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Today's Market View - BHP Billiton plc, Bluebird Merchant Ventures Ltd, Bluerock Diamonds Plc, Gemfields PLC, Stratex International plc, Trans-Siberian Gold

BHP Billiton (LON:BLT) - Funding for Samarco

Bluebird Merchant Ventures (LON:BMV, Standard List) - Initial investment in South Korea.

BlueRock Diamonds* (LON:BRD) - Bluerock report the recovery of two of their largest diamonds

Gemfields (LON:GEM) - Application to cancel trading on AIM

Stratex International (LON:STI) - Questions over payments relating to Crusader acquisition

Trans-Siberian Gold (LON:TSG) - 2016 profit of US$6.4m

Currencies

US$1.1410/eur vs 1.1422/eur yesterday. Yen 112.05/$ vs 112.34/$. SAr 13.071/$ vs 12.954/$. $1.301/gbp vs $1.299/gbp.

0.768/aud vs 0.768/aud. CNY 6.777/$ vs 6.777/$.

Commodity News

Precious metals:

Gold US$1,243/oz vs US$1,250/oz yesterday

Gold ETFs 60.5moz vs US$60.3moz yesterday

Platinum US$921/oz vs US$923/oz yesterday

Palladium US$846/oz vs US$863/oz yesterday

Silver US$16.59/oz vs US$16.86/oz yesterday

Base metals:

Copper US$ 5,929/t vs US$5,933/t yesterday - The latest monthly report of the International Copper Study Group (ICSG) released this week demonstrated a 164,000 tonne surplus of the metal in the first quarter of 2017, attributing this mainly to a decline in Chinese demand.

• Global refined copper production was practically unchanged in the first quarter, with primary output declining by 2%. China's refined output rose by 7% but declines in Chile have offset that increase.

• Refined copper usage is estimated to have decreased by around 3%, again due to a decline in China. If one adjusts for Chinese bonded stocks, the surplus increases to 309,000 tonnes, said an ICSG release.

Aluminium US$ 1,911/t vs US$1,904/t yesterday

Nickel US$ 9,300/t vs US$9,325/t yesterday

Zinc US$ 2,750/t vs US$2,755/t yesterday

Lead US$ 2,302/t vs US$2,312/t yesterday

Tin US$ 20,120/t vs US$19,575/t yesterday

Energy:

Oil US$47.7/bbl vs US$47.7/bbl yesterday

Natural Gas US$3.022/mmbtu vs US$3.093/mmbtu yesterday

Uranium US$20.50/lb vs US$20.45/lb yesterday

Lithium - Global lithium demand is expected to increase by approximately three to four times by 2025 and projected supplies will not keep up said Tianqi Lithium Australia general manager Phil Thick yesterday.

• "There is real, hard data about where this market is heading" said Mr Thick referring to industry analyst Roskill, who had been projecting global demand to reach 333,000 tonnes LCE by 2025, and in recent weeks, updated the forecast saying demand would be at least 600,000 tonnes by 2025 and could be as high as 1.2m tonnes, depending on developments in the electric car market.

• Mr Thick said: "that's three or four times the current demand within the next eight years, and the supply chain is simply not there to support that" adding that "it requires about 20 or 30 plants of the size we are building in Kwinana and the mine resources behind that to back it up".

• Mr Thick finished by saying that the major reason for building processing plant in Australia was that customers wanted diversity and security of supply.

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US$63.0/t vs US$61.8/t

Chinese steel rebar 25mm US$579.7/t vs US$575.0/t

Thermal coal (1st year forward cif ARA) US$69.5/t vs US$70.9/t yesterday

Premium hard coking coal Aus fob US$147.1/t vs US$147.4/t

REE - Mkango Resources (MKA LN) plans to start mining from its Songwe Hill mine in Malawi within three years, chief executive William Dawes said Monday.

• By 2021 company is planning to be producing 3,000 tonnes of rare earth elements per year. Figure includes 1,000 tonnes of praesodymium, neodymium, dysprosium and terbium, which are expected to become essential for the manufacturing of batteries, magnets and electric vehicles, Reuters reports.

• Demand for rare earth elements is expected to be rapidly rising from 2020 onwards, especially for neodymium and lanthanum (both of which are present in Mkango's Mali mine) as growth rates of top end-use categories including electric vehicles, wind turbines and other hi-tech applications accelerate.

• Increase in price, which will be a direct result of increased demand will help "sustain the profitability and growth of today's dominant producers, and incentivize continued investment in exploration and resource development globally" Adamas predicts.

Cobalt - First Cobalt is a Canadian company focused on building a global portfolio of assets leveraged to the cobalt market.

• This week the company announced that they are optioned to own the Keeley-Frontier silver-cobalt mine in Canada, as well as a large mineralized land package where they are exploring for a large copper-cobalt (or other valuable minerals) deposit in the DRC.

• Keeley-Frontier mine is considered a high-grade mine which produced over 3.3m pounds of cobalt and 19.1m ounces of silver

Other:

Tungsten APT European US$214-224/mtu vs US$220-226/mtu

Quarterly hard coking coal US$285.0/t vs US$285.0/t

Company News

BHP Billiton (LON:BLT) 1,181p, Mkt Cap £69.1bn - Funding for Samarco

• BHP has announced that it has approved a US$250m funding package until 31st December 2017 for the foundation dealing with the aftermath of the Samarco tailings dam failure.

• "US$174m will be used to fund the Renova Foundation for remediation and compensation programmes … This amount will be offset against the Group's provision for the Samarco Dam failure."

• The remaining US$74m "will be made available to Samarco to carry out remediation and stabilisation work and to support Samarco's operations."

• The funding of the foundation by the Samarco partners, BHP Billiton and Vale was agreed in January his year with Brazil's Federal Prosecutors Office as part of a Preliminary Agreement which "outlines the process and timeline for negotiation of a settlement of the BRL 155 billion (approximately US$47.5billion) and BRL 20 billion (approximately US$6.1 billion) Public Civil Claims relating to the dam failure."

• Unsurprisingly, the company points out that "operations at Samarco are unlikely to restart in CY 2017".

Bluebird Merchant Ventures (LON:BMV, Standard List) 2p, Mkt Cap £3.7m - Initial investment in South Korea.

• Bluebird Merchant Ventures has announced that it has invested A$250,000 in ASX listed Southern Gold shares as part of its previously announced farm in agreement to reopen and operate the dormant Taechang and Gubong gold mines in S Korea.

• As part of its farm in agreement, Bluebird has to spend £0.5m in the first 12 months to produce a feasibility study as well as investing A$0.25m into a placing in Southern Gold for each mine.

• The initial A$250m investment announced today meets one of those criteria and should allow Bluebird to start work at the Gubong mine where the South Korean Government's Safety Department recently granted permission to access the workings which were closed during the early 1970s.

• Gubong was, reportedly, South Korea's second largest gold mine and operated from the early 20th century for some 60 years..

• Bluebird are committed to complete a feasibility study on each of the two mines with Bluebird operating the projects

Conclusion: The initial investment in Southern Gold is a precursor to starting work on the possible reopening of a former major gold mine in South Korea.

*SP Angel act as broker to Bluebird Merchant Ventures

BlueRock Diamonds* (LON:BRD) 3.25p, Mkt Cap £2.2m - Bluerock report the recovery of two of their largest diamonds

• BlueRock Diamonds report in their annual report today the recovery of two of their largest diamonds recovered to date.

• The two diamonds are 11.7ct and 9.5ct is size. The average value per carat for our production this year is reported to be USD319.82 and has been lifted by the recover of larger sized stones.

• Strategy: Intention to use the Kareevlei diamond mine as a first asset for the future development of a multi asset company.

• KV2: New, coherent plan to develop the KV2 open pit with potential for higher grades suggested below the 20m level. The pipe has an inferred diamond grade of 4.5cpht with a number of good quality gem quality diamonds being produced.

• The average recovery of 1.7cpht is said to be lower than the inferred diamond grade due to the presence of calcretised material down to 15m-20m below surface.

• The first half was hit by plant failure and water shortages due to the prolonged drought in Southern Africa. The drought has since given way to heavy rains causing its own issues.

• The plant has proved capable of operating at levels required to be profitable at expected grades as indicated by the company's CPR.

• The recovery of a number of higher-value gem quality diamonds suggests to us that the value of stones to be recovered by exceed expectations assuming the gem quality content continues as the mine deepens.

• The team highlight a lack of consistency in production due to old and unreliable equipment. Management are negotiating with Mark Poole, a larger shareholder, for asset finance for a new generator and front end loader. This should reduce production costs and increase efficiency.

• The plant has proven capable of processing >1,250t per day though the new static plant is said to have ample capacity to process some 80t per hour.

• Jubilee: management have entered into an agreement to mine a 1.5ha kimberlite pipe called Jubilee 40km north of Kimberley. The team are taking a 2,500t bulk sample as part of their assessment of the pipe.

• Cash: BlueRock finished the year at £291,555 and has since raised another £366,000 at 3p/ to continue the development of the Kareevlei diamond mine and to add to the portfolio of diamond mining assets.

*SP Angel acts as Nomad & Broker to BlueRock Diamonds

Gemfields (LON:GEM) 32.5p, Mkt Cap £179.1m - Application to cancel trading on AIM

• Gemfields reports that, following Pallinghurst declaring its unsolicited offer for the company wholly unconditional, it has, at the request of Pallinghurst, "applied to the London Stock Exchange for the cancellation of admission to trading on AIM of the Gemfields shares".

• "It is anticipated that the Cancellation will take effect at 7:00am (London time) on 28 July 2017."

• In its detailed response to the Pallinghurst offer published earlier this week, which reiterated that the offer "significantly undervalues Gemfields" the Independent Committee of Gemfields' Board "concluded that Gemfields shareholders should seriously consider whether to accept the Unsolicited Pallinghurst Offer".

• The Committee suggested that, although there was greater value in the Gemfields shares than was recognised by the Pallinghurst offer, shareholders who did not accept it needed to be "willing to accept the risks associated with remaining in an unquoted company controlled by Pallinghurst".

Conclusion: Gemfields' independent existence now appears to be drawing inexorably to a close at a time when it had established a key role within the coloured gemstone market.

Stratex International (LON:STI) 1.3p, Mkt cap £6.1m - Questions over payments relating to Crusader acquisition

• Stratex International announced their acquisition of Crusader shortly after their receipt of funds from the sale of their stake in the Altintepe Gold mine.

• The acquisition appeared inconsistent to us based on Stratex's previous focus on Turkey and Africa.

• We can understand why Stratex might not wish to go back to Turkey and we were surprised at the smaller than expected deal agreed on the sale of Stratex's stake in the Altintepe.

• We were also surprised to see how quickly the Stratex board spent the money received. Shareholder might have hoped for a long-awaited special dividend or some other reward for supporting the stock.

• The speed of the transaction sparked our interest in why Stratex are buying an asset in a jurisdiction so far from their core area.

• We noticed that there is an interesting potential additional cost to the transaction which we feel shareholders should be aware of.

• We notice the directors of Crusader Resources pay themselves remarkably well. The ceo, Robert Smakman gets a gross base salary of A$375,000 with Exec director, Paul Stephen not far behind at A$350,000. The impoverished cfo, Andrew Beigel is at a slightly more reasonable A$170,000 and Julio Nery is on BRL 591,444 (A$232,577).

• The Crusader directors have 45 day notice periods.

• Curiously, the contracts continue on current salaries under the Stratex Scheme with notice periods for Robert Smakman and Paul Stephen increasing to two years. That's severance payments of A$1.45m (A$750,000 and A$700,000) for the two principal directors.

• The Stratex Scheme implementation deed states:

• "5.8 Stratex executive appointments

o (a) Stratex must, on or before the Implementation Date, make offers of employment to Rob Smakman and Paul Stephen (conditional on the Share Scheme becoming Effective) for senior executive positions with Stratex.

o (b) The offers of employment made by Stratex to Rob Smakman and Paul Stephen must be on terms no less favourable than the terms of their employment arrangements with Crusader immediately prior to the Implementation Date (as determined by Crusader), have a term of at least two (2) years (subject to summary dismissal termination rights available at common law), and include the right to participate in an appropriate incentive plan (as determined by Crusader). Is this consistent with the notice periods for members of the Stratex board, and if not why not?"

o Are Robert Smakman and Paul Stephen so critical to the operations and why are they being treated differently to other Crusader directors?

o We feel compelled to ask if this is a good use of Stratex funds and wonder if shareholders might like to seek to vote on the matter.

o Also, why has Stratex agreed to provide interim funding of A$1m to Crusader for working capital via a convertible loan note when it might have been better to wait to strike a more competitive deal?

Conclusion: We urge shareholders to question the board of Stratex and to demand why the company is so keen to do this deal and why they are offering such favourable terms to two key directors of Crusader?

Trans-Siberian Gold (LON:TSG) 38 pence, Mkt Cap £41.8m - 2016 profit of US$6.4m

• Trans Siberian Gold has reported a 22% increase in profit to US$6.4m (2015 - 5.2m).

• The results reflect a 5% rise in revenues (to US$45.2m) and a 3% reduction in cost of sales aided by lower finance costs.

• As announced in November 2016, Trans Siberian Gold declared a maiden dividend of US$0.05 (US$5.5m).

• Gold production during the year declined by 2,618 oz to 35,366 oz but unit cash costs were reduced to US$426/ox (2015 US$473/oz)

• The company notes that the plant at its Asacha mine in Kamchatka, Russia operated at 8.6% above its design annual capacity of 150,000 tonnes.

• Non- Executive Chairman, Charles Ryan, expressing satisfaction with the company's financial performance during the year commented that "We will continue to seek efficiencies and enhance our financial performance wherever possible."

• Company guidance for annual gold production is currently 32-36,000oz and the recently updated mineral resource estimate shows a measured/indicated inventory of 424,000 oz of contained gold at an average grade of 19g/t suggesting that Asacha is unlikely to be resource constrained in its operations.

Conclusion: Trans Siberian Gold has more than 10 years remaining minerals resources at current and forecast production rates and recently restructured its debt.