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Today's Market View - Anglo American, BlueJay Mining, IronRidge Resources, Orosur Mining and Serabi Gold

Anglo American (LON:AAL) - De Beers diamond sales picking up ahead of Christmas
 BlueJay Mining* (LON:JAY) - Permit consultation received strong stakeholder and government support
 BlueJay included in MSCI index today - STRONG BUY - Target Price (to be revised, currently at 24p)
 IronRidge Resources (LON:IRR) - Joint Venture signed with Gail Exploration for a further nine exploration licenses in the Ivory Coast
 Orosur Mining (LON:OMI) - Exploration drilling results from APTA project in Colombia
 Serabi Gold Price (LON:SRB) - Q3 results, production update and acquisition

We see that the former head of Xstrata and director of BHP Billiton, Mick Davis, is being tipped to succeed Jan du Plessis in the Chairman's role at Rio Tinto.

- We understand that the company has declined to comment though clearly his CV would appear eminently suitable - we await further news over time.

Canadian investor lose 83% of value on restart of trading in West High Yield (W.H.Y.) Resources Ltd.

- West High Yield (W.H.Y.) Resources Ltd. had reported that it had a deal for "the sale of its main magnesium assets to an obscure buyer, Gryphon Enterprises LLC." (Bloomberg)
- The "Canadian penny stock plunged 83 percent in the first day of trading after its \$750-million mining deal collapsed, bringing an end to a wild ride that saw its shares surge almost 1,000 per cent in a single day."
- "The deal fell through after Gryphon failed to come up with a deposit of less than 1 percent of the transaction value, or \$500,000, by a Nov. 6 deadline."
- It was reported that Gryphon Enterprises LLC. Run by ceo, Stephen Cummins had offered to buy W.H.Y's magnesium deposit for \$750m representing around 46 times the company's entire market value. "In 2010, while Cummins was CEO of Green Processing Technologies Inc., a Salt Lake City-based company, he was accused of soliciting and selling securities to investors without a licence by the Colorado Securities Commissioner. The Commissioner issued a cease-and-desist order and Cummins agreed to pay investors back in cash. He neither admitted nor denied the allegations." According to the Financial Post
- "According to a West High Yield filing to regulators, the Toronto office of law firm Baker McKenzie represents Gryphon Enterprises. Greg McNab, global head of mining at Baker when contacted on Thursday said "I'm not aware that we act for them,". "We're not aware of any role in it."
- West High Yield's CEO Frank Marasco said in an interview Thursday that the financial backer of the deal wanted to stay anonymous. He said he got the price he deserved for the asset on 7,891 acres near Trail, British Columbia, just north of the Washington state border. He didn't return a call seeking comment Friday.
- "It wasn't clear why Gryphon, which doesn't have a website, was prepared to pay \$750-million for West High Yield's assets in British Columbia, when the whole company was worth only \$16 million. According to the purchase and sale agreement, Gryphon's chief executive officer used an AOL email address and the firm was based at a residential house built in 1992 in Swanton, Md." (Bloomberg)
- "West High Yield had continued to trade on Oct. 5 as more red flags appeared and volume soared. That sparked criticism from some that the regulators should have stepped in earlier to take control of the situation. Trading was halted on Oct. 6."
- The Investment Industry Regulatory Organization of Canada has said it won't reverse trades from that day because the announcement "did not contain information which was either misstated or inaccurate." The Alberta Securities Commission has declined to comment on whether it's still reviewing the company and the deal..
- There may be more to this story to come out but for now it looks like it's open season in Canada for share ramping.

Chinese EV makers buying lithium in the ground

- Concerns over producer's abilities to fill downline supply has led to Chinese EV companies buying lithium that has yet to be mined
- Larger companies such as Galaxy resources and Lithium X Energy Corp are using the sale of in ground lithium to bolster development

Dow Jones Industrials +0.07% at 23,440

Nikkei 225 -0.00% at 22,380

HK Hang Seng -0.09% at 29,155

Shanghai Composite -0.53% at 3,430

FTSE 350 Mining +0.22% at 17,567

AIM Basic Resources +0.34% at 2,635

Economics

China - Growth in retail sales, industrial production and investments slowed in October amid government crackdown on polluting industries and a slowdown in credit expansion.

- As growth ebbs the trade off between stimulus to support growth and financial deleveraging will become stronger, Bloomberg Economics argues.
- Interestingly, investments in infrastructure, a gauge of the government stimulus, climbed 19.6% in the first ten months of the year with its share in total investment running at the highest rate in nearly a decade.
- Retail Sales (%YTD): 10.3 v 10.4 in September and 10.4 forecast.
- Industrial Production (%YTD): 6.7 v 6.7 in September and 6.7 forecast.
- Fixed Assets Investment (%YTD): 7.3 v 7.5 in September and 7.3 forecast.

Germany - Economic growth accelerated in Q3 past market estimates putting Germany on course for best year since 2011.

- Growth is reported to have been driven by strong exports and business investment.
- Private consumption, the most significant growth contributor in previous quarters, "remained rather stable at the previous quarter's level" highlighting good performance from other categories of the nation's GDP.
- Given weak borrowing costs and low unemployment levels consumer spending outlook remains positive.
- Median Bloomberg estimates for 2017 GDP real growth stand at 2.2% v 1.9% in 2016; although, forecasts incorporate lower Q3/17 numbers suggesting estimates are likely to be revised upwards following the today's release.
- GDP (SA %qoq): 0.8 v 0.6 in Q2/17 and 0.6 forecast.
- GDP (WDA %yoy): 2.8 v 2.3 in Q2/17 and 2.3 forecast.

UK - Inflation held steady at the highest rate in more than five years in October coming in slightly weaker than forecast which in turn saw the pound sliding against the US\$.

- Further pressure on the pound is exercised by growing uncertainty over the final version of the Brexit deal.
- Brexit Secretary David Davis said to a 50/50 chance in achieving a breakthrough in negotiations before year end, Bloomberg reported.
- CPI (%mom): 0.1 v 0.3 in September and 0.2 forecast.
- CPI (%yoy): 3.0 v 3.0 in September and 3.1 forecast.

Italy - The economy grew at a faster pace in Q3/17 driven by both domestic consumption and exports.

- Growth numbers came in line with market estimates with the European Commission earlier forecasting the economy to grow 1.5% in 2017 before slowing down in 2018/19 as the ECB winds down its stimulus programme.
- The EC report said that the nation's debt to GDP ratio is in fact set to increase slightly in 2017 and stay above 130% through 2019.
- GDP (WDA %qoq): 0.5 v 0.3 in Q2 and 0.5 forecast.
- GDP (WDA %yoy): 1.8 v 1.5 in Q2 and 1.7 forecast.

Australia - Businesses conditions improved to the highest on record in October; however, outlook remains mixed.

- "Results from the survey indicate that the business sector in Australia is very strong at present, which is having positive spill-overs into the labour market and, to some extent, investment," th Nationaly Australia Bank said in a report.

- "However, fairly restrained levels of business confidence could be telling us something about how firms see the outlook."
- The sentiment index climbed seven points to 21 last month driven by increases in sales and profitability measures.

Venezuela - S&P cut sovereign credit rating of Venezuela into a default category (SD/D) after the government missed two interest payments worth \$200m of its bonds.

- Coupon payments were supposed to be paid on bonds due 2019 (\$2.5bn 7.75%) and 2024 (\$2.5bn 8.25%) following the end of the 30 day grace period over the weekend.
- Separately, the ISDA is meeting today to define if a week-long delay on bond payments from the state oil company will trigger default event for CDS contracts.

Currencies

US\$1.1685/eur vs 1.1639/eur yesterday. Yen 113.84/\$ vs 113.50/\$. SAR 14.477/\$ vs 14.428/\$.
\$1.310/gbp vs \$1.310/gbp.
0.762/aud vs 0.765/aud. CNY 6.642/\$ vs 6.645/\$.

Commodity News

Precious metals:

Gold US\$1,272/oz vs US\$1,276/oz yesterday

- Speculators raise their net long positions in COMEX gold 4% for the first time in eight weeks amid concerns over the outlook for tax reforms in the United States. Troubling major Congressional Republican intraparty disputes highlighted risks over the proposed U.S tax code overhaul is drawing interest in the safe haven investment.
- Gains on the metal came under pressure as U.S Treasury two-year note yields hit fresh nine-year highs, and investors priced in a 25-basis-point interest rate hike by the Federal Reserve in December.
- Looking forward, market participants will monitor the European Central Bank-hosted conference in Frankfurt as all major economic powers convene including ECB chief Mario Draghi, U.S. Federal Reserve Chair Janet Yellen, Bank of Japan Governor Haruhiko Kuroda and Bank of England head Mark Carney.

Gold ETFs 69.3moz vs US\$69.3moz yesterday

Platinum US\$930/oz vs US\$931/oz yesterday

Palladium US\$996/oz vs US\$999/oz yesterday

Silver US\$16.92/oz vs US\$16.89/oz yesterday

Base metals:

Copper US\$ 6,867/t vs US\$6,826/t yesterday

Aluminium US\$ 2,108/t vs US\$2,106/t yesterday

- China's electrolytic aluminium production dropped for the fourth consecutive month, falling 2.3% from September output of 2.6 million tonnes, equivalent to 7.5% YoY. The National Bureau of Statistics identified cumulative output for the first ten months of 2017 recording 27.32 million tonnes, an increase of 3.7% on an annual basis; highlighting the scale of the closures of illegal capacity and premature winter production cuts.
- In the war against air pollution, the Ministry of Environmental Protection introduced winter capacity cuts, ranging 30-50%, officially starting from 15th November. The pullback in production in October gives evidence for the early 'blue sky' closures ahead of the 19th National Congress of the Communist Party of China.
- Binzhou city in the primary aluminium producing Shandong province announced it will halt a further 1.6 million tonnes per annum of capacity, while pulling back alumina capacity by at least 3 million tpy. However, the real extent of the winter adjustments is unclear, as the metal price contracts from the five-year high of \$2,215/t hit early November over concerns of the scale of the cuts and higher output in unaffected parts of the country.

Nickel US\$ 12,330/t vs US\$12,355/t yesterday

- London market participants boosted nickel interest as the most-traded nickel contract on the Shanghai Futures Exchange rose over 2% in early trading. Despite demand domination from stainless steel, the metal has seen significant investor interest surrounding the electric vehicle boom, rising 23% this year on increased consumption in lithium-ion battery technologies.
- Nickel prices gain from Chinese steel cuts
- Output cuts in major Chinese cities tightened supply causing nickel to bounce back from recent losses

- Although set to boost from growth of EV's currently mainly used in stainless steel
- Zinc US\$ 3,201/t vs US\$3,217/t yesterday
Lead US\$ 2,488/t vs US\$2,517/t yesterday
Tin US\$ 19,470/t vs US\$19,510/t yesterday

Energy:

Oil US\$62.9/bbl vs US\$63.5/bbl yesterday

- Stronger than expected world economy is driving OPEC to raise demand forecasts, pointing to a larger 2018 oil supply deficit. The agreed cuts among producers has efficiently diminished the significant global oil glut with a large reduction in excess oil in storage.

- Tightening market balance has efficiently stabilized crude prices, with oil climbing to the highest levels in over two years. Speculators raised their bullish expectations on U.S. crude futures and options positions, raising their net long positions almost 10% to 381,666 according to the U.S. Commodity Futures Trading Commission.

Natural Gas US\$3.110/mmbtu vs US\$3.169/mmbtu yesterday

Uranium US\$23.15/lb vs US\$22.90/lb yesterday

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$62.5/t vs US\$62.1/t

Chinese steel rebar 25mm US\$650.4/t vs US\$645.6/t

Thermal coal (1st year forward cif ARA) US\$86.4/t vs US\$86.5/t

- Falling Chinese coal output, previously at the lowest levels in over a year, rose 1.5 percent YoY in October to 283.54 million tonnes as The Global Carbon Project report CO2 in 2017 rising for the first time in four years. Peak emissions are required before 2020 to limit dangerous global warming and achieve the 2°C Paris Agreement target.

Premium hard coking coal Aus fob US\$187.6/t vs US\$187.6/t

Other:

Tungsten APT European US\$270-280/mtu vs US\$275-285/mtu last week

Company News

Anglo American (LON:AAL) 1495 pence, Mkt Cap £19.3bn - De Beers diamond sales picking up ahead of Christmas

- Anglo American reports that De Beers achieved sales of US\$455m for its 9th diamond sale of 2017. Equivalent sales in 2016 realised US\$476m.

- The sales represent a 21% increase on the previous sale which realised US\$376m but remain approximately 6% lower on a year to date basis at US\$4.845bn compared to US\$5.156bn.

- Commenting on the sales, De Beers CEO, Bruce Cleaver, said "Following a seasonally quieter period for rough diamond sales, Cycle 9 saw an uptick in demand from our customers as retail orders increase ahead of the Christmas season."

Conclusion: Diamond sales have started to pick up strongly ahead of the Christmas period, however, they are still running behind 2016's cycle 9 and year to date levels.

BlueJay Mining* (LON:JAY) 24.5p, Mkt Cap £189m - Permit consultation received strong stakeholder and government support

BlueJay included in MSCI index today

STRONG BUY

Target Price 24p

- BlueJay Mining report strong support from stakeholders through the process of public consultation and engagement.
- The Environmental Impact Assessment 'EIA' and Social Impact Assessment 'SIA' are now marked for completion in Q1 2018 ahead of the start of commercial production.
- TZMI conference: BlueJay are presenting at a major Titanium industry 'TZMI' conference in Hong Kong this week.
- Price view: Feedback from the conference is that titanium feedstock supply is much tighter than previously thought indicating that prices are expected to rise strongly over the next three years with a major supply constraint 18 months out.

Conclusion: Confidence in BlueJay's Dundas titanium project (formerly called Pituffik) continues to grow as the

company works through the details of its feasibility study with particular focus on the engineering challenges of working in north of Greenland within the Arctic Circle.

Fortunately nature appears to have been kind to BlueJay in the deposition of exceptionally high grade ilmenite mineral sands with relatively simple processing required and good points for ship loading.

*SP Angel act as nomad and broker to BlueJay Mining. An SP Angel Mining analyst has visited the Dundas (formerly Pituffik) ilmenite sands project in Greenland.

IronRidge Resources (LON:IRR) 31p, mkt cap £84.6p - Joint Venture signed with Gail Exploration for a further nine exploration licenses in the Ivory Coast

- IronRidge Resources has signed a heads of terms joint venture agreement with Gail Exploration.
- The agreement gives IronRidge an exclusive right over nine licenses and applications covering around 3,475sqkm in the Ivory Coast as well as access rights to a 385sqkm license at 'Kineta'.
- See link further detail, license map and plan of major gold bearing structures: https://www.rns-pdf.londonstockexchange.com/rns/3896W_-2017-11-14.pdf
- The new license portfolio covers a major structural corridor with a major shear zone and associated second and third order structures.
- The major shear runs through a number of multi-million ounce gold projects in Burkina Faso continuing through the Ivory Coast.
- IronRidge are targeting four principal gold bearing structures within this:
 - o Two are splay structures off the Sassandra Shear Zone. Similar splay-off structures host the world-class Syama (7Moz) and Tongon (5Moz) gold mines to the north.
 - o Another is at the southern extension of the prolific shear hosing Ahafo (23Moz) - Bibiani (7Moz) - Chirano (5Moz) structure into Côte d'Ivoire (Bianouan Project).
- The team are also targeting the southern extension of the north-south striking Wa (2.2Moz) - Konkera (3.3Moz) gold bearing structure (Bouna, Kineta North, Kineta and Marahui Projects).
- IronRidge have completed technical and legal due diligence and field programs including rock chip sampling and the inspection of artisanal workings.
- "Multiple rock chip samples collected from within artisanal pits and from underground workings returned high-grade gold results including 46.4g/t gold, 32.4g/t gold and 15g/t gold from underground workings.". The team have identified "a high-priority, 12km strike length target corridor across the Kineta North license and Kineta license application. Within this zone, a high-priority, high-grade gold 1.2km long rock chipping and artisanal mining target has been identified for follow-up."
- "IronRidge can acquire up to 100% of the projects through staged earn-in arrangements and staged expenditure to Feasibility Study, subject to Gail retaining a Net Smelter Royalty, ("NSR") of 2.5%, of which 40% may be acquired for US\$2million at any time. IronRidge shall be responsible for maintaining the properties during this agreement and up to the completion of the Feasibility Study."

Conclusion: IronRidge continues to build its exploration license area along the major shear which runs down

Orosur Mining (LON:OMI) 14.5 pence, Mkt Cap £17.1m - Exploration drilling results from APTA project in Colombia

- Orosur Mining reports initial results from its drilling programme at the APTA project in Colombia where it has completed 3 holes (962.5m) of its planned 15,000m drilling campaign.
- Assay results, including a number of high grade gold intersections are available from Hole MAP-54 and "The limited assays returned to date from Hole MAP-55 show interesting gold anomalies up to 0.26 g/t Au, which matches up with the gold bearing units identified in the area"
- Among the assays reported from Hole MAP-54 highlighted today are:
 - o A 4.63m wide intersection averaging 5.47g/t gold from a depth of 97.1m, and
 - o A 5.32m wide intersection averaging 17.76g/t gold and 0.5% copper and 4.84% zinc from a depth of 144.5m, and
 - o A 9.28m wide intersection averaging 1.84g/t gold, 0.2% copper and 2.26% zinc from a depth of 149.82m
- Within the broader intersections, the company reports higher grade sections which range up to 38g/t gold, 2% copper and 17.5% zinc over single metre long sample lengths.
- Commenting on the results, CEO, Ignacio Salazar noted that ""These initial results are extremely encouraging, supporting the presence of high gold mineralization over significant intervals and increasing confidence in the mineral body beyond the 17,000m of previous drilling prior to the acquisition of the project by OMI. ...[and] ...These results are merely the beginning of Orosur's first drilling campaign at APTA. APTA mineralization remains open at depth and along

strike."

Conclusion: The initial drilling results from Colombia are encouraging and we look forward to further news as the exploration progresses along strike and at depth.

Serabi Gold Price (LON:SRB) 4.1p, mkt cap £28.8m - Q3 results, production update and acquisition

- Serabi Gold reports a post-tax profit of US\$235,000 for the three months ending 30th September (2016 - US\$465,000) bringing the year to date loss to US\$770,000 (2016 Profit of US\$1.47m).
- The quarterly result reflects the production of 9,861 oz of gold which brings the year to date production to 27,666oz at a cash cost of US\$795/oz and an all-in-sustaining-cost of US\$1,058/oz. Comparative year to date performance was 29,900oz of production at a cash cost of US\$772/oz and an AISC of US4951/oz.
- Guidance for 2017 production is for 38,000oz of gold at an AISC of US\$1000-1025/oz. We believe that earlier guidance was marginally higher at 40,000oz of production and we note that if Serabi is to achieve its cost guidance range it will need to deliver around 10,000 oz of gold at an all-in cost of around \$845-935/oz during Q4.
- Mike Hodgson, CEO of Serabi commented that "Whilst a little below the production for the same period in 2016, the shortfall was simply due to a short term operational problem at Sao Chico during April and May, when we lost remote scoop capability and therefore had to rely on lower grade development ore for this period. By June the problem was over, and we have seen strong monthly productions figures since."
- The company reports a cash balance of US\$9.75m for 30th September with secured loans totaling US\$4.4m.
- Serabi Gold also reports a conditional agreement to acquire the Coringa gold project of Chapleau Resources in Brazil for a total of US\$22m in cash. The initial US\$5m is payable on the closing of the transaction with a further US\$5m payable within 3 months. The final US\$12m cash payment "will be due upon the earlier of either the first gold being produced or 24 months from the date of Closing".
- The Coringa resource hosts a total of 376,000oz of gold of which around 52% (195,000 oz) is classified as "indicated" at an average grade of 8.36g/t with the balance of 181,000oz at an average grade of 4.32g/t classed as "inferred".
- Coringa is located some 200km from Serabi's existing Palito mine which is expected to provide operational and management synergies, particularly as Serabi describes the Coringa deposit as "a near 'carbon-copy' of Serabi's current operation, which has been in production since 2014. The similarities mean Serabi is very well placed to expedite the successful development and future production potential of the project."
- "A feasibility report on Coringa issued ... in September 2017 (the "Coringa Feasibility Study"), prepared in accordance with the reporting requirements of the standards of NI 43-101, estimated:
 - o an average production rate of 32,000 ounces per annum and a total mineable reserve of approximately 160,000 ounces of gold;
 - o average all-in sustaining costs of US\$783 per oz; and
 - o a post-tax IRR of 30.8 per cent."
- Serabi Gold has expressed a view "that scope exists to reduce capital and operating costs at Coringa by utilising Serabi's existing gold processing facilities at Palito." Current estimates of the outstanding capital costs are US\$28.8m and the post-tax NPV, at a discount rate of 5% is reported to be US\$31m.
- The transaction remains conditional on a number of issues, including the successful conclusion of technical and legal due diligence, the approval of shareholders in Chapleau Resources@ owner, Anfield Resources and the approval of Derabi's secured lender, Sprott.

Conclusion: After resolving the operational issues encountered earlier this year, Serabi is looking for a strong performance during the final quarter of the year. The proposed acquisition of the relatively nearby Coringa deposit, which is being acquired for around US\$60/oz of indicated and inferred resources offers potential synergy with the Palito operation, particularly if Serabi can improve on the previously announced economic projections for Coringa.

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