



# Anglo Pacific Group PLC

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June 2014

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If any such risks actually occur, they could materially adversely affect the Company’s business, financial condition or results of operations. The reader is cautioned that the list of factors noted in the section herein entitled “Risk Factors” is not exhaustive of the factors that may affect the Company’s forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

This presentation also contains forward-looking information contained and derived from publicly available information regarding properties and mining operations owned by third parties. The Company’s management relies upon this forward-looking information in its estimates, projections, plans, and analysis.

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This presentation contains reference to past prices of and/or yields on the Company’s shares. Readers are reminded that past performance cannot be relied on as a guide to future performance.

As a royalty holder, the Company 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 presentation, the Company has 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 presentation.

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# Anglo Pacific Corporate Overview

- » The only mining royalty company listed in London
- » Dual listing: LSE (Premium Listing) and TSX
- » Diversified commodity exposure across coking coal, iron ore, gold, uranium and chromite
- » Key royalty asset in Kestrel, a Tier 1 coking and thermal coal mine in Australia operated and majority-owned by Rio Tinto
- » 2013 operating profit of £11.3m (2012: £11.2m (restated))
  - » Kestrel expected to drive EBITDA growth over the coming years

# Anglo Pacific Corporate Overview

## Key Information

<b>Company Name</b>	Anglo Pacific Group PLC
<b>Ticker</b>	APF (LSE), APY (TSX)
<b>Share price<sup>(1)</sup></b>	183.5p
<b>Market capitalisation<sup>(1)</sup></b>	£203m
<b>Net cash<sup>(2)</sup></b>	£15.7m
<b>2013 Adjusted earnings per share<sup>(2)</sup></b>	8.4p
<b>2013 Dividend per share<sup>(2)</sup></b>	10.2p
<b>Net asset value per share<sup>(2)</sup></b>	196p
<b>Dividend yield <sup>(3)</sup></b>	5.6%

(1) Bloomberg (as at market close March 13, 2014); ~110.9m ordinary shares outstanding

(2) Anglo Pacific (as at December 31, 2013)

(3) Anglo Pacific (as at March 13, 2014)

## Top Shareholders<sup>(1)</sup>

<b>Directors</b>	12.1%
<b>AXA Investment Management</b>	8.3%
<b>Schroder Investment Management</b>	7.5%
<b>Liontrust Investment Partners</b>	7.1 %
<b>Aberforth Partners</b>	5.5%
<b>Walker Crips</b>	4.4%
<b>Total number of shareholders:</b>	<b>~2,500</b>

(1) Source: RDIR (as at December 31, 2013). Directors' shareholding adjusted following the passing of Peter Boycott's death in January 2014

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# Royalty Financing as an Asset Class

Key Themes	Description
<b>Lower risk</b>	<ul style="list-style-type: none"><li>» Royalty investments minimise or eliminate direct exposure to:<ul style="list-style-type: none"><li>» operating costs of underlying mining operations</li><li>» cost inflation</li><li>» capex escalation</li></ul></li></ul>
<b>Cash returns</b>	<ul style="list-style-type: none"><li>» Royalty companies can generate cash yields for shareholders - unlike holding ETFs or physical metal</li><li>» Royalty companies have a relatively low overhead cost base</li><li>» Leverage to upside in commodity prices</li></ul>
<b>Lower volatility</b>	<ul style="list-style-type: none"><li>» Royalty companies can hold relatively large portfolios of investments to reduce volatility of earnings through diversified exposure to varying commodities, stages of project development and geographic locations</li></ul>
<b>Additional upside potential</b>	<ul style="list-style-type: none"><li>» Upside optionality of the royalty model due to increased mine production, mine life extensions and exploration potential</li></ul>

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# New Management – New Vision

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# New Management

## **Julian Treger**

Director and Chief Executive Officer

Julian Treger has over 23 years of investment experience including special situations and distressed investing. He co-founded Audley Capital Advisors LLP (“Audley”) in 2005 and has led the firm’s mining investments.

Prior to Audley, he co-founded Active Value Advisors Ltd. to invest in undervalued, predominantly UK-listed companies, where he advised on more than US\$900m of funds over a 12-year period.

Julian Treger began his career working for Lord Rothschild as an in-house corporate financier, managing a portfolio of public and private equity investments. Julian Treger holds a BA and an MBA from Harvard University.

## **Mark Potter**

Director and Chief Investment Officer

Mark Potter has more than 12 years of experience in special situations investing, private equity and corporate finance advisory. He joined Audley in 2005 and has been primarily responsible for covering all natural resources investments held by the Audley European Opportunities Fund.

From 2003 to 2005, Mark Potter was an Associate at Dawnay Day advising on M&A, private equity and initial public offerings for UK-listed companies. Prior to this, he was a Senior Analyst in the Investment Banking division of Schroder Salomon Smith Barney (Citigroup).

Mark Potter holds a BA (Hons) and MA degree in Engineering and Management Studies, Trinity College, University of Cambridge.

## **Strong Track Record of Creating Value**

- Generated over US\$600m of profit on US\$300m worth of actively structured mining investments over a 7-year period<sup>(1)</sup>
- Brokered US\$3.3bn sale of Western Coal to Walter Energy, providing significant return on investment
- Mining investments predominantly focused on coal and iron ore across Canada, US and Africa

(1) Audley Capital Advisors LLP, November 18, 2013

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## **Julian Treger and Mark Potter bring an extensive network of contacts and investment skills to Anglo Pacific**

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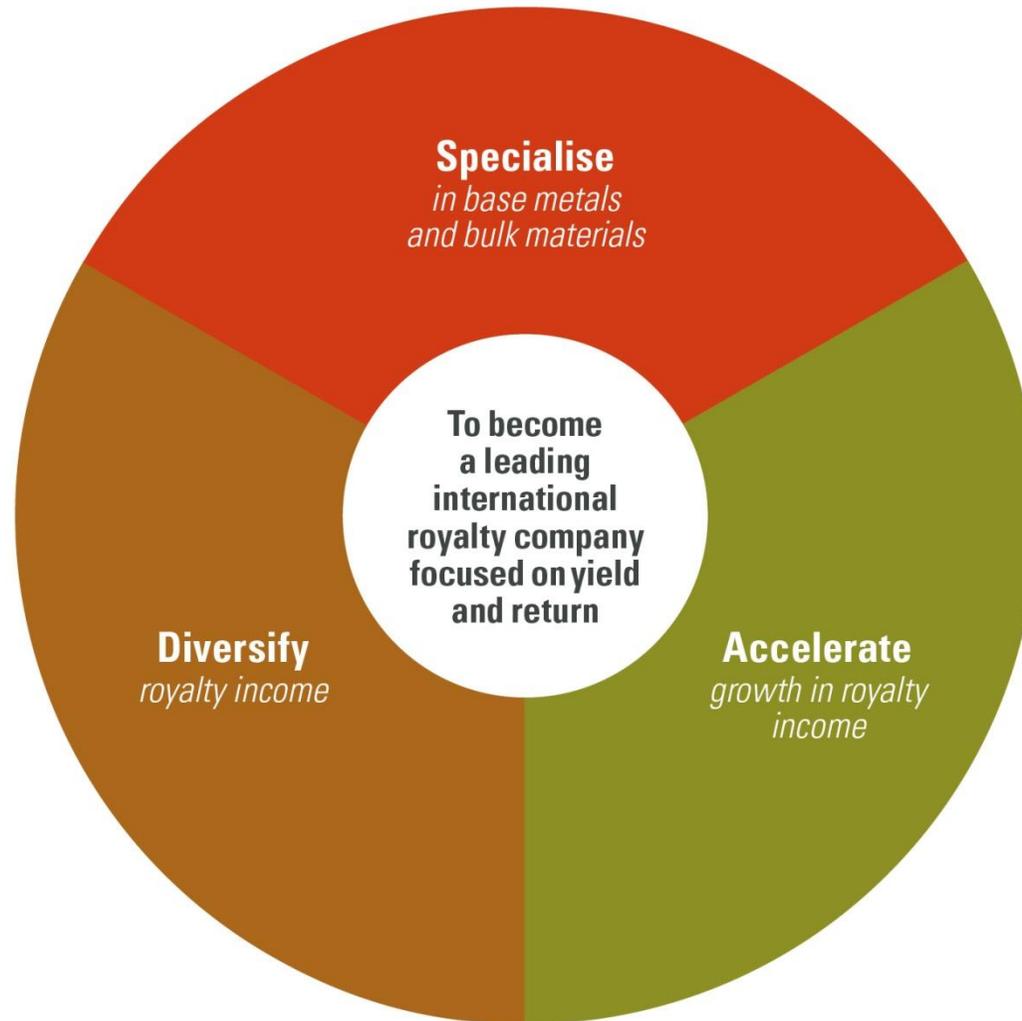
*To create a leading  
international diversified  
royalty company with a  
focus on base metals and  
bulk materials*

MISSION STATEMENT

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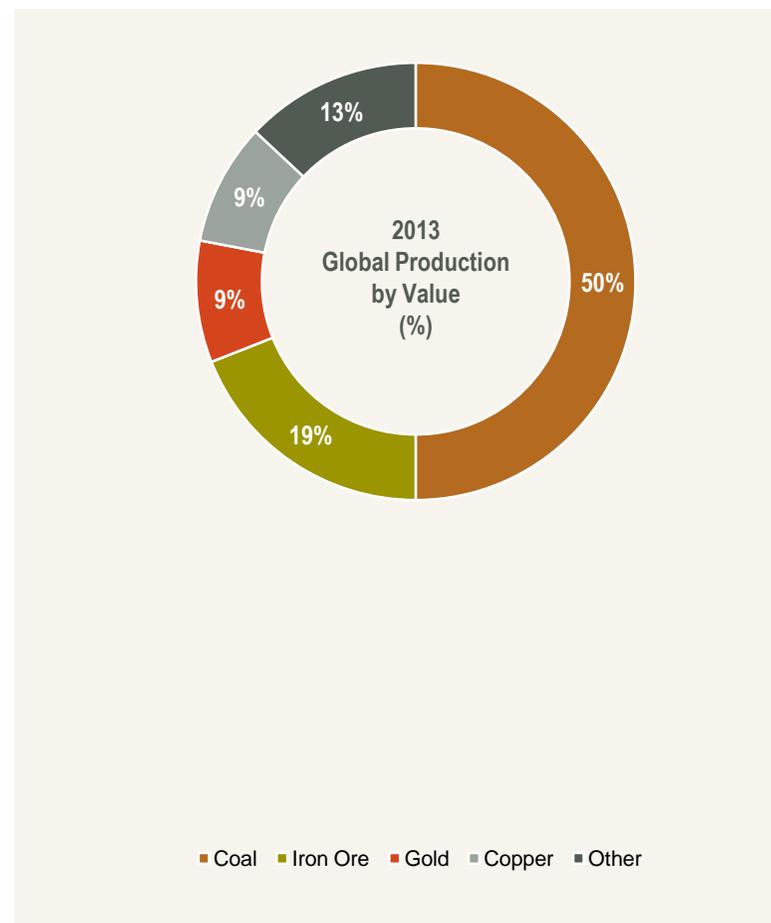
# New Strategy

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# Bring Royalty Financing of Base Metals and Bulk Materials into the Mainstream

- » Coal, iron ore and copper accounted for 50%, 19% and 9% of 2013 global production (by value) respectively vs 9% for gold<sup>(1)</sup>
- » A capital intensive sector under significant cash constraint as a result of:
  - » Commodity market de-rating
  - » Ill-conceived M&A activity at the top of the market, resulting in overleveraged miners seeking to reduce their debt levels
  - » Capex and cost overruns
- » First mover advantage gives Anglo Pacific the potential to pursue attractive assets
- » Royalty and stream financing account for a small proportion of overall mining investment: 1.1% in 2012<sup>(2)</sup>



(1) Source: Global Mining Perspective, Arctic Cluster of Raw Materials Conference, IntierraRMG report (September 26, 2013)

(2) Source: Three things you need to know about alternative financing in the mining industry, PWC (2013)

# Accelerate Growth in Royalty Income and Cash Return

- » Management objective is to **grow net income** and **dividend**
  - » Move focus to royalties on projects that are (1) currently cash flow generating or (2) will be cash flow generating within the next 24 months
  - » Grow margin through economies of scale given relatively low overhead cost base
  - » Increase cash return to shareholders as the company grows

# Key Investment Characteristics for Royalty Investments

Deal size US\$20m to US\$100m

Established mining jurisdictions (North America, Australia, Western Europe, South America)

Focus on near-term cash producing assets with strong economics and where risk can be priced accordingly

Strong counterparties, long mine life (10 years+), low cost, operational expertise

Upside potential via mine life extensions and increased production

# Sourcing Deals

## Financing for growth

- Alternative forms of financing are increasingly popular vs equity fundraisings in the current cash constrained commodity sector
- Anglo Pacific aims to provide the “last dollar” required for companies to achieve economic production
- Anglo Pacific will consider both royalty and streaming transactions

## Providing liquidity

- Mining assets often have existing royalties held by the original founding shareholders who require liquidity solutions
- Opportunity to acquire existing royalties at attractive prices

## Creating royalties

- Providing an alternative form of capital to assist with the financing of asset purchases, as large cap miners are expected to continue to sell non-core assets in the near future. Streaming transactions may be considered
- Providing royalties for bulk commodities and related infrastructure projects (railways, ports, etc)

## Monetising hidden royalty assets

- Disposal for cash of existing royalties held by large miners often preferred in order to enhance the stock market rating of the company

## Re-Balance Commodity Spread to Reduce Risk

- » Target portfolio would see increased exposure to iron ore, copper and zinc
- » Opportunistic investment in royalties and streaming transactions in non-core commodities such as oil & gas, uranium, diamonds and precious metals
- » Review of existing portfolio of non-core royalty and equity investments
- » Refine portfolio to focus on near-term, cash producing assets rather than long-term, blue sky projects

# A Foundation for Growth

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# Geographic and Commodity Exposure across Principal Royalty Assets



# Kestrel Royalty, Rio Tinto, Australia



- » A Tier 1 coking and thermal coal mine in Australia operated and majority-owned by Rio Tinto
- » Recently completed a US\$2bn capex programme to extend the mine life and increase production capacity<sup>(1)</sup>
- » Expected to drive Anglo Pacific's EBITDA growth over the coming years
- » Royalty terms: 7% of value up to A\$100, 12.5% of the value over A\$100 and up to A\$150, 15% thereafter<sup>(2)</sup>

(1) Kestrel US\$2bn capex program completion and production commencement announced by Rio Tinto on 12 July 2013

(2) Royalty rate set by the Queensland Government. Anglo Pacific has an effective 50% ownership of this royalty

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# Anglo Pacific Team

## **Kevin Flynn** Chief Financial Officer

Kevin Flynn joined the Group as Chief Financial Officer in January 2012. A Chartered Accountant, having qualified with Deloitte, he has overall responsibility for corporate reporting, cash management and taxation. Prior to joining the Group, he spent several years in finance roles in the London commercial real estate sector, with both FTSE 100 and FTSE 250 companies.

## **Peter Mason** General Counsel and Company Secretary

Peter Mason joined the Group in October 2010 and was appointed Company Secretary in July 2011. He has a BA in History from the University of Warwick and is a qualified solicitor. He began his career in private practice with Freshfields Bruckhaus Deringer LLP, working in London and Tokyo with a focus on M&A. Prior to joining the Group, he worked for the Malaysian oil and gas corporation, PETRONAS, advising on its European production and gas storage businesses.

## **Juan Alvarez** Group Mining Analyst

Juan Alvarez joined the Group in 2012 as Group Mining Analyst. He has a Bachelors degree in geology from Macquarie University and currently has over twenty years experience in exploration, mining geology, resource estimation and mining finance. Juan worked as a Senior Mining Geologist for AngloGold and Rio Tinto before joining global mining consultant, Golder Associates as a Senior Consultant. Juan moved into mining finance when he joined niche mining focused stockbroker, Fox Davies Capital, as a sell side equities analyst before joining the Group.

## **Marc Bishop Lafleche** Investment Associate

Marc Bishop Lafleche joined the Group as an Investment Associate in April 2014. He has an MSc in Banking and International Finance from Cass Business School and a BA (Hons) in Political Science from the University of Western Ontario. Prior to joining the Group, he worked at Citigroup as an Associate in the Global Industrials Investment Banking team, and while at Citigroup he also completed a secondment in the European Leveraged Finance team. Marc became a CFA charterholder in 2013.

# Conclusion

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# Conclusion

- » Opportunity to create a leading international mining royalty company focused on base metals and bulk materials
- » Growing royalty and stream financing market as conventional funding routes for miners remain limited
- » Strong existing asset base from which to develop the business
- » Focus on royalties with immediate/near-term cash flow generation potential
- » Commitment to grow net income and dividend progressively

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**New management intent on fast-tracking Anglo Pacific's transition into a premier royalty business**

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# Appendix: 2013 Financial Highlights

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# Financial highlights

<b>FIGURES IN £M</b>	<b>2013</b>	<b>2012 (Restated)</b>
Royalty related income	14.7	15.2
(Loss)/Profit after tax	(42.5)	11.6
Adjusted earnings after tax	9.1	9.4
Headline earnings per share	(39.01)p	10.67p
Adjusted earnings per share	8.39p	8.69p
Dividend per share	10.2p	10.2p
Non-cash impairment charge	34.6	11.4
Cash and cash equivalents	15.7	24.0
Net assets	216.9	301.0
Net assets per share	196p	275p

- » 2012 (Restated) relates to certain changes to the Company's accounting policies
- » Non-cash impairment charge predominantly relating to strategic equity investments
- » Currently undrawn US\$15.0m twelve-month unsecured RCF signed in February 2014 providing additional flexibility

# Income from royalties

FIGURES IN £M	2013	2012
Kestrel	9.9	10.9
EVBC	2.0	1.8
EVBC ( <i>other income</i> )	2.0	-
Amapa	0.7	2.2
Crinum *	-	0.1
<b>Royalty related income</b>	<b>14.7</b>	<b>15.2</b>

- » Kestrel: Underlying income was £9.9m (A\$16.1m) compared to £10.9m (A\$16.7m) in 2012
- » EVBC: £2.0m received on the back of increased gold and copper production, despite weakening gold price
- » EVBC (other income): An additional £2.0m received during the year to settle the outstanding debenture balance (non-recurring item)
- » Amapá: Suspension of all iron ore shipments post March 2013 Santana port incident - shipping has now recommenced

\* Anglo Pacific received no royalty income from Crinum during 2013 as production moved out of the Company's private royalty area. No royalty income expected going forward

# Adjusted earnings

	2013		2012 (RESTATED)	
	EARNINGS (£M)	EPS (P)	EARNINGS (£M)	EPS (P)
<b>Earnings after tax</b>	<b>(42.5)</b>	<b>(39.01)</b>	<b>11.6</b>	<b>10.67</b>
Adjustment for:				
Impairment of mining and exploration interests	26.3		11.4	
Impairment of intangibles - royalties	8.3		-	
Loss/(Gain) on revaluation of coal royalties	13.6		(9.5)	
Loss on revaluation of royalty instruments	8.6		0.7	
Effective interest on royalty instruments	(1.1)		(0.6)	
Loss/(Profit) on sale of mining and exploration interests	6.4		(7.3)	
Amortisation of intangibles - royalties	0.9		1.0	
Tax on above adjustments	(11.4)		2.1	
<b>Adjusted earnings</b>	<b>9.1</b>	<b>8.39</b>	<b>9.4</b>	<b>8.69</b>

- » Impairment of the mining and exploration interests represents the realisation of the mark to market losses on the Group's strategic equity investments
- » Impairment of intangibles relates to Ring of Fire, Mount Ida, Bulqiza and the Araguaia option. This charge reflects changes to expected future cash flows following announcements during the year which could result in a substantial delay in project development

# Net asset reconciliation

	CHANGE(£M)	NET ASSETS(£M)	PER SHARE(P)
<b>Net assets as at January 1, 2013</b>		<b>301.0</b>	<b>275</b>
<b>Kestrel</b>			
- Foreign exchange	(26.0)		
- Underlying valuation	(13.6)		
- Deferred tax	11.9	(27.7)	
<b>Intangibles</b>			
- Foreign exchange	(7.3)		
- Impairment	(8.3)	(15.6)	
<b>Royalty instruments (debentures)</b>			
- Foreign exchange	(11.1)		
- Valuation (net of tax)	(2.9)	(14.0)	
<b>Mining and exploration interest</b>			
- Mark to market	(20.6)		
- Disposals	(5.4)	(26.0)	
<b>Dividend</b>		(11.1)	
<b>Share issue</b>		2.5	
<b>Adjusted profit</b>		9.1	
<b>Other</b>		(1.3)	
<b>Net assets as at December 31, 2013</b>		<b>216.9</b>	<b>196</b>

# Cashflow analysis

