CENTAURUS ROYALTIES LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2020

REGISTERED NUMBER: 05289358

CENTAURUS ROYALTIES LIMITED

DIRECTORS' REPORT

31 DECEMBER 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

The Strategic Report starting on page 3 contains details of the principal activities of the Company and provides detailed information on the development of the Company's business during the year and details of exposure to risks and uncertainties and indications of likely future developments.

Directors

The following individuals held office as a Director of the Company since 1 January 2020, unless stated otherwise:

- J.A. Treger
- K. Flynn

Dividends

The Company declared no dividends for the year ended 31 December 2020 (2019: £nil).

Directors' interest in shares and contracts

The directors had, and continues to have, no disclosable interests in either the share capital of the Company or any contracts of the Company.

Future developments, financial risk management and going concern are discussed in the Strategic Report below.

Directors' indemnity

The Company's ultimate parent entity, Anglo Pacific Group PLC, maintains insurance for the Directors and officers against certain liabilities in relation to the Company's operations. The ultimate parent entity has entered into qualifying third-party indemnity arrangements for the benefit of all Directors in a form and scope which comply with the requirements of the Companies Act 2006.

Greenhouse gas emissions

Centaurus Royalties Limited is a small organisation with no employees and only two directors, which means any emission sources within its operational and financial control, such as business travel, purchase of electricity, heating or cooling are limited. During the year ended 31 December 2020, the Company consumed less than 40,000Kwh of energy (2019: <40,000Kwh) and is therefore exempt from reporting under the UK Government's Streamlined Energy and Reporting Statutory Instrument: 2018/1155.

Subsequent events

On 14 December 2020, Orano Canada Inc, the operator of the McClean Lake mill from which the Company will receive a portion of toll milling proceeds after the first 215Mlbs of throughput, announced operations would be suspended at the mill in early 2021 following the Cigar Lake uranium mine being placed on care and maintenance due to COVID-19. Operations were suspended between January 2021 and April 2021. At the date of this report, operations at both Cigar Lake and the McClean Lake mill have resumed and are operating as normal.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and

2. the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by and signed on behalf of the Board

J.A. Treger
Director
1 Savile Row
London
W1S 3JR

CENTAURUS ROYALTIES LIMITED

STRATEGIC REPORT

31 DECEMBER 2020

The directors present their Strategic Report for the year ended 31 December 2020 to provide a review of the Company's business, principal risks and uncertainties and performance and position.

Organisation and principal activity

Centaurus Royalties Limited (the "Company") was incorporated on 17 November 2004 (Companies House registration no. 05289358).

The Company is a wholly-owned subsidiary of Anglo Pacific Group PLC (the "Parent").

The principal activity of the Company is the acquisition of natural resources royalties. The Company is counter party to a streaming agreement, which entitles it to receive a portion of the toll milling proceeds from the McClean Lake Mill after the first 215Mlbs of throughput from 1 July 2016. In addition, the Company owns a 1.8% equity interest in an unlisted company through which it has a co-investment agreement allowing the venture to acquire future natural resources royalties.

Business review

As shown in the Income Statement on page 9, the profit after taxation for the year was £71,985 (2019: £1,348,893). The profit for the year was largely attributable to the revaluation of the Company's streaming agreement acquired in February 2017, which is classified as fair value through profit or loss. As at 31 December 2020, the fair value of the streaming agreement had decreased by £350,684 to £2,048,842. Further details on the valuation of the streaming agreement are provided in note 7.

Due to the limited activity within the Company during the year, the directors do not feel that it is necessary to include analysis using key performance indicators (KPIs).

The Directors do not expect there to be any significant changes in the Company's undertakings going forward.

Going concern

A letter of support has been provided by the Company's ultimate parent company, Anglo Pacific Group PLC, which states it will provide the necessary financial support to ensure that this Company is a going concern for a least twelve months from the date of signing of these financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Principal risks and risk governance

COVID-19

Operations at the McClean Lake mill from which the Company will receive a portion of toll milling proceeds after the first 215Mlbs of throughput have been suspended twice following the Cigar Lake uranium mine being placed on care and maintenance due to COVID-19. Operations at the mill were last suspended between January 2021 and April 2021.

As at the date of this report, operations at both Cigar Lake and the McClean Lake mill have resumed and are operating as normal and the Directors are not aware of any direct or indirect impact of COVID-19 or any other significant event that would cause any of the assets or liabilities reported in these financial statements to be restated.

Market risk

All market risks are represented on the Company's balance sheet. The Company now holds only interest-bearing receivables from a related party, together with a non-quoted equity investment which is held at cost. These assets are not exposed to market risks.

Liquidity risk
The purpose of liquidity management is to ensure that sufficient cash is available to meet all contractual commitments as they fall due. The Parent Company provides the necessary liquidity.

Credit Risk
The Company assesses the credit risk for its transactions and takes appropriate steps to limit/offset the credit risk.

Interest rate and foreign exchange risk
The Company monitors its interest rate risk, considering any material exposures.

The pound sterling is the functional currency of the Company, as the majority of transactions are denominated in pound sterling.

The Company is exposed to the risk of changes in foreign currency exchange rates with regard to the value of other creditors which are not denominated in sterling.

Management have considered the impact of Brexit on its exposure to foreign currencies and does not consider it will have a material impact on the Company.

Section 172(1) Statement
When making decisions, the Directors have acted in a way that they considered to be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with or are impacted by its business.

The Company's operations are limited to holding an investment Flowstream Vintage 1 Limited, a royalty and streaming vehicle. In addition, the Company holds a streaming agreement with Denison Mines Inc. As a result, there is minimal impact on external stakeholders.

The Directors have considered the matters set out in sections 172(1) (a) – (f) when discharging their section 172 duties and the effect of such considerations on certain decisions taken by them.

Charitable and political contributions
During the year the Company made charitable donations of £nil (2019: £nil), and political contributions of £nil (2019: £nil).

Approved by and signed on behalf of the Board

J.A. Treger
Director
1 Savile Row
London
W1S 3JR

29 September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board,

J.A. Treger
Director

CENTAURUS ROYALTIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTAURUS ROYALTIES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Centaurus Royalties Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and Instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTAURUS ROYALTIES LIMITED

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Jones MA FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 September 2021

CENTAURUS ROYALTIES LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Royalty related income	3	235,008	761,288
Interest income	4	31	110
Other operating expenses	5	(4,060)	(2,523)
Profit on ordinary activities before tax		230,979	758,875
Revaluation of royalty financial instruments	7	(350,684)	728,338
(Loss)/Profit before tax		(119,705)	1,487,213
Income tax credit/(charge)	6	191,690	(138,320)
Profit attributable to equity shareholders		71,985	1,348,893

All items in the income statement relate to continuing operations.

The notes on pages 13 to 20 are an integral part of these financial statements.

CENTAURUS ROYALTIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Profit for the year		**71,985**	**1,348,893**
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments held at fair value through other comprehensive income			
Revaluation of equity investments	8	(7,637)	(7,937)
		(7,637)	(7,937)
Other comprehensive expense for the year, net of tax		**(7,637)**	**(7,937)**
Total comprehensive income for the year		**64,348**	**1,340,956**

The notes on pages 13 to 20 are an integral part of these financial statements.

CENTAURUS ROYALTIES LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 £	31 December 2019 £
Non-current assets			
Deferred tax asset	6	53,370	-
Royalty financial instrument	7	2,048,842	2,399,526
Mining and exploration interests	8	216,905	224,542
		2,319,117	2,624,068
Current assets			
Trade and other receivables	9	1,012,169	781,190
		1,012,169	781,190
Total assets		3,331,286	3,405,258
Current liabilities			
Income tax liabilities		-	138,320
Trade and other payables	10	2,750	2,750
		2,750	141,070
Total liabilities		2,750	141,070
Equity			
Called up share capital	11	2,640,000	2,640,000
Investment revaluation reserve		134,668	142,305
Retained earnings		553,868	481,883
Total equity		3,328,536	3,264,188
Total equity and liabilities		3,331,286	3,405,258

The notes on pages 13 to 20 are an integral part of these financial statements.

The financial statements on pages 9 to 20 were authorised for issue and approved by the Board on 29 September 2021.

J.A. Treger
Director

K. Flynn
Director

Company registration number: 05289358

CENTAURUS ROYALTIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE TWO YEARS ENDED 31 DECEMBER 2020

	Notes	Called up share capital £	Investment Revaluation Reserve £	Retained earnings £	Total equity £
Balance as at 1 January 2019		2,640,000	150,242	(867,010)	1,923,232
Profit for the year		-	-	1,348,893	1,348,893
Other comprehensive expense:					
Changes in fair value of equity investments held at fair value through other comprehensive income					
Valuation movement taken to equity	8	-	(7,937)	-	(7,937)
Total comprehensive income		-	(7,937)	1,348,893	1,340,956
Balance as at 31 December 2019		2,640,000	142,305	481,883	3,264,188
Profit for the year		-	-	71,985	71,985
Other comprehensive expense:					
Changes in fair value of equity investments held at fair value through other comprehensive income					
Valuation movement taken to equity	8	-	(7,637)	-	(7,637)
Total comprehensive income		-	(7,637)	71,985	64,348
Balance as at 31 December 2020		2,640,000	134,668	553,868	3,328,536

The notes on pages 13 to 20 are an integral part of these financial statements.

1. Accounting policies

Centaurus Royalties Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2005 and registered in England and Wale. The address of the registered office is 1 Savile Row, London W1S 3JR.

The company continues to meet the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. In accordance with FRS 101 the company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 101 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 101.

Exemptions

The Company has taken advantage of the following exemptions available under FRS 101:

- the exemptions from preparing a statement of cash flows;
- the exemptions from disclosing key management personnel compensation;
- the exemption from providing certain comparative information;
- the exemption from providing capital management information;
- the exemption from disclosing the impact of standards in issue but not yet adopted; and
- the exemption from disclosing transactions with other wholly-owned members of the group.

The company has taken advantage of the following exemptions available under FRS 101 as equivalent disclosures have been given in the consolidated financial statements of Anglo Pacific Group PLC which includes the results of Centaurus Royalties Limited:

- the exemptions from the disclosures relating to financial instruments required by IFRS 7 where these are not required by regulations; and
- the exemption from the disclosures relating to fair value measurement required by IFRS 13 where these are not required by regulations.

The accounts of Anglo Pacific Group PLC are available from the registered office at 1 Savile Row, London W1S 3JR or from the company's website at www.anglopacificgroup.com.

Adoption of new and revised Standards

Amendments to IFRS Standards and the new Interpretation that are effective for the current year

From 1 January 2020, the following standards and amendments are effective in the Company's Financial Statements. Their first-time adoption did not have a material impact on the financial statements:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 3 *Business Combinations*.

In light of the limited activities of the Company during that year, the impact of adoption of these standards and the key changes to the accounting policies has not had a material impact on the financial statements of the Company.

Basis of preparation
The financial statements have been prepared under the historical cost accounting, as modified by the inclusion of financial instruments and mining and exploration interests at fair value.

Revenue recognition
The revenue of the Company comprises mainly royalty related income, in the form of dividends received from its 1.8% equity interest in an unlisted royalty vehicle (refer to note 8). Dividend income is recognised when the shareholders' rights to receive payment have been established.

Interest income that are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Mining and exploration interests
Mining and exploration interests are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

On initial recognition, the Company may make an irrevocable election to designate investments in mining and exploration equity instruments as fair value through other comprehensive income ('FVTOCI'). Designation as FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual patter of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Royalty financial instruments
Royalty financial instruments are recognised or derecognised on completion date where a purchase or sale of the royalty is under a contract, and are initially measured at fair value, including transaction costs.

All of the Company's royalty financial instruments have been designated as at fair value through profit or loss ('FVTPL').

The royalty financial instruments at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any royalties earned on the royalty instrument, and is included in the 'revaluation of royalty financial instruments' line item (note 7). Fair value is determined in the manner described in note 7.

Trade payables
Trade payables are not interest bearing and are stated at their fair value.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses ('ECL') on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. As the Company does have any trade receivables, the amount of expected credit losses is immaterial.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Taxation
Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The Company elects to surrender its trading losses or receive relief under the group provisions provided by HMRC and therefore, does not recognise the associated tax credit or tax assets arising from the current or prior period trading losses.

Going concern
A letter of support has been provided by its ultimate parent company, Anglo Pacific Group PLC, which states it will provide the necessary financial support to ensure that this Company is a going concern for at least twelve months from the date of signing of these financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements
The Directors must decide whether the Group's royalty arrangements should be classified as:

- Intangible Assets in accordance with IAS 38 *Intangible Assets*; or
- Financial Assets in accordance with IFRS 9 *Financial Instruments*.

The Directors use the following selection criteria to identify the characteristics which determine which accounting standard to apply to each royalty arrangement:

Type 1 – Intangible assets ("vanilla" royalties): Royalties, in their simplest form, are classified as intangible assets by the Group. The Group considers the substance of a simple vanilla royalty to be economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand) are all risks which the Group participates in on a similar basis to an owner of the underlying mineral licence. Furthermore, in a vanilla royalty, there is only a right to receive cash to the extent there is production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under IAS 38.

Type 2 – Financial assets (royalties with additional financial protection): In certain circumstances where the 'vanilla' risk is considered too high, but the Group still fundamentally believes in the quality or potential of the underlying resource, the Group will look to introduce additional protective measures. This has typically taken the form of performance milestone penalties (usually resulting in the receipt of cash or cash equivalent), minimum payment terms and interest provisions or mechanisms to convert the initial outlay into the equity instruments of the operator in the event of project deferral. Once an operation is in production, these mechanisms generally fall away such that the royalty will display identical characteristics and risk profile to the vanilla royalties; however, it is the contractual right to enforce the receipt of cash through to production which results in these royalties being accounted for as financial assets under IFRS 9.

A summary of the Group's accounting approach is set out below:

Accounting classification	Substance of contractual terms	Accounting treatment	Royalty Instrument
Royalty financial instruments	• Royalty arrangement with a contractual right to receive cash (e.g. through a mandated interest rate or milestones which, if not met, trigger repayment)	• Financial asset is recognised at fair value on the balance sheet. • Fair value movements taken through the income statement (FVTPL). • Royalty income is not recognised as revenue in the income statement and instead reduces the fair value of the asset.	McLean Lake

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Assessment of fair value of royalty financial instrument</u>
The Company's royalty financial instrument is held at fair value. Fair value is determined based on discounted cash flow models using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The determination of assumptions used in assessing fair values is subjective and the use of different valuation assumptions could have a significant impact on financial results.

In particular, expected future cash flows, which are used in discounted cash flows models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and resources, the likelihood of mill throughput exceeding 215Mlbs, the timing of such throughput levels being achieved, discount rates and exchange rates.

The Company's most significant royalty financial instrument held at fair value is the McClean Lake Mill streaming agreement, for which the key assumptions are set out in note 7.

Assessment of carrying value of mining and exploration interests
In assessing the carrying value of the unquoted mining and exploration interests, the Company assesses a reasonable fair value by reference to observable transactions, such as equity raises or repurchases. Where there are no recent observable transactions the Company considers subsequent information available to management to calculate a fair value of the interests.

The Company's mining and exploration interests are represented by its equity investment in Flowstream Vintage 1 Limited ('Flowstream'), an unquoted company through which the Company had a co-investment agreement allowing it to invest in future royalty transactions (refer to note 8). The Company now receives dividends which represent the distribution of royalty and streaming income generated by Flowstream.

3. Royalty related revenue

	2020	2019
	£	£
Dividends from royalty related mining and exploration interests	235,008	761,288
	235,008	761,288

Flowstream declared dividends totalling U$0.0547 per share for the year ended 31 December 2020 (2019: U$0.1831 per share). Flowstream generates its income from a portfolio of royalties and streams it holds over oil and gas projects located in the North Sea.

4. Interest Income

	2020	2019
	£	£
Interest on deposits held by group companies	31	110
	31	110

The Company earns interest on deposits held with the group's treasury company Anglo Pacific Finance Designed Activity Company (refer to note 9).

5. Other operating expenses

	2020	2019
	£	£
Audit fees	(2,750)	(2,500)
Other expenses	(1,310)	(23)
	(4,060)	(2,523)

The results of the Company's operations for the year ended 31 December 2020 are a profit of £71,985 (2019: £1,348,893). The Company has no employees and paid no directors' remuneration during the year (2019: £nil). No finance costs have been incurred during the year (2019: £nil). The company's auditor received audit fees of £2,750 for the year ended 31 December 2020 (2019: £2,500).

6. Income tax (credit)/charge

	2020	2019
	£	£
Income tax (credit)/charge	(191,690)	138,320
Factors affecting the tax charge for the year:		
(Loss)/Profit on activities before tax	(119,705)	1,487,213
Prima facie tax (credit)/charge at UK rate of 19% (2019: 19%)	(22,744)	282,570
Tax effect of:		
Items non-taxable for tax purposes		
Non-taxable income	(44,652)	-
Temporary difference adjustments		
Utilisation of losses not previously recognised	-	(144,250)
Other adjustments		
Prior year adjustment to current tax	(123,701)	-
Other adjustments	(593)	-
Total income tax (credit)/charge	(191,690)	138,320

Under the group provisions provided by HMRC, the Company receives trading losses from or elects to surrender its trading losses to companies within the group and ordinarily does not recognise the associated tax credit or tax assets arising from the current or prior year trading losses. As the losses for the year ended 31 December 2020 cannot be utilised by other companies within the group in the current year, a deferred tax asset of £53,370 has been recognised.

In the March 2021 Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

7. Royalty financial instruments

	£
Fair value	
At 1 January 2019	1,671,188
Revaluation of royalty financial instruments recognised in profit or loss	728,338
At 31 December 2019	2,399,526
Revaluation of royalty financial instruments recognised in profit or loss	(350,684)
At 31 December 2020	2,048,842

On 13 February 2017, the Company entered into a streaming agreement for C$2,700,000 (£1,664,716) with Denison Mines Inc ('Denison'), which entitles the Company to receive Denison's portion of toll milling proceeds from the McClean Lake Mill after the first 215Mlbs of throughput from 1 July 2016.

The streaming agreement is classified as fair value through profit or loss in accordance with note 2 and is categorised as level 3 in the fair value hierarchy. As at 31 December 2020, the management assessed the probability of the McClean Lake Mill achieving throughput in excess of 215Mlbs at 50% (2019: 50%), and applied this to the discounted future cash flows of the stream with a 6.5% (2019: 5.5%) pre-tax nominal discount rate, resulting in a valuation of £2,048,842 (2019: £2,399,526). The £350,684 decrease (2019: increase £728,338) in the carrying value of the stream has been recognised in the income statement for the year.

Management have considered the impact of assumptions relating to both the probability factor and the pre-tax nominal discount rate on the valuation of the royalty financial instrument as at 31 December 2020. The table below summarises the increase/(decrease) to the valuation that would be recognised had alternative probability factors and pre-tax nominal discount rates applied.

Production			Discount rate		
Probability	4%	5%	7%	8%	9%
100%	3,119,733	2,493,659	1,466,046	1,044,703	674,166
80%	2,015,881	1,515,022	692,932	355,857	59,427
60%	912,030	536,385	(80,183)	(332,989)	(555,311)
50%	360,104	47,066	(466,740)	(677,412)	(862,680)
40%	(191,822)	(442,252)	(853,297)	(1,021,834)	(1,170,049)
30%	(743,748)	(931,571)	(1,239,854)	(1,366,257)	(1,477,419)

8. Mining and exploration interests

	2020	2019
	£	£
Fair value		
At 1 January	224,542	232,479
Revaluation adjustment	(7,637)	(7,937)
At 31 December	216,905	224,542

Mining and exploration interests represent the Company's 1.8% equity interest in Flowstream Vintage 1 Limited, an unquoted company through which the Company had a co-investment agreement allowing the venture to invest in future royalty transactions. The company's mining and exploration interests are classified as fair value through other comprehensive and categorised as level 2 in the fair value hierarchy.

9. Trade and other receivables

	2020	2019
	£	£
Current receivables:		
Royalty and other third-party receivables	-	146,551
Amounts receivable from group companies	1,012,169	634,639
	1,012,169	781,190

Royalty and other third-party receivables represent the Q4 2019 dividend declared by Flowstream, which generates its income from various royalty interest. The total amount was subsequently received, as a result no expected credit losses have been recognised in relation to these balance as at 31 December 2019. There was no Q4 2020 dividend declared by Flowstream.

Amounts receivable from group companies represent immediately available interest-bearing deposits held with the group's treasury company Anglo Pacific Finance Limited and non-interest bearing loans to the Company's ultimate parent entity Anglo Pacific Group PLC. Interest is earned on a monthly basis and calculated with reference to the average balance on deposit for the month.

The Company has considered the impact of expected credit losses in relation to the immediately available interest-bearing deposits and has assessed these as nil for the year ended 31 December 2020, in light of immediately available assets of the counter party.

10. Trade and other payables

	2020	2019
	£	£
Current payables:		
Trade payables	2,750	2,750

The director considers that the carrying amount of trade and other payables is approximately their fair value. All amounts are considered short term and none are past due.

11. Share capital

	2020 Number of Shares	2020 £	2019 Number of shares	2019 £
Authorised				
Ordinary shares of £1 each	50,000,000	50,000,000	50,000,000	50,000,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	2,640,000	2,640,000	2,640,000	2,640,000

12. Related parties

All transactions with the ultimate parent company were made in the course of funding the Company's continuing activities.

The Company holds immediately available interest-bearing deposits with the Group's treasury company Anglo Pacific Finance Designated Activity Company, see note 9.

13. Ultimate parent undertaking

The Company's immediate and ultimate parent is Anglo Pacific Group PLC, incorporated in the United Kingdom and registered in England and Wales. The parent undertaking of the only group which includes the Company and for which consolidated financial statements are produced is Anglo Pacific Group PLC. These consolidated financial statements can be obtained from Anglo Pacific Group PLC, 1 Savile Row, London, W1S 3JR. The Company is a wholly-owned subsidiary of Anglo Pacific Group PLC.

14. Events occurring after period end

On 14 December 2020, Orano Canada Inc, the operator of the McClean Lake mill from which the Company will receive a portion of toll milling proceeds after the first 215Mlbs of throughput (refer to note 7), announced operations would be suspended at the mill in early 2021 following the Cigar Lake uranium mine being placed on care and maintenance due to COVID-19. Operations were suspended between January 2021 and April 2021. At the date of this report, operations at both Cigar Lake and the McClean Lake mill have resumed and are operating as normal.