Anglo Pacific Group PLC Announces US$205m Voisey's Bay Cobalt Stream Acquisition

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

LONDON, February 24, 2021 - Anglo Pacific Group PLC ("Anglo Pacific", the "Company", the "Group") (LSE: APF, TSX: APY) is pleased to announce that it has agreed to acquire 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 from private equity sellers for cash consideration of US$205 million at closing and further contingent consideration of up to US$27 million (the "Acquisition"). This is a landmark transaction that will provide a significant long-life revenue stream from an established, world class operation and is a transaction that materially progresses the Company's ambition to focus on 21st century commodities that support a more sustainable world.

The Acquisition will be financed through a combination of an equity placing of less than 20 per cent. of the Company's issued share capital, the previously announced profitable monetisation of a portion of the Group's

Labrador Iron Ore Royalty Corp. ("LIORC") investment, and a new US$180 million credit facility from a syndicate of leading Canadian banks, comprising Scotiabank, RBC Capital Markets, and Canadian Imperial Bank of Commerce.

Transaction Highlights:

·A new cornerstone asset: Voisey's Bay is an established nickel-cobalt-copper mine, located in Canada, a well-established mining jurisdiction, and is an important operation of Vale Canada Ltd (a subsidiary of Vale S.A., one of the world's largest mining companies). It is a long-life operation, supporting the Group's sustainable, through-the-cycle cash flow generation;

- Strong cobalt fundamentals: The long-term fundamentals of the cobalt market are expected to be very favourable and benefit from the accelerating trend toward the adoption of electric vehicles;
- Repositioning to materials of the 21st century: 61% of the pro-forma royalty portfolio will be attributable to battery related materials and significantly reduces the Company's exposure to coal;
- World class operation: Voisey's Bay is a world class nickel-cobalt-copper mine, positioned in the 2nd lowest quartile of the industry cost curve and provides exposure to one of the largest sources of cobalt outside of the Democratic Republic of the Congo ("DRC")
- Environmental credentials: Within the industry, Voisey's Bay ranks amongst the lowest global emitters of CO_2[1], supported by a leading sustainability and safety track record;
- Accretive transaction for Anglo Pacific's shareholders: The Acquisition is expected to be immediately accretive and to provide a platform for long term earnings growth, as Kestrel's contribution to the portfolio declines;

Stream details:

- Anglo Pacific is entitled to receive 22.82%[2] of all cobalt production from Voisey's Bay up until 7,600 tonnes of finished cobalt has been delivered, which then reduces the stream to an 11.41% entitlement thereafter;
- Anglo Pacific will make ongoing payments equal to 18% of an industry cobalt reference price for each pound of cobalt delivered under the cobalt stream, until Anglo Pacific has recovered the US$300m original upfront amount paid for the stream (through accumulating credit from 82% of the cobalt reference price) through cobalt deliveries; thereafter, the ongoing payments will increase to 22% of the cobalt reference price.

·Downside protection: The stream agreement provides that if mill throughput does not reach 85% of targeted levels by 31 December 2025, some or all of the upfront amount may be refunded or the applicable cobalt stream percentages may be increased, providing downside protection.

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

"I am extremely pleased to be able to announce the acquisition of this Voisey's Bay cobalt stream. It will provide a significant long-life income source for Anglo Pacific and materially progresses our ambition to focus on 21st century commodities that support a more sustainable world. Along with the recent additional investment in Brazilian Nickel, the Group's net asset profile will consist of 61% base metals on a pro-forma basis and we continue to have the option to invest a further US$70m into its Piaui nickel royalty.

The transaction is expected to be immediately earnings accretive and provides exposure to a market that is fueled by the fast-growing future demand for electric vehicles. Voisey's Bay is located in a well-established mining jurisdiction and represents one of the largest sources of cobalt outside of the DRC.

We believe that this transaction largely solves Anglo Pacific's two major strategic challenges: it addresses the medium-term declining income at Kestrel and significantly repositions the Company's portfolio away from coal. We are delivering on our promise to recycle our short-term coal cash flow into clean commodities whose use is largely in facilitating cleaner energy and technology. The acquisition of this new cornerstone asset will underpin Anglo Pacific's ability to deliver further growth and sustainable future returns for our shareholders.

We have taken advantage of the recent strong rebound in the price of iron ore and have sold a large portion of our holding in LIORC to partially finance an optimal entry point in cobalt. This, together with the support of a new syndicate of leading Canadian banks, means that we are in a strong position to further grow and diversify our portfolio.

I would like to thank all of our stakeholders for their continued support and look forward to steering Anglo Pacific towards further sustainable investments."

The Acquisition is expected to close in March 2021 and is subject to completion of customary conditions.

RBC Capital Markets acted as lead financial adviser together with Canadian Imperial Bank of Commerce and Scotiabank acting as co-advisers to Anglo Pacific Group in connection with the Acquisition. Scotiabank (acting as Agent), Canadian Imperial Bank of Commerce and RBC Capital Markets acted as joint lead arrangers on the new US$180 million revolving credit facility.

Revised 2020 Annual Report release date

As a result of the importance of the Acquisition, and the need to reflect its impact on the Company throughout the 2020 annual report, combined with the effect that the UK government's ongoing restrictions in response to Covid-19 are having on the Company's finance team, the publication of the 2020 annual report will be delayed by three (3) weeks and released on 14 April 2021 to ensure the quality of the Company's financial reporting is not compromised.

Analyst and Investor presentation

There will be an analyst and investor acquisition presentation webcast at 9am (GMT) on 24 February 2021. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO) and Marc Bishop Lafleche (CIO).

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

Event Conference Title Anglo Pacific Acquisition

Time Zone	Dublin, Edinburgh, Lisbon, London
Start Time/Date	09:00 (GMT) / Wednesday 24 February 2021
Duration	60 minutes
Phone	+44 (0)330 336 9411
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Webcast Link	https://webcasting.brrmedia.co.uk/broadcast/602ec5f61fc46330548fabb0

The person responsible for arranging this announcement on behalf of Anglo Pacific Group PLC is Jason Gray, Company Secretary.

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Further Information on the Acquisition and Funding

1. Introduction

The Company has today entered into a definitive agreement to acquire a holding company that, in turn, holds a 70% net interest in a cobalt stream over the Voisey's Bay mine in Canada from private equity sellers, for cash consideration of US$205 million at closing and further contingent consideration of up to US$27 million over 5 years, subject to higher cobalt prices and minimum production volumes. The transaction represents the most significant acquisition in the Company's history and will immediately reposition Anglo Pacific as a dynamic growth royalty and streaming company that will be predominantly exposed to 21st century commodities.

2. Reasons for the Acquisition

Anglo Pacific's strategy is to become a leading natural resources royalty and streaming company through investing in high-quality assets in well-established mining jurisdictions with trusted counterparties, underpinned by strong ESG principles. The Company's strategy is to accelerate its income growth by building on its portfolio of royalties and metal streams through new acquisitions over cash or near-term cash producing royalty and stream assets, as well as continuing investments in earlier stage royalties and streams.

The Directors believe that the Acquisition will provide the Company with the following benefits:

- Fundamentally accelerate Anglo Pacific's transition to focussing on 21st century commodities that support a more sustainable world, such as battery metals. Post the transaction 61% of Anglo Pacific's portfolio by book value will be related to such commodities
- Diversification of Anglo Pacific's royalty and streaming portfolio adding a long-life, producing, cash generative, world class asset with significant scope for growth and an attractive cash cost profile
- Provides exposure to one of the largest sources of cobalt outside of the DRC, with DRC cobalt accounting for 70% of global cobalt supply, whilst maintaining exposure to well-established mining jurisdictions - ~60% of Anglo Pacific's pro forma portfolio by book value now located in Canada
- The Acquisition is expected to be immediately accretive and provide long-term earnings stability, as Kestrel's contribution to the portfolio declines
- Enhanced ESG credentials from a commodity and asset perspective. Voisey's Bay mine is amongst the lowest global emitters of carbon per unit of nickel production supported by a leading sustainability and safety track record
- Reinvesting in cobalt at an attractive entry point with strong long-term fundamentals

3. Financing the Acquisition

The Company will finance the Acquisition via a combination of the following:

New US$180 million debt facility

New US$180 million revolving credit facility with syndicate of Scotiabank, Canadian Imperial Bank of Commerce and RBC Capital Markets. Key terms of the new facility are as follows:

- US$180m revolving credit facility, stepping down to US$150m following the completion of the proposed equity raise;
- Three year term with the option to request a one year extension within the first year (subject to certain exceptions);
- Cost is LIBOR + 2.75% to 5% depending on leverage ratios (the Group would expect in normal circumstances to be between 2.75% - 3.50%);
- Leverage permitted to 4.5x (Net Debt to EBITDA) for a 6 month period for certain acquisitions, otherwise 3.5x;
- No dividend restrictions when the facility is at US$150m and leverage below 2.5x (which the Group expects will be the case going forward) - provisions have been included to ensure no restrictions on 2020 final dividend in the event leverage exceeds 2.5x; and
- Senior secured structure with other terms in line with the existing Revolving Credit Facility.

Anglo Pacific's pro forma leverage will be ~3x at close with rapid deleveraging to ~2x expected to occur by mid-2022.

LIORC stake partial monetisation

The Company has monetised ~75% of its interest in LIORC generating a capital gain of C$24.7m (£14.0m), equating to a total return on investment of nearly 60% inclusive of dividends received. The Company believes this represents a strategic redeployment of capital with one month average iron ore prices currently at 2.3x RBC long term broker forecast[3] and one month average cobalt prices are at 0.7x RBC long term broker forecast[3]. Depending on the Company's pursuit of further near-term growth opportunities as elaborated below, Anglo Pacific may still maintain its remaining 1.6% stake in LIORC, which will serve as a continued source of dividends to the Company given the currently elevated iron ore prices.

Placing

The Company will undertake an equity fundraising of less than 20 per cent. of its issued share capital comprising a placing to both existing and new institutional investors, participation by certain directors of the Company in the placing and a retail offer via the PrimaryBid platform which will be subject of separate announcements shortly following this announcement.

4. Further growth opportunities

Anglo Pacific regularly reviews a large number of royalty and stream opportunities as it seeks to continue to diversify its portfolio by commodity, country and counterparty.

The Company is currently exploring a number of additional accretive royalty and stream opportunities; any one of which may complete over the coming quarters. In particular, the Company is assessing a base metals opportunity in production, located in an OECD country, which would further transition the company towards battery metals. This opportunity would likely entail an up-front purchase price of US$50 million and would be funded from a combination of cash resources or further monetisation of the Group's LIORC holding. There can be no certainty that this opportunity will complete but if it does, it is likely to complete in the first quarter or early in the second quarter of this year.

5. Voisey's Bay

The Voisey's Bay deposit located in Labrador, Canada, was discovered in 1993 and production commenced in 2005. Voisey's Bay boasts attractive ESG credentials, is one of the largest cobalt producers outside the DRC and has one of the lowest CO_2 equivalent intensities per unit of payable metal. The mine is fully owned by Vale, hosting a fly-in and fly-out camp with integrated mining and milling operations that produce nickel and copper concentrates (containing cobalt by-products). Nickel concentrates are processed at a nickel refinery located at Long Harbour whilst its copper concentrates are sold directly to the market. Processing of the nickel concentrates at Long Harbour Processing Plant involves high pressure acid leaching, solvent extraction and electro-wining (SX-EW) processes. Mining operations are currently focused on the Ovoid open-pit with underground mining expected to commence in 2021 as part of the Voisey's Bay underground mine extension project ("VBME"). A Feasibility Study was completed in early-2015 on VBME which will target Reid Brook and Eastern Deeps zones of the deposit and will look to extend the mine life to 2034 with further exploration potential both in those zones and also at the Discovery Hill deposit.

The VBME will convert the existing Voisey's Bay operations from an open-pit mine to two new underground operations accessing both the Reid Brook and Eastern Deeps deposits via decline and ramp systems. Post VBME annual production is expected to increase to 45kt of Ni, 20kt of Cu and 2.6kt of Co. The expansion will use the existing infrastructure; i.e. concentrator, port and support facilities and as at 30 September 2020, the VBME was 54% complete with US$725 million of the budgeted US$1.7 billion capex spent. Start-up is expected in 2021.

Voisey's Bay boasts attractive ESG credentials including a strong position on the "carbon curve", being awarded the national John T. Ryan safety award for six consecutive years, the TSM Excellence Awards for innovative sustainability projects and being rated AAA or AA in all TSM objectives in 2018.

6. Key cobalt stream details

Effective from closing of the Transaction, Anglo Pacific will be 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.

Anglo Pacific will pay 18% of an industry cobalt reference price until the original upfront amount paid for the stream of US$300m is reduced to nil (through accumulating credit from 82% of the cobalt reference price), increasing to 22% thereafter. Vale will deliver physical cobalt metal, with the cobalt sold under an offtake agreement with a global metals trader on a take or pay basis. If the mill throughput does not reach 85% of targeted levels by 31 December 2025, some or all of the original upfront payment to Vale may be refunded or the applicable cobalt stream percentages may be increased. This provides downside protection to the Company.

7. Cobalt market

The increasing demand for electric vehicles is expected to exceed the existing supply and result in a significant increasing cobalt price which may reach record levels. Cobalt has a variety of uses including: batteries, superalloys, catalysts and carbides. Although automotive batteries accounted for only 14% of total demand in 2019, it is the fastest growing end-market and is expected to represent ~60% of demand by 2030.

Increasing Demand

Net demand is expected to increase by 101kt in 2020 to 265kt by 2030 and 499kt by 2040 driven predominately by automotive battery demand. Electric vehicle battery demand is forecast to grow at a CAGR of 16.7% between 2019 and 2040. There is muted substitution risk as it would lead to performance loss in many applications. Nickel is the primary substitute for cobalt in most applications, however, Wood Mackenzie currently forecasts a 960kt nickel deficit by 2040. There is also a drive towards ethically sourced cobalt as part of the increasing importance of environmental, social and governance criteria within the mining sector.

Limited Supply

The DRC controls the majority of the world's cobalt supply, accounting for ~70% of global production in 2019 whilst production in OECD countries accounted for <9% of global production. Cobalt supply is highly inelastic since almost all cobalt is produced as a by-product of nickel and copper mines. There is a strong global dependence on the DRC as the world's leading supplier of cobalt despite political instability and ethical concerns and it is notable that most of the mines in the DRC are operated by Chinese companies. Currently, over 55% of global supply is tied up in offtake agreements and vertical integration whilst recycling volumes remain low, intensifying the need for newly mined cobalt.

A key component for Electric Vehicles ("EVs")

EV battery demand is expected to increase at approximately 17% per year between 2019 and 2040. Demand for EVs is being driven by stricter emission legislation, cost competitiveness and increasing choice. Automotive cobalt demand is forecast to reach 433kt by 2040. Battery electric vehicles ("BEVs") represent 90% of automotive battery demand growth since they have higher battery intensities.

Substitution of cobalt in EV batteries is very difficult and, although automotive makers are attempting to reduce the cobalt content in EV batteries, cobalt will still be vital to help maintain battery life in nickel-based Li-ion batteries. Recycling is challenging given the different form factors used by Li-ion batteries and also limited supply given battery life and the rate of growth while different cylindrical, pouch, prismatic factors make it difficult for recyclers to develop a 'one-size-fits-all' recovery process.

1. Source: Skarn Associates Limited, Nickel GHG Emission Intensity Curve and Data.
2. Assumes fixed cobalt payability of 93.3%.
3. Based on RBC equity research long term forecast.

Notes to Editors

About the Company

Anglo Pacific PLC is a global natural resources royalty and streaming company. The Company's strategy is to become a leading natural resources company through investing in high quality projects in preferred jurisdictions with trusted counterparties, underpinned by strong ESG principles. It is a continuing policy of the Company to pay a substantial portion of these royalties and streams to shareholders as dividends.

Important Information

This Announcement contains inside information.

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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; no material adverse impact on the underlying operations of the Group's portfolio of royalties, steams and investments from a 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; 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.

A variety of material factors, many of which are beyond the Group's control, affect the operations, performance and results of the Group, its businesses and investments, and could cause actual results to differ materially from those suggested by any forward-looking information. Such risks and uncertainties include, but are not limited to 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, steams and investments subject to other rights, and contractual terms not being honoured, together with those risks identified in the 'Principal Risks and Uncertainties' section of our most recent Annual Report, which is available on our website. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations.

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. Readers are cautioned that such forward-looking statements may not be appropriate other than for purposes outlined in this announcement. 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 announcement relate only to events or information as of the date on which the statements are made and, except as specifically required by applicable laws, listing rules and other regulations, the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. No statement in this communication is intended to be, nor should it be construed as, a profit forecast or a profit estimate.

This announcement also contains forward-looking information contained and derived from publicly available information regarding properties and mining operations owned by third parties.

SOURCE: Anglo Pacific Group PLC

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