

10:38 22 Mar 2019

Today's Market View - EV growth taking up nickel stocks

SP Angel - Morning View -Friday 22 03 19

EV growth taking up nickel stocks

[CLICK FOR PDF](#)

[MiFID II exempt information - see disclaimer below](#)

Amur Minerals* (LON:AMC) - Convertible loan update

Arkle Resources* PLC (LON:ARK) - Name change to Arkle Resources PLC

Formerly Connemara Mining* (LON:CON)

Cora Gold* (LON:CORA) - Sanankoro development roadmap

Mkango Resources* (LON:MKA) - Talaxis investment condition met with release of Technical Report

Scotgold Resources* (LON:SGZ) BUY - Target Price 57p - Interims

Cyclone season shuts down Australian ports

- Cyclone Veronica and Cyclone Trevor have shut down a number of ports in Australia.
- Cyclone Veronica is forecast to strengthen to a category 5 system on Saturday with Trevor expected to make category 4.
- Port Hedland, Dampier and Ashburton which serve iron ore out of the Pilbara on the west coast are reported to have been moving bulk carriers off their anchorages with a severe cyclone 'Veronica' heading their way.
- Ports to the north east of Australia were also preparing for cyclone 'Trevor' which is expected to hit Port McArthur on Saturday.
- Rio Tinto have suspended bauxite mining at Weipa as a precaution.
- Not only do cyclones delay shipments but the and flooding which often comes with the cyclone can wash away rail lines and other infrastructure which can take weeks to repair. The integrity of the ballast for supporting heavy-duty rail
- BHP and Glencore have halted output across energy and metals operations. BHP stopped output at the Pyrenees oil project offshore Western Australia as cyclones track towards the coastal hub of liquified natural gas and iron ore export operations.
- On average, 10 to 13 tropical cyclones form off Australia each season.

Vanadium prices continue to fall

- Ferro-vanadium prices fell further yesterday by 6.4% to \$64-67kgV in China (Fastmarkets MB)
- Vanadium pentoxide prices also fell heavily by 9.4% to \$14-15/kgV in China

Ferro-vanadium prices also fell 9.5% to \$60-64kgV in Western Europe

- Ferro-vanadium fell 5.2% to \$36-37kgV in the US
- The Fastmarkets MB trade log indicates much material is being offered in China with no buying reported yesterday.
- Small quantities of ferro-vanadium were traded in Europe in Wednesday's report.
- Spot market activity appears to be slowing in Europe with limited activity and 'aggressive offers for larger tonnage enquiry'.

DRC U-turns on cobalt and copper export ban

- The Democratic Republic of Congo has lifted a newly introduced export ban from February as the National Federal of Enterprises cited the country's energy deficit as a reason why it would be difficult for companies to process concentrate domestically.
- A letter by Minister of Mines Henri Yav Mulang highlights "I would like to remind you of the imperative necessity for the mining companies producing copper and cobalt concentrates, to make every effort to obtain, in terms of the treatment process, more advanced market products, to enable them, as well as the state, to derive the best revenue from mine production."
- The abrupt policy change came after the DRC government re-enacted an export ban of metal concentrates in mid-Feb aimed at increasing domestic refined metal output and capturing higher taxes and royalties on the value-add export.

Dow Jones Industrials

+0.84%

at

25,963

Nikkei 225

+0.09%

at

21,627

HK Hang Seng

+0.14%

at

29,113

Shanghai Composite

+0.09%

3,104 at

FTSE 350 Mining

+0.38%

at

19,639

AIM Basic Resources

+1.10%

at

2,172

Economics

Germany - A deepening contraction in the manufacturing sector drags composite PMI lower in March.

- "The downturn in Germany's manufacturing sector has become more entrenched, with March's flash data showing accelerated declines in output, new orders and exports," Markit report read.
- "Uncertainty towards Brexit and US-China trade relations, a slowdown in the car industry and generally softer global demand all continue to weigh heavily on the performance of the manufacturing sector, which is now registering the steepest rate of contraction since 2012."
- Manufacturing PMI: 44.7 v 47.6 in February and 48.0 forecast.
- Services PMI: 54.9 v 55.3 in February and 54.8 forecast.
- Composite PMI: 51.5 v 52.8 in February and 52.8 forecast.

France - Composite PMI slips into a contraction territory in March versus expectations for an acceleration of growth.

- "At the end of the first quarter, the French private sector was unable to continue the recovery seen in February, as both the manufacturing and service sectors registered contractions in business activity," according to Markit.
- "The private sector looks fragile, with the latest data consistent with a stagnation of economic growth."
- Manufacturing PMI: 49.8 v 51.5 in February and 51.4 forecast.
- Services PMI: 48.7 v 50.2 in February and 50.6 forecast.
- Composite PMI: 48.7 v 50.4 in February and 50.7 forecast.

UK - The EU extension of the Brexit date falls short of government expectations.

- EU leaders agreed to move the deadline to April 12 by which time member states are expecting the UK government to secure the proposed May withdrawal deal (vote is due next week) or "indicate a way forward".
- PM May asked to delay the March deadline to June 30.
- "What the decision today underlines is the importance of the House of Commons passing a Brexit deal next week so that we can bring an end to the uncertainty and leave in a smooth and orderly manner," the UK PM

commented on the decision.

- The April 12 marks the last day the UK can decide if it is to participate in European parliamentary elections in late May.
- The pound is marginally off this morning against the US\$ but is stronger against the € that underperformed on the back of weak economic data from France and Germany.

Currencies

US\$1.1370/eur vs 1.1408/eur yesterday Yen 110.79/\$ vs 110.37/\$ SAr 14.273/\$ vs 14.173/\$ \$1.314/gbp vs \$1.317/gbp 0.711/aud vs 0.715/aud CNY 6.705/\$ vs 6.687/\$

Commodity News

Precious metals:

Gold US\$1,312/oz vs US\$1,319/oz yesterday

- Gold remains poised for a third weekly climb as investors retain a bullish outlook on the precious metal in a weekly Bloomberg survey and assess the Federal Reserve's policy shift to a prolonged pause in monetary policy tightening.
- This week, Chairman Jerome Powell said interest rates could be on hold for "some time" as global risks weigh on the economic outlook and inflation remains muted.
- An imminent crashing out of the EU has been delayed as European Union leaders staved off the threat of the U.K. failing to achieve a deal next Friday by giving Theresa May an extra two weeks to work out what to do.
- Supporting India's rural gold demand, miner Deccan Gold Mine shares surged as much as 18% after a local court gave the state government 6 weeks to decide on mining lease application of Ganajur block, a request pending since 2015.
- The co. had undertaken exploration in Ganajur under a reconnaissance permit, prospecting license and thereafter applied for mining lease, which got approvals from Indian Bureau of Mines and the country's ministry of mines over 2015-2017.

Gold ETFs 72.0moz vs US\$72.0moz yesterday

Platinum US\$864/oz vs US\$871/oz yesterday

Palladium US\$1,601/oz vs US\$1,609/oz yesterday

Silver US\$15.52/oz vs US\$15.62/oz yesterday

Base metals:

Copper US\$ 6,445/t vs US\$6,539/t yesterday

Aluminium US\$ 1,908/t vs US\$1,942/t yesterday

Nickel US\$ 13,070/t vs US\$13,310/t yesterday

- Battery metals tracker Adamas Intelligence reports Chinese electric vehicle manufacturers deployed 253% more nickel across passenger EV batteries in January compared to a year earlier.
- Tracking EV registrations and battery chemistries across more than 80 countries, the research indicates the

jump is due to an ongoing shift from lithium iron phosphate to nickel cobalt manganese (NCM) cathodes.

- More nickel dense chemistries are prevalent - shifting from NCM 111 to 622 and 523 ratios.
- The EV boom in China is only accelerating, and Adamas says despite being a seasonally slow month in January 2019, 3.27 GWh of passenger EV battery capacity was deployed in the world's largest car market, an increase of 439% over January 2018 levels.
- The price of nickel is up more than 20% in 2019 as stocks held in warehouses around the world registered with the London Metal Exchange fall to multi-year lows.

Zinc US\$ 2,856/t vs US\$2,894/t yesterday

Lead US\$ 2,053/t vs US\$2,068/t yesterday

Tin US\$ 21,435/t vs US\$21,340/t yesterday

Energy:

Oil US\$67.8/bbl vs US\$68.5/bbl yesterday

Natural Gas US\$2.792/mmbtu vs US\$2.831/mmbtu yesterday

Uranium US\$26.05/lb vs US\$26.40/lb yesterday

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$83.2/t vs US\$82.4/t

Chinese steel rebar 25mm US\$622.8/t vs US\$625.1/t

Thermal coal (1st year forward cif ARA) US\$73.8/t vs US\$73.5/t

Coking coal futures Dalian Exchange US\$199.5/t vs US\$188.9/t

Other:

Cobalt LME 3m US\$30,000/t vs US\$30,000/t

NdPr Rare Earth Oxide (China) US\$42,879/t vs US\$42,994/t

Lithium carbonate 99% (China) US\$9,769/t vs US\$9,795/t

Ferro Vanadium 80% FOB (China) US\$68.5/kg vs US\$69.0/kg

Antimony Trioxide 99.5% EU (China) US\$6.8/kg vs US\$6.8/kg

Tungsten APT European US\$271-282/mtu vs US\$271-282/mtu

Battery News

Researchers create new way to power electric cars

- A team of researchers from the University of Massachusetts Lowell has pioneered a new, more efficient way to power electric vehicles.
- The innovation will enable electric vehicles of all sizes to run longer while maintaining zero emissions. The new technology uses water, carbon dioxide and the metal cobalt to produce hydrogen gas on demand at a relatively low temperature and pressure.
- The team's invention could be used on small cars as well as larger vehicles like trucks and buses, unlike current battery technology which poses challenges for large vehicles.
- In an electric vehicle, the hydrogen created by the team's method would go directly to a fuel cell, where it would mix with oxygen from the atmosphere to generate electricity and water. The electricity would then power the system that operates the vehicle's motor, rechargeable battery and headlights.

Norway will install the world's first wireless electric car charging stations

- Norway's capital city of Oslo will be the world's first metropolitan area to install wireless, induction-based charging stations for electric taxis, in a bid to make a zero-emission cab system by as early as 2023, according to Reuters.
- To pull off the taxi charging system, Norway is tapping Finnish utilities firm Fortum, which is working with US company Momentum Dynamics and the municipal government of Oslo to install charging plates in the road that connect to energy receivers in the vehicles themselves.
- The goal is to make it as easy as possible to charge electric taxis, as doing so now is cumbersome, time-consuming, and expensive. Using induction, which is more energy efficient, the taxis can be charged as they wait in what's known as a taxi rank, or a slow-moving queue where cabs line up to wait for passengers.

Non-toxic salt water battery prototype can charge in seconds

- A battery prototype has been designed using salt water and materials that are non-toxic and charge quickly, paving the way for new types of battery.
- The design principles behind the new prototype, which changes colour as it charges, could also be applied to existing battery technologies to create new devices for energy storage, biological sensing, and smart colour-changing materials.
- The new battery prototype, developed by a team of researchers from the departments of Physics and Chemistry at Imperial College London, uses thin films of specially designed plastics and simple salt water instead of organic electrolytes and other materials that can be hazardous and flammable.

Company News

Amur Minerals* (LON:AMC) 2.9p, Mkt Cap £20.1m - Convertible loan update

- The Company has extended the maturity of the existing \$10m convertible loan facility to 20 March 2020 and completed a further drawdown.
- The Company drew down on \$0.5m (net of an implementation fee which will also be drawn down and immediately paid to lenders) coming on top of \$1.2m currently outstanding (now due on 20 March 2020).
- Lenders will be issued 10.9m warrants with an exercise of price 3.76p and a maturity period of three years in line with the extension and drawdown conditions.
- Proceeds to be used for:
 - Update resources/reserves incorporating latest round of drilling results.
 - Update economic model and PFS with new technical data, cost information and additional metallurgical test work.
 - Corporate overheads.

Conclusion: The funds will allow the team to continue optimisation works on the polymetallic Kun Manie project updating technical parameters accounting for incoming data including further metallurgical test work as well as potentially expanding and upgrading the resource following the latest round of drilling at IKEN, ISK and KUB in 2018.

*SP Angel act as Nomad and Broker to Amur Minerals

Arkle Resources* PLC (LON:ARK) 1.2p mkt cap £1.5m - Name change to Arkle Resources PLC

Formerly Connemara Mining* (LON:CON)

- Connemara Mining is changing its name to Arkle Resources PLC with trading under the new name starting today.
- There is also a new corporate website at www.arkleresources.com and a twitter account @ArkleResources which will be a lot more sensible than @realDonaldTrump
- Mine River Gold Project (100%): eight licences, ~340sqkm in Wicklow and Wexford, south-east Ireland, focussed on a 15km trend of gold mineralisation. Planning underway for further exploration.
- Stonepark Zinc Project jv (23.44%) with Group Eleven Resources (76.56%) Inferred Mineral Resource of 5.1mt grading a very respectable 11.3% zinc and lead combined (8.7% Zn and 2.6% Pb) in Limerick. The resource is between 190-395m below surface and lies adjacent to Glencore's Pallas Green deposit. Latest drill program nearing completion, assays should be interesting.
- An Airborne Geophysics Survey over the Limerick and Silvermines Basins is 84% complete and should indicate if there are potential extensions to the Stonepark Zinc Project
- Oldcastle Zinc Project jv (25% interest) and Teck Ireland (75%) five contiguous licences over 172sqkm. Teck recently drilled another three holes for 2,003.8m of drilling. Highest assays in the Pale Beds 1m @ 0.4% Zn and 0.05% Pb at 532m. Structures seen are similar to the U-lens orebody at Navan. We expect Teck to continue to evaluate the orebody.

Conclusion: The world is starting to run short of zinc and new lead/zinc mines. The market is largely controlled by Glencore, Vedanta and Teck who have paid handsomely for zinc mines in the past.

LME zinc stocks are down 55% this year leading zinc prices to a year high of \$2,894/t for the year

*SP Angel is Nomad and Joint-Broker to Arkle Resources formerly Connemara Mining

Cora Gold* (LON:CORA) 4.1p, Mkt Cap £2.7m - Sanankoro development roadmap

- The Company released an update on the work completed at Sanankoro two prospective gold targets, Selin and Zone A, as well as a roadmap of development plans.
- The team continued to de-risk the project with a target to define a standalone gold mine at Sanankoro.
- The latest round of drilling the presence of gold zones within weathered material including selected intersections such as 46m at 4.48g/t and 17m at 5.10g/t at Selin, and 24m at 2.83g/t and 26m at 2.60g/t from Zone A.
- Deeper sulphide targets have not been tested and offer further exploration upside.
- Preliminary metallurgical test work showed the material is amenable to standard cyanide leaching showing recovering of up to 97%.
- Results from more detailed gravity-CIL and column leach test work are expected in Q2/19.
- The team is planning to continue with infill and step out drilling at most prospective targets through Q2/19 allowing potentially to commission a maiden mineral resource study in Q3/19 for completion in Q4/19.
- This may be accompanied by a preliminary economic study (Scoping Study) targeted for Q4/19.
- The plan is to fast track development focusing on close to surface oxide material that is easy to mine and process paving the way for early cash flows that could be used to cover costs related to future exploration expenses, development works as well as overheads.

*SP Angel acts as Nomad and Broker to Cora Gold

Mkango Resources* (LON:MKA) 8.1p, Mkt Cap £9.3m - Talaxis investment condition met with release of Technical Report

- Rare earth's explorer and developer, Mkango Resources, announce the filing of an updated NI 43-101 Technical Report for the Songwe Hill Rare Earths Project resource update announced 4th Feb. 2019.
- The filing of the report fulfils the condition for Talaxis Limited to advance the next tranche of investment, totaling £7m, in accordance with the definitive agreements between Mkango and Talaxis announced on May 18, 2018.
- The extensive 2018 drilling programme increased the Songwe Hill Measured and Indicated Resources 60% to 21Mt grading 1.41% TREO.
- Conclusions from the Technical Report indicate Mkango to advance to Feasibility Study to demonstrate the technical and economic merits of the project.
- The Company has notified Talaxis of fulfillment of this condition and will update the market on receipt of the investment, which will increase Talaxis' stake in Lancaster Exploration Limited, the company which holds the license for Songwe, to 49%.
- The enlarged resource underpins Mkango's strategy for a long term, sustainable producer of neodymium, praseodymium, dysprosium and terbium used in permanent magnet motors for electric vehicles, wind turbines and other clean technologies.
- Rare earth markets are heading for a fundamental balance shift with the focus on NdPrDy elements consumed in permanent magnets, with Roskill forecasting demand growth more than 13x through to 2029.

Conclusion: SP Angel are very pleased to see the methodical advance of Mkango's Songwe Hill project, and the filing for the supporting Talaxis investment. The increased resource will be a fundamental, reliable supply of ex-China rare earths for rapidly accelerating demand markets.

*SP Angel act as Nomad and broker to Mkango Resources. The analyst has visited the Songwe Hill exploration site.

Scotgold Resources* (LON:SGZ) 33.5p, Mkt Cap £15.3m - Interims

BUY - Target Price 57p

- The Company released financial interim results for the period ending 31 Dec/18 yesterday.
- Loss before taxes came in at A\$2.1m (H1/17: A\$0.8m) reflecting ramp up of expensed Cononish development related costs.
- Administration costs totalled A\$0.3m (H1/17: A\$0.2m) while pre-development costs amounted to A\$1.3m (H1/17: -).
- Capital expenditure during the period came in at A\$1.7m (H1/17: A\$0.2m).
- The Company raised £750k at 27.5p in October and repaid £1.0m owed to the Company's Chairman Nat le Roux in September.
- Closing cash balance stood at A\$7.2m with no debt on the balance sheet as of December 2018.
- Although, the Company has got access to £6.0m loan from Bridge Barn, a wholly owned and controlled entity of Nat le Roux, which together with available cash balances suggests the Cononish project is fully funded to production.
- First gold remains to be targeted for Q4/19.

Conclusion: The Company is ramping up development works ahead of first production due in Q4/19 with the project remaining fully funded given available cash balances and access to the £6.0m loan facility.

*SP Angel acts as Nomad and Broker to Scotgold Resources

*SP Angel are the No1 integrated nomad and broker by number of mining brokerage clients on AIM according to the AIM Advisers Ranking Guide (joint brokerships excluded)

+SP Angel employees may have previously held, or currently hold, shares in the companies mentioned in this note.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)1202 770386 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior columns and opinions we have published. These references may be selective, may reference only a portion of a column or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.