

*The following amendment has been made to the ' Q4 2016 Trading Update' announcement released on 18/01/2017*

*The first highlight formerly read ~240% increase in royalty income. This has been changed to ~140%. All other details remain unchanged. The full amended text is shown below.*

## News Release

January 18, 2017

### **Anglo Pacific Group PLC Q4 2016 Trading Update**

**This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended)**

Anglo Pacific Group PLC ("Anglo Pacific", the "Company" or the "Group") (LSE: APF, TSX: APY), the London and Toronto listed royalty company, issues the following trading update for the period October 1, 2016 to December 31, 2016, ahead of the release of its full year results on March 30, 2017. Unless otherwise stated, all unaudited financial information is for the quarter ended December 31, 2016.

#### **Highlights**

- ~140% increase in royalty income for the year to £20.5 - £21.5m (2015: £8.7m), mainly driven by the significant increase in saleable tonnes at Kestrel being derived from the Group's private royalty lands
- Royalty income for Q4 2016 in the range of £11.6m - £12.6mm (Q3 2016: £4.8m, Q4 2015: £3.0m)
- 88% and 67% of Kestrel's saleable tonnes in H2 2016 and FY 2016 respectively derived from the Group's private royalty lands
- The Group continues to expect 85-90% of Kestrel's saleable tonnes will be derived from its private royalty lands in 2017
- Narrabri performed in line with the Group's expectations in H2 2016 with further production growth expected in 2017 through the imminent expansion of the longwall infrastructure
- Kestrel valuation expected to be A\$195.0m - A\$205.0mm at December 31, 2016 (June 30, 2016: A\$147.8m)
- Expected impairment charges of £5.0 - £8.0m relating to the Group's Amapá and Dugbe 1 royalties
- Net debt at December 31, 2016 of £0.9m (September 30, 2016: £8.2m)
- Dividend cover for 2016 expected to be approximately 1.5x

#### **Julian Treger, Chief Executive Officer of the Company, commented:**

"Anglo Pacific enjoyed a strong second half of 2016, principally due to the significant increase in saleable tonnes from Kestrel being derived from the Group's private royalty lands and another strong and consistent production quarter from Narrabri. The Group expects to report income of £11.6m - £12.6m in the fourth quarter alone, which is approximately 147% and 299% higher than both the immediately preceding quarter and the same quarter in the

previous year respectively. Combined with the £8.9m earned to the end of Q3 2016, this should result in overall royalty income for 2016 of £20.5 - £21.5m. Such an outcome would represent the highest level of annual income reported by the Group since 2011.

Equally encouraging is our outlook for 2017, where we expect further growth in our income as 85-90% of Kestrel's saleable tonnes are expected to be derived from our private royalty area, a significant uplift from the 67% in 2016. Our royalty income is also expected to be strong in Q1 2017 following the settlement of coking coal contract prices at \$285/t. The combination of increased saleable tonnes and higher prices, along with the potential for the pound to remain weak in the near term, should translate into further growth in royalty income for this year.

The Group ended the year with very little net debt and has the flexibility to draw down on its facility to finance future acquisitions. The additional income generated in H2 2016 has also directly benefited our dividend cover which is expected to be approximately 1.5x for 2016 as a whole.

We are pleased with the improvement in our financial position, though the Board is mindful that the coking coal price is widely anticipated to level off during the course of the year. As such, we feel it is prudent to monitor the level of income received during 2017 and reassess the dividend should income grow as expected.

In addition to its reassessment of the dividend, the Board is also considering investing some surplus cash in growth royalties where these opportunities meet our strict investment criteria. Although cash producing royalties will remain at the forefront of our strategy, we now feel that we are in a position to deploy a modest amount of capital in development royalties which, by their nature, should result in higher returns over time. We have seen some opportunities in this area, which is still largely closed to more conventional sources of capital, and will cautiously select certain projects which are consistent with our strict investment criteria but have the ability to provide exceptional returns over the next decade.

Overall, we are very pleased with the progress we have made in 2016 and our outlook for the year ahead."

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## Notes to Editors

### About Anglo Pacific

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

### **Cautionary statement on forward-looking statements and related information**

Certain information contained in this announcement, including any information as to future financial or operating performance and other statements that express management's expectation or estimates of future performance, constitute "forward looking statements". The words "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts", or negative versions thereof and other similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Further, forward-looking statements are not guarantees of future performance and involve risks and uncertainties which could cause actual results to differ materially from those anticipated, estimated or intended in the forward-looking statements. Furthermore, this announcement contains information and statements 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. The material assumptions and risks relevant to the forward-looking statements in this announcement include, but are not limited to: stability of the global economy; stability of local government and legislative background; continuing of ongoing operations at the properties underlying the Group's portfolio of royalties in a manner consistent with past practice; accuracy of public statements and disclosures (including feasibility studies and estimates of reserve, resource, production, grades, mine life, and cash cost) made by the owners and operators of such underlying properties; accuracy of the information provided to the Group by the owners and operators of such underlying properties; no material adverse change in the price of the commodities produced from the properties underlying the Group's portfolio of royalties and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any property in which the Group holds a royalty or other interest, including but not limited to unusual or unexpected geological formations and natural disasters; successful completion of new development projects; planned expansions or additional projects being within the timelines anticipated and at anticipated production levels; and maintenance of mining title. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. For additional information with respect to such risks and uncertainties, please refer to the "Principal Risks and Uncertainties" section of our most recent Annual Report on the Group's website [www.anglo-pacificgroup.com](http://www.anglo-pacificgroup.com). Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. The forward-looking statements contained in this announcement are made as of the date of this announcement only and the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

### **Third party information**

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