

Anglo Pacific Group PLC

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Soaring vanadium price a boon to Anglo Pacific Group, as second largest royalty stream continues to grow

What's been the standout commodity in terms of price performance over the past three years?

Gold? - not likely, given the Fed's new enthusiasm for raising rates and the consequent strength in the dollar. Copper? - a definite contender, given it's 25% rise since January 2016, but that performance has been somewhat marred recently by bearish sentiment around President Trump's ongoing tariff wars. Coal, then? A surprising outlier, with an overall rise of 132% across the last three years, both for the higher quality metallurgical coal and the lower quality thermal variety.

WATCH: Anglo Pacific anticipating 'significant volume growth' ahead for portfolio

But the actual answer is Vanadium Pentoxide, the price of which has soared an astonishing 632% since the beginning of 2016.

And what do all these commodities have in common? The answer: with the single exception of gold, they are key components in the royalty portfolio of Anglo Pacific Group PLC (LON:APF)(TSE:APY).

Anglo Pacific has built its presence in the mining royalty space on the back of its coal royalty at the Kestrel mine in Australia. But in the past few years, under the stewardship of chief executive Julian Treger, the company has shown itself willing to branch out into new areas, and to invest in new commodities to diversify its portfolio.

It's an approach that has paid off for investors in Anglo Pacific in recent months, with the shares at close to three-year highs supported by a chunky dividend. The actual three year high of 166.5p was hit early in May 2018, and the shares have traded up around those levels since then. The current price is 151p, a far cry from the 52.50p low hit in January 2016.

Of course, it's not all about vanadium, since the wider mining and commodity markets have been on the whole stronger since 2016 across the board.

But having a major position in vanadium does help.

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In Anglo Pacific's case, the vanadium exposure comes from a 2% net smelter royalty held over the Maracás Menchen mine in Brazil, owned and operated by Largo Resources (TSE:LGO).

Perhaps not surprisingly, given the high vanadium price, Largo turned in a very good operational performance in the first half of 2018, producing 4,672 tonnes of vanadium pentoxide, an increase of 10% on the comparable period a year earlier.

Price: C\$3.49

Market Cap: C\$633.33M

Share Information

Code: APY

Listing: TSX

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

Sector: General Mining

Website: www.anglopacifigroup.com

Company Synopsis:

A DIVERSE PORTFOLIO OF ASSETS IN LOW-RISK JURISDICTIONS

Anglo Pacific is the only company listed on the London Stock Exchange focused on royalties connected with the mining of natural resources. It is an objective of the Company to pay a substantial portion of its royalty revenues to shareholders as dividends.

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That was in spite of a production fall in the first quarter, which was more than compensated for by increased output and improved recoveries in the second. Largo is now targeting an increase in its monthly production from 800 tonnes to 1,000 tonnes, likely to start in the middle of next year.

Thus, in the six months to June 2018, Maracás Menchen delivered income of £2.1mIn into Anglo Pacific's coffers, a significant 170% increase on the £785,000 delivered in the corresponding period in 2017.

That makes vanadium from Maracás Menchen currently the second most important income stream for Anglo Pacific after income from the Kestrel coking coal mine in Queensland, Australia.

That position may be usurped next year when the new investment in Labrador Iron Ore Royalty Corp (TSE:LIF) begins to come into its own. But even then, with vanadium prices still on the rise, the Maracás Menchen asset will continue to be among Anglo Pacific's most prized assets.

Most of the pricing risk in vanadium remains on the upside, as Chinese demand continues to be high and investors position themselves for the increasing use of the commodity in next-generation batteries and new energy storage technologies.

Anglo Pacific isn't the only company benefitting from the high vanadium price. Bushveld Minerals LTD (LON:BMN) owns a controlling interest in a vanadium mine in South Africa.

Its shares are also at a three-year high.

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