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Today's Market View - Anglo Asian Mining Plc, Metminco, Tri-Star Resources, Vast Resources PLC

Anglo Asian Mining* (LON:AAZ) - Start of mining at Ugur ramps up production rate

Metminco* (LON:MNC) - Interim results and progress report on Miraflores

Tri-Star Resources* (LON:TSTR) - Interim report and update

Vast Resources (LON:VAST) - Baita Plai mining licence expected shortly

Gold got a bit of support from escalated Pyongyang rhetoric that North Korea is planning to accelerate its nuclear programme in response to new sanctions approved by the UN Security Council on Monday.

• Gold ETF holdings climbed to 2,138t yesterday marking the highest level since mid-November.

• Copper prices correction continued amid an increase in LME stockpiles with money managers net long positions to 6-week low.

• "Oil markets have started to rebalance...pointing to firmer fundamentals," the IEA said in its monthly report released today; "expectations are that markets are tightening and that prices will rise, albeit very modestly".

• Oil demand growth has been revised upwards by 1.6mmbbl to 97.7mmbbl this year as strong growth momentum outpaces expected slowdown due to Hurricanes Harvey and Irma; this comes amid Opec countries and Russia plans to curb global supplies in an effort to reduce high oil inventories and boost prices.

• January iron ore and steel futures are trading higher for a second day today recovering from a slight drop at the start of the month.

Dow Jones Industrials +0.28% at 22,119

Nikkei 225 +0.45% at 19,866

HK Hang Seng -0.31% at 27,886

Shanghai Composite +0.14% at 3,384

FTSE 350 Mining -1.71% at 17,450

AIM Basic Resources -0.49% at 2,555

Economics

Eurozone - The single currency region growth momentum remains strong with the latest employment numbers showing the pace of new jobs created by the economy keeping at the highest level since the financial crisis in 2008-09.

• The ECB is expected to announce plans on a revision in its €60bn per month QE programme during its October meeting.

• The euro is stronger against the US$ this morning extending gains seen through Q2/Q3 to 14% and hovering around the 1.20 mark.

• Employment Gains (%yoy): 1.6 in Q2/17 v 1.6 in Q1/17 (revised from 1.5).

UK - Unemployment continued to fall beating market estimates while growth in earnings slowed and lagged forecasts.

• The jobless rate now stands at the lowest level since 1975.

• Slowing gains in labour earnings are attributed to "an element of Brexit uncertainty", according to BoE; whereas, different explanations include poor productivity and companies limiting wage increases amid an rise in import costs, Bloomberg reports.

• The pound fell 0.4% against the US$ following the release of the news coming off the strongest level since September last year.

• Unemployment (3 months, %): 4.3 in 3m to July v 4.4 in 3m to June and 4.4 forecast.

• Earnings ex Bonus (3 months, %yoy): 2.1 v 2.1 in June and 2.2 forecast.

Currencies

US$1.1991/eur vs 1.1975/eur yesterday.   Yen 109.97/$ vs 109.56/$.   SAr 13.027/$ vs 12.909/$. $1.331/gbp vs $1.321/gbp.

0.804/aud vs 0.805/aud.   CNY 6.528/$ vs 6.529/$.

Commodity News

Precious metals:

Gold US$1,333/oz vs US$1,327/oz yesterday

• U.S. President Donald Trump's latest comments regarding U.N. sanctions with North Korea have improved the demand.

• U.S. Treasury Secretary Steven Mnuchin threatened new financial sanctions on Beijing to cut off access to the U.S. financial system if China doesn't back up the U.N. sanctions.

Gold ETFs 68.7moz vs US$68.6moz yesterday

Platinum US$987/oz vs US$991/oz yesterday

Palladium US$953/oz vs US$944/oz yesterday

Silver US$17.95/oz vs US$17.79/oz yesterday

Base metals:

Copper US$ 6,603/t vs US$6,729/t yesterday

• Copper stocks in LME approved warehouses rose over 10,000 tonnes (4.7%) following commodity fund sales of copper.

• Strengthening of the U.S. dollar encouraged the sale of positions in London metals.

Aluminium US$ 2,132/t vs US$2,127/t yesterday

Nickel US$ 11,725/t vs US$11,720/t yesterday

Zinc US$ 3,053/t vs US$3,090/t yesterday

Lead US$ 2,285/t vs US$2,277/t yesterday

• Tightening concentrate supply concerns in China continues to encourage positive buying interest.

• Equipment failure at Chinese Haicheng Chengxin Nonferrous Metal Co. suspended production at the 100 Ktpa smelter.

Tin US$ 20,695/t vs US$20,705/t yesterday

Energy:

Oil US$54.3/bbl vs US$53.7/bbl yesterday

Natural Gas US$3.010/mmbtu vs US$2.961/mmbtu yesterday

Uranium US$20.65/lb vs US$20.65/lb yesterday

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US$72.3/t vs US$72.3/t

Chinese steel rebar 25mm US$664.6/t vs US$664.4/t

• Major Chinese steel maker Baoshan Iron Steel announced higher steel product prices for October bookings.

Thermal coal (1st year forward cif ARA) US$80.5/t vs US$80.9/t

Premium hard coking coal Aus fob US$208.9/t vs US$209.4/t

Other:

Tungsten APT European US$310-335/mtu vs US$285-300/mtu

Company News

Anglo Asian Mining* (LON:AAZ) 26.8p, Mkt Cap £30m - Start of mining at Ugur ramps up production rate

• Production commenced at Ugur located within the Gedabek license area and linked by a 4.6km long road to the Company's processing facilities.

• Processing of Ugur ores contributed to increased gold dore daily production rates which climbed 116% to 212oz in the first 10 days of September compared to the previous eight months.

• Average daily production is expected to improve further as Ugur operations ramp up to full capacity.

• As a result the Company reiterated its FY17 annual production guidance for 64-72koz of gold equivalent.

• Ugur ore is being treated at the agitation plant at Gedabek while flotation plant is running at 300-400tpd processing mainly high sulphide stockpile ore.

Conclusion: The team has done well in delivering a reserve/resource statement and commissioning mining operations at Ugur in a year since the discovery. Production start at Ugur lends confidence to the management team to reiterate annual production guidance supplying oxide ores to the agitation plant while Gedabek and Gadir operations go through a production review.

*SP Angel act as Nomad and Broker to Anglo Asian Mining

Metminco* (LON:MNC) 2.5p, Mkt Cap £3.2m - Interim results and progress report on Miraflores

• The Company has announced a loss of A$30.7m for the six months ending 30th June. The loss included a A$27.2m on the sale of its Los Calatos project in Peru to CD Capital as well as an unrealised loss of A$1.6m on a derivative instrument. Cash at 30th June stood at A$6.3m.

• The company expects to complete the Bankable Feasibility Study on proposed underground mining of its flagship, Miraflores Gold Project, by the end of Q3 2017. Miraflores, which is located in the Middle Cauca Belt of Colombia, contains a Measured and Indicated, JORC compliant, resource of 9.3m tonnes at an average grade of 2.82g/t gold and 2.77 g/t silver.

• The company estimates that it will mine 4.32m tonnes of ore at a grade of 3.3g/t gold and 2.56 g/t silver to produce around 50,000 oz pa of gold over a 9 years mine life.

• Under the planned development, mining will use three access tunnels, designated the South, North and Main Portals, to open up the orebody to trackless mechanised mining. The decision to develop Miraflores as an underground mine significantly reduces the surface environmental disturbance of open-pit mining envisaged by the project's previous owners and is expected to accelerate the permitting process as a result.

• The company notes that it has achieved "significant operating cost savings" through "optimisation of the mining plan and schedule" and that metallurgical testwork has "confirmed previous testwork results with gold recovery of 91% confirmed."

Conclusion: We look forward to the detailed results of the BFS and to news on the progress of the permitting for Miraflores.

*SP Angel act as broker to Metminco. SP Angel analysts have previously visited Los Calatos in Peru and the Miraflores project in Colombia.

Tri-Star Resources* (LON:TSTR) 0.15p, mkt cap £28.5m - Interim report and update

• TriStar Resources reports a loss of £5.7m (0.06p/share) for the six months ending 30th June as it presses ahead with the development of the 40% owned Oman Antimony Roaster (OAR) by the Omani company, Strategic and Precious Metals Processing (SPMP).

• The loss includes a £3.6m, non-cash charge arising as a result of the conversion of Loan Notes held by Odey Asset Management (OAM) which took place in June and resulted in OAM holding 54% of TriStar Resources' equity.

• Administrative costs have been reduced by 14% to £410,000 (H1 2016 £478,000). Cash at 30th June amounted to £1.1m.

• The company recaps on the progress of the OAR where construction has been underway since early in the year and on design changes which facilitate the treatment of a wider range of feedstock, including the construction of a gold treatment circuit and the associated gas handling infrastructure.

• Independent test-work has confirmed good recoveries of antimony and gold and aided the design changes which are now being implemented in the plant construction. These changes which, we consider will increase the flexibility of the plant and, in particular, enhance the ability to treat a wide range of mineral concentrates, have resulted in the previously announced increase in the capital budget to $96m.

• These design changes and the increased budget make it "highly likely that TriStar will be required to contribute significant additional capital to SPMP in order to maintain the Company's 40% stake in the OAR project." At this stage, in the absence of further information we are maintaining our view that an additional contribution of around US$7.5m may be required from TriStar.

• Earlier this year, in June, the company announced that SPMP had agreed a long term mineral concentrate supply agreement with the international trading business of Traxys Europe in order to source antimony and gold concentrates for the roaster.

• The company observes that environmental measures in China compounding seasonal weakening in demand has seen subdued Chinese production but that "In recent months, antimony prices have increased have increased amid tightening of supply of the metal over the summer months."

Conclusion: TriStar Resources has stabilised its finances through the conversion of its debt which has given it an historically supportive long term major shareholder in OAM. Operationally construction is now well underway with an expanded design capability to treat a wider range of mineral concentrate material. Access to these feedstocks is enhanced by the supply agreement with Traxys.

*SP Angel acts as Nomad and Broker to Tri-Star Resources

Vast Resources (LON:VAST) 0.39 pence, Mkt Cap £18.3m - Baita Plai mining licence expected shortly

• Vast Resources reports that it expects to receive permission to mine the Baita Pali polymetallic mine in Romania "during September". The outstanding step in the permitting process requires the payment of US$1.6m which "has been provided by a 180 day loan facility from Sub-Sahara Goldia Investments("Sub-Sahara")".

• The loan which carries an interest rate of 1% per month, repayable by 9th March 2018, "has been added to the existing US$4 million loan previously announced on 30 January 2017 and is on the same terms. … The Company's 49.9 per cent stake in Sinarom Mining Group … has been provided as additional security for the Loan."

• The company comments that "Obtaining the right to mine at Baita Plai will represent a significant milestone in the process of expanding the mining operations of Vast in Romania becoming the Company's second mine in country alongside its Manaila Polymetallic Mine".

Conclusion: The permitting of Baita Plai is expected to be concluded later this month adding a second mine in Romania emphasising the company's shift from its earlier roots in Africa. The loan finance is in place to complete the transaction though given the terms which include the pledge of its Romanian assets as security and the comment that "Vast now looks forward to securing the strategic investment to support growth initiatives planned at both mines", we would not be surprised by a refinancing.