News Release

28 March 2018

Anglo Pacific Group PLC
Results for the year ended 31 December 2017

Anglo Pacific Group PLC ('Anglo Pacific', the 'Company' or the 'Group') (LSE: APF) (TSX: APY) is pleased to announce its full year results for the year ended 31 December 2017 and the publication of its audited 2017 Annual Report and Accounts. These are available on the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com. The following statement should be read in conjunction with the audited financial statements.

Royalty Income Highlights

	2017 £m	%	2016 £m	2015 £m
Kestrel	28.8	+119%	13.1	3.6
Narrabri	4.9	+17%	4.3	*3.2*
EVBC	1.7	+42%	1.2	1.3
Maracás Menchen	2.0	+150%	0.8	*0.6*
Four Mile	-		0.3	-
Total royalty income *	**37.4**	**+90%**	**19.7**	**8.7**

* Royalty income does not include income from the Group's Denison financing arrangement of which £5.0m was received in 2017 (£1.8m relating to H2 2016)

Financial Highlights

- Record £37.4m in royalty income, an increase of 90% on last year (2016: £19.7m)
- Free cash flow more than tripled in 2017 to £41.5m (2016: £13.4m) resulting in free cash flow per share[2] of 23.20p (2016: 7.93p)
- 72% increase in adjusted earnings per share[1] to 16.82p (2016: 9.76p) which excludes non-cash valuation items that do not impact on dividend cover
- 16.7% increase in the total dividend for 2017 to 7p per share (2016: 6p per share) with dividend cover, based on adjusted earnings, of 2.4x (2016: 1.6x)
- Cash of £8.1m at 31 December 2017 (31 December 2016: Net debt £1.0m) after investing £29.4m, paying £15.9m dividends and repaying all outstanding borrowings

Operating Highlights

- Strong increase in commodity prices driving the Group's revenue; noticeably coking coal, thermal coal and vanadium
- Significant increase in sales volumes derived from within our private royalty area at Kestrel - 93% in 2017 compared to 67% in 2016 - with potential to increase ROM production to 5.7mt in the short to medium term
- Higher coal prices compensated for lower sales volumes at Narrabri, leading to an overall increase in revenue
- Record production at Maracás Menchen in 2017 of 9,297 tonnes, a 17% increase from 2016 with a more than doubling of average vanadium prices year on year
- Received £5.0m in cash from Denison in line with expectations
- Revenue from EVBC was higher owing to increased production from Orvana, which is continuing to explore possible mine life extension
- The Group acquired a Gross Revenue Royalty interest for the development of the Piaui Nickel Cobalt Project located in north eastern Brazil for an initial US$2m consideration

Julian Treger, Chief Executive Officer of Anglo Pacific, commented:

"2017 was a record year for Anglo Pacific with royalty income of £37.4m, and total income of £42.4m when the cash flows from our Denison transaction are included. This was achieved through a combination of higher commodity prices across our portfolio and a significant increase in mining from within our private royalty area at Kestrel - up from 67% in 2016 to 93% - very much in line with our guidance.

Anglo Pacific has enjoyed two years of significant growth in income and aims to maintain this momentum for future years by acquiring new royalties. With access to over US$50m of liquidity from our balance sheet and a favourable commodity pricing outlook, we believe we are well placed to take advantage of the opportunities to deploy capital in an accretive manner.

Our pipeline is in very good shape and we move forward into 2018 with optimism."

[1] Adjusted earnings/(loss) represents the Group's underlying operating performance from core activities. Adjusted earnings/(loss) is the profit/(loss) attributable to equity holders less all valuation movements, non-cash impairments and amortisation charges (which are non-cash IFRS adjustments that arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing. See note 11 to the financial statements for adjusted earnings/(loss).

[2] Free cash flow is the net increase/(decrease) in cash and cash equivalents prior to core acquisitions, equity raising and changes in the level of borrowings. See note 33 to the financial statements for free cash flow per share.

Analyst presentation

There will be an analyst presentation via conference call at 9:30am (GMT) on 28 March 2018. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Juan Alvarez (Head of Investments).

Dial in details for the call are as follows:

Location you are dialling in from	Number you should dial
United Kingdom	0800 640 6441
United Kingdom (Local)	020 3936 2999
All other locations	+44 (0)20 3936 2999

Participant Access Code: 04 17 52 (This must be entered in order for participants to gain access to the conference. Participant's requested details will then be taken before being placed into the conference.)

For further information:

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Notes to Editors

About Anglo Pacific

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

This is my first report as Chairman, having assumed the role after the 2017 AGM. Undoubtedly, 2017 has been a year of considerable progress for Anglo Pacific with record royalty revenue, two successful transactions and an increase in the dividend whilst repaying our borrowings in full. We enter 2018 in a very strong financial position and with a very exciting pipeline for growth, which is the clear focus for the year ahead.

Performance in 2017

Our royalty income in 2017 increased by 90% from £19.7m to £37.4m, continuing the trend of recent years, and representing a record year for the Company. This was primarily due to a significant increase in volumes from Kestrel being subject to the Group's royalty (93% in 2017 vs 67% in 2016) in addition to higher coal prices. Commodity prices exceeded most commentators' expectations at the beginning of 2017, with the average price achieved at Kestrel being some 30% higher than the previous year. Thermal coal and vanadium prices were also strong which contributed to the Group's record performance. We have also enjoyed income from the Denison investment for the first time.

The higher commodity prices and revenues during 2017 translated directly into higher profits and cash generation. Operating profit increased to £28.4m from £12.7m in 2016. Operating costs also increased in the period due to a combination of higher staff costs and a greater level of investment in business development as we target a higher rate of growth in the coming year.

Our results were, as usual, impacted by a number of revaluation adjustments which led to overall profit before tax being £11.8m compared to £28.3m in 2016, the decline being driven in the main by the valuation of the Kestrel royalty. Basic and diluted earnings per share were 5.88p compared with 15.60p in 2016. Stripping out these non-cash items, we present an adjusted earnings measure which, we believe, more closely reflects the performance within management's control. On this basis adjusted earnings per share were 16.82p (2016: 9.76p).

Dividends

In light of the strong results in 2017, and the strength of our dividend cover, the Board has recommended that the final dividend be increased by 1p per share (subject to approval by shareholders at the 2018 AGM), which will result in an overall dividend for the year of 7p per share. We have also increased the level of the interim dividend payments from 1.5p to 1.625p, which will be reflected in the Q1 2018 dividend. We believe that these levels strike the right balance between offering shareholders an attractive dividend yield and retaining sufficient resources to drive the growth strategy.

Focus for 2018

Given the strong financial position that we now enjoy, and the positive outlook for the sector, we are focused on accelerating the growth of our asset base in the coming years. We wish to increase the diversity of our portfolio such that it includes a wider range of commodities and assets, thereby reducing the percentage of our income coming from coal, and Kestrel in particular. We have also announced a desire to build a meaningful presence in commodities which are focused on the growing electric vehicle market, where we see great potential. Our investment in 2017 in the Piauí nickel project is an example of this focus combined with our strategy of looking to add pre-production royalties which will offer high return potential over the years. Our principal objective, however, remains the acquisition of producing or near production royalty and streaming assets

The team continues to be very disciplined in ensuring that acquisitions are of the highest quality in terms of project characteristics both technically and commercially and that we design transaction structures to optimise risk management.

Corporate Culture and Governance

Anglo Pacific seeks to maintain the highest standards in all areas of its business. I believe this starts at the top. We broadened the agenda at our annual strategy day in 2017 to include sessions on strategy, including corporate social responsibility, risk and board effectiveness. These sessions were primarily facilitated by industry experts who brought an objective and impartial insight as to how the Board approaches these areas in executing its strategy.

Whilst we acknowledge that we are not directly responsible for the operation of many of the underlying assets in our portfolio, we are committed to making

the pursuit of best practice in environmental, social and community, human rights, health and safety and diversity matters a high priority.

Board

We were disappointed to announce in February 2018 that Rachel Rhodes had decided not to put herself forward for re-election at the forthcoming AGM due to the ever-increasing time commitments of her other roles. Rachel has played an enormous part in the success of the Company over the past few years, and we will miss her valuable sector insights and views. We have commenced the process to find a suitable replacement. Mike Blyth has assumed the role of chair of the Audit Committee.

Since taking over from Mike Blyth as Chairman at the 2017 AGM, I have been actively seeking to help drive the growth of the business on which the whole team is focused. The other Directors bring different skills to the table and, I believe, enable the Board to operate effectively with appropriate diversity of approach whilst operating the various Board Committees with the independence expected of us as a listed company on the London Stock Exchange.

I am indebted to Mike Blyth for his efforts during his tenure as Chairman to ensure we have robust corporate governance structures and culture in place. I am delighted that he has agreed to continue as a Director such that we may still benefit from his wise counsel.

Outlook

2018 should be a year of continued growth for Anglo Pacific as production at our key assets continues to demonstrate strength and as new assets make their contribution. Much, however, will depend on how prices move during the year. In addition, as confidence returns to the mining sector, fresh opportunities will arise. We have shown our ability to be innovative and imaginative in our approach to the Denison and Piaui opportunities and believe that such an approach will continue to bear fruit in the year ahead.

In conclusion, I should like to thank all Directors and the entire executive team led by Julian Treger for their continued diligence and hard work during the year.

On behalf of the Board

N.P.H. Meier

Chairman
March 27, 2018

Anglo Pacific delivered on its guidance during the year. Including the cash received from our Denison investment, our income more than doubled, the third consecutive year in which it has done so. With less organic revenue growth expected in 2018, the focus for the year ahead is firmly on growing and diversifying the portfolio. With a strong balance sheet and improved market fundamentals, we believe we are well placed to deliver innovative and accretive transactions in the year ahead.

The finance review will provide the detail behind the significant increase in our KPIs during the year. As such, the following is my summary on the market, our focus for the year and some comments on the dividend.

Market outlook

The recovery of the mining sector has continued over the past year with prices generally rising. Despite being clearly in the upward phase of the cycle, there is still a good window for Anglo Pacific to make investments which will provide good returns in the coming years and we intend to take advantage of this opportunity.

Fortunately, our area of focus is also one of the most promising for commodity investment. The world is finally, for the first time in a decade, in a moment of coordinated global growth. The beneficiary of this will be the base and bulk materials which we specialise in and where demand is driven by GDP growth. Even more positively, the developments in new technologies such as electric vehicles and improved battery storage should create significant incremental demand for associated materials. In contrast to this positive demand picture, the supply side can be expected to be constrained for a number of years, first by the general lack of investment in new mines over the past five years but also by the continued relative scarcity of finance for new projects even today. The result should be an extenuated cycle longer than the previous one where Anglo Pacific, as a supplier of scarce capital to the sector, should be able to capture enhanced returns.

Within this context, we will continue to focus on base commodities like copper, nickel and zinc where we see visible industrial demand and deficits which could be increased by new technologies. We will also focus on alloys which can be used for light weighting and more specialised commodities such as vanadium, which we already have exposure to, and where we believe demand will outstrip supply. Opportunistically, we will look at bulks where we believe the price and risk equation is attractive.

In contrast, we believe many commodities are already in the upper range of their pricing and have more downside risk than upside, and we will be avoiding them. This includes gold which, though a beneficiary of inflation, may underperform in a situation where cryptocurrency alternatives abound, and interest rates increase holding costs. In addition, materials such as lithium are temporarily in short supply but we will need to model opportunities very conservatively for longer term investment given longer-term supply prospects.

Coal outlook

The continuing strength of coal pricing has surprised many, particularly in the UK who had believed the commodity to be ex growth. In fact, coal consumption continues to increase in absolute terms though coal's share of the global energy mix is slowly declining. Demand for energy coal, particularly in the East, is being fuelled by higher demand for grid power from new sources like electric vehicles. At the same time, supply is being squeezed, first by the Chinese restrictions on low quality product which seem to be a permanent feature of the market, but also because of continued depletion of mines without any sizable investment in bringing on new capacity. As a result, we expect coal prices to be higher for longer than the market consensus (which is rising already).

Within the coal complex, we have always argued for longer-term exposure to the higher quality less polluting material which, we believe, will serve to reduce pollution quicker than the impact which the gradual introduction of clean technology will achieve in the medium term. The Chinese policy is supportive of this trend and, in the market, we have observed higher discounts or premia being applied to lower or higher quality products. We are pleased that our exposure is to premium cleaner product and are comfortable with our ongoing, if reducing, exposure to this commodity.

Strategy

Consistent with the above market view and our enhanced balance sheet, we intend to accelerate our rate of growth in transforming Anglo Pacific into the preferred royalty vehicle for twenty first century commodities. There is a gap in the market to be a derisked mode of providing exposure to the raw material for new technologies and Anglo Pacific, as the only truly global non-precious royalty company, is well placed to occupy this niche. We believe that as we continue to execute on this pivot, the rating of the Company should increase.

Given our confident outlook, we are also prepared at this stage of the cycle to take slightly more risk and also to invest more in growth. We announced last year a new strategy to include development royalties as a new minor focus for our investments. We are pleased to have executed one of these and would hope for more in the current year. These investments should be largely funded through cash on hand. We have also decided to consider exposure to new geographies such as South America, Africa and Eastern Europe. However, we are unlikely to compound risk by investing in development opportunities in these countries, instead we will focus on operating assets.

From a financing perspective, with a strong balance sheet and income, we will seek to fund transactions by using our cash and by leveraging our balance sheet in the first instance. We have an undrawn revolving credit facility and believe this can be comfortably expanded with still low borrowing metrics. Should we come across larger transformative deals, we will consider other sources of finance.

Dividend

Although our focus is on investing in growth at this stage of the cycle (and shareholders should thus expect ongoing higher due diligence costs), we will seek to balance this with continuing to pay a proportion of this growth to our shareholders in the form of progressive dividends. We announced an overhaul in our dividend structure during 2017 which created quarterly payments, reduced the period between announcement and payment by almost three months, and created a flexible final quarter dividend. This was well received by shareholders.

We put this policy into action with the recommendation (subject to shareholder approval) of a final dividend for the year of 2.5p per share which increased the level

of total dividends for the year from 6p in 2016 to 7p for the year just gone. We have also reset the level of the quarterly interim dividends from 1.5p to 1.625p per share, meaning that the run rate for 2018 has increased from 6p to 6.5p per share, with any overall increase for 2018 being reserved for the final quarter. As such, and on a cash basis, shareholders will actually receive 7.375p per share in the next 12 months.

We believe this dividend policy strikes the right balance at this stage of the cycle between returns to shareholders and investing in growth.

Outlook
We enter 2018 in a position of strength, having enjoyed a record 2017. Strong earnings have translated directly into cash flow, we are debt free and see many opportunities in what is still a capital constrained sector. We expect to generate significant cash as commodity prices continue to remain at much higher levels than anticipated even just 12 months ago. With less organic revenue growth anticipated in 2018, our focus is now to accelerate the growth of our asset base by acquiring royalties which provide immediate cash flow or the potential to deliver significant growth over the longer term.

J.A. Treger
Chief Executive Officer
March 27, 2018

2017 was another year of significant growth for Anglo Pacific. Royalty income increased by 90% to a record £37.4m, the third year of posting a significant increase in revenue. The increase in the current year was due to a combination of increased commodity prices across the portfolio along with a significant increase in mining within the Group's private royalty land at Kestrel compared to 2016.

This record level of royalty revenue led to significant cash being generated during 2017 which, when including the £5.0m receipts from the Denison financing arrangement and £2.4m from non-core assets, resulted in free cash flow of £41.5m (2016: £13.4m). This cash was used to invest £16.4m into the portfolio, pay £15.9m to shareholders as dividends and repay our borrowings in full.

There is some organic growth expected from the portfolio during 2018, but this is not expected to result in a material increase in revenue as has been the case in the past three years. As such, the focus for 2018 is to leverage our unencumbered balance sheet and strong cash flow to add further royalties to our portfolio.

2018 will also see the introduction of IFRS9, which will have an impact on how our results are presented. Income from EVBC will no longer be shown as royalty income on the face of the Income Statement. Instead, the royalty will appear as a debt like asset with the cash being split between a deemed effective interest and principal element. Its revaluation at each reporting date, previously recognised in other comprehensive income, will now be recognised in the income statement, along with any deferred tax. Had this been adopted in 2017, reported royalty income would have been £1.7m lower. It is for this reason, along with the completion of the Denison financing arrangement in February 2017, that we introduced a cash based key performance indicator in 2016, which is designed to show the cash generated by the portfolio and against which the dividend cover can be assessed.

Income statement
Overall, the Group reported a profit after tax for the year of £10.5m compared to £26.4m in 2016. This resulted in basic earnings per share of 5.88p compared to 15.60p in the prior year.

Our Income Statement includes a number of valuation items which account for significant volatility and, in our view, does not present the true underlying performance during the year. The largest variance is in relation to the valuation of Kestrel, an investment property. This showed a surplus of £17.9m in 2016 only to reverse to a deficit of £11.9m in 2017, a swing of £29.8m. Also included is the fair value movement on our royalty assets which are accounted for as IAS 39 debt instruments. In the current period, the £6.3m deficit includes the full provision for the Jogjakarta debenture and a £3.3m fair value charge against the Group's Dugbe 1 royalty. There were no impairment charges in relation to the Group's royalty intangible assets in the period. These valuation movements also result in a corresponding but opposite deferred tax adjustment.

Valuation movements such as this are not considered by management in assessing the level of profit available for distribution to shareholders. As such, an adjusted earnings measure is used which reflects the underlying performance during the year.

	2017		**2016**
	£'000		**£'000**
Royalty income	37,382	90%	19,705
Operating expenses - excluding share based payments	(4,717)	42%	(3,327)
Finance costs	(795)	(27%)	(1,086)
Finance income	1,198	(49%)	2,347
Other (losses)/income	(42)		309
Tax	(2,933)	102%	(1,454)
Adjusted earnings	30,093	82%	16,494
Weighted average number of shares ('000)	178,895		169,016
	16.82p	**72%**	9.76p

Adjusted earnings increased by 72% during the year to £30.1m from £16.5m in 2016. This increase is primarily attributable to the 90% increase in royalty income, despite receiving no income from the Four Mile royalty as the dispute continues. This has been offset somewhat by a 42% increase in overheads to £4.7m due to higher staff costs and a greater investment by the Company in pursuing growth.

Elsewhere, finance income includes the £1.9m portion of the £5.0m Denison cash flows treated as interest. This also includes the impact of foreign exchange on the Group's monetary assets, which had a much higher impact in 2016 post the result of the EU referendum and associated impact on the value of the pound. The pound has been much more stable during 2017. Finance costs are lower, reflecting lower financing activities during the year. The tax charge doubled in the period to reflect a higher level of profit in the Group and higher withholding tax on royalties. In addition, 2016 benefitted from tax recoveries.

Overall, adjusted earnings per share were 16.8p in 2017, a 72% increase on the 9.76p earned in 2016. This results in dividend cover of 2.4x in 2017 compared to 1.6x in 2016.

Royalty Income

	2017		**2016**		**2015**
	£'000		**£'000**		**£'000**
Kestrel	28,746	119%	13,134	263%	3,614
Narrabri	4,946	17%	4,243	32%	3,217
EVBC	1,689	38%	1,223	-2%	1,246
Maracás Menchen	2,001	153%	791	31%	606
Four Mile	-		314		-
Royalty income	37,382	90%	19,705	127%	8,683

Royalty income increased by 90% during the year to £37.4m, which represents a record year of royalty revenue for Anglo Pacific. The Group's income continues to be heavily weighted towards Kestrel, which contributed £28.7m (76.9%) of the total. Elsewhere, there was a record contribution of £2.0m from Maracás Menchen, more than two and a half times of that in the previous year. Frustratingly, we did not receive any royalty income from Four Mile, where our dispute over the basis for calculating the royalty continues along the path towards judicial review.

Kestrel
Income from Kestrel increased by 119% in the year. This was mainly a function of a significant increase in the portion of mining at Kestrel being within the Group's private royalty land (93% in 2017 vs 67% in 2016) and much higher coal prices.

The increase in volumes from the Group's land was largely anticipated at the beginning of the year. We now expect to receive >90% of the royalties from Kestrel in

the medium-term. Overall, production from Kestrel remained relatively static during 2017 at ~5mt. We anticipate some organic growth in these volumes, as the stated ROM is 5.7mtpa.

In addition to volume, the Group benefitted from significantly higher coal prices throughout 2017 compared to what most forecasters had anticipated at the beginning of the year. The average price realised at Kestrel was 30% higher in 2017. This not only impacts on the headline royalty rate, it also serves to increase the weighted average royalty rate due to the ratchet-based calculation. As such, the weighted average royalty rate increased from 8.8% in 2016 to 10.5% in 2017.

Finally, the average GBP:AUD exchange rate in 2017 was 1.6811 compared to 1.8252; the latter was higher as the impact of Brexit was only in H2 2016. As such, converting the Australian dollar income into sterling resulted in a favourable variance in 2017 compared to 2016 of ~£2.3m.

All of this combined to produce overall royalty revenue of £28.7m in 2017 (2016: £13.1m), a record year of income from the Kestrel royalty.

Narrabri
Narrabri had a mixed year. The higher thermal coal price compensated for an overall reduction in sales volumes. Volumes at Narrabri continue to be impacted by a fault which is currently being experienced in part of the longwall panels, resulting in a step around being required which is impacting on production levels. Whitehaven are also experiencing changing roof conditions earlier than expected, which has slowed down the pace of mining. As such, they twice reduced their guidance for FY 2017 and achieved sales of 6.7mt in calendar year 2017 compared to 7.8mt in 2016. They expect the fault to persist for the next three years and have reduced their guidance accordingly.

The lower volumes in 2017 were compensated for by higher coal prices. Thermal coal prices were very resilient during 2017 and remained at levels well in advance of most commentators' expectations. Coal prices were, on average, 31% higher during 2017, which more than compensated for the 16% lower volume. The outlook for thermal coal, certainly in the short term, remains relatively favourable.

Maracás Menchen
Royalty income increased by more than two and a half times in 2017 to £2.0m, a record contribution from this royalty which was acquired in 2014. This reflected an increase in both volume and pricing.

In terms of volume, Largo achieved a record year of production at Maracás Menchen. Total production in 2017 was 9,297 tonnes, a 17% increase on the previous year and all the more impressive considering the 20-day planned shut down in Q1 2017 for minor modifications. Largo achieved regular monthly records during the course of 2017, culminating in a quarterly record of 2,539 tonnes in Q4 2017. These productions levels resulted in the first deferred consideration payment of US$1.5m becoming due and payable in November 2017.

In addition to strong underlying production, the vanadium price recovered significantly in 2017 with average prices almost double those of 2016. Spot prices to date in 2018 are at levels considerably higher than the average for 2017.

EVBC
Income from EVBC also showed a meaningful increase of 38% in 2017, contributing £1.7m. This is as a result of a 24% increase in gold production over the calendar year, and a 44% increase in copper production. The copper price has also produced significant gains during the course of 2017. The increase in production levels follows capital investments made by Orvana over the past 18 months or so. Orvana continue to examine the potential for mine life extension at EVBC.

Four Mile
The Group continues to be frustrated by the lack of income from Four Mile during 2017, owing to a dispute with the operator as to what costs are allowable deductions in accordance with the royalty agreement. At present, the operator is treating the royalty, in our view, akin to a profit share. The Group disagrees with this and considers this contract to be a net smelter return royalty. We have engaged legal and technical experts to assist us in compiling a file, at which point we will commence formal proceedings through the Australian judicial system. We are confident in the outcome of this process and will update the market when we have further clarity.

Operating expenses
Operating expenses increased by 42% in the period to £5.9m compared to £4.1m in 2016. Excluding the non-cash share-based payment provision, underlying costs increased from £3.4m in 2016 to £4.7m in 2017.

	2017		2016
	£'000		£'000
Staff costs	2,528		1,746
Professional fees	1,073		626
Other costs	1,115		955
Operating expenses - excluding share based payments	**4,716**	**(41.7%)**	**3,327**
Share based payments - including NI	1,174		803
Total operating expenses per the income statement	5,890		4,130

The main increase is in relation to staff costs, which increased by 45% to £2.5m. Part of the reason for the increase

was that 2016 was lower than usual due to an overprovision for bonus payments of £0.2m in 2015 which unwound in 2016. Secondly, the bonus period was altered in 2016 to be rebased to a calendar year. As such there was a one-off top up of £0.3m in 2017 to reflect the under provision at the end of 2016. Finally, salaries increased by £0.2m in 2017, which, when combined with a higher level of bonus provision, resulted in an additional £0.3m in the year.

Elsewhere, other noticeable differences include a large increase in listing costs. This is due to listing costs being a function of market capitalisation, which increased during the year. In addition, there are now a greater number of shares in issue post the Denison equity raise. The investment costs more than doubled in the period, which reflects a provision for legal costs incurred to date in resolving the Four Mile dispute along with some additional costs incurred in pursuing growth opportunities. We expect to incur additional costs in 2018 in searching and appraising potential royalty acquisitions.

Although costs increased during the period, management believe that a run-rate of below £5m is not excessive, and our internal controls are focused on disciplined procurement around due diligence and avoiding unnecessary costs.

Finance income and costs

	2017		2016
	£'000		£'000
Interest expense on borrowing facility	(188)		(278)
Non-utilisation fee on undrawn borrowings	(185)		(132)
Aborted transaction costs / professional fees	(422)		(676)
Finance costs	**(795)**	**26.7%**	**(1,086)**
Bank interest	19		56
Interest on other investments	1,926		26
Realised foreign exchange gains	(747)		2,265
Finance income	**1,198**	**(49.0%)**	**2,347**

Finance income includes the exchange differences realised during the year and the exchange effect on monetary assets, which includes the Denison loan. The gain booked in 2016 was largely as a result of devaluation of the pound following the EU referendum in Q2 2016. The sterling has been less volatile in 2017, but a loss of £0.7m is being reported in 2017 which reflects the exchange difference on the Denison receivable.

Finance income includes the interest income on the Denison loan, which accrues interest at the rate of 10% pa.

Finance costs reduced by £0.3m in 2017. This largely reflects lower costs associated with raising finance during the year compared to 2016. The 2016 costs included aborted deal costs which did not repeat in 2017.

Other income/losses
Other income has reduced by £1.2m in 2017. This is mainly due to a reversal in the fair value of the forward hedges entered into during the year, which showed a small deficit at December 31, 2017.

	2017	2016
	£'000	£'000
Effective interest	258	246
Other	(300)	63
Included in adjusted earnings	**(42)**	**309**
Mark to market of currency hedges	(188)	664
Other (losses)/income	(230)	973

Included within other income is the effective interest on the Group's Jogjakarta debenture instrument. This was fully impaired at June 30, 2017 and a full provision was raised against the accrued interest. As part of the ongoing

takeover process of Indo Mines Limited by its majority shareholder, the Group has reached a settlement in relation to its debenture instrument. As part of this settlement, the Group will receive 50c in the dollar on its

US$4m debenture and full payment of interest (both capitalised and accrued) up to the date of the takeover. This is expected to conclude in April 2018, in the meantime, we have continued to provide for the interest in full.

Tax
The current tax charge for the year is £1.9m, which is £1.4m higher than that of 2016. The charge for 2016 was reduced by the receipt of £0.8m of tax rebates, which had not been provided for. Elsewhere, the increase is primarily attributable to withholding tax on a higher level of royalty income during 2017.

	2017	2016
	£'000	£'000
United Kingdom corporation tax	3	0
Overseas taxes	1,231	1,403
Adjustments in respect of prior years	763	(809)
	1,997	594
Deduction claimed for amortisation	935	860
Tax per adjusted earnings	**2,932**	**1,454**

Balance sheet

Net assets increased from £210.1m at the beginning of 2017 to £218.9m at the end of the year. Taking into account the shares issued as part of the Denison transaction in February 2017, the closing net assets per share remained broadly flat at 121p per share (2016: 124p).

The adjusted earnings, less dividends, added £14m during 2017. The dividend payment reflects three payments due to the change in dividend policy in Q3 2017 which effectively brought forward the payment of the interim dividend for the year into 2017. The ongoing annual dividend, based on 7p, is expected to be ~£13m rather than the £16m included in the above table.

The addition for the Denison financing arrangement includes only the portion which was financed from the issuance of equity; the remaining portion was financed from internal resources.

The royalty portfolio reduced in value by £17m during 2017. £13m of this relates to the fair value of the Kestrel royalty. A further £7m relates to the fair value movement Dugbe 1 and Jogjakarta due to assumptions around start date and discount rates, and £3m relates to an amortisation charge on the Group's intangible assets (mainly Narrabri, Maracás Menchen and Four Mile).

Despite income from Kestrel of £29m, the overall decline in the Kestrel valuation (after tax) was only £7m. This is due to an upward revision to long-term coal prices somewhat offsetting the impact of depletion.

Cash flow and borrowings
The Group generated considerable cash during 2017. Net cash generated from operating activities more than trebled to £34.6m compared to £10.3m in 2016. Management consider this number to understate the true cash flow within their control as it does not include the cash received from Denison treated as principal, nor does it include the cash generated from the disposal of non-core equity investments which is within management's control. Including these amounts, the free cash flow generated (i.e. cash generated before dividend and debt repayment) was £41.5m in 2017 compared to £13.4m in 2016. This equates to free cash flow per share of 23.2p in 2017, compared to 7.93p in 2016.

The £44.4m royalty income includes the cash flow from the Denison financing arrangement of £5.0m. Of this amount, £1.8m relates to the back dating of cash flows for H2 2016. The royalty cash flow in 2017 benefitted from the transition to monthly payments from the Kestrel royalty following a change to the Queensland tax regime in Q2 2017. As such, the Group received an additional £4m of income in 2017 than it would have

otherwise expected. This accounted for 2.23p of the increase in adjusted earnings per share noted above.

In total, the Group allocated capital in the following way: £16.4m in royalty acquisitions; £15.9m in dividends; and £6.4m repaying all outstanding borrowings.

The strength of the cash generated in 2017 meant that the Group repaid all of its outstanding borrowings and ended the year debt free with £8.1m in cash. We triggered the US$10m accordion option on our borrowing facility

in Q4 2017, which means we now have full access to a US$40m borrowing facility. This, along with ~US$10m of cash on hand, gives us ready access to US$50m. With a well-covered dividend, this liquidity is intended to be put towards royalty acquisitions during 2018.

Dividend

As mentioned previously, the Group revised its dividend policy in H2 2017 to move towards quarterly dividend payments. This was largely due to much smoother and regular sales volumes expectation from Kestrel, now that production is largely within the Group's private land.

As part of this transition, the Board also determined to narrow the time gap between declaring a dividend and the date on which this dividend is paid. This resulted in the 2017 interim dividend being paid in November 2017 whereas previously this would not have been paid until February 2018. Consequently, in 2017, total dividends of 9p per share (or £15.9m) were paid.

The Directors are proposing an increase in the final dividend for 2017 of 1p per share, meaning that the total dividend for 2017 will be 7p rather than the 6p paid in respect of 2016, subject to shareholder approval at the 2018 AGM. In addition, the level of the quarterly interim dividends has been increased from 1.5p to 1.625p effective from the first interim dividend of 2018. This means that the total cash dividends received by shareholders over the next 12 months will be 7.375p. We will, once again, adjust the final dividend in 2018 to reflect the overall dividend level for 2018.

	Notes	2017	2016
		£'000	£'000
Royalty income		37,382	19,705
Amortisation of royalties		(3,116)	(2,869)
Operating expenses		(5,890)	(4,130)
Operating profit before impairments, revaluations and gains on disposals		**28,376**	**12,706**
Gain on sale of mining and exploration interests		1,774	2,449

Impairment of mining and exploration interests	(219)	(29)
Impairment of royalty and exploration intangible assets	-	(2,009)
Revaluation and impairment of royalty financial instruments	(6,324)	(4,939)
Revaluation of coal royalties (Kestrel)	(11,933)	17,900
Finance income	1,198	2,347
Finance costs	(795)	(1,086)
Other (losses)/income	(230)	973
Profit before tax	**11,847**	**28,312**
Current income tax charge	(1,997)	(594)
Deferred income tax credit/(charge)	677	(1,356)
Profit attributable to equity holders	**10,527**	**26,362**
Total and continuing earnings per share		
Basic and diluted earnings per share	5.88p	15.60p

	2017 £'000	2016 £'000
Profit attributable to equity holders	**10,527**	**26,362**
Items that will not be reclassified to profit or loss	-	-
Items that have been or may be subsequently reclassified to profit or loss		
Available-for-sale investments		
Revaluation of available-for-sale investments	2,233	9,184
Reclassification to income statement on disposal of available-for-sale investments	(1,774)	(2,449)
Reclassification to income statement on impairment	219	29
Deferred tax relating to items that have been or may be reclassified	341	27
Net exchange (loss)/gain on translation of foreign operations	(883)	26,125
Other comprehensive (loss)/profit for the year, net of tax	**136**	**32,916**
Total comprehensive profit for the year	**10,663**	**59,278**

	2017 £'000	2016 £'000
Non-current assets		
Property, plant and equipment	44	77
Coal royalties (Kestrel)	104,266	116,885
Royalty financial instruments	10,867	13,556
Royalty and exploration intangible assets	77,421	80,047
Mining and exploration interests	16,431	17,062
Deferred costs	689	1,370
Investments in subsidiaries	-	-
Other receivables	21,259	-
Deferred tax	5,484	9,126
	236,461	238,123
Current assets		
Trade and other receivables	8,702	12,090
Derivative financial instruments	100	711
Cash and cash equivalents	8,099	5,331
	16,901	18,132
Total assets	**253,362**	**256,255**
Non-current liabilities		
Borrowings	-	6,167
Other payables	418	1,491
Deferred tax	31,507	36,637
	31,925	44,295
Current liabilities		
Income tax liabilities	5	465
Trade and other payables	2,495	1,357
	2,500	1,822
Total liabilities	**34,425**	**46,117**
Net assets	**218,937**	**210,138**
Capital and reserves attributable to shareholders		
Share capital	3,618	3,399
Share premium	61,966	49,211
Other reserves	64,752	63,600

Retained earnings	88,601	93,928
Total equity	**218,937**	**210,138**

				Other reserves							
	Share capital	Share premium	Merger reserve	Warrant reserve	Investment revaluation reserve	Share based payment reserve	Foreign currency translation reserve	Special reserve	Investment in own shares	Retained earnings	Total equity
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at January 1, 2016	3,399	49,211	29,134	143	3,917	1,308	(2,557)	632	(2,601)	79,397	161,983
Profit for the year	-	-	-	-	-	-	-	-	-	26,362	26,362
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	9,184	-	57	-	-	-	9,241
Transferred to income statement on disposal	-	-	-	-	(2,449)	-	-	-	-	-	(2,449)
Transferred to income statement on impairment	-	-	-	-	29	-	-	-	-	-	29
Deferred tax	-	-	-	-	27	-	1	-	-	-	28
Foreign currency translation	-	-	-	-	-	-	26,067	-	-	-	26,067
Total comprehensive profit	**-**	**-**	**-**	**-**	**6,791**	**-**	**26,125**	**-**	**-**	**26,362**	**59,278**
Dividends	-	-	-	-	-	-	-	-	-	(11,831)	(11,831)
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Value of employee services	-	-	-	-	-	708	-	-	-	-	708
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**708**	**-**	**-**	**-**	**(11,831)**	**(11,123)**
Balance at December 31, 2016	**3,399**	**49,211**	**29,134**	**143**	**10,708**	**2,016**	**23,568**	**632**	**(2,601)**	**93,928**	**210,138**
Balance at January 1, 2017	3,399	49,211	29,134	143	10,708	2,016	23,568	632	(2,601)	93,928	210,138
Profit for the year	-	-	-	-	-	-	-	-	-	10,527	10,527
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	2,233	-	8	-	-	-	2,241
Transferred to income statement on disposal	-	-	-	-	(1,774)	-	-	-	-	-	(1,774)
Transferred to income statement on impairment	-	-	-	-	219	-	-	-	-	-	219
Deferred tax	-	-	-	-	341	-	1	-	-	-	342
Foreign currency translation	-	-	-	-	-	-	(892)	-	-	-	(892)
Total comprehensive profit	**-**	**-**	**-**	**-**	**1,019**	**-**	**(883)**	**-**	**-**	**10,527**	**10,663**
Dividends	-	-	-	-	-	-	-	-	-	(15,869)	(15,869)
Issue of ordinary shares	219	12,755	-	-	-	-	-	-	-	-	12,974
Value of employee services	-	-	-	-	-	1,016	-	-	-	15	1,031
Total transactions with owners of the company	**219**	**12,755**	**-**	**-**	**-**	**1,016**	**-**	**-**	**-**	**(15,854)**	**(1,864)**
Balance at December 31, 2017	**3,618**	**61,966**	**29,134**	**143**	**11,727**	**3,032**	**22,685**	**632**	**(2,601)**	**88,601**	**218,937**

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	11,847	28,312
Adjustments for:		
Finance income - excluding foreign exchange gains/losses	(1,945)	(82)
Finance costs	795	1,086
Other income	230	(973)
Gain on disposal of mining and exploration interests	(1,774)	(2,449)
Impairment of mining and exploration interests	219	29
Impairment of royalty and exploration intangible assets	-	2,009
Revaluation of royalty financial instruments	6,324	4,939
Revaluation of coal royalties (Kestrel)	11,933	(17,900)
Depreciation of property, plant and equipment	33	36
Amortisation of royalty intangible assets	3,116	2,869
Share based payment	1,174	708
	31,952	18,584
Decrease/(Increase) in trade and other receivables	3,402	(8,613)
Increase/(Decrease) in trade and other payables	1,138	282
Cash generated from/(used in) operations	36,492	10,253
Income taxes (paid)/refunded	(1,863)	63
Net cash generated from/(used in) operating activities	**34,629**	**10,316**
Cash flows from investing activities		
Proceeds on disposal of mining and exploration interests	2,424	3,431
Purchases of royalty and exploration intangible assets	(1,125)	-
Proceeds from royalty financial instruments	258	246
Purchases of royalty financial instruments	(3,323)	-

Advances under commodity related financing agreements	(24,990)	-
Repayments under commodity related financing agreements	3,051	-
Other royalty related repayments/(advances)	-	352
Prepaid acquisition costs	(224)	(155)
Sundry income	-	63
Finance income	1,945	82
Net cash (used in)/generated from investing activities	**(21,984)**	**4,019**
Cash flows from financing activities		
Drawdown of revolving credit facility	7,498	8,000
Repayment of revolving credit facility	(13,651)	(9,256)
Proceeds from issue of share capital	13,700	-
Transaction costs of share issue	(726)	-
Dividends paid	(15,869)	(11,831)
Finance costs - excluding foreign exchange gains/losses	(795)	(1,086)
Net cash (used in)/generated from financing activities	**(9,843)**	**(14,173)**
Net increase/(decrease) in cash and cash equivalents	**2,802**	**162**
Cash and cash equivalents at beginning of period	**5,331**	**5,708**
Unrealised foreign currency gain/(loss)	(34)	(539)
Cash and cash equivalents at end of period	**8,099**	**5,331**