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Today's Market View - Interest rate reduction speculation gives metals boost

SP Angel - Morning View - Monday 29 04 19

Interest rate reduction speculation gives metals boost

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Anglo Asian Mining* (LON:AAZ) - Geophysics study identifies prospective +30 targets at Gedabek, high grade polymetallic mineralisation intersected at Gosha

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Oriole Resources (LON:ORR) - Receipt of VAT rebate

Thor Mining* (LON:THR) - Quarterly update

Cyclone Kenneth 'wipes out' Mozambique villages

- Following the strongest cyclone to ever hit Mozambique on Friday, Kenneth has entirely wiped out villages towards the northern border, arriving just a month after Cyclone Idai killed more than 900 people across three east African nations.
- One aid worker has said it looked like areas has been 'run over by a bulldozer'.
- The cyclone ran out of energy before surging far inland, with weather in southern Malawi reported as good and unaffected Mkango Resources' Songwe Hill exploration site or communities.

Dow Jones Industrials

+0.31%

at

26,543

Nikkei 225

-0.22%

at

22,259

HK Hang Seng

+0.99%

at

29,898

Shanghai Composite

-0.77%

at

3,062

FTSE 350 Mining

-0.05%

at

19,824

AIM Basic Resources

+0.02%

at

2,022

Economics

Currencies

US\$1.1161/eur vs 1.1143/eur last week Yen 111.71/\$ vs 111.62/\$ SA\$ 14.330/\$ vs 14.422/\$ \$1.294/gbp vs \$1.291/gbp 0.705/aud vs 0.703/aud CNY 6.730/\$ vs 6.738/\$

Commodity News

Precious metals:

Gold US\$1,283/oz vs US\$1,282/oz last week

- Gold remained in growth for the week, the biggest advance in seven weeks as investors weighed up mixed first-quarter U.S. GDP data that came before a Federal Reserve policy meeting later this week, amid speculation that the U.S. central bank may seek to prepare the ground for a reduction in interest rates.
- Gross domestic product expanded at a 3.2% annualized rate, data showed on Friday. While that's higher than all forecasts in a Bloomberg survey, the increase reflected a boost from inventories and trade, which are volatile components that may soon weigh on growth.
- A Fed-preferred inflation measure, the personal consumption expenditures price index excluding food and energy, slowed to 1.3%, well below policy makers' 2% objective. This firms up suggestions the Federal Reserve will cut interest rates this year.
- Reflected in a minor decline in the Bloomberg dollar spot index, metal prices were broadly supported.

Gold ETFs 71.0moz vs US\$71.1moz last week

Platinum US\$898/oz vs US\$890/oz last week

Palladium US\$1,459/oz vs US\$1,422/oz last week

Silver US\$15.03/oz vs US\$15.03/oz last week

Base metals:

Copper US\$ 6,400/t vs US\$6,365/t last week

Aluminium US\$ 1,837/t vs US\$1,857/t last week

Nickel US\$ 12,424/t vs US\$12,325/t last week

Zinc US\$ 2,768/t vs US\$2,741/t last week

Lead US\$ 1,952/t vs US\$1,932/t last week

Tin US\$ 19,925/t vs US\$19,820/t last week

Energy:

Oil US\$71.8/bbl vs US\$74.1/bbl last week

Natural Gas US\$2.576/mmbtu vs US\$2.503/mmbtu last week

Uranium US\$25.30/lb vs US\$25.40/lb last week

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$91.1/t vs US\$90.5/t

Chinese steel rebar 25mm US\$645.6/t vs US\$643.1/t

Thermal coal (1st year forward cif ARA) US\$71.1/t vs US\$71.1/t

Coking coal futures Dalian Exchange US\$180.2/t vs US\$177.1/t

Other:

Cobalt LME 3m US\$34,500/t vs US\$34,500/t

NdPr Rare Earth Oxide (China) US\$39,749/t vs US\$39,702/t

Lithium carbonate 99% (China) US\$9,733/t vs US\$9,647/t

Ferro Vanadium 80% FOB (China) US\$51.5/kg vs US\$52./kg

Antimony Trioxide 99.5% EU (China) US\$6.1/kg vs US\$6.1/kg

Tungsten APT European US\$270-282/mtu vs US\$270-282/mtu

Battery News

Tesla unlocks even more power out of existing Superchargers

- At the launch of Supercharger V3 earlier this year, Tesla announced that it will also unlock more power in existing Supercharger stations (from 120 kW to 145 kW). Tesla has confirmed that it will actually be able to push the power output even higher (150 kW) and it started expanding the rollout of other charging features announced at the event.
- With the launch of the Supercharger V3, Tesla introduced its next-generation fast-charging station that can charge all Model 3 vehicles at up to 250 kW and new Model S and Model X vehicles at up to 200 kW.
- The automaker also launched a few interesting new features related to charging. Most notably, the new On-Route Battery Warmup, which automatically thermally prepare a battery pack ahead of arriving at a Supercharger if it has been entered in the navigation system in order to be able to achieve the peak charge rate faster and for the longest time once at the Supercharger station.
- Tesla has also announced they have validated some vehicles to be able to take more power out of the current Supercharger V2 stations.
- With a new software update coming out this week, Model 3 Long Range vehicles, as well as Model S and Model X vehicles with 100 kWh battery packs, are going to be able to take advantage of the new 150 kW charge rate.

Company News

Anglo Asian Mining* (LON:AAZ) 82p, Mkt Cap £94Xm - Geophysics study identifies prospective +30 targets at Gedabek, high grade polymetallic mineralisation intersected at Gosha

BUY - 96p

- Results from the first helicopter-borne electromagnetic and aeromagnetic survey completed in H2/18 have been released today showing a multiple of highly promising and prospective anomalies identified.
- 25 targets favourable for gold/copper epithermal and porphyry mineralisation and 6 magnetic target consistent with porphyry systems were identified.
- Among the targets, 20 were associated with shallow hosted anomalies (around 300m) and five with deep-seated targets (greater than 500m).
- The work on prioritising targets for follow up on the ground exploration programme including geochemical soil sampling, ground-based geophysics, outcrop sampling and ultimately drilling is currently in progress.
- A total of 3,385km of geophysical data was acquired during the survey that used the ZTEM system and a high sensitivity magnetometer that is particularly helpful in identifying porphyry copper-gold and epithermal copper-gold-silver exploration.
- Additionally, the Company released a summary of exploration work completed through 2018, as part of its extensive three-year exploration programme, with main highlights included below as well as outlook for 2019.
- At Gedabek open pit and underground, nearly 18,000m of surface and underground drilling has been completed focused on NW and SE flanks of the open pit chasing mineralisation at depth, northern and southern parts of the orebody narrowing the drilling density over the areas to better understand Au/Cu distribution as well as mineralisation extensions below the backwall. 7 DD holes completed from the underground suggest that mineralised zones are wider than initially expected.
- At Gadir, exploration included surface drilling (c.9,000m) as well as drilling from the underground (c.7,000m) benefiting from the available infrastructure. Strep out drillholes (GEGDD37 and GEGDD37, in particular) indicated a potential for the mineralisation to continue both laterally and down dip.
- At Gosha Contract Area, the team discovered new polymetallic mineralisation located 7km north of the existing Gosha underground mine.
- An intersection of 4.3m at 4.11g/t gold, 112g/t silver, 3.07% copper and 3.02% zinc from 229m has been returned in one of 8 surface core dill holes (for total of 2,397m) completed in the Asrikchay valley.
- 37 outcrop samples and a series of ground geophysics covering 1.4km² has been completed at Asrikchay with results to be released later this year.
- On outlook, further infill and step out drilling is planned at Gedabek testing underground extension as well as at Gadir following lateral and down-dip extensions. On surface, ZTEM results to be followed up at Gedabek while results from the ground-based geophysics at Gadir and Asrikchay will also be used to target follow-up drilling.

Conclusion: Results from the airborne electromagnetic study identifies more than 30 targets at the Gedabek contract area highlighting mineral potential of the province. The team is planning to prioritise targets for the follow up exploration programme on identified anomalies that provide an opportunity to potentially expand the resource base leveraging off the existing infrastructure. Additionally, drilling at the adjacent Gosha Contract Area is reported to have discovered high grade polymetallic mineralisation. 2018 has been an exciting year for the Company and a continuing investment in exploration funded from the Company's internally generated cashflows is expected to deliver more positive news in 2019.

*SP Angel act as Nomad and broker to Anglo Asian Mining

Base Resources (LON:BSE) 15p, Mkt Cap £175m - Quarterly update

- African mineral sands producer report the Kwale operation in Kenya continues to focus on maximising mineral recoveries under a high tonnage, low grade regime, together with progressing preparations for relocating mining operations to the South Dune orebody in June 2019.
- Wet concentrator plant production of heavy mineral concentrate increased to 154kt (149kt Q4 2018) as a result of improved recoveries.
- MSP feed rate was reduced to 71tph from February to ensure sufficient HMC stocks are available to allow continuous feed to the MSP during the transition to the South Dune orebody. HMC stockpiles increased to 49kt (last quarter: 46kt) due to reduced MSP feed rates.

- Total operating costs were marginally lower than the previous quarter due to lower mining and production volumes, but the lower production resulted in a higher unit operating cost of US\$138/t produced (rutile, ilmenite and zircon) (last quarter: US\$115/t).
- Rutile production fell to 20.2kt (last quarter: 24.5kt). Ilmenite production fell to 87.2kt (last quarter: 108.5kt). Zircon production fell to 6.9kt (last quarter: 8.3kt).
- The lower proportion of zircon and rutile sold in the quarter contributed to the fall in average revenue/t decreasing to US\$368/t (last quarter: US\$377/t).
- In pursuit of further mine life extension, the Company commenced drilling of the Vanga exploration license on 1 April 2019. Expenditure of exploration activities in Kenya during the quarter was US\$0.2m (US\$0.4m Q4 2018).
- Completion of the remaining drilling programme (4,200m) in the North-East Sector remains suspended pending resolution of community access issues.
- Base Resources released the PFS for its Toliara minerals sands project in south-west Madagascar, conforming economic potential, with progress on all workstreams to complete the DFS in the December 2019 quarter.
- The PFS confirmed a post-tax/pre-debt NPV10 of US\$671m over the 33-year initial mine life for a CAPEX of US\$439m.

Edenville Energy* (LON:EDL) 0.03p, Mkt Cap £0.5m - Equity placing

- The Company announced a raise of £100k (0.5bn shares at 0.02p) and a conditional raise of £410k (2.05bn share at 0.02p).
- Conditional raise is subject to shareholders approving respective resolutions at the 17 May General Meeting.
- £454k net proceeds of the proposed placing to be used for an expansion of mining operations at Rukwa, launching of the northern mining area, in particular, as well as to provide additional working capital for things like fuel and magnetite, among other things, that constrained operations lately.
- The team expects this funding "to boost both production and subsequent sales, thereby placing the Project in a position where it is initially self-sustaining, before turning cashflow positive during the next twelve months".
- New shares (including the share from the conditional placing) will represent c.58% of the enlarged share capital.
- Additionally, the Company agreed an extension of the Lind convertible facility repayment holiday period from 16 February 2019 to 1 September 2019 in return for (among further conditions):
 - An increase in the amount of the first convertible facility outstanding by 15% to \$983k;
 - Convene a General Meeting to approve a 100:1 consolidation
 - Convene a General Meeting to approve allotment of 2bn new shares due to be issued to Lind under the Funding Arrangement (if the resolution not passed before 30 May, the outstanding amount of the first tranche to be increase by 10%)

*SP Angel acts as Nomad and Broker to Edenville Energy

Keras Resources* (LON:KRS) 0.345p, Mkt Cap £7.9m - Appointment of COO

BUY, Target price 1.04p

Click for our last full note on Keras

- Keras Resources has announced the appointment of Graham Stacey, previously the company's Project Manager at its 85% owned Nyaga manganese project in Togo as Chief Operating Officer.
- Mr. Stacey, who will not a member of the Board, is a mining engineer with over 20 years experience of both surface and underground mining operations across a range of commodities.
- The company has also provided an update on progress at Nayega including disclosing that the final shipment of its 10,000t bulk sample was shipped from Port Lome on 26th March. The bulk sample has been shipped to a

"third-party producer of manganese-based alloys" for testing to establish its suitability in their production process.

- Previous announcements from Keras have pointed out that the third-party was financing the bulk testing programme.
- In conjunction with the Togo Government, Keras has also finalised the drafting of the Nayega Mining Convention "and all documentation related to the Nayega Exploitation Permit application." Ministerial approval will be required in order for the Permit to be granted.
- Commenting on developments, Chief Executive, Russell Lamming explained that "We have spent a significant amount of time with the Togolese authorities to secure an agreement which will underpin the success of Nayega over the next decade and provide robust cashflows going forward."
- Mr Lamming also commented that "The conclusion of the successful bulk sample confirms all the technical, financial and logistical assumptions of our internal feasibility study and we now look forward to progressing into commercial production."

Conclusion: The Nyaga manganese project is progressing well with documents for the mining permit application drafted in conjunction with the Togo Government and the bulk sample now completed.

*SP Angel act as Nomad and broker to Keras Resources

Mkango Resources* (LON:MKA) 8.1p, Mkt Cap £9.2m - US\$2m earn-in agreement with MetalNRG for Thambani uranium

- Mkango Resources enters into a Non-Binding Heads of Agreement with MetalNRG, whereby MetalNRG will earn up to 75% interest in the Thambani Exclusive Prospecting Licence via US\$2m exploration spending.
- Binding Definitive Agreement will need to be entered on or before 30th June 2019, with terms including:
 - MetalNRG must spend US\$500,000 on exploration within the Thambani Licence within 12 months, including a drilling campaign totaling approx. 1,500m. Completion of an Initial Workplan shall entitle MetalNRG to 25% economic interest in the Thambani Licence, with interest limited to uranium only.
 - After completion of the Initial Workplan, MetalNRG may elect to further explore and develop the Thambani License by spending US\$700,000 over the subsequent 12 months, giving 49% economic interest.
 - Following the completion of the Second Workplan, MetalNRG may elect to further explore and develop the Thambani License by spending US\$800,000 over the subsequent 12 months, giving 75% economic interest.
 - If the Initial Workplan is deemed unsuccessful by MetalNRG, it may elect to discontinue future funding and retain a 25% economic interest.
 - Mkango will maintain the first right of refusal on 100% of the offtake for uranium and other minerals.

Conclusion: SP Angel continue to be impressed with the strategic funding arrangements for the continued development of assets in Malawi. We look forward to understanding the potential of the Thambani uranium deposit as exploration develops alongside the fully-funded Talaxis Songwe Hill rare earth Feasibility Study.

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

MOD Resources (LON:MOD) 17.75p, Mkt cap £53.9m - Infill drilling at the T3 copper project

Metal Tiger (LON:MTR) 1.225p, Mkt Cap £19.1m -

(Metal Tiger holds approximately 12.5% of MOD following the sale of its 30% interest in the T3 copper project in Botswana)

- MOD Resources has released the second tranche of results from its infill drilling programme at its T3 copper project in Botswana.
- The results of the infill programme are expected to be incorporated in an updated mineral resource estimate during the third quarter "when the Company expects to upgrade a significant proportion of production within the first two stages of the open pit into the higher confidence JORC compliant Measured Resource category. This may result in upgrading part of the current Probable Ore Reserve to the Proved Ore Reserve category".
- Among the results highlighted today are:
 - A 21m wide intersection averaging 1.5% copper and 30g/t silver from a depth of 118m in hole Mo-G-199D and including a higher grade section of 10m averaging 2.0% copper and 44g/t silver from 118m depth; and
 - A 26m wide intersection averaging 1.8% copper and 25g/t silver from a depth of 119m in hole Mo-G-200D and including a higher grade section of 6.4m averaging 4.6% copper and 75g/t silver from 120.6m depth; and
 - A 16.5m wide intersection averaging 1.8% copper and 18g/t silver from a depth of 83.5m in hole Mo-G-201D; and
 - An 11.4m wide intersection averaging 2.1% copper and 16g/t silver from a depth of 74.6m in hole Mo-G-203D; and
 - A 41.9m wide intersection averaging 1.4% copper and 25g/t silver from a depth of 82m in hole Mo-G-204D and including a higher grade section of 4.4m averaging 2.6% copper and 141g/t silver from 87m depth; and
 - A 16.m wide intersection averaging 1.9% copper and 26g/t silver from a depth of 117m in hole Mo-G-212D.
- Commenting on the latest drilling, Managing Director, Julian Hanna, explained that "the infill drill program has successfully intersected wide, high-grade vein-hosted mineralisation whilst providing more clarity around the up-dip extent of mineralisation within the planned Stage 1 and 2 pit shells."

Conclusion: The infill drilling is continuing to deliver results which increase confidence in the early years of mining at T3. We look forward to an updated mineral resource estimate incorporating these results.

Oriole Resources (LON:ORR) 0.305p, Mkt cap £2.1m - Receipt of VAT rebate

- Oriole Resources has confirmed the receipt of a VAT rebate amounting to £522,000.
- The payment resolves a long-standing dispute relating to a ruling by HMRC in 2017 that "the Group's activities of supporting its overseas exploration operations could not be classed as an economic activity for VAT purposes and subsequently demanded that the Company pay-back the VAT reclaimed in the UK since 2011. This led to a provision of £557k in the 2017 Financial Statements and a payment to HMRC of £593k in June 2018."
- Commenting on the outcome, Chief Financial Officer, Bob Smeeton, said "We are delighted to be able to report the receipt of this money, and the end of this long running dispute, which has been a costly distraction for over two years. The end of the dispute allows us to reduce professional advisor fees and provides funds for our continued exploration operations."
- The company's December 2018 balance sheet shows a cash balance of approximately £1.3m

Conclusion: The rebate of VAT should bolster Oriole Resources' cash position as it progresses its West African exploration programmes

Thor Mining* (LON:THR) 0.65p, Mkt Cap £5.3m - Quarterly update

- Thor Mining reports progress on all of its key projects during the quarter ending 31st March.
- At the Molyhil tungsten molybdenum project in Australia, the company is in discussion with potential sources of project finance as well as with potential off-takers for both tungsten and molybdenum concentrates. "These discussions continue, and it is hoped that a favourable arrangement can be finalised in the near term."
- Commenting on progress at Molyhil, Executive Chairman, Mick Billing, said that "Our confidence in securing off-

take and finance for Molyhil remains firm, with positive interest from a number of players, whose interests vary from offtake, to joint venture arrangements, to debt instruments".

- The company reports an industry view of "tight supply conditions for tungsten concentrates and downstream products, with dominant supplier, China, enforcing improved environmental standards, and restricting the issue of new mine production licences . In addition, suggestions for molybdenum are for supply constraints for several years, and a number of potential molybdenum off-take partners have indicated a willingness to discuss fixed price purchasing agreements."
- Drilling and trenching is underway at the adjacent Bonya copper/tungsten/vanadium project (40% owned), with the intention of testing 13 known tungsten occurrences.
- The company's US tungsten project at Pilot Mountain, where an updated mineral resource estimate of 10.7mt at an average grade of 0.26% tungsten trioxide, 19.38g/t silver, .015% copper and 0.38% zinc was announced in December 2018, the "directors believe Pilot Mountain's resource is substantial on a global scale, and has potential for significant growth, in particular from the discovery in the August 2017 drilling program of an additional parallel zone of scheelite mineralisation at the Desert Scheelite deposit".
- Metallurgical test-work is continuing in order to enhance previous work to pre-feasibility standard and "Environmental study parameters are being established with relevant agencies, and Infrastructure studies have also commenced."
- Field pump tests on the Kapunda copper in-situ leach project are expected to start during the June quarter "to test the flow of fluids through the deposit ... and the appropriate applications have been lodged with the South Australian authorities".
- As recently announced, work is also underway to establish a mineral resource estimate at the Moonta in-situ leach copper project, also in South Australia.

Conclusion: Thor Mining is reporting progress on its tungsten projects in both Australia and N America at a time when Chinese action to enforce stricter environmental standards in its domestic mines is leading to supply constraints. The company's in-situ copper leaching projects in South Australia are progressing with pump testing at Kapunda expected to start in the current quarter.

*SP Angel act as joint broker to Thor Mining

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