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News Release

16 August 2018

Anglo Pacific Group PLC
Purchase of a 4.25% shareholding in Labrador Iron Ore Royalty Corp.

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**") (LSE: APF, TSX: APY) is pleased to announce that it has acquired a 4.25% shareholding in Labrador Iron Ore Royalty Corp ("**LIORC**") at an investment cost of ~US$50 million (C$65.5 million, ~£38 million). LIORC is listed on the Toronto stock exchange (TSX:LIF) and has a market capitalisation of approximately C$1.5 billion.

LIORC is structured as a passive flow-through entity for a 7% Gross Revenue Royalty ("**GRR**") and a C$0.10 per tonne commission on all iron ore products sold by the Iron Ore Company of Canada ("**IOC**"). In addition, LIORC has a 15.1% equity position in IOC. LIORC has a policy of paying quarterly cash dividends to the maximum extent possible subject to the maintenance of appropriate levels of working capital. LIORC declared dividend payments of C$169.6 million in 2017, and currently has an historical 2017 dividend yield of ~11%.

IOC is operated by Rio Tinto, with mining and processing operations located in the area of Labrador City, Canada. IOC is one of Canada's largest iron ore producers, and is among the top five global producers of seaborne iron ore pellets. IOC also sells an iron ore concentrate product based on the 65% Fe index. The current differential between the Platts indices for 65% Fe concentrate and 62% Fe concentrate has widened to ~US$27 per tonne, the highest spread in recent years.

Anglo Pacific views this investment as an attractive addition to its portfolio, providing exposure to the premium end of the iron ore concentrate and high margin pellet markets, on terms which are immediately accretive. Anglo Pacific will report LIORC dividends received, which are funded by the 7% GRR receipts proceeds and IOC dividends paid to LIORC, as royalty related revenue reflecting the long-term nature of the investment.

Highlights of the transaction:

- **Indirect exposure to a 7% GRR over a world-class producing mine;**
  - Expected to be immediately accretive to adjusted earnings and cash flow per share;
- **Further diversifies Anglo Pacific's income profile, commodity and geographic exposure;**
  - LIORC cash flow paid out as shareholder dividends to the maximum extent possible;
  - Exposure to high quality 65% iron ore concentrate and higher margin pellet products;

    - Iron ore exposure increased to 20% from 5%, and Kestrel coking coal exposure reduced to 41% from 49% of the Company's royalty related assets; [1]
    - Increased North American footprint and exposure to Tier 1 mining jurisdictions;
- **IOC produces premium products with low alumina, silica and phosphorous content;**
    - Environmental policy in China is driving structural change in the Chinese steel industry and demand for high quality iron ore products;
    - Attractive market outlook for high grade iron ore concentrates and pellets;
- **Long IOC mine life with extension potential;**
    - Reserves support a ~25-year mine life at planned IOC production rates;
    - IOC has sufficient mineral inventory to support future expansion options;
- **Operated by mining major Rio Tinto in a premier mining jurisdiction;**
    - IOC has been producing for over 50 years, demonstrating its ability to operate through the cycle;
- **Future optionality;**
    - Liquid asset with potential for underlying growth, as well as flexibility to sell down or increase indirect exposure to LIORC's 7% GRR and stake in IOC.

IOC has ore reserves sufficient for approximately 25 years at current production rates with additional resources of a greater magnitude. IOC's primary products include standard and low silica acid pellets, flux pellets, direct reduction pellets and iron ore concentrates. Saleable products are railed 418 Km by a wholly owned IOC subsidiary to port facilities located in Sept-Îles, Quebec. From there, the products are shipped to markets throughout North America, Europe, the Middle East and the Asia-Pacific region.

Industrial action resulted in the suspension of IOC operations between 27 March 2018 and 28 May 2018. A new five-year collective agreement is now in place and the ramp-up to normal IOC production rates was achieved by the end of June 2018.

In June 2018, LIORC Directors announced the intention to call a special meeting to seek shareholder approval to change LIORC Articles in order to permit new royalty acquisitions, which would require 75% shareholder vote in favour. The LIORC Board has stated that an acquisition would only proceed in the event it is in-line with LIORC's existing income distribution and balance sheet objectives. At this time, the special meeting date has not been called, and no date has been set.

IOC's 2017 sales totalled 19.0 Mt, comprised of 10.4 Mt of iron ore pellets and 8.6 Mt of iron ore concentrate. Production in 2017 was 10.5 Mt of pellets and 8.5 Mt of iron ore concentrate for sale. Rio Tinto reported IOC 2017 gross revenue of US$1.9 billion, earnings before interest, tax, depreciation and amortization ("**EBITDA**") of US$0.8 billion, for an EBITDA margin of approximately 41%.

The transaction was funded with cash on-hand and a £17.3 million draw down on the Company's revolving credit facility. Anglo Pacific expects to be in a net cash position by year-end 2018 absent any other royalty acquisitions.

Commenting on the investment, Julian Treger, Chief Executive Officer of Anglo Pacific Group, said:

"This transaction continues Anglo Pacific's growth trajectory, and is in-line with Anglo Pacific's stated strategy of diversifying its sources of income and commodity exposure.

The transaction is expected to be immediately accretive to adjusted earnings and free cash flow per share, and based on Anglo Pacific's current shareholding and LIORC broker consensus 2019 dividend forecasts (Bloomberg), the Company expects to receive between C$4.7 – C$5.7 million of royalty related revenue during the 2019 calendar year via LIORC dividends.

China currently produces half of the world's steel and the Chinese Government's current environmental policies aimed at reducing pollution are driving structural changes in the Chinese steel industry, which in turn are driving the demand for high quality iron ore products. Sinter usage, which is high in China relative to North American and European steel industries, is amongst the largest generator of emissions within the Chinese steel sector's production process. Going forward, we expect sustained demand for high grade iron ore concentrates with low alumina and silica contents, and an increase in pellets usage within the typical Chinese blast furnace load mix.

IOC is a top five global producer of seaborne iron ore pellets, has a reserve based mine-life in excess of two decades, and has both production expansion and mine life extension potential. This investment ticks the boxes of our royalty investment criteria, and positions Anglo Pacific to benefit from the positive outlook for high quality iron ore products, as well as from pellet premiums which we expect to remain elevated in the near-term."

Analyst Call

There will be an analyst presentation via conference call at 9:30am (BST) on 16 August 2018. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Marc Bishop Lafleche (Head of Development). Dial in details for the call are as follows:

Location you are dialling in from	**Number you should dial**
United Kingdom (toll free)	0800 358 9473
United Kingdom (Local)	+44 (0) 333 300 0804
All other locations please refer to the link below http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf	

Participant Access Code: 13129694#

The webcast cast presentation can be followed at the following URL:
https://event.on24.com/wcc/r/1819246-1/391074890E19B7F6F9749AB4BCB7CDFD

For further information:

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Labrador Iron Ore Royalty Company (2)

Overview

LIORC is listed on the Toronto Stock Exchange (TSX:LIF), and its operating cash flow is sourced entirely from its entitlement to a 7% GRR and a C$0.10 per tonne commission on products sold, as well as dividends received from its 15.1% equity interest in IOC.

LIORC has been involved in Labrador West for 80 years. Under a 1938 Statutory Agreement with the Canadian province of Newfoundland and Labrador, a predecessor company to LIORC, Labrador Mining and Exploration Limited ("**LM&E**"), was granted extensive exploration and mining rights in Labrador West. LM&E discovered the iron ore bodies that now constitute the mine operated by IOC. LM&E received grants of leases and licences under the Statutory Agreement. It also received a grant of surface rights to establish the town site that became Labrador City. LM&E sublet the leases to IOC. IOC, with major steel companies as original shareholders, built the infrastructure, mine, railway and port.

Royalty Entitlements

LIORC holds certain leases and licences covering approximately 18,200 hectares of land near Labrador City. The entirety of IOC mining operations occur within lands subleased from LIORC. In return, IOC pays LIORC a 7% gross overriding royalty on all sales of iron ore products produced from these subleased lands. A 20% tax on the royalty is payable to the Government of Newfoundland and Labrador. In 2017, LIORC received C$125.1 million (2016 – C$90.5 million) in relation to its 7% GRR net of the 20% provincial tax.

A wholly owned LIORC subsidiary is also entitled to receive a commission of C$0.10 per tonne on the products produced and sold by IOC. In 2017, LIORC received a total of C$1.9 million in commissions (2016 – C$1.8 million).

IOC Equity Stake

In addition to its royalty interests, LIORC holds a 15.1% equity interest in IOC. The other shareholders of IOC are Rio Tinto Limited with 58.72% and Mitsubishi Corporation with 26.18%.

Historical Sources of LIORC Cash Flow

LIORC's source of cash flow for the past five years is as follows:

	Years Ended December 31,				
(in C$ millions)	**2013**	**2014**	**2015**	**2016**	**2017**
7% GRR (1)	110	93	80	90	125
C$0.10/t royalty	1	1	2	2	2
IOC dividends received	40	48	0	15	77

Note:
1. Historical 7% GRR receipts are presented net of 20% Newfoundland royalty tax.

Iron Ore Company of Canada [(2)]

Overview

IOC was incorporated under the laws of the State of Delaware on 18 November 1949. IOC commenced production at Labrador City, in the Canadian province of Newfoundland and Labrador in 1962. IOC produces all of its iron ore from the lands leased from LIORC. Iron ore is used in blast furnaces to produce pig iron or in direct reduction facilities and is subsequently transformed into steel.

IOC's principal business is mining the iron ore present on lands leased from LIORC and operating the associated mining facilities and plants required for the production of iron ore concentrate and pellets. In normal circumstances, IOC operates its facilities 24 hours a day on a year-round basis. IOC has the nominal capacity to process up to 55 Mt of crude ore annually. In 2017, a total of 46.5 Mt of crude ore was mined from four mining areas. IOC's concentrating plant has a nominal capacity to produce approximately 23.3 Mt of iron ore concentrate per annum, for either direct shipping or as feed to IOC's pellet plant. In 2017, 20.2 Mt of iron ore concentrate feed was produced.

IOC's pellet plant has a nominal capacity of approximately 12.5 Mt of iron ore pellets per annum based its current product mix. In 2017, IOC produced 8.5 Mt of concentrate for sale and 10.5 Mt of pellets. IOC's saleable products are railed by its wholly owned subsidiary Quebec North Shore & Labrador Railway Company, Inc. ("**QNS&L**") to the Sept-Îles port, where IOC also owns and operates a marine terminal with materials storage and docking facilities. IOC products are shipped to markets throughout the world on a year-round basis.

Mineral Reserves and Resources

The iron ore deposits in the Labrador City area occur as specular hematite and magnetite, generally in the ratio of 65:35. The mineral reserve and mineral resource deposits, with an average grade of approximately 38% iron, occupy the middle iron unit of the Sokoman formation overlain by waste rock. The iron ore mineral reserve and resource deposits at the Mine are close to the surface thereby facilitating open pit mining.

The total estimated iron ore mineral reserves and resources at the Mine at 31 December 2017, as disclosed by Rio Tinto, are as follows:

Category [(1) (2)]	**Quantity (million tonnes)**	**Grade (% Fe)**
Proven Reserves	568	38
Probable Reserves	733	38
Total Mineral Reserves	1,301	38
Measured Resources	166	41
Indicated Resources	742	39
Inferred Resources	1,025	38

Notes:

1. IOC Ore Reserves and Mineral Resources are taken from Rio Tinto's 2017 Annual Report and are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2012 (the JORC Code).
2. Mineral Resources are reported on an in situ dry basis and exclude Mineral Reserves.

Marketing and Sales (Iron Ore Products)

IOC's primary products include standard and low silica acid pellets, flux pellets, direct reduction pellets and iron ore concentrates. Acid pellets can be charged directly into blast furnaces without further processing. Flux pellets are similar to acid pellets, with the exception that more dolomite and/or limestone is added to the pellets before pelletization to improve metallurgical properties and increase the efficiency of the operation of a blast furnace.

Iron ore concentrates must be agglomerated, typically at the sinter plants, before being charged into the furnaces. This is mainly because of the permeability requirement of the blast furnaces. There is considerable variation in the burden mix (proportion of iron ore lump, pellets and sinter) applied to blast furnaces worldwide. Typical blast furnace burden mix in North America shows 90-100% pellets while the rest of the world uses sinter as a dominant burden charge.

Direct reduction pellets with lower silica content are used in the direct reduction processes to produce sponge iron which is an alternative process route in conversion of iron to steel. The direct reduction process is primarily based on the use of natural gas and has become increasingly common in countries with access to inexpensive natural gas.

Historical IOC Production

IOC production during the prior five-year period is as follows:

	Years Ended 31 December,				
(in million tonnes)	**2013**	**2014**	**2015**	**2016**	**2017**
Total feed concentrate [(1)]	16.2	15.8	18.7	19.2	20.2
Pellets	8.6	8.7	9.3	9.8	10.5
Concentrate for sale	6.8	6.0	8.4	8.4	8.5

Note:
1. The total volume of pellets and concentrate for sale does not equal the total feed concentrate due to changes in inventory and losses of material in the pelletizing operations.

Mine

Mining is carried out using open pit techniques. Broken ore is loaded by electric shovels and transported by truck to one of three underground loading pockets where the ore is transferred to unmanned automatic trains or to a primary crusher and overland conveyor. Currently the mine and the automatic train and conveyor have a nominal capacity to deliver up to 55 Mt per annum of ore to the concentrator.

Concentrator

IOC employs an entirely mechanical process to separate the ore from the waste rock. The crushed ore is ground to a size of approximately 1.0 mm at which point it is liberated from the associated undesirable minerals.

Ground ore is then concentrated in the spiral plant using gravity spirals to increase the iron content from 38% to approximately 65%. A magnetic separation plant extracts magnetite from the spiral plant's tailings, while a hematite recovery plant recovers fine particles of hematite from the tailings of the magnetic separation plant. A flotation plant reduces silica to lower levels than can be achieved in the concentrator alone.

In the period 2008 to 2014, IOC undertook expansion programs to increase its annual concentrate production. After completion of commissioning and optimization of the production system, IOC's nominal concentrate production capacity is approximately 23.3 Mt per annum, subject to ore quality.

In 2017, concentrate production was approximately 20.2 Mt, and approximately 42% of IOC's concentrate production was sold as concentrate while the remaining production was converted into pellets at IOC's pelletizing plant before sale. IOC seeks to maximise margins by optimising its product offerings of concentrate for sale and pellets according to the changing market pricing.

Pellet Plant

Iron ore concentrate is received from the concentrating operations where it is ground in one of 11 ball mills. The ground concentrate, after being filtered, is mixed with bentonite, which acts as a binding agent and, in the case of fluxed pellets, limestone and/or dolomite is added. The ground concentrate and other additive mixtures are formed into balls 9.5 mm to 12.5 mm in diameter that are dried to remove moisture and then fired. Once cooled, the finished iron ore pellets are conveyed to storage for shipping by rail to IOC's shipping terminal facilities in Sept-Îles.

IOC's Carol Lake pellet plant has the nominal capacity to produce 12.5 Mt per annum at the current product mix, with actual capacity varying somewhat with the product mix. The plant produces three primary products: acid pellets, fluxed pellets and direct reduction pellets, with a silica content of 1.2% to 4.7%. In 2017, 10.5 Mt of pellets were produced.

Infrastructure

IOC's wholly-owned subsidiary QNS&L rails IOC's products 418 Km from IOC's mining and production operations in Labrador City to its marine terminal and materials handling facility in Sept-Îles, operating up to eight iron ore trains.

In addition to hauling IOC's iron ore production, in 2017 QNS&L also hauled iron ore production from Tata Steel Minerals Canada Limited.

The Sept-Îles terminal, operating year-round, can handle both lake and ocean-going vessels with a capacity of between 25,000 and 255,000 tonnes. In 2017, IOC's terminal processed 160 vessels, of which 1 was a lake-going vessel and 159 were ocean-going vessels.

Community Support, Health and Safety, and Environmental Responsibility

Five identified Indigenous groups in Labrador and Quebec claim and/or assert Indigenous rights and/or other interests in the regions where IOC has its operations. IOC engages with all five Indigenous groups and is committed to sustainability, diversity and supporting Indigenous peoples through employment and business opportunities. IOC signed agreements with Innu Nation and NunatuKavut Community Council in 2014.

IOC's annual Social and Environment Report provides information on IOC's performance in areas related to health, safety and community relations. The report outlines IOC's comprehensive program directed at achieving environmental protection within the governing framework of sustainable development.

IOC has a long-term tailings management plan and has developed wetlands on the existing tailings landform. IOC also has programs in place to reduce greenhouse gas emissions, particulate emissions, energy consumption and freshwater use.

IOC's All Injury Frequency Rate increased from 0.73 in 2016 to 0.91 in 2017. Safety is the first priority for IOC and the company is taking special measures to improve safety performance.

IOC is vigorously pursuing its objectives of attaining zero harm to both safety and health of its employees and reducing its environmental footprint. IOC hopes to achieve this through a step change in health and safety performance, environmental compliance and stewardship and a focus on sustainable development.

For more information, please visit www.labradorironore.com.

1) Anglo Pacific royalty related assets as of 31 December 2017, adjusted for LIORC stake investment cost of ~£38 million.
2) LIORC 2017 Annual Information Form, LIORC 2017 Annual Report.

About the Company

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 and streams 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 projects. It is a continuing policy of the Company to pay a substantial portion of these royalty and stream revenues 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", "accretion", 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. 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.anglopacificgroup.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.