

Mineral & Financial Investment Limited

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"On the cusp of a world-class asset": Mineral and Financial offers broad exposure to commodity markets, with particular upside from a growing zinc resource

In the space of six months the mineral resource at the Lagoa Salgada zinc project in Portugal has doubled from around 10mln tonnes to nearly 21mln tonnes.

That's a rapid rate of progress in anyone's book, and testament to the way Mineral and Financial Investments LTD (LON:MAFL) has been able to get things moving there by cutting a deal that is favourable for both MAFL and Ascendant Resources Inc (TSE:ASND).

Under the terms of that deal Ascendant can earn in to up to 80% of Lagoa Salgada if it successfully takes the project through the end of the feasibility study stage and makes staged payments to Mineral and Financial of US\$6mln, of which US\$250,000 has already been received. What's more, Mineral and Financial will have a free carry into production.

Along the way Ascendant will have made cash payments to Mineral and Financial totalling US\$6.9mln in cash plus US\$1.65mln in Ascendant shares.

The share payment results in MAFL owning slightly below 3% of Ascendant. It should be noted that Ascendant's production increased 38% in 2018 to 91.4 million pounds of zinc-equivalent metal in 2018 and that it is guiding towards 2019 production of between 90mln pounds and 110mln pounds of zinc equivalent, at an all-in sustaining cost of US\$0.97 per pound of zinc equivalent production.

It's a nice position to be in, given that the resource is likely to grow and grow, and the capital outlay required from Mineral and Financial is zero.

The market, true to form, has been somewhat slow to recognise the true potential both of Lagoa Salgada and the Ascendant transaction, but even allowing for that Mineral and Financial shares are trading at around 60% higher than where they were before Christmas last year.

So, much to be positive about then.

"Overall, we now have 21mln tonnes measured, indicated and inferred grading 8.38% zinc equivalent," says chairman Jacques Vaillancourt.

"We've maintained the grade and we've doubled the resource on 7,000 metre of drilling in six months."

And there should be more to come.

Price: 8.95p

Market Cap: £3.14M

1 Year Share Price Graph



March 2018 October 2018 March 2019

Share Information

Code: MAFL

Listing: AIM

52 week **High** **Low**
 11.35p 5.00p

Sector: Financial

Website: www.mineralandfinancial.com

Company Synopsis:

Mineral & Financial Investments is an investment company whose purpose is to create value for its shareholders by investing in, financing of, and advising junior mining companies.

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"Although it has not been finalized, we are hoping Ascendant will propose a 10,000 to 12,000 metres drill program in 2019 on Lagoa Salgada," continues Vaillancourt.

"We believe that Ascendant are very pleased with the rate of progress and, most importantly, the results achieved to date on the project. On that basis, if they propose to drill more I will see it as further confirmation of our partner's enthusiasm and commitment to the project. I would expect that Ascendant will announcing exploration plans within the month."

And he's more than confident the resource will justify the attention.

The project is certainly in the right address to encourage belief in such an outcome. The Iberian Pyrite Belt hosts several world-class mines already, including Lundin Mining's (TSE:LUN) Neves-Corvo mine, and Aljustrel, a major producer of base metals owned by local Portuguese company MTO SGPS.

The nearby Aljustrel mine is representative of a mineralised system which can host ore bodies exceeding 200In tonnes. With even a fraction of that size of deposit very possible within Lagoa Salgada, it would be quite something for Mineral and Financial to hold a stake with a free-carry to production.

"The last drilling program left the geological team with indications that an additional massive sulphide deposit zone may located to the the east of the LS-1 South sector, The next drill program will likely attempt to confirm this hypothesis" explains Vaillancourt.

"We're pretty confident that the resource can be increased in that area, though we're not sure by how much. Nothing we've done has dissuaded us of the potential here. Indications so far suggest we could be on the cusp of a world-class asset."

So, it's perhaps not surprising that Ascendant has been spending significant amounts on its currently-held 25% of Lagoa Salgada. Adding that spend to the carrying costs will make for an interesting total valuation for Ascendant, and the read-across for Mineral and Financial could be quite substantial.

Nevertheless, Mineral and Financial is taking a cautious approach, and currently ascribes a modest £2mIn valuation to its 75% stake in Redcorp, which owns the Lagoa Salgada project. That valuation holds open the possibility of significant further upside to the Mineral and Financial balance sheet as Ascendant continues to build value and increase the resource at Lagoa Salgada.

Already the shares are trading at a significant discount. With £750,000 in cash and a further £1.6mIn in tradeable investments, plus the Lagoa Salgada stake the net asset value per share rang in at just over 12.5p at the last update, in February.

That's around a 30% discount on a balance sheet that already carries some built-in discounts and may allow for significant share price uplift in the not too distant future.

One trigger may be a new valuation from Ascendant, which will be putting out a new annual report before too long.

"When we see the valuation that Ascendant uses, we will possibly raise the valuation in our own NAV," says Vaillancourt.

But he's not committing to anything just yet.

In the meantime, the Mineral and Financial investment portfolio has been boosted by the addition of new exposure to gold, and Vaillancourt and his chief operating officer Jamie Lessor continue to seek out new opportunities.

One of several ongoing projects is the evaluation of a potential opportunity in Latin America which may allow for Mineral and Financial to hold a secured short-term convertible bond with a "double-digit" coupon on a potential gold producer.

Additionally the company is evaluating some base metal opportunities in South America and Africa.

So watch for news on that, for updates from other investee companies like Cap Energy and Cerrado Gold, and in particular for further news from Lagoa Salgada, where the potential for further upside remains significant.

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