeks to develop consistent climate-related financial risk disclosures for companies in their financial and sustainability reporting. In this year's Annual Report we will be integrating qualitative disclosure into our regular financial filings against three of the four TCFD pillars: governance, strategy and risk management, alongside measurement and action on our direct scope 1 and 2 emissions. Plans are in place to have a more fulsome disclosure in next year's annual report, for example establishing meaningful metrics and targets to address disclosure against the fourth pillar of the TCFD.

Please refer to pages 74 to 75 for our first reporting aligned with the TCFD – this represents the baseline report for future disclosures.

Going forward, we will extend our reporting to cover the operations underlying our individual royalties and streams and therefore increase transparency in our TCFD reporting. We have engaged external experts, Satarla, to help us to develop a strategy and to implement processes to:

- assess the financial materiality of climate risks and the opportunities across our business;
- undertake scenario analysis, including relevant physical and transition risks, utilising industry standard approaches to facilitate transparency;
- evaluate business impacts, including links to strategy and resilience; and
- identify potential ways to manage climate risks and opportunities, incorporating suitable metrics and targets.

United Nations Global Compact

Anglo Pacific has joined the United Nations Global Compact. As a participant, we have committed to voluntarily aligning our operations and strategy with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Going forward, we will report on our progress annually as part of this commitment and submit an annual Communication on Progress.

Enhanced Corporate Governance Disclosures

Anglo Pacific is committed to upholding high corporate governance standards as a standard listed company on the London Stock Exchange. In addition to complying with rules and regulations relevant to our listing status, we also voluntarily observe additional listing rule governance standards to maximise shareholder value. Our Board supports the principles and provisions of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council and we adhere to the requirements of the Code on a voluntary basis.

Please refer to our Corporate Governance Report on pages 78 to 84 for a more detailed analysis on the Group's corporate governance.

Community and Charity Initiatives

Social responsibility is, and always has been, an important aspect of our business and we believe that long-term value can only be achieved through sustainable and responsible business practices. At Anglo Pacific, we are committed to supporting our employees' efforts to contribute to society through non-profit charitable activities. In 2021, we expanded our social commitments to include local community initiatives in London. Most recently, the Anglo Pacific team volunteered in London's green spaces to carry out conservation work to make them more accessible and safe to the public and to support local wildlife. In 2022, we will look to carry out more conservation projects and we are also exploring the possibility of further corporate social responsibility programmes in collaboration with our operators.

With the Russian invasion of Ukraine displacing hundreds of thousands of people and crisis relief needs growing, the Group is aiding humanitarian efforts through charitable donations. Anglo Pacific has made a donation to the Disaster Emergency Committee, which is a coalition of 15 leading UK charities that has launched a collective appeal to provide emergency aid and rapid relief to Ukrainian civilians and refugees who are suffering during this conflict.

A year of transition

OUR APPROACH TO SUSTAINABILITY

WE RECOGNISE THAT OUR MAJOR SUSTAINABILITY IMPACTS ARISE THROUGH THE INVESTMENTS WE DECIDE TO MAKE AS A BUSINESS.

OUR INVESTMENT DECISION-MAKING IS GUIDED BY OUR ESG POLICY, WHICH OUTLINES HOW WE MITIGATE RISK THROUGH OUR INVESTMENT DECISIONS, DUE DILIGENCE, CONTRACTUAL AGREEMENTS AND ONGOING ENGAGEMENT WITH OUR OPERATING PARTNERS.

Our robust due diligence process enables us to select projects and operators facing low levels of ESG risk and which have strong ESG management processes in place. The Group's transactions in 2021 demonstrate management's continued execution of the Group's strategy to become a leading natural resources company through investing in high-quality projects in preferred jurisdictions with trusted counterparties underpinned by strong ESG principles.

The requirement for strong ESG principles forms a key area of focus in our due diligence when assessing new opportunities, with particular consideration given to the following.

SUMMARY ESG DUE DILIGENCE FRAMEWORK

The requirement for strong ESG principles

E ENVIRONMENTAL

- Energy supply/use
- Energy management/emissions reduction plans
- Carbon emissions and relative carbon intensity
- Water consumption and management
- Mine closure and rehabilitation plans
- Impact on biodiversity and protected areas including national parks, areas of cultural importance and/or World Heritage Sites
- Air, noise, soil pollution
- Tailings management
- Hazardous materials

S SOCIAL

- Host country labour practices
- Rights of indigenous peoples
- Community relations and stakeholder support
- Health and safety
- Existence of small scale mining in the project's area
- Workforce health and safety
- Labour rights
- Occupational health and safety
- Direct host community employment
- Local procurement programmes

G GOVERNANCE

- Purpose, values, culture and capabilities
- Business ethics, integrity and transparency
- Commitment to external frameworks and reporting standards
- ESG leadership and accountability at senior management levels
- Diversity and inclusion

KEY STEPS IN OUR INVESTMENT DECISION-MAKING

In addition, our investment decision-making process involves the following key steps

INITIAL SCREENING

We employ rigorous screening tools to evaluate initial investment opportunities

TAILORED DUE DILIGENCE

We use a tailored and detailed due diligence framework to assess the full range of ESG risks facing particular assets

ASSESSMENT CRITERIA

We assess potential investments using a set of qualitative and quantitative criteria, which look at the level of a particular ESG risk and the way in which it is being managed

REGULAR REVIEW

Our screening and due diligence tools are regularly reviewed and updated to ensure that they continue to reflect the most up-to-date developments and best practice in the ESG space

In 2021, the Sustainability Committee approved an updated ESG risk due diligence framework and monitoring tools ('ESG Risk Assessment and Monitoring Framework') that ensure the Company's approach and assessment tools match rapidly evolving best practices. The Company engaged Critical Resource, a leading provider of ESG risk frameworks, to assist in the process.

We are committed to doing business with integrity and aim to ensure that all of our counterparties have strong ethics and compliance programmes in place. We continue to monitor the ESG performance of our portfolio companies and engage with our counterparties on a regular basis.

Please refer to 'Our portfolio' section on pages 72 and 73 for more information on our existing assets.

A year of transition
CORPORATE GOVERNANCE

A SNAPSHOT OF OUR KEY APPROACHES

In this section we have provided a snapshot of our key approaches and changes to our corporate governance framework below.

We strive to meet rigorous standards of corporate governance, following industry best practices and satisfying legal and regulatory, including UK and TSX listing rule requirements.

We monitor regulatory changes, and we routinely review and evolve governance practices in order to identify those that will serve the best interests of our stakeholders.

Please refer to our Corporate Governance Report on pages 78 to 84 for a more detailed analysis on the Group's corporate governance.

Policies fit for purpose
Given Anglo Pacific is not an operator of the mines and mills underlying our portfolio of royalties and streams and we operate solely within office environments, our policies and governance framework are drafted to reflect our business model and office environment. As a provider of financing to the mining sector, we do not have direct operational control of any mining operations. Accordingly we do disclose information more akin to operators in relation to our corporate activities such as, safety statistics, biodiversity & land use and toxic emissions & waste.

Return to work
Throughout 2021, we have continued to help protect our employees from the ongoing impacts of COVID-19. The Company's offices were closed in line with government guidelines to ensure the health and safety of our staff. Prior to welcoming employees back to the office, we updated our health and safety policies and developed an internal office policy outlining our COVID-related health and safety procedures. We also introduced a hybrid working policy to allow personnel to continue to work in a safe environment in the office and to support the new way of working post the pandemic.

Diversity
Our Board and employees are committed to championing and embedding the Company's purpose, values and standards, which are set out in our Code of Conduct. Our employees are instrumental to our success, and we respect and value the individuality and diversity that every employee brings to the business. 70% of the Anglo Pacific team are female and we continue to aim for greater diversity on our Board. In August 2021, Anglo Pacific appointed Varda Shine to the Board following an extensive search process. Varda brings a wealth of industry experience to the Board at a time when the Company is looking to continue its diversification and focus on 21st century commodities that support a more sustainable world.

As employees continue to work remotely, data protection and cybersecurity have become increasingly critical for organisations.
In 2021, Anglo Pacific, with the help of external consultants and advisers, conducted an audit of the Group's data protection policies and procedures and cybersecurity controls. We implemented and updated a suite of data protection policies and processes, including in relation to incident response management, and engaged external consultants to complete a data privacy gap assessment. Although Anglo Pacific has not suffered any material data breaches, we are committed to ensuring that our systems remain protected from unauthorised access. As such, we worked with a new information technology service provider to enhance our cybersecurity and monitoring controls.

Anglo Pacific has no direct or indirect exposure to Russian or Central Asian assets and therefore, the conflict in Ukraine has no direct material impact on the business. Nonetheless, due to increasing and wide-spread sanctions against Russian persons, Anglo Pacific has enhanced its sanctions policy and due diligence processes.

A full of list of Company policies can be found on our website in the following location: www.anglopacificgroup.com/responsibility/#our_policies.

OUR PORTFOLIO

WE AIM TO INFLUENCE OPERATORS

Although Anglo Pacific does not control the operational decisions of the mining operations in which it invests, when making a new investment or monitoring an existing asset, we aim to influence operators to align to relevant standards and commit to ESG best practice. We monitor our existing assets within our portfolio through our ESG Risk Assessment and Monitoring Framework. Through this framework, we look to influence existing partners to:

- take adequate measures to avoid adverse impacts on stakeholders and the environment;
- effectively mitigate climate risks and seek to play a positive role in the energy transition;
- implement international best practice on water management and tailings management;
- respect and uphold internationally recognised standards in relation to climate change the environment, human rights and labour rights;
- conduct their operations in accordance with high health and safety standards;
- establish positive social and community relationships, and demonstrate high levels of shared value for stakeholders; and
- maintain high integrity standards in all areas of their business.

To the maximum extent possible, we aim to include the following into our royalty and stream agreements

OPERATOR UNDERTAKINGS AND DISCLOSURES
- Our royalty and stream agreements typically include certain operating undertakings designed to ensure that our operators are conducting mining operations in accordance with applicable law and commercially prudent mining practices
- Where applicable, we also encourage our counterparties to align with leading ESG initiatives including the ICMM Sustainable Development Framework, IFC Performance Standards, the Voluntary Principles on Security and Human Rights and the Global Industry Standard on Tailings Management amongst others

AUDIT RIGHTS AND REPORTING OBLIGATIONS
- For new investments, where applicable, we try to incorporate ESG-related audit and inspection rights, in addition to the typical rights to audit the books and records of the operator
- In addition we also conduct regular site visits and gather periodic reports from our operating partners on their operational and ESG activities
- Our agreements typically also include a series of reporting obligations including the delivery of monthly and annual reports, updated mine plans, forecasts and other applicable documentation, which serve to keep us informed of operations

TRANSFER PROTECTIONS
- Anglo Pacific's contractual terms may include transfer and change of control protections
- Such provisions seek to ensure that the assets will continue to be operated by responsible companies in cases of ownership change

OUR PORTFOLIO
continued

RESPONSIBLE PRODUCTION

Below, we have highlighted selected accomplishments and initiatives of certain of our operators and have provided links to the various sustainability reports that they produce on a regular basis. We are proud of the ongoing commitment to sustainable and responsible production from our operators and in fact some of these accomplishments and initiatives were deciding factors to our initial investments in these projects.

E ENVIRONMENTAL

Sustainable mining

VALE

Vale, the operator of the Voisey's Bay mine, is an active member in the Mining Association of Canada ('MAC') and voluntary participant in the association's initiative called Towards Sustainable Mining ('TSM').

This initiative aims to improve the industry's performance by aligning its actions with the priorities and values of Canadians. TSM provides a way of finding common ground with communities of interest in order to build a better mining industry, today and in the future.
TSM is based on a set of guiding principles that are, in turn, supported by performance elements and indicators. Vale and its fellow Canadian mining companies measure four TSM performance indicators:

- Crisis Management Planning
- Energy Use and Greenhouse Gas Emissions Management
- External Outreach
- Tailings Management

Environmental monitoring

Cameco

Comprehensive monitoring programmes are in place at the Cigar Lake operation to help protect the surrounding environment. Samples of water, air, soil, plants and fish are collected from numerous locations around the site and tested to confirm that environmental protection systems are effective. Monitoring results are submitted to federal and provincial regulatory authorities for review.

Water management

LARGO

95% of the water used in ore processing at Largo Resources, the operator of the Maracás Menchen asset, is recycled, the rest is lost in evaporation.

Reducing carbon emissions

VALE

Vale, the operator of the Voisey's Bay mine, has committed to investing at least US$2bn to reduce by 33% the company's carbon emissions by 2030 and by 15% the emissions of its supply chain by 2035. This is the largest investment ever undertaken by the mining industry to tackle climate change and is part of Vale's commitment to becoming net zero by 2050 by 2050.

S SOCIAL

Local support

LARGO

Largo Inc., the operator of the Maracás Menchen asset, continues to actively pursue the hiring of local people and puts a strong focus on fostering local economic development. In 2021, 48% of the workforce was from the local communities, and 82% from the Bahia state (including the 48%), with the remaining 18% from the rest of the country.

Community goals

VALE

Vale has set the following goals and deadlines in relation to the impact on communities:

- By 2026, serve 100% of priority communities with Relationship Plans;
- By 2030, lift 500,000 people out of extreme poverty;
- By 2030, all indigenous communities neighbouring Vale's operations will have an UNDRIP rights plan

Women In Mining

LARGO

Largo is a proud signatory of the Women In Mining ('WIM') Brazil Action Plan. Supported by academic, government and industry groups, WIM Brazil aims to transform the participation of women in the Brazilian mineral sector.
In addition to disclosing employment data to help create a baseline, they have committed to eight strategies to increase inclusiveness, and will report on their progress annually.

G GOVERNANCE

Health & safety

Cameco

In June 2021, Cigar Lake Mine celebrated its fourth consecutive win of the John T. Ryan Regional Safety Trophy.

Miner of the Year

VALE

In November 2021, Vale was awarded Miner of the Year at the CIM Mining Industry Awards 2021 for its health and safety contributions during the COVID-19 pandemic. Vale understood the special relationship between the Voisey's Bay site, its workforce, and the numerous isolated communities throughout Labrador and Newfoundland and recognised the potential that the mine site could act as a conduit to the spread of the virus to these communities. The decision was made to place the Voisey's Bay site on Care and Maintenance, without placing significant financial burdens on employees and contractors, thus reducing risks faced by the isolated communities.

Reporting standards

LARGO

Largo Inc., the operator of our Maracás Menchen asset, commissioned a gap analysis of their ESG performance against common mining standards (the Mining Principles of the International Council on Mining and Metals, the Initiative for Responsible Mining Assurance, and SASB) and prepared a plan for improvement. They also aligned their ESG reporting with the UN SDGs.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

WE REMAIN FULLY COMMITTED TO BUILDING OUR EXPOSURE TO A DIVERSIFIED BASKET OF COMMODITIES, AS WELL AS MINING OPERATIONS REQUIRED TO ACHIEVE THE DECARBONISATION OF ENERGY AND GLOBAL CLIMATE CHANGE OBJECTIVES MORE GENERALLY.

M. Bishop Lafleche
Chief Investment Officer

This Task Force on Climate-Related Financial Disclosure ('TCFD') below and signposted throughout our 2021 Annual Report & Accounts is our first disclosure in line with the principles encompassed by the TCFD, representing the baseline for future reporting. Please be aware that this is our first reporting of the TCFD and plans are in place to have a more fulsome disclosure in next year's annual report, for example establishing meaningful metrics and targets.

Although we are not required to comply, our existing sustainability focus has led to our voluntary commitment to implement the recommendations of the TCFD. The TCFD seeks to develop consistent climate-related financial risk and opportunity disclosures for companies in their routine reporting. In this year's Annual Report we will be focusing on qualitative disclosure against three of the four TCFD pillars: governance, strategy and risk management, highlighting the key actions taken and providing an overview of the areas in which we will devote further effort.

Our current strategy organically drives the Group's focus on climate-related risk and we have already made high-level progress towards mitigating our contributions to climate change through portfolio decisions. Going forward we are committed to reporting on further steps at a corporate level and with respect to our asset operators, to ensure that the financial implications of climate change are integrated into our business processes, including strategy and risk management. While Anglo Pacific is not the operator of the mines and mills underlying our portfolio of royalties and streams where our major value chain impacts reside, we recognise the importance of acting on our own direct impacts in relation to the Group's corporate headquarters.

During the course of 2022, Anglo Pacific will continue to engage with its operators together with its climate change experts, Satarla, to undertake a complete assessment of our portfolio utilising a range of industry standard future climate scenarios, including relevant climate-related physical and transition risks to quantify the climate-related risks and opportunities that may impact our business. This will also allow us to consider what meaningful disclosures we can make against the fourth TCFD pillar, namely metrics and targets.

OUR GOVERNANCE

Our governance around climate-related risks and opportunities

Board oversight
Anglo Pacific's stated 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. The Board and the Executive Committee refined this strategy in 2020 to focus new investments on forward-facing metals that support a more sustainable world and to make no further investments in thermal coal.

Please refer to the 'Our Strategy' section on page 76 for more detailed information on the execution of our investment strategy.

The Board established a Sustainability Committee in 2020 to oversee the Group's ESG strategy, (including climate change within scope), which will have overall responsibility for implementation of TCFD and other emerging sustainability requirements, such as the Taskforce on Nature-related Financial Disclosures ('TNFD'). The Sustainability Committee works and liaises with other Board committees, as appropriate, including the Audit Committee in respect of monitoring the Group's procedures and systems established by management to identify, assess, monitor and manage climate risk. In 2021, the Sustainability Committee met every quarter to discuss sustainability and climate-related matters, amongst others. These discussions advanced the steps Anglo Pacific has taken to become a carbon neutral company at the corporate level, to voluntarily report in line with the TCFD and to join the United Nations Global Compact.

For further details, please refer to our Sustainability progress report on pages 66 to 73.

Jim Rutherford is the Chair of the Sustainability Committee and takes the lead on driving the climate strategy within the Board. Other senior leaders who attend the Committee meetings include three Directors, the Chief Investment Officer, the General Counsel and the Head of Investor Relations.

The Audit Committee monitors the overall effectiveness of Anglo Pacific's climate-risk management processes and controls. From 2022, the Audit Committee will oversee the mandatory compliance with TCFD reporting for standard listed companies, including assessing the level of external assurance required.

The Board considers all material investment decisions. Anglo Pacific currently conducts extensive due diligence on investment opportunities, including in relation to sustainability and ESG risk matters using screening tools, an aspect of which, is dedicated to climate-related risk. As such, climate-related risk already features as a significant consideration in investment decisions. A prime example was the opportunity to acquire the Voisey's Bay cobalt stream, which significantly enhanced the Company's sustainability profile. According to Skarns Associates, Voisey's Bay is estimated to be amongst the lowest emitters of carbon per unit of nickel production globally and cobalt is a key commodity in the manufacture of nickel-based battery cathodes, used for energy storage.

For further details on our investment due diligence processes, please refer to our Sustainability progress report on pages 66 to 73.

Management role

Anglo Pacific's management and senior leadership is focused on delivering the Group's strategy, which is centred around the transition to a low-carbon future. All members of Anglo Pacific drive the strategy and deliver on the ESG targets we set out to achieve at the start of the year. As such, ESG and climate change underpin all aspects of our business. ESG deliverables were set at the start of 2021 by the Sustainability Committee and include the following:

- review and refresh the Group's ESG due diligence and screening tools used in the investment decision-making process to reflect the key ESG trends, themes and best practice that have emerged over the past year (Completed Q1 2021);
- review and refresh the Group's approach to risk assessment and monitoring of the Group's existing portfolio for ESG issues and best practice, particularly in the absence of site visits due to COVID-19 related travel restrictions; (Completed Q1 2021);
- voluntary commitment to ESG frameworks and disclosure and reporting standards, including the TCFD and the United Nations Global Compact (UNGC); (Completed Q1 2022);
- expand the Group's community investment and charity programme; (Completed Q4 2021/ Q1 2022);
- aim to reduce its carbon footprint in the office workplace and to be a carbon neutral company at the corporate level by the end of the year; (Completed Q1 2022); and
- develop a framework to assess climate change risk to the Group's existing portfolio and any future investments. (Ongoing).

For further details on the focus of the Sustainability Committee, please refer to page 91.

In 2021, the Anglo Pacific team met on a monthly basis to discuss and action our ESG deliverables (including energy transition and climate strategy).

With full support from management, Anglo Pacific progressed its climate-related goals (as set out above) in 2021. Although the Group itself has only a small carbon footprint with one office and 12 employees, we engaged external advisers to calculate our carbon footprint and identify ways in which we can reduce our direct emissions. Our emissions for 2019 were calculated as zero for Scope 1 (as not applicable to our business), 19t CO2e Scope 2 and 122t CO2e Scope 3 (recognising that this only reflects a small proportion of our Scope 3 impacts) calculated in accordance with the GHG Protocol.

Our corporate carbon footprint, using 2019 data (2019 data was analysed, as this better reflects the usual course of business pre-COVID-19), is 142 t CO2e and 76.5% of our emissions are attributed to flights.

A full breakdown of carbon contribution is set out in the chart below.

Having learnt that corporate travel accounted for the majority of our carbon emissions, management and the Board have implemented a sustainable travel and expenses policy, and continue to look for ways in which we can further reduce our carbon footprint. In addition, we offset our carbon emissions by investing in a carbon offset wind project in Brazil in order to demonstrate our support for the development of voluntary carbon markets as complementary to reduction efforts. We are now recognised by ClimatePartner, our external advisers, as a carbon neutral company at the corporate level. With regards to being carbon neutral, we include our Scopes 1, 2 and 3 emissions (with the exception of Scope 3 emissions related to investments).

For further details on our direct impacts and being a carbon neutral company, please refer to our Sustainability progress report on pages 66 to 73.

While it is important for us to be carbon neutral at the corporate level, we acknowledge that our operational emissions are limited, compared to the assets in which we invest. During the course of 2022, we are exploring opportunities to work with our counterparties to understand how they are adapting their operations to reduce their climate impact. From this work we hope to agree on suitable portfolio-wide metrics and targets.

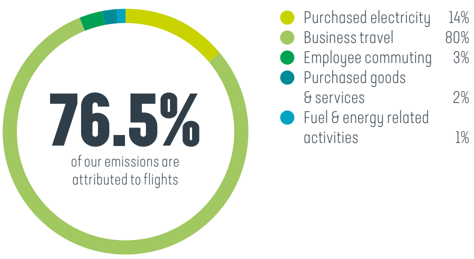
Management is committed to assessing and responding to climate-related risk not just at the corporate level, but also with our asset operators. As such, we request all our asset operators to report on climate change risk and governance, emissions reporting and climate-change opportunities on an annual basis as part of Anglo Pacific's ESG Risk Assessment and Monitoring Framework. We are working with external advisers, Satarla, to understand ways in which we can further engage with our counterparties to manage climate-related risk and opportunity reporting concerning the underlying mines and mills within our portfolio. Anglo Pacific aims to develop further dialogue with our counterparties in relation to our underlying portfolio to encourage them to disclose additional climate-related information.

Further, the entire Anglo Pacific team has ESG-related KPIs and targets, which are based on metrics assessing the Company's progression towards its ESG strategy and responsible investment. Details of management and Executive Directors' remuneration can be found on ***pages 74 to 75***.

Please see our Risks section on pages 60 to 64 for further information on Anglo Pacific's risk management.

CARBON FOOTPRINT

2019 data



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
continued

OUR STRATEGY

The actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning

Climate strategy
Anglo Pacific operates solely within an office environment with a small workforce and does not control or directly operate any mines or mills. Accordingly our largest source of emissions and exposure to physical and transition-related climate impacts arises indirectly through the operations underlying our portfolio of royalties and streams. While we do not control such operations, we do have control over the investment decisions we make.

Anglo Pacific's investment 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. In 2020, Anglo Pacific identified climate-related risk through its continued, albeit reduced exposure to coal and refined its investment strategy to align with the Group's increased focus on ESG best practices through the following three initiatives:

- primary focus on commodities that support a more sustainable world;
- no further investment in thermal coal assets; and
- the establishment of a Sustainability Committee to further strengthen the Group's already rigorous and robust ESG due diligences processes.

In 2021, Anglo Pacific delivered on its strategy and has built a diversified royalty and streaming portfolio with a focus on commodities which encompass environmental benefits to make the world a better place for future generations.

Anglo Pacific, in fact, went one step further in its strategy in relation to thermal coal. Not only have we made a commitment to no further investment in thermal coal, the Group, after listening carefully to its stakeholders' concerns, made the informed decision to sell its Narrabri royalty to the operator, Whitehaven Coal Limited. This disposal marked the Group's exit from thermal coal.

Anglo Pacific aims to create both short and long-term value for its stakeholders. In doing so, we actively engage with our stakeholders to understand the issues and factors that are significant for them and to ensure the Group's purpose, culture and values are aligned with this objective. This is clearly demonstrated in the Group's decision to no longer have any exposure to thermal coal.

Anglo Pacific started on this journey over eight years ago when Julian Treger, the Group's outgoing CEO, joined in 2013. Over this time, ~$500m has been invested to transform the Group from a predominant single asset coal business to one which is now 75% future-facing commodity-focused (by asset value).

Today, we have 15 royalty and streaming related assets across five continents, providing diversified commodity exposure. The vast majority of our portfolio is located in well-established mining jurisdictions with trusted, responsible counterparties.

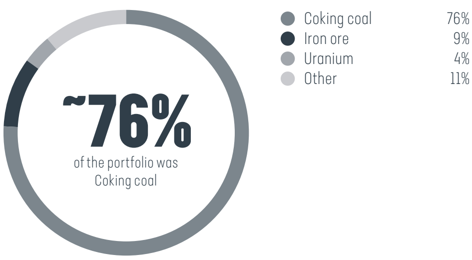
Resilience of our portfolio
Our overall Group exposure to climate-related risks is substantially mitigated by the diversification of our royalty and stream portfolio. The exposure to different commodities, operators and jurisdictions mitigates operator specific or localised climate-related risks (e.g., reputational, acute physical and local regulatory and legal risks), as well as risks impacting broader regions and markets (e.g. country-wide political, regulatory, legal and market risks). Of course we will also look to further identify and reduce the risk associated with individual operators, including continuing to understand their own sustainability actions. While we still do have exposure to metallurgical coal in our portfolio, we expect the contribution from our coal assets to diminish significantly by 2026.

We also expect to further mitigate our coal exposure through growth. The Group will continue to pursue our investment strategy led by the incoming CEO, Marc Bishop Lafleche, to invest in high-quality projects capable of sustainably delivering returns over the long-term, that are run by capable and responsible operators committed to strong ESG standards.

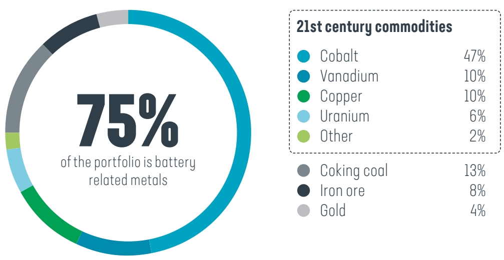
More information on the Group's investment criteria and robust ESG due diligence processes can be found on pages 06 to 07.

Climate-related risks and opportunities
Please refer to ***pages 60 to 64*** for our risk assessment and classification process, which includes our exposure to climate-related risks and the potential financial impact for Anglo Pacific and our operators in relation to such climate-related risks. The four major categories of financial impact set out by the TCFD are: Revenues, Expenditures, Assets and Liabilities and Capital Financing. Notably out of the four major categories of financial impact set out by the TCFD, the future impacts of climate-related risks may affect our Revenues (Income Statement) and our Assets (Balance Sheet) due to the impacts on our operators. Potential future financial impacts will be explored in more detail in the next phase of our work. As we have not yet quantified the potential impact in accordance with our risk definitions set out on ***pages 60 to 64,*** we have classified climate-related risks as 'emerging risks'.

COMMODITY EXPOSURE 2013
by asset value at 31.12.13



RE-POSITIONED TOWARDS 21ST CENTURY COMMODITIES



Certain mitigation factors are also inherent within the royalty and streaming model. As a royalty and streaming company, we do not have exposure to operating, capital or decommissioning costs. In the short and medium-term, any climate-related cessation of production at an operation in which we have a royalty and stream can be viewed as a deferral of revenue for the Group until recommencement of production. In the long-term, other than the asset becoming uneconomic, we anticipate that we are generally (due to the nature of our net smelter and gross revenue royalties) insulated from increased costs, including any carbon pricing, associated with the transition to a low-carbon economy. We will look to explore further the future financial impacts in our scenario analysis work.

Anglo Pacific also believes that over time commodity markets could well start to differentiate between those commodities ethically sourced with high ESG credentials (such as the cobalt derived from Voisey's Bay) which should command a premium price. Whilst this has not yet been manifested in terms of market pricing, this is a trend we think has the possibility to occur and if so, the Company's portfolio would benefit from such premium pricing. Again, we will explore this possibility further in our scenario work.

Resilience of our products

As a royalty and streaming company focused on commodities that support a more sustainable world, we are well-positioned to participate in climate-related opportunities arising in connection with the transition to a low-carbon economy. Investments in commodities used to form part of the new wave of clean technologies may lead to an increase in revenue, deal-flow and market pricing due to the increased demand for such products.

Set out on page 67 are the 21st century commodities that Anglo Pacific has exposure to within its current portfolio.

OUR RISK MANAGEMENT

The processes used by us to identify, assess and manage climate related risks

Anglo Pacific does not operate mines or mills but is instead focused on growing and monitoring a portfolio of royalty and streams and encouraging counterparties to maintain best ESG practices, which includes within its scope consideration of climate change issues including GHG management, emissions and targets.

The Group undertakes a thorough due diligence and screening process when considering each investment opportunity. We also monitor our existing assets within our portfolio through our ESG Risk Assessment and Monitoring Framework. In our due diligence process and our ESG Risk Assessment and Monitoring Framework, we look to influence existing partners and new counterparties to:

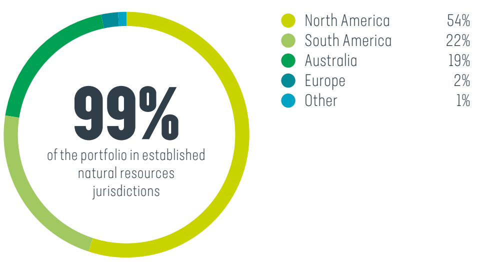
- take adequate measures to avoid adverse impacts on stakeholders and the environment;
- effectively mitigate climate risks and seek to play a positive role in the energy transition;
- implement international best practice on water management and tailings management;
- respect and uphold internationally recognised standards in relation to climate change, the environment, human rights and labour rights;
- conduct their operations in accordance with high health and safety standards;
- establish positive social and community relationships, and demonstrate high levels of shared value for stakeholders; and
- maintain high integrity standards in all areas of their business.

Further details on our disciplined approach to investment, based on key criteria, are set out on ***pages 06 to 07***. We also regularly engage external experts to assess risks, including climate-related physical, regulatory, jurisdictional, market and reputational risks. During 2021, Anglo Pacific turned down several investment opportunities due to sustainability and ESG risk concerns (including climate-related risks). Some examples of climate-related risks, that have influenced our decisions include commodity-type, level of Scope 3 carbon emissions of the specific project, water scarcity and environmental footprint.

As discussed in our Sustainability Progress Report on ***pages 66 to 73***, the Sustainability Committee, with the support of the third party risk adviser, Critical Resource, refreshed its due diligence processes and monitoring tools during the course of 2021 to ensure that its approach and tools evolve at the same pace as the rapidly evolving external ESG frameworks.

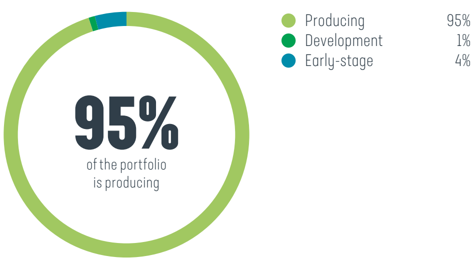
MINING JURISDICTIONS

at 31.12.21



STAGE OF PRODUCTION

by asset value at 31.12.21



CORPORATE GOVERNANCE REPORT

OUR APPROACH TOWARDS CORPORATE GOVERNANCE

As a standard listed company on the London Stock Exchange, the Company is required to comply with, at a minimum, the relevant Listing Rules, the Disclosure, Guidance and Transparency Rules and the Prospectus Regulation Rules. However, it is not required by law to comply with the super-equivalent provisions of the Listing Rules which apply to companies with a premium listing.

The Company is, however, complying on a voluntary basis with related party requirements that are substantially equivalent to those set out in Chapter 11 of the Listing Rules.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board supports the principles and provisions of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council (FRC), which is available on the FRC's website ***(www.frc.org.uk)***. Although the Company is not subject to the Code on account of its standard listing on the London Stock Exchange, the Company has voluntarily agreed to adhere to the requirements of the Code.

It is the Board's view that the Company has complied throughout the year with the Code, with the exception of Provision 38 which relates to pension contribution rates. The Group's position in respect of this matter is detailed in the Directors' Remuneration Report on ***pages 92 to 104***.

The Code specifically requires companies to report on how it complies with five main areas of governance: board leadership and company purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration.

1. BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

The Company's governance is structured to deliver an effective and entrepreneurial Board which:

- is effective in providing challenge, advice and support to management
- drives informed, collaborative and accountable decision making
- creates long-term sustainable value for our shareholders, having regard to our other stakeholders

The Board is collectively responsible for approving the Group's purpose, long-term objectives and strategy and for reviewing performance against them. The Board is also responsible for the general oversight of the Group's operations and management.

The Company's purpose, values and strategy and alignment with culture

Through the Anglo Pacific Group Code of Conduct, the Board sets the Company's purpose, values, and standards for the Group's Directors, employees, contractors, consultants and agents. The Company's purpose and values are detailed on ***page 04***. The Board is committed to acting in accordance with these values, championing, and embedding these in the organisation. The Board assesses and monitors the ongoing alignment of the Company's culture with its purpose, values and standards. The Company has an open culture where employees are encouraged to provide their views on strategic direction and ways in which communication can be improved. This is overseen by the Designated Non-Executive Director responsible for workforce engagement, as described below in 'stakeholder engagement' and on ***pages 58 to 59.***

Company performance and risk management

The Board oversees the Company's performance and reviews material investments at several stages prior to transacting. It aims to make informed, quality decisions in a timely manner, to achieve the Company's objectives, in alignment with our purpose, values and strategy.

The role of the Board in establishing and monitoring the internal control environment is set out in more detail on ***page 84***. The way in which the Company assesses and manages risk is set out in the Principal Risks and Uncertainties section on ***pages 60 to 64.***

The formal schedule of matters reserved for the Board's decision, available on our website, covers areas including: setting the Group's purpose and strategic vision; monitoring performance of the delivery of the approved strategy; approving major investments, acquisitions and divestments; the oversight of risk and the setting of the Group's risk appetite; and reviewing the Group's governance framework.

Stakeholder engagement

The Group recognises the importance of developing a fuller understanding of its business model and risks amongst investors, through effective two-way communication with fund managers, institutional investors and analysts. This is particularly important in ensuring that the Company's values and objectives are aligned with our current and prospective stakeholders, as further explained in our section 172 (1) statement, set out on ***pages 58 to 59.***

As a result of the ongoing health and safety concerns and Government guidelines in relation to COVID-19, during 2021, investor engagements were conducted through a combination of virtual platforms and, where permitted, in-person meetings. This allowed the Group to continue with its scheduled programme of roadshow meetings and presentations, including those presentations and meetings held at the time of publishing the 2020 Annual Report and Accounts and the interim results for the year ended 31 December 2021. The Chairman, Senior Independent Director and Chief Executive Officer also continued to meet with stakeholders on a regular basis, albeit virtually.

The Company has three joint brokers, RBC Capital Markets, Berenberg and Peel Hunt, and the Board remains satisfied that the United Kingdom, Europe and North America, which are the jurisdictions likely to make up most of our shareholder base, are well covered by brokers with significant local expertise.

At the same time, the Board continues to receive regular investor relations reports, including commentary on the perception of the Company, views expressed by the investment community, media reports, share price performance and analysis, so as to ensure that all Directors are made aware of the major shareholders' issues and concerns. In addition, the committee chairs also engage with their relevant stakeholders and details of this engagement are provided in each of the committee reports on ***pages 85 to 104.***

The Company's small number of employees are centrally located at the Company's Head Office, which aids regular direct engagement with the whole Board. Since 2018 the role of Designated Non-Executive Director responsible for workforce engagement has been rotated between the Company's Non-Executive Directors to further enhance the Board's interaction with and exposure to the Company's employees. Mr. Stan assumed the role of Designated Non-Executive Director in November 2020 and throughout 2021 held a number of virtual and in-person townhalls with all employees, with feedback from the meeting and action items arising placed on the Board's agenda. The terms of reference for the designated non-executive director are available on the Group's website: ***www.anglopacificgroup.com/governance.***

Annual General Meeting (AGM)

The Company's AGM is typically the highlight of the year for the Board, as it provides an excellent opportunity for active engagement with investors and to further the investors' understanding of the current business activity of the Group. Due to the ongoing health and safety measures imposed by the UK Government in response to the COVID-19 pandemic, the Company was again unable to host the AGM in its usual format in 2021.

The Board values the AGM as an opportunity for its retail shareholders to raise questions and comments to the Board and in 2021, shareholders were invited to attend a live webcast during which the Chairman and Chief Executive Officer provided an overview of the Group's performance in 2020 and an outlook for 2021. Following the presentation, all members of the Board were available to respond to questions from shareholders.

Our workforce policies and practices

All of the Company's workforce related policies are approved by the Board. The Board is ultimately responsible for our whistleblowing process, with day-to-day oversight by the Audit Committee and every member of the workforce has access to 'Safe Call' an independent third-party provider enabling all employees to raise any matters of concern anonymously. There were no instances of whistleblowing over the past year. In addition to our whistleblowing policy, the Group also has in place an anti-bribery, corruption and money- laundering policy. Compliance training is conducted across the Group, appropriate due diligence is carried out on counterparties and suppliers, and there are anti-bribery and corruption provisions in our agreements. Employee sign-off confirming their observance of the Code of Conduct, anti-bribery, corruption and money-laundering policy and the gifts and hospitality standard is conducted on our annual basis.

Conflicts of interest

In accordance with the Companies Act 2006 and the Articles of Association, conflicts of interest must be authorised by the Board and this ensures that the influence of third parties does not compromise the independent judgement of the Board. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Group. The Company Secretary and the General Counsel maintain a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period but are reviewed annually by the Board, which also considers the effectiveness of the process of authorising Directors' conflicts of interest. The Board retains the power to vary or terminate these authorisations at any time.

CORPORATE GOVERNANCE REPORT
continued

THE BOARD

CHAIRMAN
N.P.H. MEIER
72, was appointed Non-Executive Director in April 2015 and assumed the role of Non-Executive Chairman at the conclusion of the 2017 AGM. Mr. Meier has over 30 years of experience in investment banking with specialist knowledge of the mining sector. He has an MA in Natural Sciences from Cambridge University. Mr. Meier headed up the investment banking activities for RBC Capital Markets in Europe and Asia and drove a major expansion of RBC's European presence. Prior to this role, he headed up RBC's activities in the Metals and Mining sector in Europe, Africa and Asia for many years, and continues to enjoy strong relationships within the sector. Mr. Meier also served as a Director on the Board of RBC's main operating subsidiary in Europe. In addition to his role at Anglo Pacific, Mr. Meier acts as a non-executive chairman of Firestone Diamonds plc.

Committee Chair: Nomination Committee

CHIEF EXECUTIVE OFFICER
J.A. TREGER
59, joined the Group as Chief Executive Officer and Executive Director on 21 October 2013. He has an MBA from Harvard Business School and a BA from Harvard University. He began his career working for Lord Rothschild as an in-house corporate financier, managing a portfolio of public and private equity investments before co-founding Active Value Advisors Ltd. to invest in undervalued, predominantly UK-listed companies, where he advised on more than $900.0m of funds over a 12-year period. He currently serves as Non-Executive Chairman of Audley Capital Advisors LLP, an investment advisory firm, which he co-founded in 2005, which specialises in managing value-orientated, special situations investment strategies through hedge fund and co-investment vehicles, with a principal focus on the natural resources sector. Mr. Treger is CEO Designate of CoTec Holdings Corp. and holds external Non-Executive Directorships with Mantos Copper S.A., EBT Digital Communications Retail Group, Broadwell Capital and Ilari Exploration OY for which he earned fees during the year. These directorships do not affect Mr. Treger's ability to perform his role as CEO of the Company, as they form part of his 20% time commitment outside Anglo Pacific.

CHIEF FINANCIAL OFFICER
K. FLYNN
41, joined Anglo Pacific as Chief Financial Officer in January 2012, and was appointed Executive Director in January 2020. He sits on the Executive Committee. Mr. Flynn is a Chartered Accountant with 20 years of experience of corporate finance both in practice and in the London listed market, having held senior roles within FTSE 100 and FTSE 250 real estate businesses. In his time with Anglo Pacific, he has originated and negotiated all of the Group's borrowing facilities and played a leading role in raising equity. Mr. Flynn is involved in all investment decisions, specifically in relation to structuring and tax.

SENIOR INDEPENDENT DIRECTOR
J.E. RUTHERFORD
62, was appointed Non-Executive Director in October 2019. He is also the Group's Senior Independent Director and chair of the Sustainability Committee. He has over 25 years' experience in investment banking and investment management, specialising in the global mining and metals sector. Mr. Rutherford has extensive international experience, and brings to the Board considerable financial insight from the perspective of the capital markets and a deep understanding of the mining industry. Mr. Rutherford has served on the board of Centamin plc since January 2020, initially as deputy Non-Executive Chairman and then as Non-Executive Chairman from July 2020. He has previously served as Chairman of Dalradian Resources Inc. from 2015 to 2018; was a Non-Executive Director of Anglo American plc from 2013 to 2020; was the Lead Independent Director of GT Gold Corp from 2019 to 2021, when it was taken over by Newmont Corporation; and was a Non-Executive Director of Evraz plc from 2021 until 2022. Between 1997 and 2013, he was a senior vice president of Capital International Investors, a division of Capital Group, and had responsibility for investments in the mining and metals industry. Prior to joining Capital Group, Mr. Rutherford was vice president, equity research covering the South American mining and metals industry for HSBC James Capel in New York.

Committee Chair: Sustainability Committee

Committee Member: Remuneration Committee, Nomination Committee, Audit Committee

INDEPENDENT NON-EXECUTIVE DIRECTORS

R.G. DACOMB
66, was appointed Non-Executive Director in November 2019. He was a partner at Ernst and Young for 26 years where, for his last 12 years, he was a lead partner in the extractive industry, responsible for coordinating the provision of a full suite of services to multinational mining and oil and gas clients including Xstrata, Fresnillo, and BP across a broad range of countries including emerging markets. In addition to audit services, Mr. Dacomb provided critical advice for his clients on corporate governance structures, risk management, acquisitions, disposals and financial systems and controls. From 2011 to 2018, Mr. Dacomb was a member of the Financial Reporting Review Panel. Mr. Dacomb was appointed a non-executive director of Ferrexpo plc with effect from 10 June 2019.

Committee Chair: Audit Committee

Committee Member: Remuneration Committee, Nomination Committee

V. SHINE
58, was appointed Non-Executive Director in August 2021. She is a highly experienced mining non-executive director, executive mentor and mining industry adviser with a career spanning 30 years. Previously she was CEO of De Beers Trading Company where she worked with stakeholders across the supply chain to introduce new distribution and price strategies for the business. From February 2015 to June 2019, Ms. Shine was a non-executive director, audit and nomination committee member and remuneration chair from August 2017 at Lonmin PLC. In addition to her role at Anglo Pacific, Ms. Shine acts as senior independent director and remuneration committee chair of Petra Diamonds plc, and lead independent director and remuneration committee chair of Sarine Technologies. She is also a board member of the Mineral Development Company of the Government of Botswana and trustee of the Teenage Cancer Trust.

Committee Chair: Remuneration Committee

Committee Member: Audit Committee, Nomination Committee, Sustainability Committee

R.H. STAN
68, was appointed Non-Executive Director in February 2014. He has a B.Comm from the University of Saskatchewan and has over 45 years' experience in mining and resource development. He held several senior positions with Fording Coal Limited, Westar Mining Ltd. and TECK Corporation before becoming a founding shareholder and director of publicly quoted Grande Cache Coal Corporation ('GCC'), an Alberta-based metallurgical coal mining company. At GCC, he served as President, CEO and Director from 2001 to 2012 and in 2012 negotiated the sale of the company to an Asian-backed strategic investor consortium (Winsway Coking Coal and Marubeni Corp) for $1.0bn. Mr. Stan served two terms as Chairman of the Coal Association of Canada Board of Directors, was a board member of the International Energy Agency's Coal Industry Advisory Board and represented the mining industry on the Alberta Economic Development Agency. He currently serves on the boards of several private companies, including Quantex Resources Ltd, Sio Silica Corporation and Spruce Bluff Resources Ltd.

Designated Non-Executive Director – workforce engagement

Committee Member: Audit Committee, Nomination Committee, Remuneration Committee

JOINING THE BOARD AS CHIEF EXECUTIVE OFFICER ON 1 APRIL 2022

M. BISHOP LAFLECHE
38, will join the Board as Chief Executive Officer on 1 April 2022. He brings a deep understanding of the royalty and stream sector, Anglo Pacific's current portfolio as well as its culture and values developed over the past eight years in his roles with the Group, most recently as Chief Investment Officer. Mr Bishop Lafleche joined Anglo Pacific in 2014 and was instrumental in the recent transformational Voisey's Bay cobalt stream acquisition which completed in March 2021, pivoting the Group towards 21st century commodities and away from its coal heritage. Prior to joining the Group, he worked at Citigroup primarily in the Metals & Mining Investment Banking team as well as in the European Leveraged Finance team, where he worked on a variety of M&A transactions as well as debt and equity financings for clients across the Metals & Mining and other sectors. He has an MSc in Banking and International Finance from Bayes Business School and a BA (Hons) in Political Science from the University of Western Ontario, and became a CFA charterholder in 2013.

PATRICK MEIER

GRAEME DACOMB

JULIAN TREGER

VARDA SHINE

KEVIN FLYNN

ROBERT STAN

JAMES RUTHERFORD

MARC BISHOP LAFLECHE

CORPORATE GOVERNANCE REPORT
continued

2. DIVISIONS OF RESPONSIBILITY

The Chairman, Mr. Meier, leads the Board and is responsible for its overall effectiveness. He was independent on the date of his appointment. He recognises the importance of creating a boardroom culture which encourages openness and debate and facilitates constructive relations between Executive and Non-Executive directors.

The Chairman is responsible for: the management of the Board and its committees; director performance; induction; training and development; succession planning; engagement with external stakeholders and attendance by the Board at shareholder meetings. The Chairman is supported by the Senior Independent Director, the Chief Executive Officer, the Company Secretary and General Counsel.

The day-to-day management of the Group is delegated to the Chief Executive Officer ('CEO'), save for certain matters reserved for consideration by the Board. The Chairman and CEO have distinct roles which have been defined in writing and agreed by the Board. The CEO is supported by the Chief Financial Officer and the Chief Investment Officer, who meet as an Executive Committee. The Executive Committee is responsible for formulating the Group's strategy, setting budgets, and managing the Group's portfolio of royalties and metal streams.

Other responsibilities are devolved to the Nomination, Remuneration, Audit and Sustainability Committees; their members are all Non-Executive Directors, save for the Sustainability Committee where the CEO is a member, and their work is described more fully in the respective committee reports on *pages 85 to 104*. The terms of reference of each Committee, and the matters reserved to the Board, are available on the Group's website.

The Senior Independent Director, Mr. Rutherford, is responsible for acting as a sounding board for the Chairman and engages with shareholders to develop a balanced understanding of their interests and concerns. The Senior Independent Director is not required to seek meetings with shareholders, however, is available to do so if required in order to understand shareholder concerns and take them to the Board for discussion.

Time commitment

All potential new Directors are asked to disclose their other significant commitments. The Nomination Committee then takes this into account when considering a proposed appointment to ensure that the potential new Directors can discharge their responsibilities to Anglo Pacific effectively. This means not only attending and preparing for formal Board and Committee meetings, but also making time to understand the business, and to undertake training. The time commitment is agreed with each Non-Executive Director on an individual basis. In addition, all Directors must seek approval before accepting any significant new commitment.

Where circumstances require it, all Directors are expected to commit additional time as necessary to their work on the Board. The Company Secretary and the General Counsel maintain a record of each Director's commitments. For the year ended 31 December 2021 and as at the date of publication, the Board is satisfied that none of the Directors is over-committed and that each of the Directors allocates sufficient time to his or her role in order to discharge their responsibilities effectively.

Directors' attendance at Board and Committee meetings which they were eligible to attend during 2021 was as follows:

	Full Board	Audit	Nomination	Remuneration	Sustainability
Total meetings held	20	5	4	9	3
Attendance:					
R.G. Dacomb	20	5	4	9	–
V.A. Dennett[1]	15	2	1	4	1
K. Flynn	20	–	–	–	–
N.P.H. Meier	20	–	4	–	–
J.E. Rutherford	20	5	4	9	3
R.H. Stan[2]	19	5	4	9	2
V. Shine[3]	4	2	1	3	–
J.A. Treger	20	–	–	–	3

[1] V.A. Dennett retired from the Board on 26 May 2021.
[2] R.H. Stan was appointed to the Sustainability Committee in May 2021.
[3] V. Shine was appointed to the Board on 28 August 2021.

3. COMPOSITION, SUCCESSION AND EVALUATION

Appointments to the Board

All Directors are subject to election by shareholders at the first opportunity after their appointment. Under the terms of the Company's Articles of Association, all Directors are required to retire and seek reappointment by shareholders at an AGM on the third anniversary of their appointment. All current Non-Executive Directors were appointed for an initial three-year term, renewable at the Board's discretion for up to two further three-year periods thereafter, and the Board intends that all future Non-Executive Director appointments will be on similar terms. Notwithstanding this, it is the Board's intention that all Directors, including the Non-Executive Directors, shall be subject to re-election at each AGM.

The Nomination Committee ensures a formal, rigorous and transparent procedure for the appointment of new Directors. It is also responsible for Board and senior management succession planning, regularly assessing the balance of skills, experience, knowledge, diversity and capacity required to oversee the delivery of Anglo Pacific's strategy.

The remit of the Nomination Committee includes reviewing proposals for appointments to the Executive Committee, and monitoring senior management succession planning, including ensuring that both of these are based on merit and objective criteria and within this context it seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. All Non-Executive Directors are members of the Nomination Committee. The committee is chaired by the Chairman, apart from when the Committee is dealing with the appointment of his or her successor. The Nomination Committee report on *pages 85 to 86* sets out the Board's approach to succession planning and how this supports the development of a diverse pipeline of talent, at all levels.

Following Ms. Dennett's decision to retire as a Non-Executive Director and not seek re-election at the 2021 AGM, an extensive search was initiated for a suitable successor. Independent Search Partnership ('ISP') was retained by the Committee to assist with the search process, having previously worked for the Group in recruiting for non-executive director appointments ISP has a good understanding of the Board's requirements.

Prior to the search commencing, the Nomination Committee agreed the skills and experience it considered necessary for the role and provided this to ISP. A longlist of diverse candidates was then identified by ISP and discussed with the Chairman to agree a shortlist to be interviewed. Shortlisted candidates were interviewed by members of the Committee and other Board members, as relevant and culminated in the appointment of Ms. Shine on 23 August 2021. Ms. Shine's biography can be found on *page 80*.

Skills, experience and knowledge of the Board and its Committees

The Group's succession planning, aims to bring a diverse and complementary range of skills, knowledge and experience to the Board, so that the Board is equipped to navigate current and future challenges, and maximise value from current and future opportunities. Achieving the right blend of skills, experience, knowledge and diversity to support effective decision-making is a continuing process and forms part of the annual Board effectiveness review, which also attempts to identify any skills gaps.

The Chairman regularly reviews the Directors' training needs and, where appropriate, the Group provides the resources to meet the Directors' requirements. At least biannually external subject matter experts are engaged to update and advise the Board on governance and secretarial changes. In addition, the Board has in place a formal induction process for new Directors on joining the Board, which is tailored to the needs of the individual.

Independence of the Non-Executive Directors

At the date of this report, just under two-thirds of the Board are independent Non-Executive Directors. The Board determines all of the Non-Executive Directors (other than the Chairman) to be independent of management and free from any business or other relationship which could materially interfere with the ability to exercise independent judgement. The Code does not consider a chairman to be independent due to the unique position the role holds in corporate governance. Mr. Meier met the independence criteria contained in the Code when he was appointed as the Group's Chairman in 2017.

The Chairman and the Non-Executive Directors regularly meet without the Executive Directors present. On an annual basis, the Senior Independent Director leads the other Non-Executive Directors in the appraisal of the Chairman's performance.

Board effectiveness

A Board and Committee effectiveness evaluation is carried out each year. The evaluation considers (but is not limited to): the balance of Board members' skills and experience; independence; diversity; the running of the Board; and Directors' knowledge of the Company. At least every three years, the review is externally facilitated. The last externally facilitated effectiveness review of the Board was undertaken in 2020, the results of which were reported in the 2020 Annual Report.

From the 2020 review, the Board identified three effectiveness priority areas for 2021. An action plan to address these areas was developed in 2021 and progress measured throughout the year, as illustrated in the table below. While the Board succeeded in implementing the action plan for two of the priority areas in 2021, the aim to improve the Board's gender diversity remains an area of focus for 2022.

Following the 2020 evaluation, the Board identified the effectiveness priority areas below for 2021:

Topic	Areas identified for action	Actions taken in 2021
Strategy	Enhanced focus on potential acquisitions to further the Group's strategy. Increased discussion of the impact of the Board's risk appetite on delivering strategic objectives.	Board meeting agendas throughout the year were reprioritised to devote greater time at each meeting to focus on the Group's pipeline and strategy.
Definition of roles and accountability	Enhance support provided to the Executive Directors and the Board by the human resources and the company secretarial functions, to clarify roles and accountability.	The role of Company Secretary was separated from that of the Chief Financial Officer. A dedicated human resources consultant was engaged to support the Executive Directors, enabling increased capacity to focus on executing the Group's strategy.
Succession planning	Aim to improve the Board's gender diversity.	The Nomination Committee reviewed the succession for both the Board and senior management, however, the gender mix remains unchanged. This will remain a focus for 2022.

Again in 2021, the Directors completed a questionnaire-based internal effectiveness review. The 2021 review reaffirmed that the Board believes it is performing well, with no significant issues identified. Importantly, the review found that following the strategy sessions throughout the year, the Board is clearer and more aligned on strategy, particularly in relation to the Group's commodity mix.

Building on the priority areas and actions taken in 2021, and taking into account the results of the 2021 review, the Board has identified the following effectiveness priorities for 2022:

Topic	Areas identified for action
Strategy	After the significant progress made in the past year on increasing the Board's time focusing on strategic issues, continue to direct the Board's time towards oversight of executing the strategy, in addition to ongoing refinement of strategic objectives.
Succession planning and development	The Nomination Committee with the assistance of the Group's human resource consultant to enhance the management of our talent pipeline, in addition to focusing on greater gender diversity at Board level as appointments arise.

The review of the Chairman's performance was led by the Senior Independent Director. The Chairman was not present during the discussions with both Executive and Non-Executive Directors as it related to him. All Directors are of the view that the leadership provided by Mr. Meier as Chairman, is having a positive impact on the organisational culture of the Company as a whole.

Committee effectiveness

The committee evaluations looked at ways in which they could improve their overall effectiveness and their performance areas they needed to address in 2022. All committee were believed to be performing well and were appropriately constituted.

CORPORATE GOVERNANCE REPORT
continued

4. AUDIT, RISK AND INTERNAL CONTROL

Internal and external audit

The Audit Committee monitors the independence and effectiveness of the external auditors, and makes an annual assessment of whether an internal audit function is required. The Audit Committee is responsible for reviewing key judgements within the Group's financial statements and narrative reporting, with the aim of maintaining the integrity of the Group's financial reporting.

The Group's policies and system of internal control are designed to provide the Directors with reasonable assurance that the Group will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances that may reasonably be foreseen. However, no system of internal control can eliminate the possibility of poor judgement in decision-making, human error, fraud or other unlawful behaviour, management overriding controls, or the occurrence of unforeseeable circumstances and the resulting potential for material misstatement or loss.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility and appropriate delegation of authority.
- There are established procedures for planning and approving investments and information systems for monitoring the Group's financial performance against budgets and forecasts.
- The Chief Financial Officer is required to undertake an annual assessment process, to identify and quantify the risks that face the Group's businesses and functions, and to assess the adequacy of the prevention, monitoring and mitigation practices in place for those risks. This process covers all material controls, including financial, operational and compliance controls.
- The Board is responsible for reviewing the risk assessment and risk management processes for completeness and accuracy.
- In addition to its work on the above, the Audit Committee also receives reports about significant risks and associated control and monitoring procedures. The Group's internal controls and procedures documentation are regular agenda items for the Committee. The Committee also receives regular reports from the external auditors.
- The Audit Committee reports regularly to the Board on these matters, so as to enable the Directors to review the effectiveness of the system of internal control. The Board also receives regular reports or updates from its other Committees and directly from management in addition to carefully considering the Group's risk register at regular intervals.
- The Group's internal control system accords with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2021 and up to the date of approval of the report and financial statements that have required the Board to deal with any material internal control issues.

The Directors confirm that the Board has reviewed the effectiveness of the system of internal control during the period and concluded that the controls and procedures are adequate. The Board will continue to review the adequacy of the Company's internal controls on an ongoing basis and will test the controls and procedures again during 2022.

For further detail, please refer to the Audit Committee report on ***pages 87 to 90***.

Fair, balanced and understandable assessment

The Board is responsible for the presentation of a fair, balanced and understandable assessment of the Company's position and prospects, not only in the Annual Report. The Company has a thorough process in place for the preparation of the interim and Annual Reports, together with quarterly trading updates and other market announcements, to ensure that this is the case.

Risk management and internal control framework

The Board is ultimately responsible for aligning the risk appetite of the Company with its long-term strategic objectives, taking into account the principal and emerging risks faced by the Company and the risks it is willing to take in achieving its strategic objectives and how these support the Group's longer-term viability statement. Risk and volatility have been a particular feature of the markets to date in 2020 and the Board has risk as a regular agenda item in order to respond to risk as and when significant and sudden changes materialise which may need action to be taken. The Audit Committee monitors the work that the Board does in relation to risk on a regular basis.

The Group's principal risks are discussed in detail on ***pages 60 to 64***. These are determined based on two formal reviews undertaken each year.

5. REMUNERATION

The Remuneration Committee is responsible for establishing and developing the Group's general policy on executive and senior management remuneration, together with determining the specific remuneration packages for the Chairman, Executive Directors and members of the Group's Executive Committee. In determining the executive remuneration, the level of pay and conditions throughout the Group are taken into consideration.

In addition to the consideration given to the remuneration of the wider workforce, the Remuneration Committee consults with the Company's shareholders to obtain feedback on the existing remuneration policy and any revisions. Further details on the Remuneration Committee's work in 2021, together with the 2021 Directors' Remuneration Report and the 2022 Implementation Plan are set out on ***pages 92 to 104***.

N.P.H. Meier
Chairman

29 March 2022

NOMINATION COMMITTEE

COMMITTEE MEMBERS

N.P.H. Meier – Chairman

R.G. Dacomb

J.E. Rutherford

V. Shine – appointed 23 August 2021

R.H. Stan

V. Dennett – retired 26 May 2021

The Chief Executive Officer and the Company Secretary also attend meetings of the Committee.

For more on biographies and Board experience details refer to ***pages 80 to 81.***

ROLE AND RESPONSIBILITIES

The role of the Nomination Committee is to review the composition of the Board and of its committees. The Committee leads the process for appointments and makes recommendations to the Board as part of succession planning for both Non-Executive and Executive Directors. It also monitors the succession planning and development of senior management.

The Committee's objectives and responsibilities are set out in our terms of reference, which are available to view online. For more information, visit ***www.anglopacificgroup.com/responsibility/#governance***

COMMITTEE FOCUS IN 2021

The Committee met four times during 2021. Discussions at the meetings covered the responsibilities outlined above, with a particular focus on Non-Executive Director succession planning and committee membership.

The following matters were considered during 2021:

- The composition, structure and size of the Board and its committees, and the leadership needs of the Group.
- Succession planning for the Chief Executive Officer and recommending to the Board the appointment of Mr. Marc Bishop Lafleche to succeed Mr. Treger as Chief Executive Officer on 1 April 2022.
- Non-Executive Director succession planning, approving the appointment of Independent Search Partnership LLP ('ISP') as external search consultants to facilitate recruitment, and formalising the search process for a non-executive appointment.
- Recommending the appointment of Mr. Dacomb as interim Chair of the Remuneration Committee and Mr. Stan as a member of the Sustainability Committee, following the retirement of Ms. Dennett.
- Recommending to the Board the appointment of Ms. Shine as a Non-Executive Director and as chair of the Remuneration Committee and member of the Audit Committee from 23 August 2021.
- The time commitment expected from each of the Non-Executive Directors to meet the expectations of their roles.
- Recommending that the Board support the election or re-election of each of the Directors standing at the 2021 AGM. The length of tenure of Non-Executive Directors was taken into account when considering to support their re-election, to ensure they remain independent and recognising the need to progressively refresh the Board.
- Succession planning for both the Non-Executive and Executive Directors.
- Reviewing the Committee's terms of reference.

OUR APPROACH TO DIVERSITY

Anglo Pacific is committed to promoting behaviours that support an inclusive and diverse workplace that reflect our values of sustainability, integrity and respect, diversity and collaboration. This commitment is set out in our Code of Conduct.

The Board aims to lead by example and recognises the benefits of having a diverse membership and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other attributes of the directors. These differences will be considered in determining optimum composition of the Board and, when possible, should be balanced appropriately.

Anglo Pacific considers true diversity to encompass more than gender. As a result, we make our appointments to the Board and throughout the business on merit and against objective selection criteria to identify and recruit the most suitable candidate, regardless of gender. Through such selection criteria, we have achieved gender equality amongst the Group's employees, and hope to increase female representation on the Board as vacancies arise using the same selection criteria.

CHIEF EXECUTIVE APPOINTMENT PROCESS IN 2021

Succession planning for all Directors, including the Executive Directors, is an ongoing cycle of work. The Nomination Committee has oversight of the development and succession plans of members of the Executive Committee, ensuring they are aligned to the long-term strategic direction and leadership needs of the Group.

After eight and half years as Chief Executive Officer, Mr. Treger will step down from his role and the Board on 31 March 2022. Mr. Treger joined the Board in 2013 and has led the transformation of the Group from what was predominantly a single asset coal business to one that has an impressive and high quality portfolio of base metal royalties and streams compared to the listed sector globally, for the benefit of all Anglo Pacific stakeholders.

The Board, through its Nomination Committee, initiated an extensive search process in 2021 to identify Mr. Treger's successor. The search process led by the Chairman with the assistance of the Senior Independent Director and external search consultants ISP, included candidates on our internal succession plan, and a diverse range of external candidates.

Following the rigorous process, the Board concluded that the Group's Chief Investment Officer, Mr. Bishop Lafleche was the appropriate successor. Mr. Bishop Lafleche, having been with the Group for the past eight years has been instrumental in originating, negotiating, structuring, and executing the acquisitions that have transformed the business. This practical experience and industry knowledge, combined with his understanding of Anglo Pacific's culture and values, uniquely qualified him to take the Group forward. Mr. Bishop Lafleche will join the Board as Chief Executive Officer on 1 April 2022 and in accordance with the Company's Articles of Association will offer himself for election at the AGM on 12 May 2022.

NOMINATION COMMITTEE

continued

PROCESS USED IN RELATION TO NON-EXECUTIVE BOARD APPOINTMENTS

We base our appointments to the Board on merit, and on objective selection criteria, with the aim of bringing a range of skills, knowledge and experience to Anglo Pacific. This involves a formal and rigorous process to source strong candidates from diverse backgrounds and conducting appropriate background and reference checks on the shortlisted candidates. We aim to appoint people who will help us to achieve the Group's strategic objectives now and in the future. Further details of the process followed for the Board appointments, are included in the Corporate Governance Report on ***pages 78 to 79 .***

Following Ms. Dennett's decision to retire as a Non-Executive Director and not seek re-election at the 2021 AGM, an extensive search was initiated for a suitable successor. ISP was retained by the Committee to assist with the search process, having previously worked for the Group in recruiting for Non-Executive Director appointments ISP has a good understanding of the Board's requirements.

Prior to the search commencing, the Nomination Committee agreed the skills and experience it considered necessary for the role and provided this to ISP. A longlist of diverse candidates was then identified by ISP and discussed with the Chairman to agree a shortlist to be interviewed. Shortlisted candidates were interviewed by members of the Committee and other Board members, as relevant and culminated in the appointment of Ms. Shine on 23 August 2021. Ms. Shine's biography can be found on ***page 80***.

N.P.H. MEIER

Chairman of the Nomination Committee

29 March 2022

AUDIT COMMITTEE

COMMITTEE MEMBERS

R.G. Dacomb* – Chairman

J.E. Rutherford

V. Shine – appointed 23 August 2021

R.H. Stan

V. Dennett – retired 26 May 2021

* The Chairman of the Audit Committee is deemed to have recent and relevant financial experience in accordance with the UK Corporate Governance Code. The Committee as a whole has competence relevant to the sector.

For more on biographies and Board experience details refer to ***pages 80 to 81***.

The Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Group Financial Controller and Company Secretary and the external auditors also participate in meetings of the Committee, as required.

ROLE AND RESPONSIBILITIES

The Committee's objectives and responsibilities are set out in its terms of reference, which are available to view online. For more information, visit
www.anglopacificgroup.com/responsibility/#governance

The Committee's main responsibilities are:

- Monitoring the integrity of the annual and interim financial statements, the accompanying reports to the shareholders and corporate governance statements.
- Making recommendations to the Board concerning the adoption of the annual and interim financial statements.
- Reviewing and challenging the consistency of, and any changes to, accounting policies, methods and standards.
- Overseeing the Group's relations with the external auditor, including the assessment of their independence and their effectiveness.
- Making recommendations to the Board on the appointment, retention and removal of the external auditor and the tendering of external audit services.
- Advising the Board on the external auditor's remuneration for both audit and any non-audit work.
- Reviewing the reports from management on the principal risks of the Group outlined on ***pages 60 to 64*** and monitoring the management of those risks.
- Monitoring and reviewing the adequacy and effectiveness of the Group's internal controls.
- Considering the need for an internal audit function and reviewing the Group's approach to assessing the effectiveness of internal controls in the absence of an internal audit function.
- Reviewing and challenging management's assumptions underlying the going concern assessment, together with overseeing completion of the viability statement.
- Reviewing and monitoring the Group's whistle-blowing procedure and the Group's systems and controls for the prevention of bribery, corruption and money laundering.

The Committee has authority to investigate any matter within its remit. It has the power to use any Group resources it may reasonably require and it has direct access to the external auditors. The Committee can also obtain independent professional advice at the Group's expense where it deems necessary. The Committee chairman reports to the Board after each meeting on the main items discussed.

FAIR, BALANCED AND UNDERSTANDABLE

A key requirement of the Group's annual financial statements is that they be fair, balanced, understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Audit Committee and the Board are satisfied that the 2021 Annual Report and Accounts meet this requirement and that appropriate weight has been given to both positive and negative developments in the year.

In justifying this statement, the Audit Committee has considered the robust processes which operate in producing the 2021 Annual Report and Accounts, including:

- Early engagement with the external auditor on significant accounting matters by the finance team in advance of the year end reporting process.
- The thorough process of review, evaluation and verification by senior management to ensure the accuracy and consistency of information presented in the 2021 Annual Report and Accounts.
- The provision of advice by external advisers to management and the Board on best practice regarding the preparation of the 2021 Annual Report and Accounts.
- A meeting of the Audit Committee held specifically to review and consider the draft 2021 Annual Report and Accounts in advance of the final sign-off by the Board. This review included the significant accounting matters explained in the notes to the consolidated financial statements.
- Consideration by the Audit Committee of the conclusions of the external auditor on the key audit matters that contributed to their audit opinion, specifically the valuation of the Kestrel royalty, impairments and taxation.

AUDIT COMMITTEE

continued

COMMITTEE FOCUS IN 2020

Throughout 2021, the Audit Committee focused on the valuation of the Kestrel royalty and the Group's royalty financial instruments, management's assessment of indicators of impairment in relation to the Group's royalty intangible assets and taxation matters. In addition, the Committee reviewed the system of internal control and risk management.

The Audit Committee held five meetings in 2021 and has met twice to date in 2022, covering the key topics set out in the tables below.

Significant issues considered by the Audit Committee in relation to the Group's financial statements	Response of the Audit Committee
Review of carrying value of the Kestrel coal royalty	The Committee reviewed the independent valuation of the Group's Kestrel coal royalty, together with management's review and challenge of the key assumptions used by the independent valuer to determine the carrying value of the coal royalty as at 31 December 2021. The Committee reviewed the disclosures related to the revaluation gain of $13.0m in relation to the Kestrel coal royalty described in ***note 16***, for the year ended 31 December 2021. The Committee concluded that the fair value has been calculated in accordance with the Group's accounting policy outlined in ***note 4***, is appropriate as at 31 December 2021 and is adequately disclosed.
Review of carrying value of royalty financial instruments	The Committee reviewed and challenged management's key assumptions including production profiles, forecast commodity prices and discount rates used to determine the carrying value of those royalties held at fair value. The Committee reviewed the disclosures related to the revaluation gain of $17.5m in relation to royalty financial instruments, described in ***note 18*** for the year ended 31 December 2021. The Committee concluded that the fair value has been calculated in accordance with the Group's accounting policy outlined in ***note 4***, is appropriate as at 31 December 2021 and is adequately disclosed.
Review of carrying values of royalties held at amortised cost and resulting impairment charges	The Committee reviewed and challenged management's key assumptions including production profiles, forecast commodity prices and discount rates used to estimate the recoverable amount of each royalty and compared this to the respective carrying value. The Committee reviewed the disclosures related to the Group's impairment policy outlined in ***note 4*** and the impairment charge of $5.2m described in ***note 19*** for the year ended 31 December 2021. The Committee concluded that the impairment charges recognised during the year ended 31 December 2021 were appropriate and have been adequately disclosed
Review of accounting classification and treatment of completed acquisitions	The Committee reviewed and challenged management's accounting classification and treatment of the $205m Voisey's Bay cobalt stream acquisition. The Committee concur with management's classification of the acquisition as a metal stream on the balance sheet, accounted for in accordance with IAS 16 – Property, Plant & Equipment due to the physical delivery of metal and the inventory risk that passes to the Group from such deliveries. The Committee concur with management's allocation of the acquisition consideration between the metal stream asset and the deferred tax asset in the form of carry forward losses in the corporate structure acquired. The Committee reviewed the disclosures related to the Group's new accounting policy for metal streams, together with the amendments to the Group's revenue recognition policy both of which are outlined in ***note 4***. The Committee reviewed the disclosures related to the Voisey's Bay transaction outlined in ***note 17***, including the revaluation of the contingent consideration as at 31 December 2021.
Review of the change in functional and presentation currencies from pound sterling to US dollars	The Committee reviewed and challenged management's assessment of the functional currency of the Company and concur with management's conclusion that the functional currency of the Company has changed to US dollars as outlined in ***note 3***. The Committee reviewed management's approach to translating the Group's financial statements to US dollars following the change in the presentation currency, ensuring compliance with IAS 8 and IAS 21.
Group tax exposures	The Committee considered management's assessment of any potential or uncertain tax exposures. The Committee challenged management, and its professional advisors, on tax positions taken and concluded that the disclosures contained in ***notes 5, 12 and 38*** are sufficient and that no additional provision is appropriate.
Going concern basis of accounting in preparing the financial statements	The Committee assessed the forecast levels of net debt, headroom on existing borrowing facilities and compliance with debt covenants. This analysis covered the period to 29 March 2023 and considered a range of downside sensitivities, including a possible reduction in commodity prices and production volumes as a result of the ongoing COVID-19 pandemic. The Committee concluded it was appropriate to adopt the going concern basis.

Other issues considered by the Audit Committee	Response of the Audit Committee
Application of the policy for calculating adjusted earnings	The Committee reviewed the Group's policy for the calculation of adjusted earnings and confirmed the consistent application of this policy year on year. Adjusted earnings is the profit/(loss) attributable to equity holders, plus royalties receipts from the EVBC royalty, less all valuation movements and impairments, together with amortisation charges, foreign exchange gains and losses, any associated deferred tax and any profit or loss on non-core asset disposals. A reconciliation of adjusted earnings to profit/(loss) attributable to equity holders is presented in ***note 13***.
Risk management	The Committee reviews and monitors the mitigation plans in place and the appropriate senior management responsibilities to address the principal risks (refer to ***pages 60 to 64***) identified by the Board.
Viability Statement	The Committee reviewed the time period over which the assessment is made, along with the scenarios that are analysed, the potential financial consequences and assumptions made in the preparation of the statement. The Committee concluded that the scenarios analysed were sufficiently severe but plausible and the time period of the Viability Statement was appropriate, given the alignment with the budgeting process.
Internal audit	The Committee considers on an annual basis whether an internal audit function is required. The Committee's present view is that one is not currently justified given the Group's relatively uncomplicated control environment and business processes, together with the level of oversight and involvement in individual transactions by the Executive Directors.
Ethical business conduct	The Committee, along with all other Board members, senior management and staff completed the annual certification of compliance with the Group's anti-bribery, corruption and money laundering policy.
External audit	The Committee reviewed and approved the planning report from the Group's external auditor, Deloitte, outlining the final audit plan and fee, in December 2021, having given due consideration to the audit approach, materiality levels and audit risks. In March 2022, the Committee reviewed the output of the external audit work that contributed to the auditor's opinion, including the challenge to the Group's assumptions on the issues noted in this report.

AUDIT COMMITTEE

continued

AUDITOR TENURE

Following an external audit tender in 2014, Deloitte was appointed as Anglo Pacific's statutory auditor with effect from the year ended 31 December 2014. Chris Jones of Deloitte is the Senior Statutory Auditor and was appointed to this role with effect from the year ended 31 December 2020

ENSURING INDEPENDENCE OF THE EXTERNAL AUDITOR

To safeguard the objectivity and independence of the external audit process, it remains the Committee's policy to review and approve all fees related to non-audit services. The policy, which incorporates the requirements of the FRC's revised Ethical Standard published in 2019, prohibits the auditors from providing certain services such as accounting or valuation services. With the exception of the interim review, no non-audit services were provided during 2021 by the Group's external auditor.

Other safeguards include:

- The external auditor is required to adhere to a rotation policy based on best practice and professional standards in the UK. The maximum period for rotation of the audit engagement partner is five years. The audit engagement partner, Chris Jones, was appointed in 2020.
- The external auditor is required to assess periodically whether, in their professional judgement, they are independent of the Group.
- The Audit Committee ensures that the scope of the auditor's work is sufficient and that the auditor is fairly remunerated. The Committee reviewed and discussed the 2021 fee proposal, concluding that the proposed fees were appropriate for the scope of work required. Details of the external auditor's remuneration are disclosed in ***note 7b***.
- An annual assessment is undertaken of the auditor's effectiveness through joint discussions between the Committee, the Chief Financial Officer and the Group Financial Controller. The assessment conducted in 2021 of the 2020 external audit concluded that the external auditor was independent, objective and effective in the delivery of the audit. Service levels had remained largely constant in key areas compared with the previous year. The next evaluation of the quality of external audit will be performed in June 2022 with key themes incorporated into the 2022 audit planning cycle.

Conclusion of the Audit Committee for 2021

The Committee has satisfied itself that the external auditor's independence was not impaired.

The Committee held meetings with the external auditors without the presence of management on two occasions and the Chairman of the Committee held regular meetings with the audit engagement partner during the year.

Consideration given to the appointment of the external auditor

The Committee's assessment of the external auditor's performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditors until the conclusion of the AGM in 2023. Resolutions to authorise the Board to re-appoint and determine the remuneration of Deloitte LLP will be proposed at the AGM on 12 May 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is the responsibility of the Board and is integral to the achievement of the Group's objectives. The Board establishes the system of risk management, setting risk appetite and maintaining the system of internal control to manage risk within the Group. A robust process for identifying and evaluating the principal and emerging risks, detailed on ***pages 60 to 64***, was in place during 2021 and up to the date of this report. The Group's system of risk management and internal control is monitored by the Audit Committee under delegation from the Board.

The key elements of the control system in operation are:

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility and appropriate delegation of authority.
- There are established procedures for planning and approving investments and information systems for monitoring the Group's financial performance against budgets and forecasts.
- The Chief Financial Officer is required to undertake an annual assessment process to identify and quantify the risks that face the Group's businesses and functions, and to assess the adequacy of the prevention, monitoring and mitigation practices in place for those risks. This process covers all material controls, including financial, operational and compliance controls. The process undertaken during the year is discussed in more detail within the Principal Risks and Uncertainties section on ***pages 60 to 64***. The Audit Committee is responsible for reviewing the risk assessment process for completeness and accuracy.
- In addition to its work on the above, the Audit Committee also receives regular reports about significant risks and associated control and monitoring procedures. The Group's risk register and internal controls and procedures documentation are regular agenda items for the Committee. The Committee also receives regular reports from the external auditors.
- The Audit Committee reports to the Board on these matters, so as to enable the Directors to review the effectiveness of the system of internal control. The Board also receives reports from its other Committees and directly from management.
- The system accords with the Financial Reporting Council's Internal Control: Revised Guidance for Directors on the Combined Code.

In carrying out its role and determining in its opinion that the system of risk management and internal controls was effective during 2021, the Committee reviewed and considered the following:

- Regular updates of key internal control matters in respect of the Group financial reporting processes, such as financial reporting systems and controls.
- The key risk areas of judgement and estimation uncertainty within financial reporting and mitigating actions taken by management.
- Procedures developed by management to identify and evaluate key business, financial and operational risks, and the effectiveness of the responses being implemented to mitigate the potential impacts.
- The output of external audit work.
- Policies and procedures in place to detect, monitor and investigate activity in respect of anti-fraud, bribery and corruption, including the Group's whistle-blowing facilities.

There are no significant issues disclosed in the report and financial statements for the year ended 31 December 2021 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

R.G. DACOMB

Chairman of the Audit Committee

29 March 2022

SUSTAINABILITY COMMITTEE

COMMITTEE MEMBERS

J.E. Rutherford – Chairman

R.H. Stan – appointed 12 April 2021

J. Treger

V. Dennett – retired 26 May 2021

The Chief Investment Officer, Head of Investor Relations, the General Counsel and the Company Secretary also attend meetings of the Committee.

For more on biographies and Board experience details refer to ***pages 80 to 81***.

ROLE AND RESPONSIBILITIES

The role of the Sustainability Committee is to oversee the Group's policies, processes and strategies designed to achieve long-term value for its stakeholders through sustainable and responsible investment, with a strong focus on environmental, social and governance (ESG) factors.

The Sustainability Committee's main responsibilities are:

- Overseeing compliance with the Group's ESG policy.
- Monitoring the appropriateness of the Group's strategy against its ESG policy.
- Developing, implementing and monitoring the Group's processes supporting sustainable and responsible investment , including developing and refreshing appropriate tools to ensure adherence with ESG principles, in line with best practice.
- Collaborating and liaising with the other Committees, including the Audit Committee, to monitor the Group's procedures and systems to identify, assess, monitor and manage risk.
- Making recommendations to the Board on the adequacy of the reporting on sustainability opportunities, risks and issues in the Annual Report and other relevant public documents.
- Overseeing the process for selection and engagement, and where applicable, dismissal, of external consultants engaged to assess the ESG performance of potential investments together with the ongoing monitoring of assets acquired.
- Reviewing the findings of the Group's external consultants engaged in the assessment of potential investments.
- Meeting with the General Counsel and Company Secretary to review the effectiveness of the Group's ESG programme, including:
  - standards of business conduct as embodied in the Group's Code of Conduct, the Anti-Bribery, Corruption and Money Laundering Policy and the Whistleblowing Policy;
  - management's assessment of material compliance risks, mitigation strategies to address them and ongoing monitoring; and
  - the framework developed by management in relation to data privacy matters.
- Reviewing reports on the Group's compliance with material compliance obligations, including in relation to anti-corruption, bribery, fraud, political donations and privacy, and monitoring reports of any improper acts.
- Evaluating the effectiveness of the reporting procedures and systems put in place by management to deal with inappropriate business conduct and integrity.

The Sustainability Committee has authority to investigate all matters falling within its remit. It has the power to obtain, at the Group's expense, any external independent professional or expert advice, where it deems necessary and has direct access to the Group's resources as it may reasonably require, including access to management. The Sustainability Committee Chair reports to the Board after each meeting on the matters discussed.

The Committee's objectives and responsibilities are set out in our terms of reference, which are available to view online. For more information, visit ***www.anglopacificgroup.com/responsibility/#governance***

OUR APPROACH TO SUSTAINABILITY

We believe sustainability is vital for the long-term success of our underlying assets and the maximisation of shareholder value. While Anglo Pacific does not control or directly operate any of the assets from which our portfolio contribution is derived, we aim to positively influence our existing operating partners to ensure their continued strong ESG performance and to engage with new partners who share our principles and values.

More details on our approach to sustainability can be found on ***pages 70 to 73***.

COMMITTEE FOCUS IN 2021

The Committee was established in March 2020, and met three times during 2021. Discussions at the meetings covered the responsibilities outlined above, with a particular focus on setting the Group's ESG objectives for 2021, monitoring and evaluating any ESG incidents across the Group's portfolio and refining its investment criteria.

The following matters were addressed by the Committee during 2021:

- Reviewed and refreshed the Group's ESG due diligence and screening tools used in the investment decision-making process to reflect the key ESG trends, themes and best practice that have emerged over the past year
- Reviewed the Group's approach to risk assessment and monitoring of the Group's existing portfolio for ESG issues and best practice, particularly in the absence of site visits due to COVID-19 related travel restrictions
- The Group's strategy to reduce its carbon footprint in the office workplace and to be a carbon neutral company at the corporate level by the end of the year
- Voluntary commitment to ESG frameworks and disclosure and reporting standards, including the TCFD and the UNGC
- Developed the Group's community investment and charity programme
- The Group's compliance with anti-corruption, bribery, fraud, political donations and expenditure laws and regulations
- Climate change risk to the Group's existing portfolio and any future investments
- Sustainability rating trends and developments
- A Review of the Committee's terms of reference

Further details refer to our Sustainability Progress Report on ***pages 66 to 77***.

J.E. RUTHERFORD

Chairman of the Sustainability Committee

29 March 2022

REMUNERATION COMMITTEE

COMMITTEE MEMBERS

V. Shine – (Chair) appointed 23 August 2021

R.G. Dacomb

J.E. Rutherford

R.H. Stan

V.A. Dennett – retired 26 May 2021

The Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel and the Company Secretary also attend meetings of the Committee by invitation.

For more on biographies and Board experience details refer to ***pages 80 to 81***.

ROLE AND RESPONSIBILITIES

The Committee's objectives and responsibilities are set out in our terms of reference, which are available to view online. For more information, visit ***www.anglopacificgroup.com/responsibility/#governance***

The Committee's main responsibilities are:

- Establishing and developing the Group's general policy on executive and senior management remuneration
- Determining specific remuneration packages for the Chairman, Executive Directors and members of the Group's Executive Committee
- Designing and operating the Company's share incentive schemes
- Reviewing the remuneration of the wider workforce and associated policies
- Consulting shareholders and other stakeholders, when appropriate, regarding executive remuneration.

The Committee takes account of the level of pay and conditions throughout the Group when determining executive remuneration.

The Remuneration Committee held nine meetings in 2021 and has met four times to date in 2022, to fulfil its responsibilities as set out in the Committee's terms of reference.

COMMITTEE FOCUS IN 2021

- Implementation of the remuneration policy approved at the 2021 AGM
- Confirmation of incentive results for the 2020 annual bonus, including awards under the deferred share bonus plan
- Setting of incentive targets for 2021 including the 2021 annual bonus
- Approval of remuneration arrangements and service agreement for the incoming CEO
- Approval of remuneration arrangements for the outgoing CEO during transition period and on cessation of employment
- Review and approval of the Group's standard terms of employment for the Executive Committee and wider workforce
- Review of the impact of COVID-19 on the operations underlying the Group's portfolio of royalties and metal streams
- Providing guidance to the CEO on salaries, bonuses and long-term incentives to be awarded to the wider workforce.

COMMITTEE FOCUS IN 2022

- Assessment of 2021 incentive outcomes
- Setting of incentive targets for 2022, including the 2022 annual bonus and 2022 LTIP award
- Continued review of the impact of COVID-19 on all stakeholders
- Providing guidance to the CEO on total compensation levels for the wider workforce
- Standardisation of employment terms and conditions for Executive Directors, members of the Executive Committee and the wider workforce
- Review of corporate governance and remuneration trends and implications for the Group.

DIRECTORS' REMUNERATION REPORT

INTRODUCTORY LETTER

I am delighted to have been asked to chair the Remuneration Committee on my appointment to the Board in August 2021. I would like to thank my Board colleague, Graeme Dacomb, for assuming the role of chair during the interim period between Vanessa Dennett's retirement from the Board in May 2021 and my appointment. This ensured an orderly transition and the seamless implementation of the new Remuneration Policy approved by shareholders at the 2021 AGM.

While the disruption caused by the COVID-19 pandemic has reduced over the course of the past year, the start of 2021 once again saw our employees working remotely to allow the business to continue as normal. It was particularly impressive that during this time we completed the largest acquisition in the Group's history, an achievement of which I and the entire Board are extremely proud.

Completing the Voisey's Bay cobalt stream acquisition in March 2021 set the tone for what was a truly transformational year for the Group, with our record investment of $205m being complimented by a record portfolio contribution of $85.6m which in turn resulted in adjusted earnings per share of 25.18c, which represents increases of 80% and 60% respectively over the prior year.

In making our decisions on remuneration outcomes for the Executive Directors for 2021, we had regard not only for the context outlined above, but also the overall shareholder and stakeholder experience and as a Committee, sought to make decisions that struck an appropriate balance between rewarding and continuing to incentivise management and the wider workforce.

FOCUS OF THE COMMITTEE IN 2021

With the agreement of the Board, Julian hands over to Marc on 1 April 2022. The Committee afforded Julian good leaver status to reflect the nature of his agreed departure which significantly helped us appoint his successor from within the management team. He continues until this date as CEO and once he departs the Board and employment, his fixed remuneration will cease. As he is still very actively involved as CEO of the business, he has the opportunity to earn a bonus for the first 3 months of this year, which the Committee will determine and approve payment at the usual time in early 2023. His 2022 LTIP award will be pro-rated for time served and will be assessed and potentially vest at the normal time in early 2024. In addition, any deferred share bonuses will vest at the normal time. Any shares that vest from the LTIP will also be subject to the two-year holding period. All of this treatment is in line with our Remuneration Policy, as approved at last year's AGM.

Marc's remuneration will follow our Remuneration Policy. We have set his salary initially at approximately 75%of the rate that Julian has been earning, reflecting his internal promotion and Julian's long tenure in role and experience. Subject to his and the business's performance it is likely that we will seek to increase his salary over the next few years at rates higher than annual average workforce increases as he grows into the role.

2021 OUTCOMES

Annual bonus

The employees, including the CEO, CFO and members of the Executive Committee, each had individual bonus objectives for 2021. The bonus award criteria relate to a series of agreed corporate and personal performance targets which are each scored, as outlined on ***pages 90 to 100***.

The completion of the $205m Voisey's Bay acquisition achieved one of the significant objectives for 2021, growth. With the expected decline in the contribution from the Group's Kestrel royalty from 2023, it was essential for the Group to acquire a replacement source of income. In acquiring the Voisey's Bay cobalt stream, management addressed this need and critically repositioned the Group away from its coal legacy toward future facing commodities in line with our stated strategy.

The Group made a further pivot away from its coal legacy, through the successful disposal of the Narrabri royalty in the second half of 2021. This disposal followed a thorough strategic review of the Group's royalty and streaming portfolio and builds on our commitment in 2020 make no further investment in thermal coal.

In addition to the record investment made at the start of 2021, the sudden and significant recovery in the commodity prices underlying our portfolio during the second half of 2021, resulted in record portfolio contribution which increased from $47.5m in 2020 to $85.6m well in advance of the Group's budget for 2021.

The CEO was awarded a bonus of £357,026 under the bonus criteria (92% of the total potential award) and the CFO was awarded a bonus of £213,750 (85.5% of the total potential award). The Committee did not exercise any discretion in relation to these rewards and believes that the bonuses are both appropriate, based on the Company's performance during the year, and proportionate, having had regard to the experience of the Company's broad range of stakeholders.

Long-term incentives – Value Creation Plan

Awards made under the Value Creation Plan ('VCP') failed to meet their targets and so lapsed during the year. No further awards will be made under the VCP as it was replaced by the LTIP which shareholders approved at the 2021 AGM.

OPERATION OF THE POLICY IN 2022

Salaries

When Kevin Flynn was promoted to the Board in January 2020 the Committee decided that his salary should reflect the fact that he had not held a listed company directorship, with the intention that, subject to his and the business's performance, increases above the average workforce rate would take place over time. Pleased with Kevin's performance and the improvement in business performance, the Committee decided that it was appropriate this year to begin to increase his salary towards the mid-market rate. From the start of this year, his salary has been increased by 8% on top of the average workforce increase of 6% for 2022. Again, reflecting our Remuneration Policy, as a good leaver, Julian's salary was increased at the average workforce rate at the start of this year. These increases follow the freezing of their salaries last year which included the decision not to review their salaries mid-year as the Committee had contemplated, while the Group's UK based employees received an increase of 1%.

The Company continues to contribute to money purchase pension arrangements on behalf of employees on a matched basis subject to an overall cap. The cap was increased by 1.5 % to 8.5% of salary for all employees (including the CFO) in 2021 and by a further 1.5% to 10% from the start of this year. As a result, when Marc assumes the role of CEO, his pension contribution will be aligned with the wider workforce.

DIRECTORS' REMUNERATION REPORT

continued

The Chairman's fees had last been reviewed and increased on 1 January 2019. Since then, the time commitment for the role has increased significantly as the Group continue to focus on growth and the Committee determined that it was appropriate to reflect this in a higher fee. His 16% increase brings his annual fee to £145,000.

Annual bonus

The 2022 bonus objectives for the CEO and CFO continue to be closely aligned. They include the same measures for Growth, Financial Performance and ESG although with slightly different weightings (CEO: Growth – 40%, Financial Performance – 20% and ESG – 15%; CFO: Growth – 30%, Financial Performance – 37.5% and ESG – 10%) reflecting the focus the Company would like each of them to maintain. They each then have individually crafted Personal/Strategic Performance targets with the weight for the CEO being 25% and for the CFO 20%. There will be no change in the opportunity available under the plan of 100% of salary earned in the year.

Long-term Incentives

We shall continue with our policy of making regular annual grants of Performance Shares at the most senior level of the Company and Restricted Shares at other levels which provide better alignment with shareholders and our strategy.

The level of grant to the new CEO will be 150% of his salary (in line with last year's grant to Julian). The CFO receives the same level of grant as last year of 125% of salary. The performance measures remain:

i. Total shareholder return compared to a global mining index (currently EMIX Global Mining Ex Gold and Energy Index) with threshold vesting of a quarter for meeting the index rising to full vesting for exceeding it after 3 years by 7% per annum.
ii. Portfolio Contribution (as defined in ***note 37*** to the financial statements), with threshold vesting of a quarter for meeting the minimum target 3 years later rising to full vesting for exceeding a stretch target.
iii. Adjusted Earnings Per Share (based on the definition in ***note 13*** to the financial statements), with threshold vesting of a quarter for meeting the minimum target 3 years later rising to full vesting for exceeding a stretch target.

The Committee determines the targets before each annual grant is made having regard to a combination of internal plans and forecasts and market expectations. The maximum vesting level will be 100% of the initial grant made (there will be no retesting) and when awards vest, Executive Directors will be required to retain all of the shares for 2 years (after the sale of those needed to meet income tax due at the time).

Engagement with Shareholders

In developing the revised Remuneration Policy in 2021 we engaged with shareholders and proxy voting agencies and very much appreciate all of the feedback we received. As the new chair of the Remuneration Committee, I plan to meet with a number of our shareholders following our AGM to gain further insight on their views regarding both our strategy and Remuneration Policy.

Engagement with employees

With fewer than 20 employees, engagement takes place in a less formal manner than would occur with larger workforces. However, as part of the change in operation of both the annual bonus plan and long-term incentives, presentations were held and opportunities for feedback was provided to employees.

OTHER MATTERS

You will have seen that we are now reporting our financial results in US Dollars which reflects most of the revenues we receive. However, to aid year to year comparison, we are continuing to show the figures in the Directors' Remuneration Report in sterling (the currency in which Directors are paid).

In conclusion, on behalf of the Committee I am pleased to say that our remuneration arrangements have operated as anticipated and have not required the exercise of the Committee's discretion either to favour or disadvantage any Director in relation to the year. We feel that the Remuneration Policy remains appropriate for the Company's needs and as evidenced by the different levels of bonus received by the CEO and CFO, reflects the business fortunes and levels of remuneration accordingly.

Yours sincerely

V. SHINE
Chair, Remuneration Committee
29 March 2022

DIRECTORS' REMUNERATION POLICY

The 2021 remuneration policy was set out in the 2020 Annual Report and was presented for shareholder approval at the AGM held on 26 May 2021. This policy was approved with 94.31% support. It is intended that this policy will apply until the Company's 2024 AGM.

The full remuneration policy can be found in the 2020 Annual Report available on our website:
www.anglopacificgroup.com/investors/reports-and-results

How our remuneration policy addresses UK Corporate Governance Code provision 40 principles

The 2021 remuneration policy was designed taking into consideration the principles of provision 40 of the UK Corporate Governance Code. The table below summarises how the policy addresses each of those principles:

Principle	How this is addressed in the 2021 remuneration policy
Clarity	Our remuneration structure is clearly defined. Performance-based elements, metrics and vesting schedules are clearly disclosed on payment.
Simplicity	Our remuneration elements comprise of well-understood UK market standard elements.
Risk	Our policy limits the risk of unfair or excessive remuneration through the following measures: • Clearly defined limits on the maximum opportunities of incentive awards • Annual bonus awards in excess of 50% of the Executive Directors base salary require the purchase of shares which are subject to a minimum holding period • Operation of post-vesting holding period for LTIP awards • Strong powers of discretion for the Remuneration Committee to adjust formulaic outcomes of incentive awards to ensure payouts are aligned to Group performance • Robust malus and clawback provisions on all incentives
Predictability	The policy has defined limits which can be used to determine potential values. Scenario charts were presented before approval of the policy to illustrate potential payout scenarios under the new policy.
Proportionality	Payouts under incentive awards are linked to the fulfilment of performance conditions that support the Group's long-term strategy. The annual grant of awards ensures performance measures will continue to be aligned. The Committee's powers of discretion ensure that there will be no rewards under incentives for poor performance.
Alignment to culture	Focus on share ownership and long-term sustainable performance is reflected in the policy. LTIP measures support a long-term focus for the Executive Directors.

Summary of policy and statement of implementation of policy in 2022

The following pages provide a summary of the key elements of our Directors' remuneration policy. The last column of the table below states how the policy will be applied in 2022. For 2022, there are no significant changes in the structure of the remuneration package of the Directors compared to previous years.

Performance measures

The annual bonus targets for 2022 are considered by the Board to be commercially sensitive; they will be disclosed in the 2022 annual report on remuneration. Specific details of individual and strategic performance targets for 2022 will also be included in the 2022 report.

DIRECTORS' REMUNERATION REPORT

continued

Key aspects of the remuneration policy for Executive Directors

Element, purpose and link to strategy	Operation	Opportunity/performance measures	Implementation for 2022
Salary To recruit, retain and reward Executives of a suitable calibre for the roles and duties required	Salaries are set with reference to individual performance, experience and responsibilities to reflect the market rate for the individual and their role, determined with reference to remuneration levels in companies of similar size and complexity, taking into account pay levels within the Company in general. Salaries are reviewed annually. Increases for Executive Directors will normally be in line with those for the general workforce except where there is a change of role or responsibilities or in other exceptional circumstances.	There is no prescribed maximum annual increase.	The salaries of the Executive Directors and wider workforce were subject to an external benchmarking exercise. With effect from 1 January 2022, the full-time equivalent rates of salary for the Executive Directors will be: • Julian Treger – £476,250 • Kevin Flynn - £285,000 Marc Bishop Lafleche will succeed Julian Treger as CEO on 1 April 2022. His annual salary as CEO will be £360,000.
Pension and benefits To provide market competitive benefits	A Company contribution to a money purchase pension scheme, or a cash allowance in lieu of pension at the request of the individual. In addition, the main benefits currently provided are: death in service, long-term illness and private medical insurance schemes which are provided to all employees.	Pension: New Executive Director appointments will receive the same Company contribution as the wider workforce. The CEO will receive a rate of Company contribution of 11% (2020: 11%) of salary. This will be reduced on 1 April 2022 to 10% of salary when Marc Bishop Lafleche assumes the role of CEO, at which point it will be aligned with the rate for the wider workforce. Death in service policy: five times salary. The maximum value of benefit overall is not predetermined and is based upon the cost to the Company.	The pension contributions and all other benefits for Executive Directors for 2022 remain unchanged. Julian Treger and Kevin Flynn receive pension allowances of 11% and 10% of salary respectively. Marc Bishop Lafleche's pension level on assumption of the role of CEO will be 10% of base salary, in line with the wider workforce. As a result, from 1 April 2022 directors' pensions will be aligned with the workforce rate.
Annual bonus To encourage and reward delivery of the Company's operational objectives for the relevant year. To ensure through the required holding of shares, that longer term focus is encouraged and in line with shareholder interests.	Executive Directors will be required to use that part of their cash bonus that exceeds 50% of their salary to purchase and hold shares for a three-year period. Bonus outturns are determined based on the achievement of a combination of corporate, financial and personal performance targets. Corporate and financial performance targets are agreed by the Board at the beginning of the year. Personal performance targets are agreed with the Chairman and the Committee. The Committee uses a balanced scorecard approach to assess performance against targets at the end of the year, while retaining overall discretion in the calculation of the final bonus outturn. Malus and clawback provisions apply as described below.	The maximum annual bonus opportunity is 100% of salary. The bonus earned at threshold performance is up to 25% of the maximum. Performance below threshold results in zero bonus except for Growth. The annual bonus is based on a mix of financial, strategic and personal conditions and is measured over one financial year	The bonus opportunity for each Executive Director remains at 100% of salary earned in the year. The performance measures for the 2022 awards will be as follows: • Growth (30% - 40%) – delivery of the Group's strategic objective and the acquisition of new royalties and streams • Financial performance (20% - 37.5%) – performance against budget for portfolio contribution, adjusted earnings per share and free cashflow per share • ESG (10% - 15%) – continued application of the Group's stringent ESG due diligence on acquisitions and other environmental targets • Personal objectives (22.5% - 25%) – individually tailored objectives to motivate the execution of the Group's strategy.
Long-term incentives – PSP To encourage and reward the achievement of long-term sustainable shareholder returns and delivery of the Company's strategic objectives. To align Executive Director and senior management interests to shareholder interests.	Conditional awards of shares or nil-cost options will be capable of being granted annually, with a performance period and vesting period of at least three years. Any awards that vest are subject to a holding period so that the overall PSP time horizon is at least five years. Vested awards may not generally be sold during the holding period, other than to cover tax liabilities arising on vesting. Dividend equivalents (normally satisfied in shares) accrue over the vesting/holding period and are payable in respect of awards that vest. Malus and clawback provisions apply as described below.	The maximum annual PSP opportunity is 150% of salary. The Committee will review the Executive Directors' PSP award sizes annually, prior to grant, to ensure they are appropriate. For each performance element, threshold performance warrants no more than 25% vesting of the element, rising on a straight-line basis to 100% for achieving stretch targets. Performance below threshold results in zero vesting. Performance measures attached to each award should be linked to the Group's strategy and may include, but are not limited to, TSR, Portfolio Contribution, adjusted earnings per share, free cash flow and other strategic objectives.	The LTIP opportunity for the roles of CEO and CFO will remain at 150% and 125% of the rate of salary respectively. Julian Treger will not receive a grant in 2022 but Marc Bishop Lafleche will. The performance criteria (and weighting) for the 2022 LTIP, to be achieved in 2024, will be as follows: • TSR vs EMIX Global Mining Index (excluding gold and energy) (33%) – 25% vesting for TSR equal to index; 100% for Index performance + 7% per annum • Portfolio contribution (33%) – 25% vesting for achieving threshold ($44.2m); 100% for achieving stretch ($76.0m) • Adjusted earnings per share (33%) – 25% vesting for achieving threshold (12.1c); 100% for achieving stretch (24.4c) With straight line vesting for performance between the targets.

Remuneration arrangements for the departure of Julian Treger

It was announced in August 2021 that Mr. Julian Treger will be stepping down from his role as Chief Executive Officer and from the Board on 31 March 2022. The remuneration arrangements for Mr. Treger as outlined in the table above will apply until his departure from the Group on 31 March 2022. The remuneration arrangements on his departure will consist of:

- Pro-rated bonus for time served in 2022 up to 31 March 2022 and subject to performance, to be paid out at the normal time (following year end) and partially invested in shares which have to be held for three years under the Remuneration Policy to the extent a bonus is earned.
- Good leaver treatment in respect of outstanding share awards, awards will vest at their original vesting dates, and any LTIP awards which vest will be subject to a further two-year holding period.
- LTIP awards will be pro-rated for service up to 31 March 2022 and vesting remains subject to performance.
- No LTIP awards for 2022 will be granted.

Malus and clawback

Awards under the annual bonus (including both cash and deferred share bonus awards) and the LTIP are subject to malus provisions and clawback provisions, which may be applied during the period of two years after the date of vesting. Malus refers to the reduction, including to nil, of unvested or unpaid awards or the requirement for additional performance measures to be met for vesting of the award. Clawback refers to the recovery of paid or vested amounts. Malus and clawback may be applied in the circumstances below, as well as in other exceptional circumstances, at the Committee's discretion.

- Material misstatement in results
- Gross misconduct
- Material failing of management resulting in material downturn in financial or operational performance or serious reputational damage
- Error in calculation
- Corporate failure

Shareholding guidelines

Within five years of appointment, Executive Directors are expected to hold shares in the Company with a value of two times basic salary. The Committee will take into consideration these in-post guidelines when making grants under the Company's various incentive plans.

In order to provide further long-term alignment with shareholders, and in line with the UK Corporate Governance Code, Executive Directors will normally be expected to maintain a holding of Company shares for a period after their employment. Executive Directors will normally be required to continue to hold the lower of the in-post requirement at the time of cessation and the actual shareholding at cessation. The requirement applies for a two-year period post-termination and applies to all share awards under the Deferred Share Bonus Plan and LTIP.

Non-Executive Director fee policy

The full remuneration policy for our Non-Executive Directors (NEDs) is outlined in the 2020 Annual Report. The policy does not set limits for individuals but provides that the maximum annual aggregate of fees for all NEDs (including the Chairman) is within the £600,000 limit set out in the Company's Articles of Association.

Chairman and Non-Executive Director (NED) fees: Implementation for 2022

Fee levels for the Chairman and NEDs were reviewed in 2022 to ensure that they are set at an appropriate market level and remain competitive. These fees were last reviewed and set with effect from 1 January 2019.

In deciding to set fees for 2022 at the levels set out below, the following considerations were taken into account:

- NED fees have not changed for three years.
- As a result of the Group's continued focus on growth, the number of out of cycle briefings and meetings with management together with the workload and time commitment of our NEDs has been increasing materially, particularly in relation to the Chairman's role.

From 1 January 2022, the Chairman's fee was increased by 16% and the NED base fees were increased by 4.8%. The additional fees for chairing or serving on a committee remain unchanged.

Determining the fees paid to the NEDs is a matter for the Board, with the NEDs abstaining; therefore, the increases for 2022 were approved by the Chairman and Executive Directors. No Directors were involved in any decision as to their own fees. From 2023, the Chairman and NED fees will be reviewed annually, in line with the approach taken for the Executive Directors and wider workforce.

	2022	2021	% change
Chairman	145,000	125,000	16%
Base fee	44,000	42,000	4.8%
Increment			
Senior Independent Director	10,000	10,000	–
Committee Chairmanship	7,000	7,000	–
Committee Membership	6,000	6,000	–

DIRECTORS' REMUNERATION REPORT

continued

ANNUAL REMUNERATION REPORT FOR 2021

This part of the report details the remuneration paid to Directors during 2021 with a comparison to the previous year.

Audited information

Elements of this section of the report have been audited. The areas of the report subject to audit are indicated in the headings.

Single figure for total remuneration (audited)

		Salary/fees	Benefits £'000	Total bonus £'000	Pension £'000	Other £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive Directors									
J.A. Treger[1]	2021	388	5	357	43	7[6]	800	436	364
	2020	404	5	141	44	–	594	453	141
K. Flynn	2021	250	3	214	18	5[7]	490	271	219
	2020	250	3	79	17	99[7]	448	270	178
Non-Executive Directors									
N.P.H. Meier	2021	125	–	–	–	–	125	–	–
	2020	125	–	–	–	–	125	–	–
R. G. Dacomb[2]	2021	57	–	–	–	–	57	–	–
	2020	52	–	–	–	–	52	–	–
V.A. Dennett[3]	2021	22	–	–	–	–	22	–	–
	2020	52	–	–	–	–	52	–	–
J.E. Rutherford[4]	2021	65	–	–	–	–	65	–	–
	2020	63	–	–	–	–	63	–	–
V. Shine[5]	2021	20	–	–	–	–	20	–	–
	2020	–	–	–	–	–	-	–	–
R.H. Stan	2021	48	–	–	–	–	48	–	–
	2020	48	–	–	–	–	48	–	–

[1] J.A. Treger agreed to receive 90% of his contractual salary in 2020 until August 2021 before stepping down to 80% of his contractual salary.

[2] The increase to fees for R.G. Dacomb reflects the chairmanship of the Remuneration Committee until the appointment of V. Shine.

[3] V.A. Dennett retired from the Board on 26 May 2021.

[4] The increase to fees for J.E. Rutherford reflects a full year as chair of the Sustainability Committee.

[5] V. Shine was appointed to the Board on 23 August 2021.

[6] Other remuneration for J.A. Treger in 2021 consists of £7k paid under the Company's annual leave buyback programme which is available to all employees.

[7] Other remuneration for K. Flynn in 2021 consists of £5k paid under the Company's annual leave buyback programme. In 2020 it consisted of £5k paid under the Company's annual leave buyback programme, and £94K in unrealised gains on the vesting of awards under the Company's USOP. The USOP options had no performance target and were granted on 12 April 2017, before Mr. Flynn became an Executive Director, with an exercise price of 84.05p on 12 April 2017 and vested on 13 April 2020 when the share price was 135p. The unrealised gain of £94K on vesting was all the result of share price appreciation from the date of grant. The vested options remain unexercised.

Annual bonus for the year ending 31 December 2021 (audited)

A set of individually crafted corporate and personal bonus criteria was agreed with the Executive Directors for the 2021 financial year which took into account the evolving corporate and financial priorities of the Group.

Discretion

Incentives are designed to ensure they drive appropriate short and long term behaviours and it is the Committee's general preference to avoid making any adjustments. The Committee did not make any discretionary adjustments to the 2021 bonus outcomes.

The bonus matrices for the Executive Directors for 2021 are detailed below.

2021 CEO Scorecard

	Criteria	Maximum award (%)	Actual outcome (%)
Corporate performance criteria	**A. Growth**	**50**	**50**
	Measures for assessment included: • Acquisition (actually completed and announced) of new value adding producing and/or near producing royalties. • Significant value adding M&A deal to grow the size of the Company		
	B. ESG	**10**	**5**
	Measures for assessment include: • Implementation of ESG policy and enhanced due diligence process for new investments. • Enhancing visibility of ESG matters relating to the existing portfolio • Move the portfolio away from coal to future facing commodities		
	C. Financial performance	**20**	**20**
	Measures for assessment included: • Portfolio contribution, AEPS and FCF		
Personal performance criteria	**D. Professionalism and holistic contribution**	**20**	**17**
	• Successful integration of acquisitions • Leadership and direction • Team development and succession planning • Embedding culture • Personal contribution		
Total		**100**	**92**

Growth: The Group acquired the Voisey's Bay cobalt stream in March 2021 for cash consideration of $205m at closing, as described on ***pages 27 to 29*** and in ***note 17*** of the financial statements. In addition to this being the largest transaction in the Group's history, it has the potential to be the most significant. This acquisition immediately repositioned the composition of the Group's portfolio to battery metals and demonstrates the successful execution of the Group's principal objective: to recycle its Kestrel revenue into commodities required for a low carbon future. Given the transformational nature of the transaction, a full score of 50% was awarded. The threshold (0% vesting) to stretch (100% vesting) hurdles were $0m to $200m. The stretch was achieved, and the Committee was satisfied that the qualitative aspects of this element were met so the full score of 50% was awarded.

ESG: The disposal of the Narrabri thermal coal royalty represented a significant enhancement to the Group's sustainability credentials and resulted in the Group becoming thermal coal free. In addition to this, under Mr Treger's leadership, the Group actively engaged with ESG rating agencies to enhance our sustainability disclosures, improve the markets understanding of our business and its exposure to and management of ESG related matters. While significant progress was made during year, scope remains to further enhance the Group's response to ESG matters, as a result, a score of 5% was awarded.

Financial performance: The Group's record results in 2021, assisted by Voisey's Bay acquisition, resulted in significant financial outperformance against budget and broker consensus. The portfolio contribution target range was $56.0m to $61.6m ($85.6m achieved); the AEPS target range was 11.8p to 14.16p (18.31p (25.18c) achieved) and the FCF target range was £21.3m to £25.6m (£35.2m ($48.4m) achieved). 25% of each element vested for threshold with 100% vesting at stretch. These targets were all exceeded, consequently, a score of 20% was awarded.

Professionalism and holistic contribution: The CEO played a vital role in terms of recruiting a strong management team who are capable of taking the business forward. In addition, the CEO played a leading role in the Voisey's Bay acquisition, its integration and the associated financing strategy and ensuring that the team was fully supported throughout the lock down at the beginning of the year. In what was a very significant year of positive change for the business, a score of 17% was awarded.

Bonus outturn: The overall bonus score was agreed at 92% under the bonus scoring matrix for a total award of £357,026 (92% x £388,072 – weighted average salary for the year after stepping down to a time commitment of 80% on 24 August 2021). The overall aggregate bonus of £357,026 falls within the 100% bonus limit set out in the policy table. In accordance with the remuneration policy, any amount over 50% of salary is required to be used to invest in on market purchases of shares in the Company. The Committee assessed that the level of bonus was reflective of the significant strategic progress delivered during the year.

DIRECTORS' REMUNERATION REPORT

continued

2021 CFO Scorecard

	Criteria	Maximum award (%)	Actual outcome (%)
Corporate performance criteria	**A. Growth**	**40**	**40**
	Measures for assessment included: • Acquisition (actually completed and announced) of new value adding producing and/or near producing royalties. • Significant value adding M&A deal to grow the size of the Company		
	B. ESG	**10**	**5**
	Measures for assessment included: • Implementation of ESG policy and enhanced due diligence process for new investments. • Enhancing visibility of ESG matters relating to the existing portfolio • Move the portfolio away from coal to future facing commodities		
	C. Financial performance	**30**	**25**
	Measures for assessment included: • Meet and exceed budget for portfolio contribution, AEPS and FCF • Ensuring effective currency hedging throughout the business		
Personal performance criteria	**D. Professionalism and holistic contribution**	**20**	**13.5**
	• Successful integration of acquisitions • Leadership and direction • Team development and succession planning • Capital structure, risk and financing improvements • Embedding culture • Personal contribution		
Total		**100**	**85.5**

Growth: The CFO was assessed on the same basis as the CEO above for an overall bonus score of 40%.

ESG: The CFO was assessed on the same basis as the CEO above for an overall bonus score of 5%.

Financial performance: Similar to that of the CEO, the record results achieved during the year resulted in certain financial targets being exceeded. The CFO had other aspects of financial performance around hedging and financing covenant management of which progress was made during the year. In total, a score of 25% was awarded.

Professionalism and holistic contribution: The CFO continued to develop the Group's HR strategy during the year and identified resource gaps which were then adequately filled. The CFO also played a significant role in the financing of the Voisey's Bay acquisition and ensuring that the capital structure, including the capital allocation policy, post-acquisition was, and continues to be, appropriate for the Group's needs. An overall bonus score of 13.5% was awarded.

Bonus outturn: The overall bonus score was agreed at 85.5% under the bonus scoring matrix for a total award of £213,750 (85.5% x £250,000). The overall aggregate bonus of £213,750 bonus falls within the 100% bonus limit set out in the policy table. Of this bonus, £47,500 (representing the post-tax portion of the overall bonus in excess of 50%) was invested in shares in the Company in accordance with the remuneration policy on 23 February 2022.

Scheme interests granted during 2021 (audited)

Type of award	Performance criteria (weighting)	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant[1,2]
Deferred Bonus Share Plan	–	–	–	J.A. Treger	30% of 2020 bonus	30,344	£42,420
	–	–	–	K. Flynn	30% of 2020 bonus	16,900	£23,625
LTIP-PSP share awards	TSR vs EMIX Global Mining Index (33%)	25% for TSR equal to the Index; 100% for the Index +7% p.a. or above	31.12.2023	J.A. Treger	150% of salary	431,224	£606,128
				K. Flynn	125% of salary	222,372	£312,566
	Portfolio contribution (33%) Threshold: $53.2m Stretch: $80.9m	25% for achieving threshold; 100% for achieving stretch					
	Adjusted earnings per share (33%) Threshold: 11p Stretch: 15p	25% for achieving threshold; 100% for achieving stretch					

[1] The face value of the Deferred Bonus Share awards has been calculated using a grant share price of £1.398. This share price was the mid-market price on 25 February 2021, being the day before grant.

[2] The face value of the LTIP-PSP awards has been calculated using the grant price of £1.4056. This share price has been calculated based on the five-day volume weight average share prices between 20 May 2021 and 26 May 2021. As receipt of the LTIP-PSP awards is conditional on performance, the actual value of these awards may be nil. Vesting outcomes will be disclosed in the remuneration report for 2023.

Vesting of share-based awards during 2021 (audited)

No share-based incentive awards vested during the year ended 31 December 2021.

On 24 January 2022, the 20% of the 2020 annual bonus deferred into shares under the Deferred Share Bonus Plan (DSBP) vested. In accordance with the plan rules, at the time of grant, the Remuneration Committee resolved that the awards would be entitled to a dividend equivalent which was settled in cash. The table below summarises the 2020 awards which have now vested.

Date granted	Executive Directors	Number of shares	Value on date of grant[1]	Value on date of vesting[2]	Dividend equivalent settled in cash[3]
24.01.2020	J.A. Treger	33,976	£58,608	£46,615	£6,243
24.10.2020	K. Flynn	16,835	£29,040	£23,098	£3,093

1 Awards made under the DSBP on 24 January 2020 were based on the mid-market closing price of 172.5p on 23 January 2020.
2 The value on vesting is based on the mid-market closing price of 137.2p on 24 January 2022.
3 Dividend equivalent is equal to 18.375p per share being the total dividends with record dates occurring between the date of grant and the vesting date.

Forfeiture of share-based awards during 2021 (audited)

Value Creation Plan (VCP)s

The performance period of the Group's VCP ended in June 2021 without the performance conditions of the awards being satisfied. As a result, there was zero value in the VCP awards and all outstanding units under the VCP were forfeited. Further details can be found in ***note 31*** of the financial statements.

The CEO's allocation of units under the VCP out of the pool to Executive Directors was 76,000 units or 76% of the total number of units (2020: 76,000 units). The allocation of units to the CFO was 6,000 units or 6% of the total number of units (2020: 6,000 units).

Company Share Option Plan (CSOP)

The CFO had an option granted over 3,054 shares outstanding under the Group's CSOP as at 31 December 2020. This option was granted in May 2018 and had an exercise price of 163.7p, together with a performance condition of TSR having to exceed the percentage increase in RPI + 9%. The performance period for these options ended on 13 May 2021 without the performance conditions being satisfied. As a result, the outstanding awards were forfeited. Further details can be found in ***note 31*** of the financial statements.

There are currently no other awards to Executive Directors outstanding under the VCP, CSOP or the USOP.

Total pension entitlements (audited)

The Company makes contributions to employees' pensions and has designated the National Employment Savings Trust (NEST) as its stakeholder pension provider. The Committee may pay a cash allowance in lieu of part or all of a Director's pension contribution.

Loss of office payments and payments to former Directors (audited)

There were no loss of office payments made to Directors or payments to former Directors in 2021 (2020: nil).

Directors' shareholding and share interests (audited)

Details of the Directors' interests in shares are shown in the table below.

	Beneficially owned at 15 March 2022	Beneficially owned at 31 December 2021	Shareholding requirement met	Not subject to performance conditions		Subject to performance conditions
				Share options	Deferred bonus shares	LTIP – PSP
Executive Directors						
J.A. Treger	2,156,474	2,874,951	Yes	-	64,320	431,224
K. Flynn	162,465	79,306	N/A	300,000[1]	33,735	222,372
Non-Executive Directors						
N.P.H. Meier	437,006	437,006	N/A	–	–	–
V.A. Dennett	18,400[2]	18,400	N/A	–	–	–
R.G. Dacomb	94,063	94,063	N/A	–	–	–
J.E. Rutherford	118,593	118,593	N/A	–	–	–
V. Shine	–	–	N/A	–	–	–
R.H. Stan	378,881	378,881	N/A	–	–	–

1 In May 2020, options granted over 300,000 shares awarded to the Kevin Flynn in May 2017 under the USOP with a weighted average exercise price of 84.05p vested. These awards were exercised in full on 28 February 2022 and a gain of £153K was realised.
2 The number of shares held by V.A. Dennett upon her retirement from the Board on 26 May 2021.

The shareholding guideline for the Executive Directors is 200% of their salary within five years of appointment.

None of the Directors hold their shares in hedging arrangements or as collateral for loans. Such an arrangement would require the express permission of the Board.

DIRECTORS' REMUNERATION REPORT
continued

External directorships

Mr. Treger holds external non-executive directorships with Mantos Copper S.A., EBT Digital Communications Retail Group, Broadwell Capital and Ilari Exploration OY for which he earned fees during the year. Following the announcement in August 2021 of Mr. Treger's intention to step down as Chief Executive Officer and from the Board effective 31 March 2022, Mr. Treger became CEO Designate of CoTec Holdings Corp. These directorships do not affect Mr. Treger's ability to perform his role as CEO of the Company, as they form part of his time commitment aside from Anglo Pacific which increased from 10% to 20% in August 2021 (see "The Board" section of the Governance Report). As a result, Mr. Treger is paid a weighted average 86.5% (2020: 90%) of his full-time equivalent salary of £448,888.

Total shareholder return

EMIX Global Mining Index (excluding gold and energy) vs Anglo Pacific Group

The performance of the Company's ordinary shares compared with the EMIX Global Mining Index (excluding gold and energy) for the ten-year period ended on 31 December 2021 is shown in the graph above. The Committee believes that this index is the most appropriate over this period as it is included as part of the LTIP performance targets. Both have been re-based at the start of the period in order to provide a graphical measure of comparative performance.

The middle-market price of an ordinary share on 31 December 2021 was 135p. During the year the share price ranged from a low of 121p to a high of 160p.

Change in Directors' remuneration compared to UK employees

The following table sets out the Directors' basic salary, benefits, and annual bonus amounts for 2021, 2020 and the year-on-year changes. We show the average change in each element for all of the Group's UK-based employees, all of whom are employed by Anglo Pacific Group PLC directly. The Committee has chosen this comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill.

		2021 Salary/fees[1]	2021 Benefits[2]	2021 Bonus	2020 Salary/fees[1]	2020 Benefits[2]	2020 Bonus
Executive Directors							
J.A. Treger	£'000	449	48	357	449	49	141
	% change	–%	(2%)	153%	2%	2%	(52%)
K. Flynn	£'000	250	21	214	250	20	79
	% change	–%	5%	171%	N/A	N/A	N/A
Non-Executive Directors							
N.P.H. Meier	£'000	125	–	–	125	–	–
	% change	–%	–%	–%	–%	–%	–%
R.G. Dacomb[3]	£'000	57	–	–	52	–	–
	% change	10%	–%	–%	–%	–%	–%
V.A. Dennett[4]	£'000	22	–	–	52	–	–
	% change	–%	–%	–%	–%	–%	–%
J.E. Rutherford[3]	£'000	65	–	–	63	–	–
	% change	3%	–%	–%	–%	–%	–%
V. Shine[5]	£'000	20	–	–	-	–	–
	% change	–%	–%	–%	–%	–%	–%
R.H. Stan	£'000	48	–	–	48	–	–
	% change	–%	–%	–%	–%	–%	–%
UK employees	£'000	119	8	94	112	7	36
	% change	6%	14%	161%	(2%)	(22%)	(45%)

[1] There was no increase in NED base or Committee fees in 2020 or 2021; an increase is due to individuals taking on additional Committee memberships or Committee chairmanships.

[2] Benefits comprise of pension and medical cover, these being the most material.

[3] R.G. Dacomb and J.E. Rutherford joined the Board part way through 2019; their 2019 full year equivalent fees have been used to calculate the 2020 change.

[4] V.A. Dennett retired from the Board on 26 May 2021, her full year equivalent fee is the same as 2020.

[5] V. Shine joined the Board on 23 August 2021; no change is calculable for 2020.

Total remuneration for the CEO over time

	2012	2013	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
		J. Theobald									J.A. Treger[1]
Total remuneration (£'000)	209	193[2]	39	432	374	563	655	696	737	594	800
Bonus outturn (%)	–	–	–	64%	–	47%	71%	72%	74%	35%	92%
LTIP vesting (%)	–	–	–	–	–	–	–	–	–	–	–

[1] J.A. Treger was appointed CEO on 21 October 2013.

[2] J. Theobald also received £63,333 as payment in lieu of notice, £95,000 termination payment (paid in January 2014) and £2,400 for legal advice.

The table above shows the total remuneration for the CEO during each of the financial years. The total remuneration figure includes the annual bonus. No LTIP awards vested. The bonus outturn percentage is expressed as a percentage of the cap, where applicable, for the period in question.

Distribution statement for 2021

The table below sets out the total expenditure on employee reward over 2021, compared to the dividends received by shareholders, acquisitions during the year and income taxes paid.

	2021 $m	2020 $m	% (decrease)/ increase
Employee benefit expense[1]	5.9	4.4	34.1%
Dividends	25.4	21.4	18.7%
Acquisition of royalty and metal stream related assets[2]	208.1	11.3	1741.6%
Income taxes paid[3]	7.7	14.7	(47.6%)

[1] Employee benefit expense for the financial year as per note 8a to the financial statements.

[2] Acquisition of royalty and metal related assets during the financial year is the sum of the cash flows for the purchase of mining and exploration interests, royalty intangible assets, metal streams and royalty financial instruments per the Group's statement of cash flows.

[3] Income taxes paid are as per the Group's statement of cash flows.

Statement of shareholder voting

At last year's AGM held on 26 May 2021, the resolutions relating to the 2020 Directors' remuneration report and the 2021 remuneration policy were approved by shareholders on a show of hands. Details of the valid proxy votes received for resolution are detailed below:

	Votes for	Votes against	Votes withheld[1]
Resolution			
Approval of Directors' remuneration report	93,684,627	3,837,707	1,812,602
	96.06%	3.94%	
Approval of the Directors' remuneration policy	93,621,298	5,624,695	88,943
	94.33%	5.67%	

[1] A vote 'withheld' is not a vote in law, and is not counted in the calculation of the proportion of votes for and against the resolution.

External advisors

The table below details the external advisers to the Committee and the fees paid for services provided during 2021. The fees for external advisers are charged on a time and expenses basis and are in accordance with the terms and conditions set out in the relevant engagement letter.

The Committee is satisfied that the Korn Ferry engagement team, which provides remuneration advice to the Committee, does not have connections with Anglo Pacific Group PLC or its Directors that may impair its independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has no other connection with the Company or any of the Directors.

External advisers and fees

Advisors		Fees for Committee assistance
Korn Ferry	Appointed by the Committee as external advisers from February 2020 following a competitive tender process. Support during 2021 included attendance and advice at Remuneration Committee meetings, specialist share award valuation services, remuneration benchmarking and advice on the remuneration arrangements for the change of CEO.	£74,607

DIRECTORS' REMUNERATION REPORT

continued

Directors' service agreements

The Executive Directors are employed under rolling service contracts with no fixed term. The service contracts of Mr. Treger and Mr. Flynn provide for a six-month notice period and an additional payment equivalent to six months' basic salary in line with the Group's redundancy policy. In the event of change of control of the Company, there is no enhancement to contractual terms. The dates of the executive directors' service agreements are set out below.

	Date of appointment
J.A. Treger	21 October 2013
K. Flynn	1 January 2020

The Chairman and NEDs are appointed by the Company under letters of appointment and do not have service contracts or contracts for service. All NEDs are expected to serve for an initial period of three years, subject to annual re-election by shareholders at the AGM. At the Board's discretion, NEDs may have their service contracts renewed for up to two further three-year periods. The Chairman and the NEDs have a notice period of not less than one month from either side. The dates of each NED's original appointment are set out below.

	Date of appointment
N.P.H. Meier	30 April 2015
R.G. Dacomb	1 November 2019
J.E. Rutherford	1 November 2019
V. Shine	23 August 2021
R. Stan	19 February 2014

Approval

This report was approved by the Board on 29 March 2022 and signed on its behalf by

V. Shine

Chair of the Remuneration Committee

DIRECTORS' REPORT

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group's principal royalty activities are set out in the Strategic Report on ***pages 1 to 78***.

GOING CONCERN

The financial position of the Group and its cash flows are set out on ***pages 117 to 120***. The Directors have considered the principal risks of the Group which are set out on ***pages 60 to 64***, and considered key sensitivities which could impact the level of available borrowings. As at 31 December 2021, the Group had cash and cash equivalents of $22.0m, as set out in ***note 25***, and borrowings of $112.0m under its revolving credit facility, as set out in ***note 27***.

Subsequent to year end, the Group made a partial repayment of $32.0m of these borrowings and subject to continued covenant compliance, the Group has access to a further $70.0m through its secured $150.0m revolving credit facility as at the date of this report.

The Directors considered the Group's cash flow forecasts for the period to the end of March 2023 under base and downside scenarios with reference to the Group's principal risks as set out on ***pages 60 to 64***. Further consideration was given to the wider macroeconomic 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 (including price and volume reductions of 15% and adverse currency movements of 10%), the Group continues to operate within its banking covenant limits with no debt redemption or amortisation commitments within the 12-month period from the date of approval of these consolidated financial statements.

The Board is satisfied that the Group's forecasts and projections, taking account of 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 level of its current facilities for the period of at least 12 months from the date of approval of the financial statements. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

RESULTS AND DIVIDENDS

The consolidated income statement is set out on ***page 115*** of the financial statements.

The Group reported a profit after tax of $35.3m (2020: loss $23.9m).

Total dividends for 2021 will amount to 7.00p per share (2020: 9.00p per share), combining the recommended final dividend of 1.75p per share for the year ended 31 December 2021 with the interim dividends of 1.75p per share paid on 10 November 2021, 22 December 2021 and 17 February 2022. The final dividend for the year ended 31 December 2021 is subject to shareholder approval at the 2022 AGM. The Board proposes to pay the final dividend on 31 May 2022 to shareholders on the Company's share register at the close of business on 20 May 2022. The shares will be quoted ex-dividend on the London and Toronto Stock Exchanges on 19 May 2022.

OUTLOOK

The outlook for, and likely future developments of, the Group are described within the Chairman's Statement on ***pages 11 to 13***, together with the Chief Executive Officer's Statement on ***pages 14 to 18***, and the Group's Strategic Report on ***pages 1 to 78***.

DIRECTORS

The names of the Directors in office on the date of approval of these financial statements, together with their biographical details and other information, are shown on ***pages 80 to 81***.

All Directors will stand for election or re-election at the 2022 AGM, with the exception of Mr. Julian Treger who is stepping down from the Board with effect from 31 March 2022.

A table of Directors' attendance at Board and Committee meetings during 2021 is on ***page 82***.

DIRECTORS' DISCLOSURES

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. However, in accordance with the Code, all Directors are subject to annual re-election.

The Directors may exercise all the powers of the Company, subject to applicable legislation and regulation and the Company's Articles of Association. The Company's Articles of Association may be amended by special resolution of the shareholders. At the 2021 AGM, held on 26 May 2021, the Directors were given the power to issue new shares up to an aggregate nominal amount of £1,425,205 together with a further aggregate nominal amount of £1,425,205 by way of a rights issue to existing shareholders. This power will expire at the earlier of the conclusion of the 2022 AGM or 30 June 2022. Further, the Directors were given the power to make market purchases of ordinary shares up to a maximum number of 21,378,075. This power will expire at the earlier of the conclusion of the 2022 AGM or 30 June 2022.

At the AGM held on 26 May 2021, the Directors were given the power to allot equity shares or sell treasury shares for cash other than pro-rata to existing shareholders. This power was limited to 5% of the Company's issued ordinary share capital (other than in connection with a rights issue or other similar issue) and will expire at the earlier of the conclusion of the 2022 AGM or 30 June 2022.

The Group maintains insurance for its Directors and officers against certain liabilities in relation to the Group. The Group has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006.

POLITICAL DONATIONS

No political donations were made during 2021. Anglo Pacific Group has an established policy of not making donations to, or incurring expenses for the benefit of, any political party in any part of the world, including any political party or political organisation as defined in the Political Parties, Elections and Referendums Act 2000.

OUR GREENHOUSE GAS EMISSIONS

Anglo Pacific is a small organisation, with ten employees and two Executive Directors, which means that any emission sources within its operational and financial control, such as business travel, purchase of electricity, heat or cooling by the Group, are limited. As outlined on ***pages 66 to 73***, Anglo Pacific is now a carbon neutral company in relation to its corporate operations. Management of the operations underlying the Group's royalty and stream portfolio is outside its control. During the year ended 31 December 2021, the Group consumed less than 40,000Kwh of energy (2020: <40,000Kwh) and is therefore exempt from reporting under the UK Government's Streamlined Energy and Reporting Statutory Instrument: 2018/1155.

CAPITAL STRUCTURE

The structure of the Company's ordinary share capital at 15 March 2022 was as follows:

	Issued no.	Nominal value per share	Total	% of total capital
Ordinary shares	214,234,066	0.02	4,284,681	100%

CHANGE OF CONTROL

A number of agreements terminate upon a change of control of the Company, such as certain commercial contracts and the revolving credit facility. None of these are considered significant in terms of the business as a whole. There is no change of control provision in any of the Directors' contracts.

DIRECTORS' REPORT

continued

RIGHTS AND OBLIGATIONS

Dividends

The £0.02 ordinary shares carry the right to dividends determined at the discretion of the Board.

Voting rights

The £0.02 ordinary shares carry the right to one vote per share.

Restrictions on transfer of holdings

There are no specific restrictions on the size of a holding nor on the transfer of the Company's shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. There are no known agreements between any of the Company's shareholders that may result in restrictions on the transfer of shares or voting rights.

Special control rights

The Company's ordinary shares are subject to transfer restrictions and forced transfer provisions that are intended to prevent, among other things, the assets of the Company from being deemed to be 'plan assets' under the US Employment Retirement Income Security Act of 1974 (ERISA). For more information refer to the important notices section.

Employee share schemes

Details of employee share schemes are set out on ***pages 95 to 104*** and in ***note 31*** to the financial statements.

Shares held in treasury

As at 31 December 2021, the Company holds 444,726 £0.02 ordinary shares in its employee benefit trust for the purposes of settling the Group's share-based compensation plans, as described in ***note 30***. In addition, the Company holds a further 4,329,703 £0.02 ordinary shares in treasury following the share buyback in 2020, as described in ***note 30***.

Allotment of ordinary shares

On 18 May 2020, the Company issued 288,327 new ordinary shares at a price of 126p per share amounting to an aggregate nominal value of £5,767 and aggregate consideration of £363,494 following the exercise of options awarded to employees under the USOP. Further details are set out in ***notes 30 and 31*** to the financial statements.

On 24 February 2021, the Company issued 33,664,371 new ordinary shares at a price of 128p per share amounting to an aggregate nominal value of £673,287 and aggregate consideration of £43,090,395 as part of a placing announced on 24 February 2021. In addition, the Company issued 2,687,372 new ordinary shares at a price of 128p per share amount to an aggregated nominal value of £53,747 and aggregate consideration of £3,439,836 as part of a retail offer made on the PrimaryBid platform announced on 24 February 2021. The issue price for both the placing and retail offer was fixed on 24 February 2021 and represented a discount of approximately 6% to the closing middle market price on the London Stock Exchange of 136p per share on 23 February 2021. The net proceeds were used as part of the funding solution for the acquisition of the Voisey's Bay cobalt stream which completed on 12 March 2021, further details of which are set out in ***notes 17 and 30***.

As a result, of the preceding issuances, the Company has issued 36,351,743 new ordinary shares (other than as part of a pre-emptive offer) in the 12 months preceding the date of this Annual Report, representing approximately 17% of the Company's share capital as at the date of this Annual Report and Accounts.

Purchase of own shares

At the AGM held on 26 May 2021, authority was given for the Company to purchase, in the market, up to 21,378,075 ordinary shares. This authority will expire at the 2022 AGM and, in accordance with usual practice, a resolution to renew it for another year will be proposed.

Between 25 September 2020 and 6 November 2020, the Company completed the share buyback programme and repurchased in aggregate 4,629,703 ordinary shares for a total consideration of £5.0m, at a volume weighted average price of 107.97p per share. This additional return to shareholders was funded through the monetisation of the Company's non-core mining and exploration interests. The repurchased shares are held in treasury – for further information refer to ***note 30*** of the financial statements.

There were no purchases of own shares during the year ended 31 December 2021.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified, of the following interests of 3% or more in the share capital of the Company as at 29 March 2022.

	Ordinary shares of 2p each	Representing
Aberforth Partners	22,068,452	10.29%
Schroder Investment Management	15,974,959	7.45%
AXA Investment Managers	12,406,615	5.79%
Canaccord Genuity Wealth Management	11,077,308	5.17%
Ransome's Dock Limited	7,201,120	3.36%

See ***page 101*** for a list of Directors' interests in shares.

Internal controls

The Directors confirm that there have been no significant changes to the system of internal controls, nor have there been any significant breaches reported during the year. As a result, the Board has concluded that the controls and procedures are adequate.

Statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that such audit information has been communicated to the auditors.

Other statutory and regulatory information

Information in relation to the Group's payment policy can be found in ***note 29*** and a statement on going concern is provided in ***note 4.1.1.***

Auditors

Deloitte LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to appoint auditors will be proposed at the 2022 AGM.

Designated foreign issuer status

The Company continues to be listed on the TSX and to be a 'reporting issuer' in the Province of Ontario, Canada. The Company also continues to be a 'designated foreign issuer', as defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers of the Canadian Securities Administrators. As such, the Company is not subject to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian ongoing reporting requirements if it complies with the UK Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (United Kingdom), as amended from time to time, and the applicable laws of England and Wales (the 'UK Rules') and files on its SEDAR profile at ***www.sedar.com*** any documents required to be filed or furnished pursuant to the UK Rules.

By Order of the Board

J. Gray
Company Secretary, 29 March 2022

Registered office
1 Savile Row, London W1S 3JR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the Group and parent company financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group and parent company financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 required that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors who were in office at the date of this statement confirm that:

- so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website, ***www.anglopacificgroup.com***. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board

N.P.H. Meier
Chairman

29 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO PACIFIC GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of Anglo Pacific Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated and company cash flow statements; and
- the related ***notes 1 to 40***.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ▪ Valuation of the Kestrel royalties; ▪ Impairment assessment of the royalty intangibles and metal stream portfolio; and ▪ Uncertain tax positions.
Materiality	The materiality that we used for the group financial statements was $5.1m, which was determined on the basis of considering a number of different measures including net assets, total assets, and adjusted profit before tax.
Scoping	Consistent with the way the group is centrally managed from the UK office, we consider the group to be one component. Consequently, all assets, liabilities, income and expenses are subject to a full scope audit.
Significant changes in our approach	Due to Covid-19 having no significant impact on the group's operations in 2021 and the group's improved performance during the period, we no longer consider going concern assumption a key audit matter in the current year. There were no other changes to our audit approach when compared with 2020.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financing facilities including the nature of facilities, repayment terms and covenants;
- assessing the cash flow forecasts produced by management and challenging the underlying data and key assumptions, such as forecast commodity prices and expected production volumes, and evaluating their consistency with valuation models, budgets and actual performance where applicable;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- challenging management's downside scenario by considering external information on actual and forecast commodity prices and production volumes;
- assessing, based on our own independent analysis, what reverse stress testing scenarios could lead either to a loss of liquidity or a covenant breach and whether these scenarios were plausible; and
- assessing the Group's going concern related financial statement disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those, which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the Kestrel royalty

Key audit matter description	Total royalty arrangements held at fair value, have a value of $107.7m as at 31 December 2021 (2020: $85.5m). The Kestrel royalty comprises $84.5m (2020: $76.3m) of the total and management engaged an independent valuation specialist to value this royalty asset. The valuation of the Kestrel royalty is subjective and contains significant levels of judgement in relation to the discount rate used, the forecast commodity prices and the expected production profile. Based on their analysis of the commodity structure and the life of mine, management and their valuation specialist considered the impact of climate change not to be material, given that the thermal coal constitutes only a minor part of the Kestrel royalty over short to medium-term period. Due to the high level of judgements involved, we have determined that there was a potential for fraud through possible manipulation of this balance. The commodity price, discount rate and exchange rate assumptions are set out in ***note 16*** to the financial statements along with the related sensitivity analysis. The group discloses this risk as a key source of estimation uncertainty in ***note 5*** to the financial statements. Refer to the Audit Committee report where this matter is considered by the Audit Committee as a significant issue, 'Review of carrying value of the Kestrel coal royalty' on ***page 88.***
How the scope of our audit responded to the key audit matter	We understood the methodology applied by management's expert in performing its valuation and walked through the controls over the process. We challenged the assumptions adopted by management's independent specialist by comparison to recent third party forecast commodity price data, reference to third party documentation and the relevant reserves and resources reports. We challenged the accuracy of the future annual production announced by the operator and incorporated by the independent specialists in its valuation model. To challenge the discount rate, we involved internal valuation specialists to prepare an independent range of discount rates and compared that to the rate adopted by management`s independent specialist. We assessed and challenged management's independent specialist's analysis of climate change factors through an independent assessment based on third party data. We evaluated the capability, objectivity and competence of management's independent specialist. We challenged the valuation assumptions adopted in line with the above methodology by reviewing their reporting and speaking directly with the specialist. In doing so we assessed the extent to which management may have influenced the key assumptions in the valuation model to address the risk of any possible management bias. We assessed the appropriateness of management's disclosure in the financial statements, including sensitivity analysis based on reasonably possible changes in key assumptions.
Key observations	We concur that the fair value of the Kestrel royalty is within an acceptable range.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO PACIFIC GROUP PLC

continued

5.2. Impairment assessment of the royalty intangibles portfolio

Key audit matter description	At 31 December 2021 royalty arrangements held as intangibles and a newly acquired metal stream, Voisey's Bay, held as property, plant and equipment ('PP&E') have a net carrying amount of $69.5m (2020: $130.5m) and $173.8m (2020: nil) respectively. The assessment of whether impairment/impairment reversal indicators exist and estimating the recoverable amount of royalty arrangements and metal stream where necessary requires management to adopt key judgements in relation to the discount rates used, the forecast commodity prices, the expected production profiles and where relevant the probability of production commencing. Impairment indicators were identified for Pilbara, Salamanca and Ring of Fire with carrying amounts before impairment being $9.1m (2020: $9.6m), $3.2m (2020: $3.2m) and $3.1m (2020: $3.1m), respectively. Following the completion of valuation models for these three assets, an impairment charge was recognised at Salamanca, Pilbara and Ring of Fire in amount of $3.2m, $1.2m and $0.9m, respectively (see ***note 19*** to the financial statements). The group discloses this risk as a key source of estimation uncertainty in ***note 5*** to the financial statements. Refer to the Audit Committee report where this matter is considered by the Audit Committee as part of the significant issue, 'Review of carrying values of royalties and metal stream held at amortised cost and resulting impairment charges' on ***page 88.***
How the scope of our audit responded to the key audit matter	We understood the methodology applied by management in performing its impairment test for each of the relevant CGUs and walked through the controls over the process. We challenged management's assessment as to whether indicators of impairment or impairment reversal exist for specific royalty and metal stream arrangements through evaluation of changes in production and pricing forecasts and a review of publicly available information. Where such indicators were identified and for a newly acquired metal stream we obtained the valuation models and challenged: ▪ the methodology of the models by comparison to the underlying agreements where applicable; ▪ the accuracy of the models by reperforming key calculations; and ▪ the assumptions adopted by management by comparison to third party forecast commodity price data, reference to third party documentation and the relevant reserves and resources reports. We involved our internal valuation specialists to prepare an independent range of discount rates and compared those to the rates adopted by management. We assessed and challenged management's assessment, including climate change factors, of whether projects still in the development phase would reach commercial production, through an independent assessment based on third party data available from asset operators. We assessed the appropriateness of management's disclosure in the financial statements including sensitivity analysis based on reasonably possible changes in key assumptions.
Key observations	We concur with management in their impairment assessment. In respect of the intangible assets and PP&E where indicators of impairment were identified, we found that the assumptions used were within a reasonable range and had been determined and applied on a consistent basis across the group.

5.3. Uncertain tax position

Key audit matter description	The international nature of the group's operations can result in complexities in the payment of and accounting for tax considering the requirements of IFRIC 23. Management applies judgement in assessing tax exposures in each jurisdiction, which require interpretation of local tax laws. In 2017, the group undertook a restructuring of certain loss making entities. The group obtained advice from professional advisers in respect of these transactions. The tax treatment in relation to the restructure is uncertain given the lack of precedent and guidance from the tax authorities. In the event this aspect was to be successfully challenged by the tax authorities, possibly through litigation, this would result in a current tax liability and corresponding income statement tax charge of $8.6m as at 31 December 2021 (2020: $8.6m). Management disclosed this matter as contingent liability in ***note 38*** to the financial statements and as a key source of estimation uncertainty in ***note 5***. The group has increased its tax provision, in relation to a separate uncertain tax position, by $1.1m to $4.2m during the year. This represents management's best estimate as to a settlement value should the judgement be successfully challenged. Management disclosed this matter as uncertain tax positions in ***note 12*** to the financial statements and as a key source of estimation uncertainty in ***note 5***. Refer to the Audit Committee report where these matters are considered by the Audit Committee as part of the significant issue, 'Group tax exposures' on ***page 88.***

5.3. Uncertain tax position continued

How the scope of our audit responded to the key audit matter	We understood the methodology applied by management in performing its assessment of each potential uncertain tax position, including the approach to the calculation of the tax charge and the analysis of the impact of the IFRIC 23 requirements. We walked through the controls over the process. We utilised additional support from internal country tax specialists in jurisdictions where the group had more significant tax exposures. With the involvement of our tax specialist we performed the following procedures: ▪ evaluated the capability, objectivity and competence of management's independent specialist; ▪ reviewed management's tax advice and accounting papers; ▪ evaluated the potential for the group's historical treatments to be challenged; ▪ reviewed the tax legislation, case law and relevant precedents to determine if the tax treatment was reasonable; ▪ recalculated the potential exposures; ▪ reviewed management's communication with applicable taxation authorities where relevant; and ▪ challenged management's assessment of the probable loss to be provided for and the possible exposures disclosed through the analysis and consideration of any changes in relevant laws and regulations.
Key observations	We concur with management in their accounting for the uncertain tax positions as tax provision, contingent liability and related disclosure.

6. OUR APPLICATION OF MATERIALITY

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	$5.1m (2020: $4.5m)	$5.1m (2020: $4.5m)
Basis for determining materiality	Materiality has been determined on the basis of considering a number of different measures including net assets, total assets, and adjusted profit before tax.	Parent company materiality is determined based on 2% (2020: 2%) of net assets and capped by the group materiality.
Rationale for the benchmark applied	The long-term value for shareholders is in the asset base as the company generates its wealth through royalties acquired. Although some royalties are acquired in the development phase of an asset's life and a portion of the company's value is not reflected in the income statement, following the acquisition of a royalty in the operating Mantos Blancos mine previously and the acquisition of a metal stream in the operating Voisey's Bay mine during the year, a significant part of the group balance is now revenue generating. Therefore, the basis described above was considered the most reasonable as it allowed to take into account the value of the company by considering both, its revenue generating assets and the other assets that have not yet commenced production as at 31 December 2021 or were acquired during the period.	Net assets were considered a more stable base than profits due to the effect of unrealised fair value gains/losses in each financial year. The long-term value for shareholders is also in the asset base as the company generates its wealth through royalties and metal streams acquired. Considering that, these are sometimes bought in the development phase of an asset's life a part of the company's value at this moment is not reflected in the income statement.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our risk assessment, including our assessment of the group's overall control environment, and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO PACIFIC GROUP PLC

continued

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $255,000 (2020: $225,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Audit work to respond to the risks of material misstatement was performed directly by the engagement team.

Consistent with the way the group is centrally managed from the UK office, we consider the group to be one component. Consequently, all assets, liabilities, income and expenses are subject to full scope audit.

7.2. Our consideration of climate-related risks

In planning our audit, we considered the potential impacts of climate change on the group's business and its financial statements. We reviewed and challenged management's climate-related risk assessment and held discussions with management to understand the group's process for identifying climate-related risks, the determination of mitigating actions and the impact on the group's financial statements and considered the completeness and accuracy of the climate-related risks identified and summarised in the Task Force on Climate-related Financial Disclosures report, which the group has applied voluntarily, as described on ***page 74***.

Following the disposal of the Narrabri thermal coal royalty the group has a limited exposure to thermal coal, constituting a minor part of the Kestrel royalty over short to medium-term period with the rest of the portfolio aligned with the requirements for new technology or are not easily substitutable. However, we note that, as stated on ***page 60***, the impact of climate change on the operations underlying the group`s portfolio has not been assessed and throughout 2022 the group will finalise undertaking a complete assessment of its portfolio.

As disclosed in ***notes 16 and 19*** to the financial statements, management analysed the impact of climate change on those assets whose values are determined through modelling future cash flows, being royalty intangible assets, metal streams and royalty financial instruments. Our audit work considered the group's analysis of the climate impacts on those future cash flows, including both longer term physical risks and shorter-term transitional risks such as change in demand.

We performed a review of the disclosures within the Annual Report with the involvement of our Environmental, Social and Governance specialists, and considered whether these disclosures are materially complete and consistent with our understanding of the climate-related risks, assumptions and judgements during the year and our knowledge obtained in the audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: ***www.frc.org.uk/auditorsresponsibilities***. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of Kestrel royalty. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the Kestrel royalty as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Australian Taxation Office (ATO) where relevant; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO PACIFIC GROUP PLC

continued

13. CORPORATE GOVERNANCE STATEMENT

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on ***page 105***;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on ***page 65***;
- the directors' statement on fair, balanced and understandable set out on ***page 107***;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on ***page 90***;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on ***page 90***; and
- the section describing the work of the audit committee set out on ***page 87***.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders at the AGM on 11 June 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2014 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

CHRISTOPHER JONES MA FCA
(SENIOR STATUTORY AUDITOR)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 March 2022

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Royalty and metal stream related revenue	6	85,295	43,654
Metal streams cost of sales	17	(4,046)	–
Amortisation and depletion of royalties and streams	17, 19	(14,845)	(7,087)
Operating expenses	7a	(10,740)	(8,219)
OPERATING PROFIT BEFORE IMPAIRMENTS, REVALUATIONS AND GAINS ON DISPOSALS		**55,664**	**28,348**
Impairment of royalty intangible assets	19	(5,232)	(4,303)
Revaluation of royalty financial instruments	18	17,501	1,134
Revaluation of coal royalties (Kestrel)	16	13,037	(56,740)
Finance income	9	1	149
Finance costs	10	(7,615)	(2,983)
Net foreign exchange gains/(losses)		616	(489)
Other (losses)/income	11	(19,333)	(35)
PROFIT/(LOSS) BEFORE TAX		**54,639**	**(34,919)**
Current income tax charge	12	(4,965)	(5,960)
Deferred income tax (charge)/credit	12, 28	(12,198)	17,007
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS		**37,476**	**(23,872)**
TOTAL AND CONTINUING EARNINGS/(LOSS) PER SHARE			
Basic earnings/(loss) per share	13	18.03¢	(13.23¢)
Diluted earnings/(loss) per share	13	18.00¢	(13.23¢)

The notes on ***pages 121 to 163*** are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS		**37,476**	**(23,872)**
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	*18*	712	25,448
Revaluation of mining and exploration interests	*20*	(4,171)	9,372
Deferred taxes relating to items that will not be reclassified to profit or loss	*28*	1,621	(2,979)
		(1,838)	31,841
ITEMS THAT HAVE BEEN OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Net exchange (loss)/gain on translation of foreign operations		(10,058)	14,723
		(10,058)	**14,723**
OTHER COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR, NET OF TAX		**(11,896)**	**46,564**
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		**25,580**	**22,692**

The notes on ***pages 121 to 163*** are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET AND COMPANY BALANCE SHEET

as at 31 December 2021

		Group		Company	
	Notes	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	797	1,036	797	1,036
Coal royalties (Kestrel)	*16*	84,465	76,268	–	–
Metal streams	*17*	170,567	–	–	–
Royalty financial instruments	*18*	53,791	99,923	13,920	3,183
Royalty and exploration intangible assets	*19*	69,518	130,512	–	3,206
Mining and exploration interests	*20*	4,396	10,946	1,721	8,224
Deferred costs	*21*	4,415	2,067	4,415	1,664
Investments in subsidiaries	*22*	–	–	214,189	226,561
Other receivables	*23*	39,127	23,219	199,682	78,811
Deferred tax	*28*	36,478	4,458	–	–
		463,554	348,429	434,724	322,685
CURRENT ASSETS					
Trade and other receivables	*23*	34,913	14,711	1,134	1,835
Derivative financial instruments	*24*	–	13	–	–
Cash and cash equivalents	*25*	21,992	27,513	8,649	24,127
		56,905	42,237	9,783	25,962
TOTAL ASSETS		**520,459**	**390,666**	**444,507**	**348,647**
NON-CURRENT LIABILITIES					
Borrowings	*27*	112,000	60,767	112,000	60,767
Other payables	*29*	2,910	2,183	1,376	2,183
Deferred tax	*28*	36,711	27,475	3,480	605
		151,621	90,425	116,856	63,555
CURRENT LIABILITIES					
Income tax liabilities		7,103	3,913	–	475
Trade and other payables	*29*	4,632	2,842	57,711	55,105
		11,735	6,755	57,711	55,580
TOTAL LIABILITIES		**163,356**	**97,180**	**174,567**	**119,135**
NET ASSETS		**357,103**	**293,486**	**269,940**	**229,512**
CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS					
Share capital	*30*	5,706	4,670	5,706	4,670
Share premium	*30*	87,883	83,214	87,883	83,214
Other reserves		118,637	94,949	104,109	59,393
Retained earnings		144,877	110,653	72,242	82,235
TOTAL EQUITY		**357,103**	**293,486**	**269,940**	**229,512**

The notes on ***pages 121 to 163*** are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 (United Kingdom) not to present the parent company income statement. The profit for the Parent Company for the year was $6,356,000 (2020: $22,881,000).

The financial statements of Anglo Pacific Group PLC (registered number: 897608) on ***pages 115 to 163*** were approved by the Board and authorised for issue on 29 March 2022 and are signed on its behalf by:

N.P.H. MEIER
Chairman

J.A. TREGER
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

				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		–	–	–	–	–	–	–	–	–	–	(23,872)	(23,872)
Other comprehensive income:													
Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity	18, 20	–	–	–	–	34,820	–	–	–	–	–	–	34,820
Deferred tax	28	–	–	–	–	(2,979)	–	–	–	–	–	–	(2,979)
Foreign currency translation		–	–	–	–	–	–	14,723	–	–	–	–	14,723
TOTAL COMPREHENSIVE PROFIT		**–**	**–**	**–**	**–**	**31,841**	**–**	**14,723**	**–**	**–**	**–**	**(23,872)**	**22,692**
Transferred to retained earnings on disposal	18, 20	–	–	–	–	(6,822)	–	–	–	–	–	6,822	–
Dividends	14	–	–	–	–	–	–	–	–	–	–	(21,406)	(21,406)
Issue of ordinary shares	30	7	435	–	–	–	–	–	–	–	–	–	442
Shares held in treasury	30	(122)	–	–	–	–	–	–	–	122	–	(6,554)	(6,554)
Value of employee services	31	–	–	–	–	–	(17)	–	–	–	1,895	(1,185)	693
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		**(115)**	**435**	**–**	**–**	**(6,822)**	**(17)**	**–**	**–**	**122**	**1,895**	**(22,323)**	**(26,825)**
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**
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		–	–	–	–	–	–	–	–	–	–	37,476	37,476
Other comprehensive income:													
Changes in fair value of equity investments held at fair value through other comprehensive income													
Valuation movement taken to equity	18, 20	–	–	–	–	(3,459)	–	–	–	–	–	–	(3,459)
Deferred tax	28	–	–	–	–	1,621	–	–	–	–	–	–	1,621
Foreign currency translation		–	–	–	–	–	–	(10,058)	–	–	–	–	(10,058)
TOTAL COMPREHENSIVE PROFIT		**–**	**–**	**–**	**–**	**(1,838)**	**–**	**(10,058)**	**–**	**–**	**–**	**37,476**	**25,580**
Transferred to retained earnings on disposal	18, 20	–	–	–	–	(14,399)	–	–	–	–	–	14,399	–
Dividends	14	–	–	–	–	–	–	–	–	–	–	(25,365)	(25,365)
Expiration of warrants		–	–	–	(189)	–	–	–	–	–	–	189	–
Issue of ordinary shares	30	1,028	4,669	56,431	–	–	–	–	–	–	–	–	62,128
Utilisation of treasury shares to satisfy employee related share-base payments	30, 31	8	–	–	–	–	(159)	–	–	(8)	–	511	352
Value of employee services	31	–	–	–	–	–	(6,092)	–	–	–	–	7,014	922
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		1,036	4,669	56,431	(189)	(14,399)	(6,251)	–	–	(8)	–	(3,252)	38,037
BALANCE AT 31 DECEMBER 2021		**5,706**	**87,883**	**94,847**	**–**	**9,563**	**508**	**14,307**	**833**	**114**	**(1,535)**	**144,877**	**357,103**

The notes on ***pages 121 to 163*** are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

				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	Retained earnings $'000	Total equity $'000
Balance at 1 January 2020		4,785	82,779	38,416	189	385	6,776	108	833	–	82,655	216,926
Changes in equity for 2020												
Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity	20	–	–	–	–	9,353	–	–	–	–	–	9,353
Net income recognised direct into equity		–	–	–	–	9,353	–	–	–	–	–	9,353
Profit for the period		–	–	–	–	–	–	–	–		22,881	22,881
Total recognised income and expenses		–	–	–	–	9,353	–	–	–	–	22,881	32,234
Transferred to retained earnings on disposal	20	–	–	–	–	(4,259)	–	–	–	–	4,259	–
Dividends		–	–	–	–	–	–	–	–	–	(21,406)	(21,406)
Foreign currency translation		–	–	–	–	–	–	7,487	–	–	–	7,487
Issue of ordinary shares	30	7	435	–	–	–	–	–	–	–	–	442
Shares held in treasury	30	(122)	–	–	–	–	–	–	–	122	(6,554)	(6,554)
Value of employee services	31	–	–	–	–	–	(17)	–	–	–	400	383
BALANCE AT 31 DECEMBER 2020		**4,670**	**83,214**	**38,416**	**189**	**5,479**	**6,759**	**7,595**	**833**	**122**	**82,235**	**229,512**
Balance at 1 January 2021		4,670	83,214	38,416	189	5,479	6,759	7,595	833	122	82,235	229,512
Changes in equity for 2021												
Changes in fair value of equity investments held at fair value through other comprehensive income												
Valuation movement taken to equity	20	–	–	–	–	(3,965)	–	–	–	–	–	(3,965)
Net income recognised direct into equity		–	–	–	–	(3,965)	–	–	–	–	–	(3,965)
Profit for the period		–	–	–	–	–	–	–	–	–	6,356	6,356
Total recognised income and expenses		–	–	–	–	(3,965)	–	–	–	–	6,356	2,391
Transferred to retained earnings on disposal	20	–	–	–	–	(1,302)	–	–	–	–	1,302	–
Dividends		–	–	–	–	–	–	–	–	–	(25,365)	(25,365)
Foreign currency translation		–	–	–	–	–	–	–	–	–	–	–
Expiration of warrants		–	–	–	(189)	–	–	–	–	–	189	–
Issue of ordinary shares	30	1,028	4,669	56,431	–	–	–	–	–	–	–	62,128
Utilisation of treasury shares to satisfy employee related share base payments	30, 31	8	–	–	–	–	(159)	–	–	(8)	511	352
Value of employee services	31	–	–	–	–	–	(6,092)	–	–	–	7,014	922
BALANCE AT 31 DECEMBER 2021		**5,706**	**87,883**	**94,847**	**–**	**212**	**508**	**7,595**	**833**	**114**	**72,242**	**269,940**

The notes on ***pages 121 to 163*** are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS AND COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

		Group		Company	
	Notes	**2021 $'000**	2020 $'000	**2020 $'000**	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		54,639	(34,919)	10,671	22,881
Adjustments for:					
Finance income	9	(1)	(149)	(367)	(407)
Finance costs	10	7,615	2,983	7,929	3,319
Net foreign exchange losses/(gains)		(616)	489	(32)	(479)
Other losses/(income)	11	19,333	35	–	669
Impairment of royalty and exploration intangible assets	19	5,232	4,303	3,207	–
Revaluation of royalty financial instruments	18	(17,501)	(1,134)	(13,852)	(1,130)
Royalties due or received from royalty financial instruments	18	3,115	2,967	3,115	2,967
Revaluation of coal royalties (Kestrel)	16	(13,037)	56,740	–	–
Depreciation of property, plant and equipment	15	277	278	277	278
Amortisation and depletion of royalties and streams	17, 19	14,845	7,087	–	–
Amortisation of deferred acquisition costs	23	17	17	17	17
Impairment of investment in subsidiaries		–	–	15,978	–
Forgiveness of loan to subsidiary undertaking		–	–	371	(148)
Intercompany dividends		–	–	(26,597)	(26,967)
Share based payment	31	328	376	328	376
		74,246	39,073	1,045	1,376
(Increase)/Decrease in trade and other receivables		(11,637)	(2,331)	(103)	(476)
Increase/(Decrease) in trade and other payables		837	(533)	1,211	(684)
Cash generated from operations		63,446	36,209	2,153	216
Income taxes paid		(7,666)	(14,669)	(1,226)	(1,173)
NET CASH GENERATED FROM/(USE IN) OPERATING ACTIVITIES		**55,780**	**21,540**	**926**	**(957)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of mining and exploration interests	20	2,512	5,540	2,512	5,540
Purchase of mining and exploration interests	20	–	(2,366)	–	–
Purchase of property, plant and equipment	15	(38)	(11)	(38)	(11)
Purchase of royalty and exploration intangibles	19	–	(1,500)	–	–
Proceeds on disposal of royalty intangibles	19	4,400	–	–	–
Purchases of royalty financial instruments	18	–	(7,413)	–	–
Proceed on disposal of royalty financial instruments	18	62,984	20,264	–	–
Purchase of metal streams	17	(207,705)	–	–	–
Repayments under commodity related financing agreements	23	1,256	888	1,256	888
Prepaid acquisition costs		(22)	(1,116)	(22)	(1,116)
Finance income	9	1	149	–	85
Investment in subsidiaries	22	–	–	(23,374)	(12,711)
Intercompany dividends		–	–	34,344	26,334
Loans granted to subsidiary undertakings		–	–	(127,993)	(6,133)
Loan repayments from subsidiary undertakings		–	–	2,358	6,689
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(136,612)**	**14,435**	**(110,957)**	**19,565**
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of revolving credit facility	26, 27	123,500	23,516	123,500	23,516
Repayment of revolving credit facility	26, 27	(72,494)	(11,572)	(72,494)	(11,572)
Loans from subsidiary undertakings		–	–	18,011	21,496
Proceeds from issue of share capital	30	62,128	442	62,128	442
Share buyback payments	30	–	(6,554)	–	(6,554)
Dividends paid	14	(25,365)	(21,406)	(25,365)	(21,406)
Lease payments	15	(268)	(268)	(268)	(268)
Finance costs	10 , 21	(10,874)	(2,439)	(10,627)	(2,250)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**76,627**	**(18,281)**	**94,885**	**3,404**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,205)**	**17,694**	**(15,145)**	**22,012**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**27,513**	**10,017**	**24,127**	**1,872**
Effect of foreign exchange rates		(1,316)	(198)	(333)	243
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**21,992**	**27,513**	**8,649**	**24,127**

The notes on ***pages 121 to 163*** are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 GENERAL INFORMATION

Anglo Pacific Group PLC (the 'Company') and its subsidiaries (together, the 'Group') secure natural resources royalties and streams by creating new royalties directly with operators or by acquiring existing royalties and streams. The Group has royalties and investments in mining and exploration interests primarily in Australia, North and South America and Europe, with a diversified exposure to commodities represented by cobalt, coking coal, iron ore, copper, vanadium, uranium and gold.

The Company is a public limited company, which is listed on the London Stock Exchange and Toronto Stock Exchange. The Company was incorporated and is domiciled in the United Kingdom, and registered in England and Wales. The address of its registered office is 1 Savile Row, London, W1S 3JR, United Kingdom (registered number: 897608).

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2020, except for the change in the Group's presentational currency detailed in ***note 3 and the*** classification of metal streams detailed in ***note 4.6*** and ***note 5***. In addition, the Group adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) at 1 January 2021, with no significant impact.

New and revised IFRS Standards in issue but not yet effective

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. The following new or amended IFRS accounting standards, amendments and interpretations not yet adopted are not expected to have a significant impact on the Group:

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021 the IAS issued amendments to IAS 1 that require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on the concept of materiality and its application to accounting policy information.

Under the amendments, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2023, and will be applied from that date.

Definition of Accounting Estimate – Amendments to IAS 8

In February 2021 the IASB issued amendments to IAS 8 that replace the definition of a change in accounting estimates with a definition of accounting estimates.

Under the new definition, accounting estimates are clarified as monetary amounts in financial statements that are subject to measurement uncertainty. Where an entity's accounting policy requires an item to be measured at monetary amounts that cannot be observed directly, it should develop an accounting estimate to chieve this objective.

The amendments are effective for annual periods beginning on or after 1 January 2023, and will be applied from that date.

3 FUNCTIONAL AND PRESENTATION 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 primarily denominated in US dollars. In addition, the contribution generated by the Group's royalties and metal streams, arise from sales priced 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 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 dates;
- Non-US dollar income and expenditure were translated at the average rates of exchange prevailing for the relevant periods; 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 periods presented in this report are as follows:

	31 December 2021	31 December 2020	31 December 2019
GBP/USD translation rate			
Income statement	1.38	1.28	1.28
Balance sheet	1.35	1.37	1.32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-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 have been prepared under UK-adopted international accounting standards. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the year reported as a result of the change in framework.

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, UK adopted International Accounting Standards and those parts of the Companies Act 2006 applicable to companies reporting under those standards and the requirements of the Disclosure and Transparency rules of the Financial Conduct Authority in the United Kingdom as applicable to periodic financial reporting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of coal royalties (investment property) and certain financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. A summary of the principal Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in ***note 5***.

4.1.1 Going concern

The financial position of the Group and its cash flows are set out on ***pages 117 and 120***. The Directors have considered the principal risks of the Group which are set out on ***pages 60 to 64***, and considered key sensitivities which could impact the level of available borrowings. As at 31 December 2021, the Group had cash and cash equivalents of $22.0m, as set out in ***note 25***, and borrowings of $112.0m under its revolving credit facility, as set out in ***note 27***.

Subsequent to year end, the Group made a partial repayment of $32.0m of these borrowings and subject to continued covenant compliance, the Group has access to a further $70.0m through its secured $150.0m revolving credit facility as at the date of this report.

The Directors considered the Group's cash flow forecasts for the period to the end of March 2023 under base and downside scenarios, 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 (including price and volume reductions of 15% and adverse currency movements of 10%), the Group continues to operate within its banking covenant limits with no debt redemption or amortisation commitments within the 12-month period from the date of approval of these consolidated financial statements.

The Board is satisfied that the Group's forecasts and projections, taking account of 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 level of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

4.2 Consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company, its subsidiaries. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for in the parent company at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rates at the date of the transaction (and not retranslated). Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

Exchange differences on foreign currency balances with foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future, and therefore form part of the Group's net investment in these foreign operations, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. If a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified in the income statement as part of the gain or loss on sale.

4.4 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Once a mining project has been established as commercially viable, expenditure other than that on land, buildings, plant and equipment is capitalised as a producing asset within 'Other Assets' together with any amount transferred from 'Exploration and Evaluation Costs' ***(note 4.7(b))***.

Property, plant and equipment is depreciated over its useful life, or, where applicable, over the remaining life of the mine if shorter once it is operating in the manner intended by management. The major categories of property, plant and equipment are depreciated on a units-of-production and/or straight-line basis as follows:

Equipment and fixtures	4 to 10 years
Other Assets:	
Producing assets	Units of production (over reserves)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.5 Coal royalties (investment property)

Royalty arrangements which are derived from the ownership of sub-stratum lands are accounted for as investment properties in accordance with IAS 40. Investment property is held to earn a return in the form of royalty entitlements arising from mining activity and is initially measured at cost including any transaction costs. Investment property is subsequently measured at fair value at each reporting date with any valuation movements recognised in the income statement. Fair value is determined by a suitably qualified independent external consultant based on the discounted future royalty income expected to accrue to the Group.

4.6 Metal streams (property, plant and equipment)

Agreements 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, any closing costs directly attributable to acquiring the asset, and, for qualifying assets, borrowing costs. 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 these mineral streams is 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 streams is depleted on a unit-of-production basis over the total expected deliveries to be received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

4.7 Intangible assets

(a) Royalty arrangements

Royalty arrangements which are identified and classified as intangible assets are initially measured at cost, including any transaction costs.

Upon commencement of production at the underlying mining operation intangible assets are amortised on a straight-line basis over the life of the mine. Amortisation rates are adjusted on a prospective basis for all changes to estimates of the life of mine.

(b) Exploration and evaluation costs

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential.

Expenditure on exploration and evaluation activities is capitalised when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Group. If this is no longer the case, an impairment loss is recognised in the income statement. Amortisation of capitalised exploration and evaluation costs does not commence until the underlying project commences commercial production.

4.8 Impairment of property, plant and equipment, metal streams and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, metal streams and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

The recoverable amount is the higher of fair value (less costs of disposal) and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that has been adjusted to reflect the risks specific to that asset. If the recoverable amount of the asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is also recognised in the income statement.

Metal streams and intangible assets

Metal streams and royalty intangibles 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 metal stream or royalty intangible 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 or royalty intangible 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 streams and royalty intangibles 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.

Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment loss is also recognised in the income statement.

4.9 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition loans and receivables are stated at their fair value. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables fall into this category of financial instruments.

(c) Contingent consideration – receivable

Contingent consideration – receivable, comprises that portion of the consideration receivable under the royalty sale agreement relating to the Narrabri royalty, contingent upon permitting and the achievement of certain volume and price thresholds as outlined in ***note 19***. On initial recognition the contingent consideration is stated at its fair value through profit or loss. After initial recognition the contingent consideration is measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the 'other (losses)/income' line item of the income statement. Fair value is determined in the manner described in ***note 19 and 35***.

(d) Derivative financial instruments

The Group will selectively enter into foreign exchange forward contracts to manage its exposure to foreign exchange risk associated with its Australian and Canadian dollar denominated royalty income, when considered necessary. Further details of derivative financial instruments are disclosed in ***note 24***.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(e) Mining and exploration interests

Mining and exploration interests are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

On initial recognition, the Group may make an irrevocable election to designate investments in mining and exploration equity instruments as fair value through other comprehensive income ('FVTOCI'). Designation as FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve, within "Other Reserves". The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has designated all investments in equity instruments that are not held for trading at FVTOCI on initial application of IFRS 9 (see ***notes 18 and 20***).

(f) Royalty financial instruments

Royalty financial instruments are recognised or derecognised on completion date where a purchase or sale of the royalty is under a contract, and are initially measured at fair value, including transaction costs.

All of the Group's royalty financial instruments have been designated as at fair value through profit or loss ('FVTPL'), with the exception of the investment in Labrador Iron Ore Corporation for which the Group has made an irrevocable election to designate as at FVTOCI.

The royalty financial instruments at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the 'revaluation of royalty financial instruments' line item of the income statement. Fair value is determined in the manner described in ***notes 18 and 35***.

The Group's investment in the equity instruments of Labrador Iron Ore Corporation is classified as a royalty financial instrument as its primary asset is a royalty income stream. On initial recognition the Group made the irrevocable election to designate this investment as FVTOCI. The dividends received from this investment are recognised in profit or loss, and are included in the 'royalty related revenue' line item ***(note 6)***.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(h) Trade payables

Trade payables are not interest bearing and are stated at their fair value on initial recognition. After initial recognition these are measured at amortised cost using the effective interest method.

(i) Contingent consideration – payable

Contingent consideration – payable, comprises that portion of the consideration payable under the Voisey's Bay acquisition agreement, contingent upon certain volume and price thresholds being achieved as outlined in ***note 17***. On initial recognition the contingent consideration is stated at its fair value. After initial recognition the contingent consideration is measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the metal streams balance on the balance sheet. Fair value is determined in the manner described in ***note 17 and 35***.

(j) Borrowings

Interest bearing bank facilities are initially recognised at fair value, net of directly attributable transaction costs. Transaction costs are recognised in the income statement on a straight-line basis over the term of the facility.

(k) Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

4.10 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group's primary asset held at amortised cost is the interest-bearing loan to Denison Mines and the non-interest-bearing deferred consideration from the sale of the Narrabri royalty ***(note 23)***.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Due to trade receivables ultimately representing royalty and metal stream related income which is typically paid within a month after the reporting date, the amount of expected credit losses is immaterial.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they related to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.12 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and jointly-owned shares) of the Company.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options and jointly-owned shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options and jointly-owned shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

4.13 Reserves

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares in issue.
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of issuance costs.

Other reserves

- 'Merger reserve' is created when more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company.
- 'Warrant reserve' was created in June 2014 in connection with the issue of share warrants as part consideration of the Maracás Menchen royalty, these warrants expired in 2020 with the associated reserve being transferred to retained earnings during 2021.
- 'Investment revaluation reserve' represents gains and losses due to the revaluation of the investments in mining and exploration interests and royalty financial instruments designated as fair value through other comprehensive income, from the opening carrying values, including the effects of deferred tax and foreign currency changes.
- 'Share-based payment reserve' represents equity-settled share-based employee remuneration until such share options are exercised.
- 'Foreign currency reserve' represents the differences arising from translation of investments in overseas subsidiaries.
- 'Special reserve' represents the level of profit attributable to the Group for the period ended 30 June 2002 which was created as part of a capital reduction performed in 2002.
- 'Treasury shares' represents the shares acquired by the Group under the share buy-back programme in 2020 ***(note 30)***
- 'Investment in own shares' represents the shares held by the Anglo Pacific Group Employee Benefit Trust for awards made under the Group's various share-based payment plans (***note 30 and note 31***).
- 'Retained earnings' represents retained profits.

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4.14 Revenue recognition

Revenue relating to the Group's royalties is measured at the fair value of the consideration received or receivable after deducting discounts, value added tax and other sales tax. The royalty income becomes receivable on extraction and sale of the relevant minerals, and once able to be reliably measured, the revenue is recognised.

Revenue relating to metal sales is recognised in a manner that depicts the pattern of the transfer of goods to customers. The amount recognised reflects the amount to which the Group expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. In determining whether a sale has completed, the Group considers the indicators of the transfer of control, which include, but are not limited to, whether:

- the Group has a present right to payment;
- the customer has legal title to the asset;
- the Group has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Revenue from contracts with customers is measured at the fair value of consideration received or receivable as at the date control is transferred.

Interest income is accrued on a time basis, by reference to the carrying value and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

4.15 Leases

Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office equipment and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is included within non-current trade and other payables (refer to ***note 27***) in the consolidated balance sheet.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included within property, plant and equipment (refer to ***note 15***) line in the consolidated balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of property, plant and equipment and intangible assets policy (refer to ***note 4.8***).

4.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of the interim dividend, when it is paid to the shareholders.

4.17 Alternative Performance Measures

The financial statements include certain Alternative Performance Measures (APMs) which include adjusted earnings per share, adjusted dividend cover, free cash flow per share and portfolio contribution. These APMs are defined in the table of contents and explained in the Strategic Report on ***page 57***, and are reconciled to GAAP measures in the ***notes 13***, ***14, 36 and 37*** respectively.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates that can have a significant impact on the financial statements. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical accounting judgement relates to the Group's classification of royalty and stream arrangements and uncertain tax positions. The key sources of estimation uncertainty relate to the calculation of the fair value of certain royalty arrangements, the key assumptions used when assessing impairment of intangible assets and the determination of uncertain tax provisions. The use of inaccurate or unreasonable assumptions in assessments made for any of these estimates could result in a significant impact on the financial statements.

Critical accounting judgements

Classification of royalty and streaming arrangements: initial recognition and subsequent measurement

The Directors must decide whether the Group's royalty and metal stream arrangements should be classified as:

- Intangible Assets in accordance with IAS 38 Intangible Assets;
- Financial Assets in accordance with IFRS 9 Financial Instruments;
- Investment Properties in accordance with IAS 40 Investment Property; or
- Property, Plant and Equipment in accordance with IAS 16 Property, Plant & Equipment.

The Directors use the following selection criteria to identify the characteristics which determine which accounting standard to apply to each royalty arrangement:

Type 1 – Intangible assets ("vanilla" royalties): Royalties, in their simplest form, are classified as intangible assets by the Group. The Group considers the substance of a simple vanilla royalty to be economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), 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 future supply and demand) are all risks which the Group participates in on a similar basis to an owner of the underlying mineral licence. Furthermore, in a vanilla royalty, there is only a right to receive cash to the extent there is production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under IAS 38.

Type 2 – Financial assets (royalties with additional financial protection): In certain circumstances where the 'vanilla' risk is considered too high, but the Group still fundamentally believes in the quality or potential of the underlying resource, the Group will look to introduce additional protective measures. This has typically taken the form of performance milestone penalties (usually resulting in the receipt of cash or cash equivalent), minimum payment terms and interest provisions or mechanisms to convert the initial outlay into the equity instruments of the operator in the event of project deferral. Once an operation is in production, these mechanisms generally fall away such that the royalty will display identical characteristics and risk profile to the vanilla royalties; however, it is the contractual right to enforce the receipt of cash through to production which results in these royalties being accounted for as financial assets under IFRS 9.

Type 3 – Investment property (coal royalties): Royalties which are derived from the ownership of sub-stratum land are accounted for as investment properties under IAS 40, although the substance of their commercial terms is identical to vanilla royalties. The Group does not expect to obtain royalties in this manner going forward, as it is unusual for sub-stratum minerals not to be the property of the state.

Type 4 – Property, plant and equipment (metal streams): Similar to the Group's royalty intangible assets, metal streams expose 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, metal streams result in the physical delivery of the underlying commodity 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 of physical delivery of the underlying commodity and the associated inventory risk prior to sale, metal streams are classified as property, plant and equipment and accounted for under IAS 16.

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A summary of the Group's accounting approach is set out below:

Accounting classification	Substance of contractual terms	Accounting treatment	Examples
Royalty intangible assets	▪ Simple royalty with no right to receive cash other than through a royalty related to production	▪ Investment is presented as an intangible asset and carried at cost less accumulated amortisation and any impairment provision ▪ Royalty income is recognised as revenue in the income statement ▪ Intangible asset is amortised on a systematic basis ▪ Intangible asset is assessed for indicators of impairment at each period end	▪ Mantos Blancos ▪ Maracás Menchen ▪ Four Mile ▪ Salamanca ▪ Pilbara ▪ Ring of Fire ▪ Canariaco ▪ Ground Hog
Royalty financial instruments	▪ Royalty arrangement with a contractual right to receive cash (e.g. through a mandated interest rate or milestones which, if not met, trigger repayment)	▪ Financial asset is recognised at fair value on the balance sheet ▪ Fair value movements taken through the income statement (FVTPL), with the exception of the LIORC investment where fair value movements are taken through other comprehensive income (FVOCI) ▪ Royalty income is not recognised as revenue in the income statement and instead reduces the fair value of the asset, with the exception of the dividends received from the LIORC investment which are included in royalty related revenue on the income statement	▪ EVBC ▪ Dugbe 1 ▪ McClean Lake ▪ Piauí ▪ LIORC
Investment property – Coal royalties	▪ Direct ownership of sub-stratum land ▪ Returns based on royalty related production	▪ Coal royalties accounted for as investment property is carried at fair value on the balance sheet ▪ Movements in fair value recognised in income statement ▪ Royalty income is recognised as revenue in the income statement	▪ Kestrel ▪ Crinum
Property, plant and equipment – Metal streams	▪ Agreement settled through the physical delivery of the underlying commodity ▪ Inventory risk prior to sale is borne by the Group ▪ Revenue is generated under the Group's direction, rather than a percentage of revenue generated by the operator	▪ Metal streams accounted for as property, plant and equipment are carried at cost less accumulated depletion and any impairment provision ▪ Metal stream sales are recognised as revenue in the income statement ▪ Metal streams are depreciated on a systematic basis, using units of production and recognised as accumulated depletion ▪ Metal stream asset is assessed for indicators of impairment at each period end	▪ Voisey's Bay

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 17)***. The Directors considered the Group's existing criteria to identify the characteristics which determine which accounting standard to apply to the stream as detailed in the "Classification of royalty and streaming arrangements: initial recognition and subsequent measurement" section above.

As the Voisey's Bay cobalt 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, 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 Voisey's Bay cobalt stream, is 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 Voisey's Bay cobalt stream is being allocated in accordance with the Group's metal streams accounting policy detailed in ***note 4.6***.

Impairment review

The Voisey's Bay cobalt stream is being assessed for indicators of impairment in accordance with the Group's metal streams accounting policy detailed in ***note 4.6***.

Contingent consideration

The contingent consideration in relation to the acquisition of the Voisey's Bay cobalt stream 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. The contingent consideration is included as a non-current liability ***(note 29)***.

Key sources of estimation uncertainty

Assessment of fair value of royalty arrangements held at fair value

A number of the Group's royalty arrangements are held at fair value. Fair value is determined based on discounted cash flow models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The determination of assumptions used in assessing fair values is subjective and the use of different valuation assumptions could have a significant impact on the financial statements.

In particular, expected future cash flows, which are used in discounted cash flows models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and resources and timing/likelihood of mines entering production together with economic factors such as commodity prices, discount rates and exchange rates.

The Group's most significant royalty arrangement held at fair value is Kestrel, for which the key assumptions and sensitivity analysis are set out in ***note 16***. The key assumptions relating to the Group's royalty financial instruments classified as fair value through profit or loss, are set out in ***notes 18 and 35***.

Impairment review of royalty intangible assets and metal streams

Royalty intangible assets and metal streams are assessed for indicators of impairment at each reporting date with the assessment considering variables such as the production profiles, production commissioning 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 royalty arrangement should the project continue/come into production. A pre-tax nominal discount rate of between 7.00% and 12.00% is applied to the future cash flows. The discount rate of each royalty and metal stream 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. Changes in discount rate are most sensitive to changes in the risk-free rate, country risk premiums and the expected mine life.

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 or metal 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.

The Group has reviewed the sensitivity of its assessment for indicators or impairment in relation to its royalty intangibles, as detailed in ***note 19***. A similar assessment was undertaken in relation to the Group's metal streams in ***note 17***, however, there no indicators of impairment where the discount rate was increased by 1% or the commodity prices were reduced by 10%.

Uncertain tax positions

The Group operates across many 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 (refer to ***note 12***). Matters with a possible economic outflow and/or presently incapable of being measured reliably are contingent liabilities and disclosed in ***note 38***.

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6 ROYALTY AND METAL STREAM RELATED REVENUE

	2021 $'000	2020 $'000
GROUP		
Royalty revenue	60,701	32,120
Metal stream sales	16,521	–
Interest from royalty related financial assets	2,433	2,287
Dividends from royalty financial instruments	5,640	9,247
	85,295	43,654

Interest from royalty related financial assets for the year ended 31 December 2021 of $2.4m (2020: $2.3m) relates to interest earned on the Group's 13-year 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 23)***.

Dividends from royalty financial instruments for the year ended 31 December 2021 of $5.6m (2020: $9.2m) relates to the dividends received from the Group's investments in Labrador Iron Ore Royalty Company (2021: $4.9m; 2020: $8.9m) as described in ***note 18***, together with the dividends received from the Group's investment in Flowstream Vintage (2021: $0.7m; 2020: $0.3m), an unquoted oil and gas streaming company included in the Group's mining and exploration interests ***(note 20)***.

7A EXPENSE BY NATURE

	2021 $'000	2020 $'000
GROUP		
Employee benefit expense ***(note 8a)***	5,853	4,420
Professional fees	2,816	2,300
Listing fees	164	166
Depreciation of right of use assets	277	278
Other expenses	1,630	1,055
	10,740	8,219

7B AUDITOR'S REMUNERATION

	2021 $'000	2020 $'000
GROUP		
Fees payable to Company's auditor for the audit of parent Company and consolidated financial statements	429	243
FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES FOR OTHER SERVICES:		
– The audit of Company's subsidiaries	26	24
TOTAL AUDIT FEES	455	267
– Other assurance services pursuant to legislation	135	94
– Other services	–	–
TOTAL NON-AUDIT FEES	135	94

The audit fees for 2021 include $125K in out of scope fees for 2020 following the completion of the Voisey's Bay acquisition prior to the completion of the 2020 audit, which were agreed and billed subsequent to the publication of the 2020 Annual Report.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on ***pages 87 to 90***. No services were provided pursuant to contingent fee arrangements.

8A EMPLOYEE COSTS

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Wages and salaries	4,868	3,326	4,825	3,287
Share-based awards to directors and employees	328	376	328	376
Social security costs	468	561	464	557
Other pension costs	189	157	189	157
	5,853	4,420	5,806	4,377

8B RETIREMENT BENEFITS PLANS

The Group operates a money purchase group personal pension scheme. Under this scheme the Group makes contributions to personal pension plans of individual Executive Directors and employees. The pension cost charge represents contributions payable by the Group to these plans in respect of the year.

The total cost charged to the income statement of $189,000 (2020: $157,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2021, contributions of $30,000 (2020: $26,000) due in respect of the current reporting period had not been paid over to the schemes.

8C AVERAGE NUMBER OF PEOPLE EMPLOYED

	2021	2020
GROUP		
Number of employees	12	11

	2021	2020
GROUP		
Average number of people (including executive directors) employed:		
Executive directors	2	2
Administration	10	9
	12	11

Company

The average number of administration staff employed by the Company during the year, including Executive Directors was 11 (2020: 10).

Directors' salaries are shown in the Directors' Remuneration Report on ***pages 98 to 104***, including the highest paid Director.

9 FINANCE INCOME

	2021 $'000	2020 $'000
GROUP		
Interest on bank deposits	1	2
Other interest	–	147
	1	149

10 FINANCE COSTS

	2021 $'000	2020 $'000
GROUP		
Professional fees	(2,625)	(760)
Revolving credit facility fees and interest	(4,990)	(2,223)
	(7,615)	(2,983)

Professional fees represent legal and arrangement fees relating to the Group's revolving credit facility. $2.4m relates to the amortisation of capitalised facility fees that are amortised over the term of the facility, refer to ***note 21*** (2020: £0.8m).

11 OTHER (LOSSES)/INCOME

	2021 $'000	2020 $'000
GROUP		
Revaluation of foreign exchange instruments	(140)	633
Loss on disposal of royalty intangible assets ***(note 19)***	(18,974)	–
Other losses	(219)	(668)
	(19,333)	(35)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 INCOME TAX EXPENSE

	2021 $'000	2020 $'000
ANALYSIS OF CHARGE FOR THE YEAR		
United Kingdom corporation tax	–	1
Overseas tax	5,145	6,205
Adjustments in respect of prior years	(180)	(246)
Current income tax charge per consolidated income statement	4,965	5,960
Deferred income tax charge/(credit) as per consolidated income statement	12,198	(17,007)
Adjustments in respect of prior years	–	–
Deferred tax	12,198	(17,007)
INCOME TAX EXPENSE	17,163	(11,047)
Factors affecting tax charge for the year:		
LOSS BEFORE TAX	54,639	(34,919)
Tax on loss calculated at United Kingdom corporation tax rate of 19.00% (2020: 19.00%)	10,381	(6,635)
TAX EFFECTS OF:		
Items non-taxable/deductible for tax purposes:		
Non-deductible expenses	4,912	744
Non-taxable income	(5,186)	(1,738)
Temporary difference adjustments		
Utilisation of losses not previously recognised	(1,335)	(1,793)
Current year losses not recognised	1,618	424
Adjustment in deferred tax due to change in tax rate	191	96
Other temporary difference adjustments	(1,298)	–
Other adjustments		
Withholding taxes	3,082	2,253
Effect of differences between local and United Kingdom tax rates	3,552	(4,975)
Prior year adjustments to current tax	(180)	(246)
Other adjustments	1,426	824
INCOME TAX EXPENSE	17,163	(11,046)

The Group's effective tax rate for the year ended 31 December 2021 of 31.4% (2020: 31.6%) is higher (2020: higher) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 19.00% (2020: 19.00%). The higher effective tax rate in 2021 compared to the headline tax rate is mainly due to the revaluation of the Kestrel royalty which is held in an Australian subsidiary and as such is subject to higher corporation tax rate.

In future periods, it is expected that the Group's effective tax rate will mainly be driven by the prevailing Australian corporation tax rates.

Refer to ***note 28*** for information regarding the Group's deferred tax assets and liabilities.

Uncertain tax positions

As outlined in *note 5*, 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. Where such matters are assessed as having probable future economic outflows capable of reliable measurement they are provided for. During the year, the Group increased its provision for uncertain tax positions by $1.1m to $4.2m as at 31 December 2021 (2020: $3.1m). Matters with possible economic outflow and/or presently incapable of being measured reliably are contingent liabilities and are disclosed in *note 38*.

Apart from the matters outlined above, 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.

13 EARNINGS/(LOSS) PER SHARE

Earnings per ordinary share is calculated on the Group's profit after tax of $37,476,000 (2020: loss $23,872,000) and the weighted average number of shares in issue during the year of 207,403,286 (2020: 180,373,966).

	2021 $'000	2020 $'000
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		
Earnings/(Loss) – basic	37,476	(23,872)
Earnings/(Loss) – diluted	37,476	(23,872)

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

	2021	2020
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE		
Basic number of shares outstanding	207,901,255	180,373,966
Dilutive effect of Employee Share Option Scheme	322,006	–
DILUTED NUMBER OF SHARES OUTSTANDING	208,223,261	180,373,966
Earnings per share – basic	18.03¢	(13.23¢)
Earnings per share – diluted	18.00¢	(13.23¢)

Earnings per ordinary share excludes shares held by the Company's Employee Benefit Trust as it has waived its right to receive dividends on the 444,726 ordinary 2p shares it holds as at 31 December 2021 (31 December 2020: 444,726).

As the Group was loss making in 2020, the employee share option schemes were considered anti-dilutive because including them in the diluted number of shares outstanding would decrease the loss per share, as such they were excluded.

Adjusted earnings per share

Adjusted earnings represent the Group's underlying operating performance from core activities. Adjusted earnings is the profit 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), together with amortisation and depletion charges, unrealised foreign exchange gains and loss, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

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

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	Earnings $'000	Earnings per share ¢	Diluted earnings per share ¢
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS			
Earnings – basic and diluted for the year ended 31 December 2021	37,476	18.03¢	18.00¢
Adjustment for:			
Amortisation and depletion of royalties and streams	14,845		
Amortisation of finance costs	339		
Impairment of royalty and exploration intangible assets	5,232		
Loss on disposal of royalty intangible assets	18,974		
Receipts from royalty financial instruments	3,115		
Revaluation of royalty financial instruments	(17,501)		
Revaluation of coal royalties (Kestrel)	(13,037)		
Revaluation of foreign currency instruments	140		
Effective interest on contingent consideration	176		
Unrealised foreign exchange (gains)/losses	(744)		
Tax effect of the adjustments above	3,325		
ADJUSTED EARNINGS – BASIC AND DILUTED FOR THE YEAR ENDED 31 DECEMBER 2021	52,340	25.18¢	25.14¢

	Earnings $'000	Earnings per share ¢	Diluted earnings per share ¢
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS			
Earnings – basic and diluted for the year ended 31 December 2020	(23,872)	(13.23¢)	(13.23¢)
Adjustment for:			
Amortisation and depletion of royalties and metal streams	7,087		
Impairment of royalty and exploration intangible assets	4,303		
Receipts from royalty financial instruments	2,967		
Revaluation of royalty financial instruments	(1,134)		
Revaluation of coal royalties (Kestrel)	56,740		
Revaluation of foreign currency instruments	(633)		
Share-based payments and associated national insurance	376		
Foreign exchange (gains)/losses	1,131		
Tax effect of the adjustments above	(18,666)		
ADJUSTED EARNINGS – BASIC AND DILUTED FOR THE YEAR ENDED 31 DECEMBER 2020	28,299	15.69¢	15.64¢

In calculating the adjusted earnings per share, the weighted average number of shares in issue takes into account the dilutive effect of the employee share option schemes in those years where the Group has adjusted earnings. In years 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 calculating basic and diluted adjusted earnings per share are as follows:

	2021	2020
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE		
Basic number of shares outstanding	207,901,255	180,373,966
Dilutive effect of Employee Share Option Scheme	322,006	572,384
DILUTED NUMBER OF SHARES OUTSTANDING	208,223,261	180,946,350

14 DIVIDENDS AND ADJUSTED DIVIDEND COVER

On 17 February 2021 an interim dividend of 1.75p per share was paid to shareholders ($4.3m) in respect of the year ended 31 December 2020. On 18 August 2021 a final dividend of 3.75p per share was paid to shareholders ($11.1m) to make a total dividend for the year ended 31 December 2020 of 9.00p per share. The first quarterly dividend of 1.75p for the year ended 31 December 2021 was paid to shareholders ($5.0m) on 10 November 2021. On 22 December 2021 the second quarterly dividend of 1.75p was paid to shareholders ($5.0m). Total dividends paid during the year were $25.4m (2020: $21.4m).

On 17 February 2022 a further quarterly dividend of 1.75p per share was paid to shareholders ($5.1m) in respect of the year ended 31 December 2021. This dividend has not been included as a liability in these financial statements. The Directors propose that a final dividend of 1.75p per share be paid to shareholders on 1 June 2022, to make a total dividend for the year of 7.00p per share. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

The proposed final dividend for 2021 will be payable to all shareholders on the Register of Members on 21 May 2022. The total estimated dividend to be paid is $5.1m. At the present time the Board has resolved not to offer a scrip dividend alternative.

Adjusted dividend cover

Adjusted 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 year ended 31 December 2021 is 25.24¢ (18.35p) per share ***(note 13)*** with dividends for the year totalling 9.63¢ (7.00p), resulting in dividend cover of 2.6x (2020: adjusted earnings per share 15.69¢ (12.35p), dividends totalling 11.55¢ (9.00p), dividend cover 1.4x).

2022 dividend determination

The portfolio contribution generated by the Group's royalties and metal streams arise from sales revenue denominated in US dollars, making this the most appropriate measure of our business performance. It is also now our main reporting currency and consequently the natural currency for dividend determination. Dividends for the year ended 31 December 2022 and beyond will be determined in US dollars, translated at exchange rates prevailing on the record date of each dividend declared and payable in sterling and Canadian dollars to our shareholders on the London and Toronto stock exchanges respectively.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Other assets $'000	Right of use assets $'000	Equipment and fixtures $'000	Total $'000
GROSS CARRYING AMOUNT				
At 1 January 2021	1,851	1,295	405	3,551
Additions	–	–	38	38
At 31 December 2021	1,851	1,295	443	3,589
DEPRECIATION AND IMPAIRMENT				
At 1 January 2021	(1,851)	(268)	(396)	(2,515)
Depreciation	–	(268)	(9)	(277)
At 31 December 2021	(1,851)	(536)	(405)	(2,792)
CARRYING AMOUNT 31 DECEMBER 2021	–	759	38	797

Group	Other assets $'000	Right of use assets $'000	Equipment and fixtures $'000	Total $'000
GROSS CARRYING AMOUNT				
At 1 January 2020	1,851	1,295	394	3,540
Additions	–	–	11	11
At 31 December 2020	1,851	1,295	405	3,551
DEPRECIATION AND IMPAIRMENT				
At 1 January 2020	(1,851)	–	(386)	(2,237)
Depreciation	–	(268)	(10)	(278)
At 31 December 2020	(1,851)	(268)	(396)	(2,515)
CARRYING AMOUNT 31 DECEMBER 2020	–	1,027	9	1,036

Other assets relate to the Group's Panorama and Trefi coal projects in British Columbia, Canada and the Group's talc deposit in Shetland, Scotland. Right of use assets relate to the Group's office premises.

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Company	Other assets $'000	Right of use assets $'000	Equipment and fixtures $'000	Total $'000
GROSS CARRYING AMOUNT				
At 1 January 2021	1,127	1,295	405	2,827
Additions	–	–	38	38
At 31 December 2021	1,127	1,295	443	2,865
DEPRECIATION AND IMPAIRMENT				
At 1 January 2021	(1,127)	(268)	(396)	(1,791)
Depreciation	–	(268)	(9)	(277)
At 31 December 2021	(1,127)	(536)	(405)	(2,068)
CARRYING AMOUNT 31 DECEMBER 2021	–	759	38	797

Company	Other assets $'000	Right of use assets $'000	Equipment and fixtures $'000	Total $'000
GROSS CARRYING AMOUNT				
At 1 January 2020	1,127	1,295	394	2,816
Additions	–	–	11	11
At 31 December 2020	1,127	1,295	405	2,827
DEPRECIATION AND IMPAIRMENT				
At 1 January 2020	(1,127)	–	(386)	(1,513)
Depreciation	–	(268)	(10)	(278)
At 31 December 2020	(1,127)	(268)	(396)	(1,791)
CARRYING AMOUNT 31 DECEMBER 2020	–	1,027	9	1,036

16 COAL ROYALTIES (KESTREL)

	Group $'000
At 1 January 2020	127,136
Foreign currency translation	5,872
Loss on revaluation of coal royalties	(56,740)
At 31 December 2020	76,268
Foreign currency translation	(4,840)
Gain on revaluation of coal royalties	13,037
AT 31 DECEMBER 2021	84,465

The Group's coal royalty entitlements comprise the Kestrel and Crinum coal royalties, and derive from mining activity carried out within the Group's private land area in Queensland, Australia. Rather uniquely to this royalty, the sub-stratum land is the property of the freeholder, including the minerals contained within. The ownership of the land therefore entitles the Group to a royalty, equivalent to what the State receives on areas outside the Group's private land. This royalty is accounted for as Investment Property in accordance with IAS 40. Further details on the calculation of the Kestrel royalty, together with its performance for 2021 can be found on ***pages 30 to 31***.

The carrying value of $84.5m (A$116.3m) (2020: $76.3m and A$98.9m) is based on a valuation completed during December 2021 by an independent coal industry advisor, on a net present value of the pre-tax cash flow discounted at a nominal rate of 6.00% (2020: 6.50%). The key assumptions in the independent valuation relate to price, foreign exchange and discount rate.

The price assumptions used in the 2021 valuation decrease from US$198/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% 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 $72.0m (A$99.1m) and an $12.9m decrease to the revaluation gain in the income statement to $0.1m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at $97.0m (A$133.6m) and a $13.0m increase in the revaluation gain in the income statement to $26.0m.

The AUD:USD exchange rate assumptions used in the 2021 valuation assume a slight strengthening in the Australia dollar from a short-term rate of 0.74 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 $73.1m (A$100.6m) and a $11.8m decrease to the revaluation gain in the income statement to $1.2m; and
- a 10% weakening of the Australian dollar against the US dollar would have resulted in the coal royalties being valued at $98.5m (A$135.6m) and a $14.5m increase in the revaluation gain in the income statement to $27.5m.

The pre-tax nominal discount rate used for the asset is 6.00%. 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 $86.1m (A$118.6m) and a $1.7m increase in the revaluation gain in the income statement to $14.7m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at $82.9m (A$114.2m) and a $1.6m decrease in the revaluation gain in the income statement to $11.4m.

The net royalty income from this investment is currently taxed in Australia at a rate of 30%. The revaluation of the underlying Australian dollar asset is recognised in the Income Statement with the retranslation to the Group's sterling presentation currency recognised in the foreign currency translation reserve.

Were the coal royalty to be realised at the revalued amount there are $7.2m (A$9.9m) of capital losses potentially available to offset against taxable gains. As it is not the Group's present intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation ***(note 28)***. Were the coal royalty to be carried at cost the carrying value would be $0.3m (2020: $0.3m). The Directors do not presently have any intention to dispose of the coal royalty.

Refer to ***note 35*** for additional fair value disclosures relating to Kestrel.

As outlined on ***pages 60 to 64***, the Board considers the impact of climate change to be an emerging risk and is currently engaging with industry experts to formalise the Group's climate change scenario analysis to more fully assess the impact which climate change may have on our portfolio.

Impact of climate change

The Group's independent coal industry advisor who undertook the valuation of Kestrel, considered the impact of climate change when undertaking their valuation by having regard to the following:

- the likely future demand for metallurgical coal which is the primary product produced by the mine;
- the historic impact of climate change on the operations of Kestrel, such as extreme weather events; and
- possible legislative changes that may impact either our royalty or the underlying operations.

In light mining at Kestrel progressively moving out of the Group's private royalty lands between 2023 and 2026, the impact of climate change is not expected to have a material impact on the carry value of the Kestrel royalty.

The shares over the entity which is the beneficial owner of the Kestrel royalty have been guaranteed as security in connection with the Group's borrowing facility ***(note 27)***.

17 METAL STREAMS

	Cost $'000	Contingent consideration $'000	Total $'000
GROSS CARRYING AMOUNT			
At 1 January 2021	–	–	–
Additions	175,585	–	175,585
Fair value of contingent consideration	–	2,308	2,308
At 31 December 2021	175,585	2,308	177,893
DEPLETION AND IMPAIRMENT			
At 1 January 2021	–	–	–
Depletion	(7,197)	(129)	(7,326)
At 31 December 2021	(7,197)	(129)	(7,326)
CARRYING AMOUNT 31 DECEMBER 2021	168,388	2,179	170,567

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 $205.6m at closing and further potential contingent consideration subject to cobalt prices and production levels over the next five years. Costs directly associated with the acquisition were $2.1m, resulting in a total payment of $207.7m. The holding company acquired had working capital balances of $0.2m and carried forward tax losses of $120.5m, with the latter resulting in $31.9m of the consideration being allocated to deferred tax assets on acquisition ***(note 28)***.

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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 pays 18% of an industry cobalt reference price prevailing at the date of delivery, until the original upfront amount paid for the stream, by its original holder, of $300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter. This payment is reflected in metal streams cost of sales in the income statement and total $4.0m for the period from acquisition to 31 December 2021. The cobalt delivered under the stream is currently sold through a marketing agreement with a global metals trader on a take or pay basis.

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 on a units-of-production basis over the total expected deliveries to be received from the metal stream. As at 31 December 2021, $1.0m of contingent consideration was due as a result of the production levels and cobalt price achieved during the second half of 2021 and is included in current trade and other payables *(note 29)*. The remaining $1.5m in the fair value of contingent consideration, together with associated effective interest of $0.2m is included in non-current other payables *(note 29)*.

The metal stream is being depleted on a units-of-production basis over the total expected deliveries to be received of 15.8Mlbs. During the period to 31 December 2021, the Group received 0.65Mlbs of cobalt resulting in a depletion charge of $7.3m.

Further details on the Group's Voisey's Bay cobalt stream, including its performance during the period to 31 December 2021 can be found on *pages 27 to 29*.

At 31 December 2021, the shares of the entity which is the beneficial owner of the Voisey's Bay metal stream have been guaranteed as security in connection with the Group's borrowing facility *(note 27)*.

18 ROYALTY FINANCIAL INSTRUMENTS

	Group $'000	Company $'000
FAIR VALUE		
At 1 January 2020	86,764	5,020
Additions	7,413	–
Disposals	(20,264)	–
Royalties due or received from royalty financial instruments	(2,967)	(2,967)
Revaluation of royalty financial instruments recognised in profit or loss	1,134	1,130
Revaluation of royalty financial instruments recognised in equity	25,448	–
Foreign currency translation	2,395	–
At 31 December 2020	99,923	3,183
Disposals	(64,784)	–
Royalties due or received from royalty financial instruments	(3,115)	(3,115)
Revaluation of royalty financial instruments recognised in profit or loss	17,501	13,852
Revaluation of royalty financial instruments recognised in equity	2,762	–
Foreign currency translation	1,504	–
AT 31 DECEMBER 2021	53,791	13,920

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	**Carrying value 31 December 2021 $'000**	Carrying value 31 December 2020 $'000
EVBC	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	FVTPL	13,920	3,183
Dugbe 1	Gold	US$15,000	2.00%	2.5% >US$1,800/oz & production <50,000oz/qrt	FVTPL	1,400	1,149
McLean Lake	Uranium	C$2,700	–	22.5% of tolling milling receipt on production >215Mlbs	FVTPL	2,544	2,797
Piaui	Nickel-Cobalt	US$2,000	1.250%	–	FVTPL	5,433	2,122
Labrador Iron Ore	Iron Ore	C$66,105	7.00%	–	FVOCI	30,494	90,672
						53,791	99,923

The Group's royalty financial 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 set out in *note 5*.

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 GRR over the IOC mine, the Group has classified its investment in LIORC as a royalty financial instrument and made an irrevocable election to designate it as FVTOCI.

EVBC – refer to *page 44* of the Business Review

The Group's EVBC royalty acquired in 2008 was initially accounted for as an available-for-sale equity financial asset, carried at fair value with all movements in fair value recognised in the investment revaluation reserve in equity. Following the adoption of IFRS 9, EVBC was classified as FVTPL resulting in movements in the fair value being recognised directly in the income statement. In addition, the royalties received from EVBC following the adoption of IFRS 9 are no longer recognised in the income statement but instead reduce the fair value.

The Group received royalties from EVBC totalling $3.1m during the year ended 31 December 2021 (2020: $3.0m), which initially reduced the carrying value. Following the announcement of a 5-year mine life extension by the operator, Orvana Minerals Corp, during 2021, the Group determined the fair value of EVBC as at 31 December 2021, by calculating the discounted future cash flows of the royalty with an 8.50% (2020: 6.50%) pre-tax nominal discount rate, resulting in a valuation of $13.9m (2020: $3.2m). The net effect of the $10.7m increase in the fair value year on year and the royalties received, is a valuation gain of $13.8m recognised in the income statement (2020: $1.2m gain).

Dugbe 1 – refer to *page 51* of the Business Review

In 2016, Hummingbird Resources PLC ('Hummingbird'), the operator of the Dugbe 1 project, gave notice under the $15.0m royalty financing arrangement with the Group that a Mineral Development Agreement ('MDA') had been approved by the Liberian Government. There are certain mechanisms available to the Group to recover the $15.0m investment, although at present these seem unlikely to be triggered.

The net smelter return royalty over the Dugbe 1 project is classified as FVTPL as outlined in ***note 5***. As at 31 December 2021 the Group assessed the likely start date of commercial production at Dugbe 1 to be 2030 (2020: 2030), and applied a 25% (2020: 75%) probability factor to the project reaching commercial production to the discounted future cash flows of the royalty with an 21.50% (2020: 30.00%) pre-tax nominal discount rate, resulting in a valuation of $1.4m (2020: $1.1m). The $0.3m increase (2020: $0.3m increase) in carrying value has been recognised as a royalty financial instrument valuation gain to the income statement for the year.

McClean Lake – refer to *pages 42 to 43* of the Business Review

The Group completed a C$43.5m ($33.3m) financing and streaming agreement with Denison Mines Inc ('Denison') in 2017. The financing agreement comprises two separate transactions: (i) a 13-year amortising secured loan of C$40.8m with an interest rate of 10% per annum payable to the Group which is classified as non-current other receivables ***(note 23)***; and (ii) a streaming agreement, which entitles the Group to receive Denison's portion of toll milling proceeds from the McClean Lake Mill after the first 215Mlbs of throughput from 1 July 2016, which was acquired for C$2.7m and is classified as FVTPL in accordance with ***note 5***.

As at 31 December 2021, the Group assessed the probability of the McClean Lake Mill achieving throughput in excess of 215Mlbs at 50% (2020: 50%), and applied this to the discounted future cash flows of the stream with a 8.00% (2020: 6.50%) pre-tax nominal discount rate, resulting in a valuation of $2.5m (2020: $2.8m). The $0.3m decrease (2020: $0.4m decrease) in the carrying value of the stream has been recognised in the income statement for the year.

Piaui – refer to *page 46* of the Business Review

The Group acquired a 1% gross revenue royalty over the Piauí nickel-cobalt project in Brazil for $2.0m in 2017. In accordance with the acquisition agreement the gross revenue royalty rate increased to 1.25% on 31 December 2019 after certain development milestones had not been achieved. The Group also has the option to acquire additional gross revenue royalties up to 4.50% for total consideration of $70.0m, subject to certain development milestones under the acquisition agreement.

On initial recognition the Group decided to invoke the fair value option in classifying this royalty financial instrument, due to there being one or more embedded options that are not closely related in the underlying contract. Following the adoption of IFRS 9 the Group continues classify the Piauí royalty as FVTPL.

As at 31 December 2021 the Group assessed the probability of the Piauí project reaching commercial production at 90% in relation to the start-up plant and 25% in relation to expansion project (2020: 25% start-up and 25% expansion project) and applied this to the discounted future cash flows of the royalty with a 13.50% (2020: 13.50%) pre-tax nominal discount rate, resulting in a valuation of $5.4m (2020: $2.1m). The $3.3m increase in carrying value has been recognised as a royalty financial instrument valuation gain in the income statement for the year (2020: $0.5m increase).

Labrador Iron Ore – refer to *pages 32 to 35* of the Business Review

LIORC is a single asset company, being the 7% gross revenue royalty over the IOC mine which is majority owned and operated by Rio Tinto; as a result, the Group classifies its investment in LIORC as a royalty financial instrument. On initial recognition the Group made the irrevocable election to designate this investment as FVTOCI. The resulting dividends from the Group's investment in LIORC have been classified as royalty related revenue, as described in ***note 4.14***.

During the first quarter of 2020, the Group made a further investment of C$9.8m ($7.4m) in LIORC, 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 17***), 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. As at 31 December 2020, the Group's investment in Labrador was valued at C$115.5m ($90.7m).

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 cobalt stream acquisition and retained 1,032,190 shares. The Group's partial sale of its holding LIORC during 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 ($2.1m) in income tax arising from the gain.

At 31 December 2021, the shares of the entity which is the beneficial owner of the investment in LIORC have been guaranteed as security in connection with the Group's borrowing facility ***(note 27)***.

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19 ROYALTY AND EXPLORATION INTANGIBLE ASSETS

The Group's intangibles comprise capitalised exploration and evaluation costs and royalty interests.

Group	Exploration and evaluation costs $'000	Royalty interests $'000	Total $'000
GROSS CARRYING AMOUNT			
At 1 January 2021	919	207,222	208,141
Additions	–	–	–
Disposals	–	(64,510)	(64,510)
Foreign currency translation	–	(7,151)	(7,151)
At 31 December 2021	919	135,561	136,480
AMORTISATION AND IMPAIRMENT			
At 1 January 2021	(919)	(76,710)	(77,629)
Amortisation charge	–	(7,519)	(7,519)
Impairment charge	–	(5,232)	(5,232)
Disposals	–	20,534	20,534
Foreign currency translation	–	2,884	2,884
At 31 December 2021	(919)	(66,043)	(66,962)
CARRYING AMOUNT 31 DECEMBER 2021	–	69,518	69,518

Group	Exploration and evaluation costs $'000	Royalty interests $'000	Total $'000
GROSS CARRYING AMOUNT			
At 1 January 2020	919	194,400	195,319
Additions	–	–	–
Disposals	–	–	–
Foreign currency translation	–	12,822	12,822
At 31 December 2020	919	207,222	208,141
AMORTISATION AND IMPAIRMENT			
At 1 January 2020	(919)	(59,641)	(60,560)
Amortisation charge	–	(7,087)	(7,087)
Impairment charge	–	(4,303)	(4,303)
Foreign currency translation	–	(5,679)	(5,679)
At 31 December 2020	(919)	(76,710)	(77,629)
CARRYING AMOUNT 31 DECEMBER 2020	–	130,512	130,512

Company	Royalty interests $'000
GROSS CARRYING AMOUNT	
At 1 January 2021	3,206
At 31 December 2021	3,206
AMORTISATION AND IMPAIRMENT	
At 1 January 2021	–
Impairment charge	(3,206)
At 31 December 2021	(3,206)
CARRYING AMOUNT 31 DECEMBER 2021	–

Company	Royalty interests $'000
GROSS CARRYING AMOUNT	
At 1 January 2020	3,206
At 31 December 2020	3,206
AMORTISATION AND IMPAIRMENT	
At 1 January 2020	–
At 31 December 2020	–
CARRYING AMOUNT 31 DECEMBER 2020	3,206

Exploration and evaluation costs
The exploration and evaluation costs comprise expenditure that was directly attributable to the Trefi coal project in British Columbia, Canada. Due to the inherent uncertainty that the Trefi coal project would be developed, the Group fully impaired it in 2014.

Royalty intangible assets
On 31 December 2021 the Group completed the sale of its 1% gross revenue royalty over the Narrabri mine to the operator, Whitehaven Coal Limited, for fixed consideration of $21.6m of which $4.4m was received on completion with the remaining balance receivable in instalments until 31 December 2026 and further contingent consideration also receivable over the period to 31 December 2026.

The contingent consideration consists of $5.0m, receivable in instalments, upon the approval of the Narrabri South extension project by state and federal authorities in Australia, prior to 31 December 2026. In addition, the Group is entitled to receive bi-annual contingent payments linked to future realised coal prices during the period from closing to 31 December 2026. Subject to minimum volumes of 3.0Mt per half year being achieved, where the realised prices exceed $90/t the Group will be entitled to $0.05/t, increasing to $0.25/t if realised prices exceed $150/t.

Both elements of the contingent consideration in relation to the sale of the Narrabri royalty have been classified as a financial asset that is carried at fair value based on discounted expected cash flows. As at 31 December 2021, the Group assessed the probability of the Narrabri South Extension being approved at 50% and applied this to the discounted future cash flows with an 8.50% pre-tax nominal discount rate resulting in a fair value of $2.3m for this element of the contingent consideration.

The price and sales volume linked contingent consideration was also valued by applying an 8.50% pre-tax nominal discount rate to the expected future cash flows, resulting in a fair value of $1.7m for this element of the contingent consideration. Total contingent consideration as at 31 December 2021 was valued at $4.0m resulting in total consideration on completion of $25.6m. The carrying value of the Narrabri royalty immediately prior to completion was $44.0m, as a result there was a loss on disposal of $19.0m and a translation effect of $0.6m.

There were no acquisitions or disposals of royalty intangible assets during 2020.

The previously accrued deferred consideration of $1.5m due under the royalty agreement to acquire the Maracás Menchen royalty was paid in May 2020, following the operator, Largo Resources Limited, achieving an annualised rate of production of 12,000t during the first quarter of 2020.

Amortisation of royalty intangible assets
The Group's royalty intangible assets are amortised on a straight-line basis, upon the commencement of production at the underlying mining operation, over the life of mine.

Four of the underlying mining operations of the Group's royalty intangibles assets were in production during 2021, and were amortised on the following basis:

Royalty interest	Currency	**Carrying value 31 December 2021 '000**	Carrying value 31 December 2020 '000	Estimated life of mine	Remaining life of mine
Mantos Blancos	USD	42,911	46,299	15 years	13 years
Narrabri	AUD	–	64,596	22 years	–
Maracás Menchen	AUD	21,856	22,949	29 years	20 years
Four Mile	AUD	1,113	1,484	10 years	3 years

The amortisation charge for the year, of $7.5m (2020: $7.1m) 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.

At 31 December 2021, the shares of the entities which are the beneficial owners of the Mantos Blancos and Maracás Menchen royalties have been guaranteed as security in connection with the Group's borrowing facility *(note 27)*.

Impairments of royalty intangible assets
As described in *notes 4.7 and 4.8*, at each reporting date the Group's royalty intangible assets are reviewed for any impairment indicators. Consideration is given to the presence or occurrence of adverse operational developments at the underlying mines, together with any significant declines in commodity prices and the impact of climate change, as detailed below. Where impairment indicators exist, a full impairment review is carried out to determine whether the discounted future expected cash flows (calculated on a value-in-use basis) exceed cost. *Note 4* outlines the impairment methodology applied.

Climate change considerations in assessing for indicators of impairment
As outlined on *pages 60 to 64*, the Board considers the impact of climate change to be an emerging risk and is currently engaging with industry experts to formalise the Group's climate change scenario analysis to more fully assess the impact which climate change may have on our portfolio of royalties and metal streams.

Ahead of the scenario analysis being completed, the impact of climate change continues to be considered by the Board when undertaking the semi-annual impairment review of the Group's royalty intangible assets by reviewing and considering:

- the likely future demand for the commodities underlying the Group's royalty and metal stream portfolio;
- the historic impact of climate change on the operations underlying the Group's portfolio, such as extreme weather events; and
- possible legislative changes that may impact either our royalty and metal stream agreements or the operations underlying the Group's portfolio.

Following the disposal of the Group's Narrabri royalty on 31 December 2021, together with the full impairment of the Group's development stage Groundhog anthracite coal project during 2020, the Group's remaining portfolio of producing royalty intangibles are mainly over commodities and operations closely aligned with achieving a low carbon future.

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2021 Impairment of royalty intangible assets

Salmanca royalty

Following the unfavourable decision by the Nuclear Safety Council (NSC) for the grant of the authorisation for construction announced by Berkeley Energia on 12 July 2021, and despite filing counter arguments with the Ministry for the Ecological Transition and Demographic Challenge (MITECO), the authorisation for construction was rejected by MITECO on 29 November 2021. In the absence of receiving a favourable report from the NSC and approval for construction from MITECO, the Salmanca project is unable to progress at this time. Given the inherent uncertainty caused by the events during the year, the Group's has fully impaired the Salmanca royalty as at 31 December 2021, and recognised an impairment charge of $3.2m in the income statement.

Pilbara iron ore royalty

Despite the ongoing expansion of BHP's mining operations in the Pilbara, limited public information is available for the Group to assess the likely timing of the development of tenements covered by the Group's royalty, the largest of which covers the Railway Deposit which is located to the north of BHP's South Flank development.

In the absence of any publicly available information, the Group continues to estimate the likely start date for production from the tenements covered by the Group's royalty to be 2040 (2020: start date 2040), however the probability factor of the tenements being brought into production has been reduced from 90% in 2020 to 75% in 2021. Applying the 75% probability factor together with a pre-tax nominal discount rate of 9% (2020: 7.50%) and a long-term iron ore price of $133/dmtu for lump and $113/dmtu for fines resulted in a net present value of the discounted future royalty cash flows of A$8.8m, compared to the carrying value of A$10.4m. As a result of the net present value being lower than the carrying value, the Group recognised an impairment charge of A$1.6m ($1.1m) for the year ended 31 December 2021.

Ring of Fire royalty

The proposed acquisition of Norton Resources Ltd, by Wyloo Metals Pty Ltd an exploration company which forms part of the Forrest family's private office is seen as a positive step toward the Ring of Fire tenements covered by the Group's royalty being developed.

In the absence of any publicly available information the Group continues to estimate the likely start date for production from the tenements covered by the Group's royalty to be 2034 (2020: start date 2034). While the estimated start date has remained the same, the probability factor of the tenements being brought into production has been reduced from 50% in 2020 to 25% in 2021 and is expected to remain at this level until greater certainty on the development timetable is known.

Applying this start date and probability factor to the Group's valuation model, together with pre-tax nominal discount rate of 11% (2020: 9.50%) and a long-term chromite price of $174/t resulted in a net present value of the discounted future royalty cash flows of C$2.8m, compared to the carrying value of C$3.8m. As a result of the net present value being lower than the carrying value, the Group recognised an impairment charge of C$1.1m ($0.9m) for the year ended 31 December 2021.

2020 Impairment of royalty intangible assets

During the year ended 31 December 2020, the Group recognised impairment charges of A$5.0m ($3.5m) in relation to the Pilbara iron ore royalty and C$1.1m ($0.8m) in relation to Groundhog royalty.

Impairment sensitivity

The Group has reviewed the sensitivity of its assessment for indicators of impairment to an increase in the discount rates applied to the expected future cash flows and a decrease in the underlying commodity prices of each royalty, concluding the following:

- A 1% increase in the discount rate applied to expected future cash flow of the royalties, would not result in any additional impairments, but would result in the impairment charges recognised in relation to the Pilbara and Ring of Fire royalties increasing by $1.2m and $0.4m, increasing the impairment charge in income statement to $6.8m.
- A 10% decrease in the underlying commodity prices would result in impairment charges being recognised for the Mantos Blancos royalty of $0.8m, as well as increasing the impairment of the Pilbara and Ring of Fire royalties by a further $0.7m and $0.2m respectively, increasing the impairment charge in the income statement to $6.9m.

20 MINING AND EXPLORATION INTERESTS

	Group $'000	Company $'000
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
At 1 January 2020	4,802	4,477
Additions	2,366	–
Disposals	(5,540)	(5,540)
Revaluation adjustment	9,372	9,353
Foreign currency translation	(54)	(66)
At 31 December 2020	10,946	8,224
Additions	–	–
Disposals	(2,512)	(2,512)
Revaluation adjustment	(4,171)	(3,965)
Foreign currency translation	133	(26)
AT 31 DECEMBER 2021	4,396	1,721

The fair values of listed securities are based on quoted market prices. Unquoted investments 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.

For the year ended 31 December 2021 the Group realised $2.5m in cash (2020: $5.5m) through its disposal of a number of its quoted mining and exploration interests. These disposals resulted in a gain of $1.3m for the year ended 31 December 2021 (2020: $4.3m) which was transferred to directly to retained earnings.

During 2020, the Group participated in the unlisted equity placing undertaken by Brazilian Nickel, the operator of the Piauí nickel cobalt project in Brazil over which the Group holds a 1.25% GRR, investing $2.4m (£1.8m).

Total mining and exploration interests at 31 December are represented by:

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Quoted investments	1,648	8,172	1,646	8,148
Unquoted investments	2,748	2,774	75	76
	4,396	10,946	1,721	8,224
Number of investments	8	9	5	6

21 DEFERRED COSTS

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Deferred acquisitions costs	309	1,209	309	1,209
Deferred financing costs	4,106	858	4,106	455
	4,415	2,067	4,415	1,664

Deferred acquisition costs

As at 31 December 2021 deferred acquisition costs of $0.3m (2020: $1.2m) represent those costs associated with royalty and metal stream opportunities that the Group are actively pursuing and expect to complete in 2022. Should the opportunity not proceed to completion, these costs will be charged to the income statement.

Deferred financing costs

As at 31 December 2021 deferred financing costs of $4.1m represent the unamortised costs associated with the Group's new $150m revolving credit facility entered into on 24 February 2021 ***(note 27)***. These deferred financing costs are being amortised over the three-year term of the facility, with $1.5m being released to the income statement for the period to 31 December 2021.

The deferred financing costs of $0.9m as at 31 December 2020 related to the Group's amended and extended 2018 facility, and represented the arrangement fees and legal costs associated with the amendment and extension of the facility. Upon entering the new facility in February 2021, these costs were immediately released to the income statement. As a result, total deferred financing costs released to the income statement for year ended 31 December 2021 was $2.4m (2020: $0.5m).

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22 INVESTMENTS IN SUBSIDIARIES

The Group's full listing of subsidiaries is provided in *note 40*. The Company's investment in subsidiaries as 31 December 2021 and 31 December 2020 is as follows:

Company	$'000
COST	
At 1 January 2021	255,203
Capital injection into subsidiaries	85,000
Return of capital from subsidiaries	(81,396)
At 31 December 2021	258,807
IMPAIRMENT OF INVESTMENT IN SUBSIDIARY	
At 1 January 2021	(28,642)
Impairment	(15,976)
At 31 December 2021	(44,618)
CARRYING AMOUNT 31 DECEMBER 2021	214,189

Company	$'000
COST	
At 1 January 2020	242,492
Capital injection into subsidiaries	12,711
At 31 December 2020	255,203
IMPAIRMENT OF INVESTMENT IN SUBSIDIARY	
At 1 January 2020	(28,642)
Impairment	–
At 31 December 2020	(28,642)
CARRYING AMOUNT 31 DECEMBER 2020	226,561

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
CURRENT				
Income tax receivable	6,309	2,145	1	–
Prepayments	446	206	353	206
Royalty receivables	23,506	11,734	594	1,065
Other receivables	4,652	626	186	564
	34,913	14,711	1,134	1,835

Current trade and other receivables

Trade and other receivables principally comprise amounts relating to royalties receivable from Kestrel, Mantos Blancos, Narrabri, Maracás Menchen, Four Mile and EVBC for the final quarter in each year, together with dividends declared but not yet received from Labrador Iron Ore Company. These amounts were received in full subsequent to year end.

Current trade and other receivables also include $4.4m in deferred consideration receivable from Whitehaven Coal following the sale of the Narrabri royalty, which is due to be received in July 2022. The $12.8m balance of deferred consideration is included in non-current other receivables and will be received between January 2023 and December 2026.

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

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
NON-CURRENT				
Other receivables	39,127	23,219	22,333	23,219
Amounts due from subsidiaries	–	–	177,349	55,592
	39,127	23,219	199,682	78,811

Non-current other receivables

Non-current other receivables comprise amounts relating to the interest-bearing loan receivable from Denison Mines Inc, and the deferred consideration together with the contingent consideration arising from the disposal of the Group's Narrabri royalty ***(note 19)***.

Denison financing agreement

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 18)***, 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.

Operations at the McClean Lake mill from which the toll revenue is generated were suspended from March 2020 to September 2020 and from January 2021 to April 2021 in response to the COVID-19 pandemic. As a result, principal repayments under the loan were lower than pre-pandemic levels, with the Group receiving principal repayments totalling $1.3m in 2021 and $0.9m in 2020. The Group earned $2.4m in interest revenue (2020: $2.3m), with £0.3m (2020: $0.7m) of the interest earned being capitalised as described above.

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 31 December 2021, the implied probability of default has been assessed at 1.20% (2020: 4.30%) resulting in no further expected credit losses being recognised. The provision for expected credit losses as at 31 December 2021 is $0.7m (2020: $0.7m).

As operations resumed in April 2021 and have continued uninterrupted since, the Directors do not consider the COVID-19 related suspensions significantly increase default risk and therefore continue to recognise 12-month ECL rather than lifetime ECL.

As at 31 December 2021, the outstanding loan balance was $23.1m (C$29.4m), the provision for expected credit losses was $0.9m and unamortised costs associated with the loan were $0.1m (31 December 2020: loan balance $24.0m (C$30.6m), provision for expected credit losses $0.9m and unamortised costs $0.1m). The total amortisation of costs associated with the loan during the year was $17,000 (2020: $17,000).

Narrabri disposal – deferred consideration and contingent consideration

As described in ***note 19***, the Group disposed of its 1% gross revenue royalty over the Narrabri mine to the operator, Whitehaven Coal Limited, for fixed consideration of $21.6m of which $4.4m was received on completion with the balance payable in annual instalments until 31 December 2026 and further contingent consideration also payable over the period to 31 December 2026.

The Group assessed the carrying value of the deferred consideration for expected credit losses over the next 12 months by making reference to the security held by the Group and the financial position of Whitehaven Coal Limited. As at 31 December 2021, the implied probability of default has been assessed at 1.20% resulting expected credit losses of $43,000 being recognised.

As at 31 December 2021, the total outstanding deferred consideration net of expected credit losses was $17.2m, of which $4.4m in included in current trade and other receivables. The fair value of the contingent consideration was $4.0m as detailed in ***note 19***.

Non-current amounts due from subsidiaries

Amounts due from subsidiaries are considered long-term loans. The Directors consider that the carrying value of amounts due from subsidiaries is approximately their fair value.

24 DERIVATIVE FINANCIAL INSTRUMENTS

The Group's hedging policy allows foreign exchange forward contracts to be entered into to manage its exposure to foreign exchange risk associated with its Australian and Canadian dollar royalty related income ***(note 35)***. These foreign exchange forward contracts are accounted for as financial assets or liabilities carried at fair value through profit or loss in accordance with ***note 4.9(c)***. The fair value of the foreign exchange forward contracts as at 31 December is as follows:

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Financial assets carried at fair value through profit or loss				
Fair value as at 31 December	–	13	–	–

The Group had no outstanding forward contracts as at 31 December 2021. As at 31 December 2020 the Group had outstanding forward contracts totalling A$7.2m to receive £3.9m and C$0.7m to receive £0.4m.

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25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Cash at bank and on hand	21,903	27,373	8,561	24,016
Trading deposits with brokers	89	140	88	111
CASH AND CASH EQUIVALENTS	21,992	27,513	8,649	24,127

Of the Group's $22.0m cash at bank and on hand as at 31 December 2021, $4.4m related to proceeds from the disposal of the Narrabri royalty. These funds are held in restricted accounts as security under the Group's revolving credit facility and will be utilised to fund any permitted acquisitions during the next 12 months or will be applied as a repayment of principal where such acquisitions are not made before 31 December 2022.

As at 31 December 2020, of the Group's $27.5m cash at bank and on hand, $20.7m related to proceeds from the partial sale of the Group's investment in LIORC and was held in restricted accounts as security under the Group's existing revolving credit facility, before being utilised to partially fund the Voisey's Bay cobalt stream acquisition.

26 NET DEBT

See *notes 4.9(a) and note 4.9(h)* for the Group's accounting policy on cash and debt.

Net debt is a measure of the Group's financial position. The Group uses net debt to monitor the sources and uses of financial resources, the availability of capital to invest or return to shareholders, and the resilience of the balance sheet. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group and Company's net (debt)/cash and cash equivalents position after offsetting the revolving credit facility against cash and cash equivalents is as follows:

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Revolving credit facility	(112,000)	(60,767)	(112,000)	(60,767)
Cash and cash equivalents	21,992	27,513	8,649	24,127
NET CASH AND CASH EQUIVALENTS/(DEBT)	(90,008)	(33,254)	(103,351)	(36,640)

Movement in net debt

Group	Cash and cash equivalents $'000	Medium and long term borrowings $'000	Net debt $'000
At 1 January 2020	10,017	47,998	(37,981)
Cash flow	17,694	11,944	5,750
Foreign exchange differences	(198)	825	(1,023)
At 31 December 2020	27,513	60,767	(33,254)
Cash flow	(4,207)	51,006	(55,213)
Foreign exchange differences	(1,314)	227	(1,541)
AT 31 DECEMBER 2021	21,992	112,000	(90,008)

During the year ended 31 December 2021, the Group drew $123.5m (2020: $23.5m) on its revolving credit facility (refer to *note 27*) and repaid $72.5m (2020: $11.6m).

27 BORROWINGS

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
SECURED BORROWING AT AMORTISED COST				
Revolving credit facility	112,000	60,767	112,000	60,767
	112,000	60,767	112,000	60,767
Amount due for settlement within 12 months	–	–	–	–
Amount due for settlement after 12 months	112,000	60,767	112,000	60,767

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 a margin of 175-500 bps subject to leverage ratios.

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. To part finance the acquisition, the Group drew down $123.5m on the new facility.

Following the completion of the equity placing detailed in *note 30*, the facility was reduced to $150.0m. Under the facility agreement, there is a further step down of $25.0m in August 2022.

The new facility has a three-year term with the option 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 31 December 2021.

The Group's revolving credit facility is secured by way of a fixed and floating charge over the Group's assets, in addition to security agreements over the Kestrel royalty ***(note 16)***, the Voiesy's Bay metal stream ***(note 17)***, the Group's investment in LIORC ***(note 18)***, the Mantos Blancos and Maracás Menchen royalties ***(note 19)*** and the Denison loan ***(note 23)***. The revolving credit facility is also subject to a number of financial covenants, all of which have been met during the year ended 31 December 2021.

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

28 DEFERRED TAX

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

Group	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
(Credit)/charge to profit or loss	(17,057)	(173)	120	4	(17,106)
Charge to other comprehensive income	–	2,979	–	–	2,979
Exchange differences	1,797	(427)	90	–	1,460
Effect of change in tax rate:					
– income statement	–	99	–	–	99
At 31 December 2020	22,881	(846)	982	–	23,017
Deferred tax assets on acquisition ***(note 17)***	–	–	–	(31,930)	(31,930)
Charge/(credit) to profit or loss	3,911	3,847	4,697	(448)	12,007
(Credit) to other comprehensive income	–	(1,621)	–	–	(1,621)
Exchange differences	(1,452)	231	(210)	–	(1,431)
Effect of change in tax rate:					
– income statement	–	191	–	–	191
AT 31 DECEMBER 2021	25,340	1,802	5,469	(32,378)	233

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:

	2021 $'000	2020 $'000
Deferred tax liabilities	(36,711)	(27,475)
Deferred tax assets	36,478	4,458
	(233)	(23,017)

The Group has the following balances in respect of which no deferred tax asset has been recognised:

	2021				2020			
	Tax losses – trading $'000	**Tax losses – capital $'000**	**Other temporary differences $'000**	**Total $'000**	Tax losses – trading $'000	Tax losses – capital $'000	Other temporary differences $'000	Total $'000
EXPIRY DATE								
Within one year	–	–	–	–	–	–	–	–
Greater than one year, less than five years	–	–	–	–	–	–	–	–
Greater than five years	–	–	–	–	–	–	–	–
No expiry date	17,885	66,429	12,151	96,465	10,346	67,988	11,235	89,569
	17,885	66,429	12,151	96,465	10,346	67,988	11,235	89,569

Temporary differences associated with investments in subsidiaries, joint ventures and associates are insignificant.

The following are the major deferred tax liabilities recognised by the Company utilising a rate of 25% (2020: 19%) and the movements thereon during the period:

Company	Revaluation of royalty instruments $'000	Total $'000
At 1 January 2020	843	843
(Credit)/Charge to profit or loss	(238)	(238)
At 31 December 2020	605	605
Charge/(Credit) to profit or loss	2,684	2,684
Effect of change in tax rate:		
– income statement	191	191
AT 31 DECEMBER 2021	3,480	3,480

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

Company	**2021 £'000**	2020 £'000
Deferred tax liabilities	3,480	605
	3,480	605

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
CURRENT				
Other taxation and social security payables	33	152	30	147
Trade payables	96	63	67	53
Borrowings from subsidiaries	–	–	54,366	52,971
Accruals and other payables	3,553	2,627	3,248	1,934
Contingent consideration	950	–	–	–
	4,632	2,842	57,711	55,105

The average credit period taken for trade purchases is 28 days (2020: 18 days). The Directors consider that the carrying amount of trade and other payables approximates their fair value. All amounts are considered short-term and none are past due.

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
NON-CURRENT				
Contingent consideration	1,534	–	–	–
Lease liability	769	1,037	769	1,037
Other taxation and social security payables	607	1,146	607	1,146
	2,910	2,183	1,376	2,183

As at 31 December 2021, current and non-current contingent consideration of $1.0m and $1.5m respectively, relates to the Voisey's Bay cobalt stream acquisition ***(note 17)***. For the period from completion date to 30 June 2025, the Group may become liable for additional consideration payments determined by reference to minimum production thresholds and cobalt prices.

The contingent consideration classified as a current liability represents those additional payments due as a result of certain production and price thresholds being met during the second half of 2021. The contingent consideration classified as non-current represents the net present value of the discounted future cash outflows estimated based on forward looking cobalt prices and expected production volumes for the period to 30 June 2025, which the Directors consider represents the fair value of this potential liability.

Non-current lease liability relates to the Group's office premises in London, which comprises annual payments of £0.2m and expires in 2024.

Non-current other taxation and social security payables relates to employer national insurance due on vesting of the certain share-based payments.

30 SHARE CAPITAL AND SHARE PREMIUM

Issued share capital

Group and Company	Number of shares	Share capital $'000	Share premium $'000	Merger reserve $'000	Total $'000
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
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 31 DECEMBER 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 priced 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 17)***.

(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.

Own shares

Included in the Company's issued share capital are shares held by the Anglo Pacific Group Employee Benefit Trust ('EBT') to settle existing employee related share-based payments as follows:

	2021		2020	
	Number of shares	$'000	Number of shares	$'000
OWN SHARES				
At 1 January	444,726	(1,535)	925,933	(3,430)
Transferred to employees in settlement of share awards	–	–	(559,266)	2,072
Shares acquired to settle future share awards	–	–	78,059	(177)
AT 31 DECEMBER	444,726	(1,535)	444,726	(1,535)

As the EBT has waived its right to receive dividends, the Company's shares held by the EBT are excluded from the weighted average number of shares in issue for the purposes of calculating earnings per share in ***note 13***.

Treasury shares

	2021		2020	
	Number of shares	$'000	Number of shares	$'000
TREASURY SHARES				
At 1 January	4,629,703	122	–	–
Share buyback	–	–	4,629,703	122
Utilisation of shares held in treasury on exercise of employee options	(300,000)	(8)	–	–
AT 31 DECEMBER	4,329,703	114	4,629,703	122

Shares are held in treasury do not receive dividends, as such they are excluded from the weighted average number of shares in issue for the purposes of calculating earnings per share in ***note 13***.

31 SHARE-BASED PAYMENTS

The Group had outstanding awards under the following equity-settled share-based compensation plans in 2021 and 2022:

- The HMRC approved Company Share Ownership Plan (the 'CSOP');
- The Unapproved Share Ownership Plan (the 'USOP');
- The Value Creation Plan (the 'VCP'); and
- The Long-term Incentive Plan (the 'LTIP').

(a) Company Share Ownership Plan

Under the CSOP, share options were granted to Executive Directors and employees. The exercise price of the granted options is equal to the average mid-market closing price of an ordinary share for the three days before the grant. The options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in absolute TSR over the period of 3% per annum (not compounded) in excess of the UK Retail Price Index; the options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

In accordance with the CSOP rules, no further grants of awards under this plan can made after April 2020. As a result, no awards were made under the CSOP in 2021 or 2020.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Options	Weighted average exercise price (£)	Options	Weighted average exercise price (£)
Outstanding at 1 January	47,502	1.2708	47,502	1.2708
Forfeited during the year	(27,528)	1.6342	–	–
OUTSTANDING AT 31 DECEMBER	19,974	0.7700	47,502	1.2708

Out of the 19,974 outstanding options (2020: 47,502), 19,974 options were exercisable (2020: 19,947).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Options	
Expiry date	Exercise price in £ per share	2021	2020
2024	1.6258	–	6,150
2025	0.7700	19,974	19,974
2028	1.6367	–	21,378
		19,974	47,502
Weighted average remaining contractual life		4.00	6.00

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(b) Unapproved Share Option Plan

The Group's USOP was approved by shareholders at the 2016 AGM. The plan was established to provide the Group additional scope to incentivise employees, particularly those who do not participate in the VCP, over and above the limit of the CSOP.

The exercise price of the granted options is equal to the average mid-market closing price of an ordinary share for the three days before the grant. The options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date and have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of options granted during March 2021 determined using a Black-Scholes valuation model was £0.19 per option. The significant inputs into the model were the share price of £1.34 at the grant date, exercise price of £1.389, volatility of 37.00%, expected dividend yield of 6.99%, expected option life of four years and an annual risk-free rate of 0.20%.

The weighted average fair value of options granted during January 2020 determined using a Black-Scholes valuation model was £0.30 per option. The significant inputs into the model were the share price of £1.760 at the grant date, exercise price of £1.788, volatility of 34.00%, expected dividend yield of 4.55%, expected option life of four years and an annual risk-free rate of 0.39%.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Options	**Weighted average exercise price (£)**	Options	Weighted average exercise price (£)
Outstanding at 1 January	1,725,000	1.1487	2,472,593	1.0307
Granted during the year	75,000	1.3887	100,000	1.7883
Exercised during the year	(300,000)	0.8801	(847,593)	0.8801
OUTSTANDING AT 31 DECEMBER	1,500,000	1.2144	1,725,000	1.1487

Out of the 1,500,000 outstanding options (2020: 1,725,000), 950,000 options (2020: 1,250,000) were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Options	
Expiry date	Exercise price in £ per share	**2021**	2020
2022	–	266,667	366,667
2022	1.2607	683,333	883,333
2024	1.8617	300,000	300,000
2024	1.9208	75,000	75,000
2025	1.7883	100,000	100,000
2026	1.3887	75,000	–
		1,500,000	1,725,000
Weighted average remaining contractual life		1.06	1.97

(c) Value Creation Plan

Following the approval at the 2014 AGM, the Group implemented the VCP for the Executive Directors and selected senior management. The VCP was designed by the Remuneration Committee to incentivise the Executive Directors and senior management to drive growth in shareholder return over a five-year measurement period. At the 2016 AGM, shareholders approved the extension of the measurement period from five to seven years.

Under the terms of the VCP, no value would accrue to the participants unless growth in the Group's total shareholder return over the measurement period is at least equal to 7% per annum. As this threshold level of growth was not achieved by the end of the measurement period in June 2021, no value accrued to the participants and all outstanding awards were forfeited.

VCP awards outstanding at 31 December 2021 and 31 December 2020 are as follows:

Expiry date	**Options 2021**	Options 2020
Outstanding at January 1	86,867	86,867
Forfeited during the year	(86,867)	–
OUTSTANDING AT DECEMBER 31	–	86,867
Weighted average remaining contractual life	–	0.50

(d) Long-term Incentive Plan

Following the approval at the 2021 AGM, the Group implemented the LTIP for the Executive Directors and employees. The LTIP allows for the grant of Performance Share Awards ('PSA') whereby awards are granted to Executive Directors and senior management to acquire shares in Anglo Pacific Group PLC at no cost, subject to the achievement by the Group of specified performance targets and Restricted Share Awards ('RSA') whereby awards are granted to employees who are not granted PSAs to acquire shares in Anglo Pacific Group PLC at no cost after a three-year vesting period with no performance criteria attached. The granting of these restricted share awards has replaced the granting of awards under the USOP to employees.

Performance Share Awards

Under the LTIP, Performance Share Awards are granted to Executive Directors and senior management at no cost. The percentage of each award that vests is based upon the performance of the Group over a defined measurement period. For awards granted in 2021, the performance conditions are based on three equally weighted measures over a three-year performance period. These are total shareholder return, portfolio contribution and adjusted earnings per share.

The fair value of the awards is determined based on the closing share price on the day of grant. For the total shareholder return performance element, this is adjusted by the likelihood of that conditions being met, as assessed at the time of grant.

During 2021, awards were made of 793,067 shares at a weighted fair value of 84.04p per share. As at 31 December 2021, there were outstanding awards over 793,067 shares.

Restricted Share Awards

Under the LTIP, Restricted Share Awards are granted to those employees not granted performance share awards, at no cost. The awards vest after three years and there are no performance criteria attached. The fair value of these awards is determined based on the closing share price on the day of grant.

	Shares	Weighted fair value
At 1 January 2021	–	
Awards granted	79,101	1.4014
AT 31 DECEMBER 2021	79,101	

Refer to *note 8(a)* for the total expense recognised in the income statement for awards under the Group's CSOP, USOP, VCP and LTIP granted to Executive Directors and employees.

32 SPECIAL RESERVE

As part of the capital reduction in 2002, a special reserve was created, which represents the level of profit attributable to the Group for the period ended 30 June 2002. At 31 December 2021, this reserve remains unavailable for distribution.

	Group $'000	Company $'000
At 1 January 2021 and 31 December 2021	833	833

33 RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with subsidiaries:

	2021 $'000	2020 $'000
Net financing of related entities	125,635	(556)
Management fee	4,466	2,956
Amounts owed by related parties at year end	177,349	55,593
Amounts owed to related parties at year end	(54,366)	(52,971)

All transactions were made in the course of funding the Group's continuing activities.

Amounts owed by related parties are non-interest bearing and are not due to be received in the next twelve months. Amounts owed to related parties comprise both interest and non-interest-bearing borrowings that are repayable on demand.

Remuneration of key management personnel

The remuneration of the key management personnel including Directors of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on *pages 60 to 64*.

	2021 $'000	2020 $'000
Short-term employee benefits	1,807	1,757
Post-employment benefits	83	78
Share-based payment	199	249
	2,089	2,084

Directors' transactions

The Group received $107,173.14 from Audley Capital Advisors LLP, a company which Mr. J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the reimbursement of travel costs and the subletting of office space during the year ended 31 December 2021 (2020: $65,443.95). At 31 December 2021 there were no amounts owing from Audley Capital Advisors LLP (2020: $27,315.76).

There were no amounts paid by the Group to Audley Capital Advisors LLP during the year ended 31 December 2021. During the year ended 31 December 2020, the Group paid Audley Capital Advisors LLP, $2,490.31 for the reimbursement of travel costs. No amounts were owing to Audley Capital Advisors LLP as at 31 December 2021 or 2020.

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34 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 and metal stream arrangements. Royalty and metal stream related revenue and its associated impact on operating profit is the key focus of the Executive Committee. The income from the Group's royalties and metal streams 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, McLean Lake, Mantos Blancos, Maracás Menchen, LIORC, Ring of Fire, Piauí, Canariaco, Ground Hog, Flowstream
Europe:	EVBC, Salamanca
Other:	Dugbe I, and includes the Group's mining and exploration interests

Despite the Group's royalty and metal stream arrangements being exposed to different commodities, the Executive Committee having considered the impact of climate change on the demand for and pricing of the commodities underlying the Group's portfolio, concluded the arrangements in each jurisdiction to have similar economic characteristics which should result in similar long-term performance over the commodity cycle.

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 allocating resources, is operating profit as analysed below.

The segment information for the year ended 31 December 2021 is as follows (noting that total segment operating profit corresponds to operating profit before impairments, revaluations and gains/losses on disposals 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 metal stream related revenue	51,774	33,521	–	–	85,295
Amortisation and depletion of royalties and streams	(3,311)	(11,534)	–	–	(14,845)
Metal streams cost of sales	–	(4,046)	–	–	(4,046)
Operating expenses	(5,061)	(386)	–	(5,293)	(10,740)
TOTAL SEGMENT OPERATING PROFIT/(LOSS)	43,402	17,555	–	(5,293)	55,664
TOTAL SEGMENT ASSETS	145,532	340,137	14,514	20,276	520,459
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	181,083	–	38	181,121
TOTAL SEGMENT LIABILITIES	35,164	119,247	3,480	5,465	163,356

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

	Australia royalties and streams $'000	Americas royalties and streams $'000	Europe royalties and treams $'000	All other segments $'000	Total $'000
Royalty and stream related revenue	27,786	15,868	–	–	43,654
Amortisation and depletion 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 and metal stream related revenue in Australia of $51.8m (2020: $27.8m) includes the Kestrel royalty which generated $48.1m (2020: $23.3m). Individually the revenue generated by Kestrel represented greater than 10% of the Group's revenue in both 2020 and 2021.

The royalty and metal stream related revenue in the Americas of $33.5m (2020: $15.9m) includes the Voisey's Bay cobalt stream which generated $16.5m (2020: nil), which individually represents more than 10% of the Group's revenue in 2021. Of the $15.9m of royalty and metal stream related revenue generated in the Americas during 2020, $8.9m was generated from the dividends received from Labrador Iron Ore Company, which individually represented more than 10% of the Group's revenue in 2020. Dividends received from Labrador Iron Ore Company for the year ended 31 December 2021 totalled $4.9m.

The royalty and metal related revenue from Voisey's Bay of $16.5m (2020: nil), together with $3.4m from Narrabri (2020: $3.9m), $3.3m from Maracás Menchen (2020: $0.7m), $5.7m from Mantos Blancos (2020: $3.7m) and $0.3m from Four Mile (2020: $0.6m) represents revenue recognised from contracts with customers as defined by IFRS 15.

Impairments

During the year ended 31 December 2021, the Group recognised an impairment charge of $3.2m in relation to the Salamanca royalty, which is within in the "Europe royalties and streams" segment. In addition, the Group recognised impairment charges of $1.2m (2020: $3.5m) in relation to the Pilbara royalty and $0.9m in relation to the Ring of Fire royalty which within the "Australia royalties and streams" and "Americas royalties and streams" segments respectively. The Group recognised an impairment charge of $0.8m in relation to the Groundhog royalty, which is within the "Americas royalties and streams" segment during the year ended 31 December 2020. Refer to *note 19* for further details on the Group's impairments.

35 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. The Group's financial risk management should be read in conjunction with the principal risks outlined on *pages 60 to 64* of the Strategic Report.

Liquidity and funding risk

The objective of the Company in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. As at 31 December 2021 the Group had borrowings of $112.0m (2020: $60.8m). Subsequent to the year end, the Group repaid $32.0m of these borrowings and subject to continued covenant compliance, the Group has access to a further $70.0m through its secured $150.0m revolving credit facility.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayments periods as at 31 December 2021. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	1-5 years $'000	Total $'000
31 DECEMBER 2021			
Interest bearing revolving credit facility	4.29	112,000	112,000
		112,000	112,000
31 DECEMBER 2020			
Interest bearing revolving credit facility	3.46	60,767	60,767
		60,767	60,767

Credit risk

The Group's principal financial assets are bank balances, royalty financial instruments (excluding the investment in LIORC), trade and other receivables. These represent the Group's maximum exposure to credit risk in relation to financial assets and total $112.3m at 31 December 2021 ($71.7m at 31 December 2020).

The Group's credit risk is primarily attributable to its trade and other receivables, including royalty and metal stream receivables, the interest-bearing long-term receivable from Denison Mines Inc *(note 23)* and the deferred consideration due from Whitehaven Coal Limited following the disposal of the Narrabri royalty *(notes 19 and 23)*. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables and expected credit losses, estimated by the Group's management based on prior experience and the current economic environment.

The Group's credit risk on royalty interests held as financial instruments has been reviewed and the estimated current exposure is as disclosed in *note 18* where the future contractual right to cash flows from these instruments is reflected in their fair value.

The credit risk on bank deposits is mitigated by banking with financial institutions with credit ratings assigned by Standard & Poor's and Moody's of "A" or higher, in reputable jurisdictions. The Group has no significant concentration of credit risk, with exposure spread over a number of currencies and financial institutions.

The Group's credit risk on foreign exchange forward contracts is mitigated by the restriction that such contracts can only be entered into with the existing lending syndicate. The Group limits its exposure to credit risk, together with that of the contracting financial institution, by restricting the settlement date to no more than a year from the contract date. In addition, the Group limits the quantum of the forward contracts to no more than an average 70% of forecast royalty and metal stream related revenue expected to be received by the date of settlement.

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Share price risk

The Group is exposed to share price risk in respect of its mining and exploration interests ***(note 20)*** which include listed and unlisted equity securities, together with its investment in LIORC which is classified as a royalty financial instrument ***(note 18)***.

A 10% increase or decrease in the fair value of our mining and exploration interests (quoted and unquoted) would increase/decrease the mining and exploration interests balance (and investment revaluation reserve in equity) by $0.4m at 31 December 2021 ($1.1m at 31 December 2020).

Similarly, had there been a 10% increase or decrease in the underlying share price of the Group's investment in LIORC, the Group's royalty financial instrument designated as FVTOCI (and the investment revaluation reserve in equity) would have increased/decreased by $3.0m as at 31 December 2021 ($9.1m at 31 December 2020).

The Group's mining and exploration interests are in entities whose primary projects the Group already holds a royalty over, for example Berkeley Energia and Brazilian Nickel plc, or in entities where a future royalty or metal stream opportunity may exist. While these interests are considered long-term, strategic investments, they are no longer a significant part of the Group's approach to securing new royalties and metal streams.

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.

Other price risk

The royalty and metal stream portfolio exposes the Group to other price risk through fluctuations in commodity prices, particularly the prices of coking coal, cobalt, vanadium, copper, iron ore, gold and uranium. As the Directors obtain independent commodity price forecasts, the generation of which takes into account fluctuations in prices, limited analysis of the impact of fluctuations on the valuations of the royalties has been undertaken in ***notes 16 and 18***.

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 related revenue from Kestrel and Narrabri accounting for over 60% of the Group's income (2020: 60%), the Group's primary foreign exchange exposure is to the Australian dollar, which these royalties are denominated. 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 9% of the Group's income in 2021 (2020: 25%).

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 foreign exchange forward contracts at 31 December 2021 ***(note 24)*** and the Group has no other hedging programme in place.

In terms of material commitments, the risk in relation to currency fluctuations is assessed by the Executive Committee at the time the commitment is made and regularly reviewed. As at 31 December 2021 that Group has no material commitments denominated in a foreign currency (31 December 2020: nil).

Financial assets and liabilities are split by currency as follows:

					2021					2020
	USD US$'000	AUD US$'000	CAD US$'000	GBP US$'000	EUR US$'000	USD US$'000	AUD US$'000	CAD US$'000	GBP US$'000	EUR US$'000
Financial assets	46,525	120,125	55,536	9,724	18	23,332	91,759	121,205	13,848	99
Financial liabilities	114,566	–	8	–	5	39,750	–	2,599	18,481	–
Net exposure	(68,042)	120,125	55,528	9,724	13	(16,417)	91,759	118,606	(4,632)	99

Foreign exchange sensitivities

With the exception of the cash balances, non-current other receivables and borrowings, the majority of the financial instruments not denominated in GBP are held in entities with the same functional currency and for the purpose of this sensitivity analysis, the impact of changing exchange rates on the translation of foreign subsidiaries into the Group's presentation currency has been excluded.

In terms of the cash balance, the significant sensitivities are as follows:

- A +/- 10% change in the USD:AUD rate would increase/decrease profit after tax and equity by $0.8m (2020: $0.2m);
- A +/- 10% change in the USD:CAD rate would increase/decrease profit after tax and equity by $0.2m (2020: $0.2m);
- A +/- 10% change in the USD:GBP rate would increase/decrease profit after tax and equity by $0.4m (2020: $0.3m).

In terms of the non-current other receivable balance, which relates to the Canadian dollar denominated loan to Denison ***(note 23)***, a +/- 10% change in the USD:CAD rate would increase/decrease profit after tax and equity by $2.2m (2020: $2.3m).

In terms of borrowings, the Group had drawings under the revolving credit facility in USD only, at 31 December 2021 and therefore, would not be impacted by movements in foreign exchange rates. As at 31 December 2020, the Group had drawings under the revolving credit facility in USD, GBP and CAD. The significant sensitivities for the borrowings in 2020 only are as follows:

- A +/- 10% change in the USD:GBP rate would increase/decrease profit after tax and equity by $1.8m;
- A +/- 10% change in the USD:CAD rate would increase/decrease profit after tax and equity by $0.3m.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Capital risk management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to realise the full value of its assets and to enhance shareholder value in the company and returns to shareholders by acquiring further royalty assets.

The Directors continue to monitor the capital requirements of the Group by reference to expected future cash flows. Capital for the reporting periods presented is summarised in the consolidated statement of changes in equity.

In funding the business activities of the Group, the Directors consider both debt and equity, having regard to the Group's available debt facility and the prevailing share price at the time funding is required. Where funding is obtained through debt, the Group maintains its targeted debt capacity of 2-2.5 times adjusted EBITDA, although a higher ratio can be tolerated for shorter periods when there is a reasonable expectation of a recovery in free cash flow.

Financial instruments

The Group and Company held the following investments in financial instruments and other items held at fair value:

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Investment property (held at fair value)				
Coal royalties (Kestrel)	84,465	76,268	–	–
Fair value through other comprehensive income				
Royalty financial instruments	30,494	90,672	–	–
Mining and exploration interests	4,396	10,946	1,721	8,224
Fair value through profit of loss				
Royalty financial instruments	23,297	9,251	13,920	3,183
Derivative financial instruments[1]	–	13	–	–
Contingent consideration – royalty intangible disposal[2]	4,018	–	–	–
Cash at bank and in hand	21,992	27,513	8,649	24,127
Financial assets at amortised cost				
Trade and other receivables[3]	63,267	35,579	200,462	80,440
Financial liabilities at amortised cost				
Trade and other payables[4]	96	39	54,433	53,024
Borrowings[5]	112,000	60,767	112,000	60,767
Contingent consideration	950	–	–	–
Financial liabilities at fair value through profit or loss				
Contingent consideration – metal stream acquisition[6]	1,534	–	–	–

[1] Derivative financial instruments include the Group's foreign exchange forward contracts, as set out in ***note 24***.

[2] Contingent consideration –royalty intangible disposal as detailed in ***note 19*** and ***note 23***.

[3] Trade and other receivables include royalty receivables, other receivables and other non-current receivables, less contingent consideration only, as set out in ***note 23***.

[4] Trade and other payables include trade payables only, as set out in ***note 29***.

[5] Borrowings include the revolving credit facility only, as set out in ***note 27***.

[6] Contingent consideration – metal stream acquisition as detailed in ***note 17*** and ***note 29***.

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.

Fair value hierarchy

The following tables present financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy aggregates financial assets and liabilities into three levels based on the significance of the 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.

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The following table presents the Group's assets that are measured at fair value at 31 December 2021:

Group	Notes	Level 1 $'000 (2021)	Level 2 $'000 (2021)	Level 3 $'000 (2021)	Total $'000 (2021)
ASSETS					
Coal royalties (Kestrel)	*(a)*	–	–	84,465	84,465
Royalty financial instruments	*(b)*	30,494	–	23,297	53,791
Mining and exploration interests – quoted	*(c)*	1,648	–	–	1,648
Mining and exploration interests – unquoted	*(d)*	–	2,748	–	2,748
Contingent consideration – royalty intangible disposal	*(e)*			4,018	4,018
LIABILITIES					
Contingent consideration – metal stream acquisition	*(f)*	–	–	(1,534)	(1,534)
NET FAIR VALUE		32,142	2,748	110,246	145,136

The following table presents the Group's assets that are measured at fair value at 31 December 2020:

Group	Notes	Level 1 $'000 (2020)	Level 2 $'000 (2020)	Level 3 $'000 (2020)	Total $'000 (2020)
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
Financial derivative instruments	*(g)*	–	13	–	13
NET FAIR VALUE		98,844	2,787	85,519	187,150

The following table presents the Company's assets that are measured at fair value at 31 December 2021:

Company	Notes	Level 1 $'000 (2021)	Level 2 $'000 (2021)	Level 3 $'000 (2021)	Total $'000 (2021)
ASSETS					
Royalty financial instruments	*(b)*	–	–	13,920	13,920
Mining and exploration interests – quoted	*(c)*	1,646	–	–	1,646
Mining and exploration interests – unquoted	*(d)*	–	75	–	75
NET FAIR VALUE		1,646	75	13,920	15,641

The following table presents the Company's assets that are measured at fair value at 31 December 2020:

Company	Notes	Level 1 $'000 (2020)	Level 2 $'000 (2020)	Level 3 $'000 (2020)	Total $'000 (2020)
ASSETS					
Royalty financial instruments	*(b)*	–	–	3,183	3,183
Mining and exploration interests – quoted	*(c)*	8,148	–	–	8,148
Mining and exploration interests – unquoted	*(d)*	–	76	–	76
NET FAIR VALUE		8,148	76	3,183	11,407

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 6.00% (2020: 6.50%) by an independent valuation consultant. Refer to ***note 16*** for details of the key inputs into the valuation, together with a sensitivity analysis for fluctuations in the price assumptions and discount rate. All unobservable inputs are obtained from third parties.

(b) Royalty financial instruments

The Group's royalty financial instruments comprise of the investment in LIORC and the McLean Lake streaming agreement, together with the NSR and GRR royalties over EVBC, Dugbe 1 and Paiuí as detailed in ***note 18***.

At the reporting date, the fair value of the Group's investment in LIORC has been determined by reference to the quoted bid price of the instrument. As LIORC has a quoted share price in an active market, it has been categorised as level 1 in the fair value hierarchy.

The Group's remaining royalty financial instruments are valued based on the net present value of pre-tax cash flows discounted at a rate between 8.00% and 21.50% at reporting date. 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 instruments 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:

		31 December 2021		31 December 2020	
	Classification	Discount rate	Risk weighting	Discount rate	Risk weighting
EVBC	FVTPL	8.50%	100%	6.50%	100%
Dugbe 1	FVTPL	21.50%	25%	30.00%	75%
McLean Lake	FVTPL	8.00%	50%	6.50%	50%
Piaui	FVTPL	13.50%	25%-90%	13.50%	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 on 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 in investments which the Group anticipates a realistic possibility of a future listing.

(e) Contingent consideration – royalty intangible disposal

Contingent consideration – royalty intangible disposal, relates to the sale of the Narrabri royalty intangible completed on 31 December 2021 ***(note 19)***. For the period from completion date until 31 December 2026, the Group may receive additional consideration following state and federal government approvals in Australia of the Narrabri South extension, together with price and volume linked consideration. The contingent consideration has been classified as a financial asset that is carried at fair value based on the net present value of the discounted future cash flows estimated based on the probability of the Narrabri South extension being approved and the forward-looking thermal coal prices and expected production volumes. The financial asset in relation to the contingent consideration will be remeasured at each reporting date, with movements recognised in profit or loss over the period to 31 December 2026 during which the additional consideration may be received.

(f) Contingent consideration – metal stream acquisition

Contingent consideration – metal stream acquisition, relates to the acquisition of the Voisey's Bay metal stream completed on 11 March 2021 ***(note 17)***. 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 on a unit-of-production basis over the total expected deliveries to be received.

(g) Derivative financial instruments

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

Fair value measurements in Level 3

The Group's financial assets classified in Level 3 use 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 year ended 31 December 2021.

	Royalty financial instruments $'000	Coal royalties (Kestrel) $'000	Contingent consideration – royalty intangible disposal $'000	Contingent consideration – metal stream acquisition $'000	Total $'000
At 1 January 2021	9,251	76,268	–	–	85,519
Revaluation gains or losses recognised in:					
– income statement	17,501	13,037	–	–	30,538
Royalties due or received from royalty financial instruments	(3,115)	–	–	–	(3,115)
Fair value on initial recognition	–	–	4,018	(1,534)	2,484
Foreign currency translation	(340)	(4,840)	–	–	(5,180)
AT 31 DECEMBER 2021	23,297	84,465	4,018	(1,534)	110,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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	Contingent consideration – royalty intangible disposal $'000	Contingent consideration – metal stream acquisition $'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 years.

The Group measures its entitlement to the royalty income and any optionality embedded within the royalty financial 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.

36 FREE CASH FLOW

The structure and classification of a number of the Group's royalty arrangements result in a significant amount of cash flow not being included in the income statement. As the Group considers dividend cover based on 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, by the weighted average number of shares in issue.

	2021 $'000	**Free cash flow per share ¢**
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Net cash generated from operating activities for the year ended 31 December 2021	55,780	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	2,512	
Finance income	1	
Finance costs	(10,874)	
Lease payments	(268)	
Repayments under commodity related financing agreements	1,256	
FREE CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021	48,407	23.28¢

	2020 $'000	Free cash flow per share ¢
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Net cash generated from operating activities for the year ended 31 December 2020	21,541	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	5,540	
Finance income	149	
Finance costs	(2,439)	
Lease payments	(268)	
Repayments under commodity related financing agreements	888	
FREE CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020	25,411	14.09¢

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

	2021	2020
Weighted average number of shares in issue	207,403,286	180,373,966

37 PORTFOLIO CONTRIBUTION

Portfolio contribution represents the funds received or receivable from the Group's underlying royalty and metal 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, 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 and metal stream related assets.

Portfolio contribution is royalty and metal stream related revenue ***(note 6)***, less metal stream cost of sales, plus royalties received or receivable from royalty financial instruments carried at FVTPL ***(note 18)*** and principal repayment received under the Denison financing agreement ***(note 23)*** as follows:

Group	**2021 $'000**	2020 $'000
Royalty and metal stream related revenue ***(note 6)***	85,295	43,654
Royalties due or received from royalty financial instruments	3,115	2,967
Repayments under commodity related financing agreements	1,256	888
Metal streams cost of sales	(4,046)	–
	85,620	47,509

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 $300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter.

38 CONTINGENT LIABILITIES

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).

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 be achieved in second half of 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 31 December 2021.

39 EVENTS OCCURRING AFTER YEAR END

Subsequent to year end, following the receipt of its Q4 2021 royalties, the Group made a partial repayment of $32.0m of its borrowings ***(note 27)*** and subject to continued covenant compliance, the Group has access to a further $70.0m through its secured $150.0m revolving credit facility as at the date of this report.

In addition to the partial repayment of borrowings, the Board has considered the wide-ranging implications of the ongoing conflict between Russian and Ukraine on the Group's business, which at present is taking the form of increased commodity price volatility, albeit currently to the upside.

There are no other events that have occurred subsequent to year end that require additional disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

40 SUBSIDIARIES

The following tables outline the Group's subsidiaries, as defined in Regulation 7 of the UK Companies Act 2006. All subsidiaries are included in the Group consolidation.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
AUSTRALIA				
Alkormy Pty Ltd	Investments	Ordinary A$1.00	100%[+]	100%[+]
APG Aus No 1 Pty Ltd	Owner of iron ore royalties	Ordinary A$1.00	100%	100%
APG Aus No 2 Pty Ltd	Owner of iron ore royalties	Ordinary A$1.00	100%	100%
APG Aus No 3 Pty Ltd	Owner of uranium royalties	Ordinary A$1.00	100%	100%
APG Aus No 4 Pty Ltd	Owner of iron ore royalties	Ordinary A$1.00	100%	100%
APG Aus No 5 Pty Ltd	Owner of iron ore royalties	Ordinary A$1.00	100%	100%
APG Aus No 6 Pty Ltd	Owner of vanadium royalties	Ordinary A$1.00	100%	100%
APG Aus No 7 Pty Ltd	Owner of coal royalties	Ordinary A$1.00	100%	100%
APG Aus No 8 Pty Ltd	Owner of nickel royalties	Ordinary A$1.00	100%	100%
APG Aus No 9 Pty Ltd	Investments	Ordinary A$1.00	100%	100%
APG Aus No 10 Pty Ltd	Investments	Ordinary A$1.00	100%	100%
Argo Royalties Pty Ltd	Investments	Ordinary A$1.00	100%[+]	100%[+]
Gordon Resources Ltd	Owner of coal royalties	Ordinary A$0.20	100%[+]	100%[+]
HydroCarbon Holdings Pty Ltd	Dormant	Ordinary A$1.00	100%[+]	100%[+]
Indian Ocean Resources Pty Ltd	Investments	Ordinary A$0.25	100%[+]	100%[+]
Indian Ocean Ventures Pty Ltd	Dormant	Ordinary A$0.20	100%[+]	100%[+]
Starmont Holdings Pty Ltd	Investments	Ordinary A$1.00	100%	100%
Starmont Ventures Pty Ltd	Investments	Ordinary A$1.00	100%[+]	100%[+]
Woodford Wells Pty Ltd	Dormant	Ordinary A$0.25	100%[+]	100%[+]

[1] The registered office of all of the entities listed above is 6 Price Street, Subiaco, Western Australia 6008.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
BARBADOS				
Entrée International Holdings Inc	Intermediate holding company	Ordinary U$1.00	100%	100%
Entrée Peru Holdings Inc	Intermediate holding company	Ordinary U$1.00	100%[+]	100%[+]

[2] The registered office of all of the entities listed above is Suite 208, Building No 8, Harbour Road, Bridgetown, St Michaels, Barbados.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
CANADA				
Advance Royalty Corporation[3]	Owner of uranium royalties	Ordinary C$0.01	100%[+]	100%[+]
Albany River Royalty Corporation[3]	Owner of chromite royalties	Ordinary C$1.00	100%[+]	100%[+]
Panorama Coal Corporation[3]	Owner of coal royalties	Ordinary C$1.00	100%	100%
Polaris Royalty Corporation[3]	Intermediate holding company	Ordinary C$1.00	100%[+]	100%[+]
Trefi Coal Corporation[3]	Owner of coal tenures	Ordinary C$0.01	100%	100%
2809558 Ontario Inc[4]	Intermediate holding company	Ordinary U$1.00	100%[+]	N/A
APG Metals Holdings Limited[4]	Intermediate holding company	Ordinary U$1.00	100%[+]	N/A
APG Metals Limited[5]	Owner of metal stream	Ordinary U$1.00	100%[+]	N/A

[3] The registered office of this entity is 1720 Queens Avenue, West Vancouver, British Columbia, Canada V7V 2X7.

[4] The registered office of these entities is 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

[5] The registered office of this entity is 620-111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
ENGLAND				
Anglo Pacific Cygnus Ltd	Investments	Ordinary £1.00	100%	100%
Centaurus Royalties Ltd	Investments	Ordinary £1.00	100%	100%
Southern Cross Royalties Ltd	Investments	Ordinary £1.00	100%	100%
Pyxis Royalties Limited	Intermediate holding company	Ordinary £1.00	100%	N/A

[6] The registered office of all of the entities listed above is 1 Savile Row, London, England W1S 3JR.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
GUERNSEY				
Anglo Pacific Group Employee Benefit Trust	Administering Group incentive plans		100%	100%

[7] The registered office of the entity listed above is, Frances House, Sir William Place, St Peter Port GY1 4HQ.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
IRELAND				
Anglo Pacific Finance DAC	Treasury	Ordinary £1.00	100%+	100%

[8] The registered office of the entity listed above is Atlantic Avenue, Westpark Business Campus, Shannon, Co Clare.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
PERU				
Exploraciones Apolo Resources SAC	Owner of copper royalties	Ordinary S/1.00	100%+	N/A

[9] The registered office of the entity listed above is Av. Ricardo Angulo No 776, Office 301, District of San Isidro, Lima, Peru.

Company and country of incorporation/operation	Principal activities	Class of shares held	Proportion of class held at 31 December 2021 %	Proportion of class held at 31 December 2020 %
SCOTLAND				
Shetland Talc Ltd	Mineral exploration	Ordinary £1.00	100%	100%

[10] The registered office of the entity listed above is Grant Thornton, 95 Bothwell Street, Glasgow, Scotland G2 7JZ.

+ denotes interest is held indirectly.

SHAREHOLDER STATISTICS

(a) Size of holding (as at 25 March 2021)

Category	Number of shareholders	%	Number of shares	%
UK AND CANADA				
1 – 1,000	538	35.35%	274,551	0.13%
1,001 – 5,000	532	34.95%	1,237,977	0.57%
5,001 – 10,000	130	8.54%	989,893	0.45%
10,001 – and over	322	21.16%	215,608,041	98.85%
	1,522	100%	218,110,462	100%

(b) The percentage of total shares held by or on behalf of the twenty largest shareholders as at 25 March 2021 was 70.33%.

CORPORATE DETAILS

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SHAREHOLDERS

Please contact the respective registrar if you have any queries about your shareholding.

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FORWARD-LOOKING STATEMENTS

Cautionary statement on forward-looking statements and related information

Certain statements in this Annual Report are forward-looking statements based on certain assumptions and reflect the Group's expectations and views of future events. Forward-looking statements (which includes any statement which constitutes 'forward-looking information' for the purposes of Canadian securities legislation) may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, cash flow, requirement for and terms of additional financing, performance, prospects, opportunities, priorities, targets, goals, objectives, strategies, growth and outlook of the Group including the outlook for the markets and economies in which the Group operates, costs and timing of acquiring new royalties and making new investments, mineral reserve and resources estimates, estimates of future production, production costs and revenue, future demand for and prices of precious and base metals and other commodities and future demand for products which include 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, amongst others, 'expects', 'anticipates', 'plans', 'believes', 'estimates', 'seeks', 'intends', 'targets', 'projects', 'forecasts', 'potential', 'positioned', 'strategy', 'outlook', 'predict' or negative versions thereof and other similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

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

Forward-looking statements are provided for the purposes of assisting readers in understanding the Group's financial position and results of operations as at and for the periods ended on certain dates, and of presenting information about management's current expectations and plans relating to the future. It is believed that the expectations reflected in this Annual Report are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Readers are cautioned that such forward-looking statements may not be appropriate other than for purposes outlined in this Annual Report. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, that may be general or specific, which could cause actual results to differ materially from those forecast, 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. The forward-looking statements made in this Annual Report 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.

No statement in this communication is intended to be, nor should it be construed as, a profit forecast or a profit estimate and no statement in this communication should be interpreted to mean that earnings per share for the current or any future financial periods would necessarily match, exceed or be lower than the historical published earnings per share.

Forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this communication. Such risks and uncertainties include, but are not limited to: the failure to realise contemplated benefits from acquisitions and other royalty and stream investments; the effect of any mergers, acquisitions and divestitures on the Group's operating results and businesses generally; current global financial conditions; royalty, stream and investment portfolio and associated risk; adverse development risk; financial viability and operational effectiveness of owners and operators of the relevant properties underlying the Group's portfolio of royalties, streams and investments; royalties, streams and investments subject to other rights; and contractual terms not being honoured, together with those risks identified in the 'Principal Risks' section herein. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. Readers are cautioned that the list of factors noted in the section herein entitled 'Risk' is not exhaustive of the factors that may affect the Group's forward-looking statements. Readers are also cautioned to consider these and the other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

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

US Employment Retirement Income Security Act

Fiduciaries of (i) US employee benefit plans that are subject to Title I of the US Employment Retirement Income Security Act of 1974 (ERISA), (ii) individual retirement accounts, Keogh and other plans that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the Internal Revenue Code), and (iii) entities whose underlying assets are deemed to be ERISA 'plan assets' by reason of investments made in such entities by such employee benefit plans, individual retirement accounts, Keogh and other plans (collectively referred to as Benefit Plan Investors) should consider whether holding the Company's ordinary shares will constitute a violation of their fiduciary obligations under ERISA or a prohibited transaction under ERISA or the Internal Revenue Code. Shareholders should be aware that the assets of the Company may be or become treated as 'plan assets' that are subject to ERISA fiduciary requirements and/or the prohibited transaction rules of ERISA and the Internal Revenue Code. The Company's ordinary shares are subject to transfer restrictions and provisions that are intended to mitigate the risk of, among other things, the assets of the Company being deemed to be 'plan assets' under ERISA. Shareholders who believe these provisions may be applicable to them should review these restrictions which are set forth in the Company's Articles of Association and should consult their own counsel regarding the potential implications of ERISA, the prohibited transaction provisions of the Internal Revenue Code or any similar law in the context of an investment in the Company and the investment of the Company's assets.

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