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Today's Market View - Major Russian palladium ban worsens global shortage

SP Angel - Morning View - Tuesday 19 03 19

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Major Russian palladium ban worsens global shortage

- Palladium extends its all-time high as Fiat Chrysler Automobiles NV and its U.S. affiliate face a proposed nationwide consumer class action over potential delays in implementing a recall of nearly 900,000 gasoline-powered vehicles because of excessive emissions.
- The replacement of the vehicles' catalytic converters would require 77,000oz of palladium, Miguel Perez-Santalla, sales and marketing manager at refiner Heraeus Metals New York LLC reports.
- Palladium has rapidly run on a broad supply shortage, seeing prices rise almost 90% since the bull run accelerated from August last year.
- ANZ analysts report the latest boost in palladium's "relentless drive higher" includes a reaction to Russia, the world's largest production, banning the export of scrap and tailings of precious metals from May until November, giving more control over valuable supply.

Mozambique - cyclone 'Idai' fatalities could exceed 1,000

- The cyclone which hit Beira on the Mozambique coast also moved inland killing 89 people in Zimbabwe
- Low lying houses at Beira were submerged by seawater in the cyclone leading to the expectation of so many fatalities
- Cyclone Idai came inland at Beira and appears to have worked its way directly inland towards Harare
- Kenmare Resources which operates further up the coast appears to be unaffected
- The Red Cross claims at least 215 people confirmed dead and hundreds missing across Mozambique, Malawi and Zimbabwe

Dow Jones Industrials

+0.25%

at

25,914

Nikkei 225

-0.08%

at

21,567

HK Hang Seng

+0.07%

at

29,429

Shanghai Composite

-0.18%

at

3,091

FTSE 350 Mining

+0.65%

at

19,397

AIM Basic Resources

-0.13%

at

2,168

Economics

Currencies

US\$1.1353/eur vs 1.1348/eur yesterday Yen 111.30/\$ vs 111.51/\$ SA\$ 14.426/\$ vs 14.414/\$ \$1.327/gbp vs \$1.329/gbp 0.710/aud vs 0.712/aud CNY 6.716/\$ vs 6.713/\$

Commodity News

Precious metals:

Gold US\$1,305/oz vs US\$1,304/oz yesterday - Gold gains ahead of fed meeting and on ongoing likely central bank demand

- Gold climbed for a third day amid expectations of dovish signals as Fed officials are likely to indicate patience on monetary policy amidst growing economic weakness as it meets this week. A decision is due Wednesday, with expectations to hold interest rates steady and lower projections for the number of interest-rate hikes.
- Theresa May looked set to seek a long extension to the U.K.'s European Union membership after the House of Commons speaker torpedoed her plan to win Parliamentary approval for her deal to leave the bloc, fueling safe haven buying.
- "Given the delay in the ECB hike and only a modest forecasted pick in euro area growth, we expect German 10-year real rates to remain negative in the near term," said Mikhail Sprogis, analyst at Goldman Sachs. "Therefore, we believe that European [gold] ETF builds can continue to outpace the US."
- Central banks added some 23moz of gold to their reserves last year, the highest increase since 1971.
- Buying was led by Russia and supported by China which are keen to break the dominance of the US dollar as the world's key reserve currency. These banks are thought to have been selling US dollars for gold.
- Banks are seen as buying gold ahead of a regulation change by the Bank for International Settlements (BIS) which will allow central banks to count physical gold as reserve assets alongside sovereign bonds and cash.
- Central bankers may see gold prices as having been depressed by gold instruments such as gold ETFs and other instruments

Gold ETFs 72.0moz vs US\$71.7moz yesterday

Platinum US\$838/oz vs US\$833/oz yesterday

Palladium US\$1,587/oz vs US\$1,558/oz yesterday

Silver US\$15.35/oz vs US\$15.34/oz yesterday

Base metals:

Copper US\$ 6,466/t vs US\$6,474/t yesterday

Aluminium US\$ 1,932/t vs US\$1,900/t yesterday - Cyber attack hits Norsk Hydro

- Norsk Hydro reports it has been subject to a sustained cyber attack.
- The company is moving to manual operations and is working to contain and neutralize the attack.

Vedanta protestor killed in clash at aluminium plant

- A protestor was killed and others were injured in clashes with police outside Vedanta's aluminium plant in Odisha on Monday.
- Speculation suggests protestors were looking for jobs for local people.

Nickel US\$ 13,165/t vs US\$12,920/t yesterday - China puts 253% more nickel into passenger EV batteries in January yoy according to Adamas Intelligence

- The move is down to the accelerated deployment of battery nickel in China and the ongoing shift to NCM 523/622 cathodes from LFP Lithium Ion Phosphate

Zinc US\$ 2,787/t vs US\$2,781/t yesterday

Lead US\$ 2,037/t vs US\$2,063/t yesterday

Tin US\$ 21,130/t vs US\$21,140/t yesterday

Energy:

Oil US\$67.8/bbl vs US\$67.2/bbl yesterday - Venezuela suspends oil exports to India

Natural Gas US\$2.871/mmbtu vs US\$2.781/mmbtu yesterday

Uranium US\$27.05/lb vs US\$27.25/lb yesterday

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$85.0/t vs US\$84.7/t

- Iron ore major Vale SA continue to face backlash from Brazilian authorities following the deadly mining accident, as courts ordered the company to freeze 1 billion reais (\$264m) in funds as compensation for affected communities in the state. Last week prosecutors took a separate action, seeking guarantees of 50 billion reais for environmental restoration.
- The court decision follows an order on March 15 to shut its Timbopeba mine in Minas Gerais state, which produces 12.8mtpa iron ore.
- Since the Brumadinho dam accident that left more than 300 people dead or missing on Jan. 25, Vale has shut in more than 80mt of annual iron ore production at projects that use similar tailings dams as the one that ruptured.
- While the company has said some of those losses can be offset by operations elsewhere, analysts are predicting the output curbs will push the market into a deficit this year.

Steel rebar, China 25mm US\$621.2/t vs US\$617.0/t - Nucor Corp - Largest US steel maker warns Q1 earnings will miss estimates

- Nucor has warned investors that its Q1 earnings will miss estimated but that the worst is over for the steel maker
- The Nucor reckons the fall in steel pricing is now past and US GDP growth of 2.5% should help support the company's optimism.
- Steel Dynamics, another US steel producer also sees domestic US steel consumption picking up

Thermal coal (1st year forward cif ARA) US\$74.6/t vs US\$73.4/t

Coking coal futures Dalian Exchange US\$188.1/t vs US\$188.1/t

Other:

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

NdPr Rare Earth Oxide (China) US\$42,808/t vs US\$42,826/t

Lithium carbonate 99% (China) US\$9,753/t vs US\$9,757/t

Ferro Vanadium 80% FOB (China) US\$70.0/kg vs US\$72.0/kg

Antimony Trioxide 99.5% EU (China) US\$6.9/kg vs US\$6.9/kg

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

Battery News

Repsol invests in Ampere Energy in Spain

- Repsol has bought a stake in Ampere Energy which makes lithium-ion residential battery systems.
- The deal includes a technological collaboration agreement with potential to realise further growth.
- Shell recently acquired Sonnen, a German battery storage manufacturer and Limejump a UK virtual battery systems operating firm.

Researchers create hydrogen fuel from seawater

- Researchers at Stanford University have found a way to generate hydrogen fuel using solar power, electrodes and saltwater from San Francisco Bay.
- Latest findings demonstrate a new way of separating hydrogen and oxygen gas from seawater via electricity, improving on existing water-splitting methods which rely on costly highly purified water.
- As a concept, splitting water into hydrogen and oxygen with electricity, electrolysis, is a simple and old idea: a power source connects to two electrodes placed in water. When power turns on, hydrogen gas bubbles out of the negative cathode, and breathable oxygen emerges at the positive anode.
- But negatively charged chloride in seawater salt can corrode the positive end, limiting the system's lifespan.
- Research has discovered that if they coated the anode with layers that were rich in negative charges, the layers repelled chloride and slowed down the decay of the underlying metal.

German government to subsidize EV battery development for VW, BMW

- The German government wants to help jump-start battery development to keep up with Asia.
- Upwards of 30 companies have applied for the subsidy including BMW and battery manufacturer Varta.
- "Volkswagen Group wants to take part in Economy Minister Altmaier's initiative support the industrial production of mobile and static batteries," said Volkswagen representatives, in a statement.
- In addition to this subsidy for Li-ion batteries, the German government has set aside the equivalent of \$1.2bn to help fund the domestic development of solid-state battery tech as a way to offset a potential loss of jobs as internal combustion engines become less desirable.
- The German program is part of a larger European Union initiative to decrease battery cell dependence on Asia, with the end goal being that the EU and its members hold a 30% market share of global lithium-ion battery cell production.

Company News

Greatland Gold (LON:GGP) 1.9p, Mkt Cap £63.8m - Strategic and operational update

- Greatland Gold aim to continue to leverage exploration insights gained at Havieron to prioritise and accelerate exploration across key targets at the Paterson licences following the recent announcement of a US\$65m farm-in agreement with Newcrest.
- The Paterson region represents one of the more globally prospective for the potential discovery of tier-one gold-copper deposits, evident from exploration results at Havieron (Greatland/Newcrest) and Winu (Rio Tinto).
- The Company are finalising plans for exploration programmes to target similar geophysical signatures, including Black Hills (30km east of Telfer, high grade gold at surface over 800m of strike) and Scallywag (40km east of Telfer, several magnetic anomalies and elevated copper, silver and gold MMI response over 6km of strike).
- Greatland recently appointed a new Exploration Manager, Michael Sawyer, who spent seven years at Oz Minerals Limited, most recently as Principal Geologist, Australia, Exploration and Growth where he was extensively involved with exploration and resource definition at Carrapatenna, one of Australia's largest undeveloped copper deposits.
- The Company are well capitalised for the planned 2019 exploration campaign, with investment secured and cash balance approx. £4m cash as 31 December 2018.
- CEO Gervaise Heddle adds "our experience has reinforced our commitment to be proactive in identifying and acquiring those projects in safe jurisdictions that have the potential to be tier-one, multi-cycle assets and which we can access at attractive valuations."

Orosur Mining (LON:OMI) 3.2 pence, Mkt Cap £4.8m - Death of Non-Executive Chairman, John Walmsley

- Orosur Mining report the passing of Chairman, John Walmsley, following an illness.
- Mr. Walmsley joined the Board of Directors as Chairman of Orosur in 2013 and served in that capacity since that time.
- Mr. Robert Schafer will become Interim Chairman of the Board at Orosur.
- Orosur's, ceo, Ignacio Salazar comments; "His strategic insight, courage, integrity and respect for people were a constant source of value and motivation for our board and our team. John will be sorely missed, and we wish his family our sincere sympathies and condolences."
- Mr. John Arthur Walmsley was also a Non-Executive Director of Pantheon Resources Plc, till January this year.
- Jay Cheatham, CEO at Pantheon Resources commented: "The loss that we are all feeling is impossible to put into words. John served our company with distinction and honour and we will all miss his wise counsel. Our thoughts and prayers go out to Liz and his entire family. He was one of life's true gentlemen, and he will be sorely missed."
- Mr Walmsley served as CEO of Hardy Oil and Gas plc from 1994 to 1998, as MD of Finance and Business Development of Enterprise Oil plc from 1984 to 1993.
- He served as a Corporate Tax Partner at Arthur Anderson and was Exec Chairman at Consilience Energy Advisory Group Limited since 1999.
- Walmsley serves as a Non-Executive Director of Seaboard plc and as a director/partner at Intelligent Investor Limited from 2000 to 2005.
- He was Chairman of the UK Oil Industry Accounting Committee and was a fellow of the Institute of Chartered Accountants in England and Wales.
- John Walmsey was much respected in the City, he will be missed by many.

Oriole Resources (LON:ORR) 0.4p, Mkt cap £2.6m - 8km gold anomaly in Cameroon may indicate new gold province

Altus Strategies* (LON:ALS) 3.5p, £6.2m - Laboum project lies within a similar geology to that at Wapouzé

- Oriole look as if they have identified some decent sized zones at their Wapouz gold prospect in Cameroon
- Soil sampling at Wapouzé shows multiple gold-in-soil anomalies, including an 8km-long NE-trending anomaly (>10ppb Au) within the 'Bataol Zone' in the north-east, with a highest grade of 531 ppb Au (0.53 g/t Au).
- Further anomalies have also been defined in a second area in the south-east of the licence, the 'Bidzar Zone', one of which is supported by a 7.36 g/t Au selective rock-chip sample from an outcropping quartz vein.
- Soil sampling results received for 2,119 samples at Wapouzé with peak assay of 531ppb Au;
- Results have outlined two main zones of NE-trending gold-in soil anomalism:
- The news demonstrates that Tim Livesey, Oriole's ceo is making progress with Oriole's mineral portfolio.
- Under the terms of the Option Agreement, Oriole can earn an initial 51% of BEIG3's Bibemi and Wapouzé licences (the 'Projects') in Cameroon by funding US\$1.56m on exploration over two years. Thereafter, Oriole can earn a further 39% for an additional US\$1.56m exploration expenditure, or by completing a pre-feasibility study on at least one of the Projects, over the subsequent two years.
- Altus Strategies Laboum project lies within a similar geology to that at Wapouzé with results from the two projects potentially drawing attention to gold exploration in Cameroon which may ultimately define a new gold province in the region.

*SP Angel act as nomad and broker to Altus Strategies

Tertiary Minerals* (LON:TYM) 0.3p, Mkt Cap £1.2m - Fluorspar mine accident kills 22, leads to closure of mines in Inner Mongolia

- Break failure on a mine shuttle bus killed 22 and injured 29 miners at a Chinese Fluorspar mine in Inner Mongolia in February.
- The accident has caused the closure other mines in the region including a number of fluorspar mines in this significant producing region.
- Production from the Baiyinchagan mine and Xingye Mines has been suspended
- Tertiary Minerals which holds one of the world's key undeveloped fluorspar project in Swedish continues to lobby for a mining license.
- Tertiary Minerals signed an MOU in late 2017 with Possehl Erzkontor GmbH, a global commodities trading group for the purchase up to a minimum of 70% of commercial grade acid-spar to be produced at Tertiary's three fluorspar projects.
- The agreement allowed for Possehl to provide funds to Tertiary to assist the Company in meeting its working capital needs and/or its capital investment needs for the development of its fluorspar projects. Possehl would also "provide invaluable commercial and logistical support and advice to Tertiary during the development of its fluorspar projects as the Company works towards its production goals and the ultimate signing of the Offtake Agreement".

*SP Angel act as Nomad and broker to Tertiary Minerals

Tietto Minerals (ASX:TIE) A\$0.16, Mkt Cap A\$35.5m - High-grade gold intersections confirm Ivory Coast Abujar deposit extensions

- Latest drill results continue to demonstrate high-grade gold mineralisation from the Company's ongoing drilling campaign, confirming strike continuity and extensions at AG (Abujar-Gludehi) deposit, including highlights:
 - 18m @ 11.72 g/t Au from 39m including; 10m @ 20.69 g/t Au from 39m inc. 1m @ 194.93 g/t Au from 40m (ZDD028)
 - 14m @ 5.57 g/t Au from 91m including; 6m @ 12.30 g/t Au from 91m inc. 1m @ 17.23 g/t Au from 91m, 1m @ 19.77 g/t Au from 92m, 1m @ 16.74 g/t Au from 94m and 1m @ 19.68 g/t from 96m (ZDD029)
 - 6m @ 11.37 g/t Au from 100m including; 4m @ 16.67 g/t Au from 100m Inc. 2m @ 29.57 g/t Au from 100m (ZRC187)

- The new results are among six intervals ranging from 70-201 Au gram meters with depths ranging 35-90m.
- The Company's own DD rig continues to drill the southern extension of the AG deposit, feeding independent review and resource modelling work to expand Tietto's Abujar maiden JORC inferred mineral resource defining 703,600 oz @ 2.1g/t.
- Tietto are working to deliver a material update to its resource estimates before the end of Q1 CY2019.
- The Abujar Gold Project comprises three contiguous tenements with a total land area of 1,114km², of which less than 5% has been explored. It features a NNE-oriented gold corridor over 65km striking across the three areas.

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