

# Anglo Pacific Group PLC

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## Anglo Pacific set for potential increase in royalty income as vanadium profits jump at the Maracás Menchen mine

Anglo Pacific Group PLC (LON:APF)(TSE:APY) should receive a significant boost in royalty income in the wake of strong third-quarter results from Largo Resources (TSE:LGO).

Largo is the owner and operator of the Maracas-Menchen vanadium mine, over which Anglo Pacific holds a 2% net smelter return royalty (NSR).

**READ:** Soaring vanadium price a boon to Anglo Pacific Group, as second largest royalty stream continues to grow  
Most tellingly, revenue from Maracás Menchen increased by 148% when set against the corresponding quarter a year ago. The backdrop to that is vanadium price that continues to go from strength to strength. Vanadium has been the best performing metal by some stretch on the markets for a while now, comfortably outstripping cobalt and lithium, both of which have lost a significant amount of their lustre in recent months.

Vanadium though is in short supply, and demand continues to skyrocket as its use in electricity storage grows. At the moment the metal is trading at a 13-year high, with no sign of any reversal of the upward trend.

The consequent effects on Largo have been marked.

### Still favoured

When Anglo Pacific first bought the Maracás Menchen royalty, Largo's market capitalisation stood at around C\$276mln. Now it's well over C\$2.2bn, and still continuing to find favour with punters as the go-to Canadian vanadium play.

Precisely what these bullish vanadium conditions mean for the valuation of Anglo Pacific's royalty at Maracás Menchen remains an open question, but it can't be anything other than positive.

After all, the Largo numbers speak for themselves. Quarter-on-quarter, Largo's cash balance has increased by 64% to C\$127mln, net income is up from just under C\$14mln in the three months to September 2017 to more than C\$91mln in the quarter just gone, while earnings per share have jumped from C\$0.03 to C\$0.14.

From an Anglo Pacific point of view, it's certainly nice to have a piece of this action, especially considering that it doesn't have to shoulder any of the operational risks. As it stands, the Maracás Menchen royalty already represents the second largest source of royalty income for Anglo Pacific, going by the most recent quarterlies, at 12%.

### More to come?

Largo has a good record recently for reaching or exceeding nameplate production at Maracás Menchen and has just secured permission from the relevant authorities to boost output from 800 tonnes of vanadium pentoxide per month to

**Price:** C\$3.52

**Market Cap:** C\$638.78M

### Share Information

**Code:** APY

**Listing:** TSX

**52 week** **High** **Low**  
C\$4.75 C\$1.99

**Sector:** General Mining

**Website:** [www.anglopacifigroup.com](http://www.anglopacifigroup.com)

### Company Synopsis:

*Anglo Pacific's strategy is to expand its royalty portfolio in order to increase royalty related income, to diversify its portfolio and ensure that it will be able to replace revenues from its current royalty properties as they reach the end of their mine lives. This will be achieved through both direct acquisition of primary and secondary royalties and investment in projects at the development and production stage.*

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1,000 tonnes per month.

With all that in mind, it seems clear that the royalty income due to Anglo Pacific is in for a significant boost both in the immediate term, following the stellar results, and in the longer term as price strength continues and expansion plans get underway.

It will be interesting to see what comments chief executive Julian Treger makes about it at the next set of results.

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