

Ariana Resources PLC

10:31 18 Nov 2019

Today's Market View - Petra Diamonds, Savannah Resources, Pensana Metals and more...

SP Angel . Morning View . Monday 18 11 19

Vanadium process turn higher as buyers return to market

MiFID II exempt information - see disclaimer below

Ariana Resources (LON:AAU) -Drilling results from Kiziltepe

Bezant Resources (LON:BZT) - Disposal of 80% of Mankayan copper project in Philippines

Pensana Metals (LON:PM8) - Pensana looking to produce 4,600t of NdPr in concentrate in 2020

Petra Diamonds (LON:PDL) - Sale of blue diamond from Cullinan.

Savannah Resources* (LON:SAV) - Additional licence at Mutamba

Shanta Gold (LON:SHG) - Updated mineral reserves extend the LoM at NLGM to 2024

Vanadium prices continue to rise in Europe and China as pentoxide price leaps 16.9% in Rotterdam

- Vanadium prices found new strength last week driven by new demand in China and Europe
- Ferro-vanadium prices rose 2.2% in Western Europe last week to US\$23-23.75/kg. we note the spread narrowing as new buying came into the market.
- Ferro-vanadium prices rose 5.5% in China to US\$28-30/kg
- Vanadium pentoxide prices jumped 16.9% in Rotterdam on Friday to US\$5-6.05/lb

Barrick to sell half of Kalgoorlie Consolidated Gold Mines for \$750 million (mining.com)

- The Canadian gold miner reached an agreement to sell its 50% of its interest in Kalgoorlie Consolidated Gold Mines to Saracen Mineral Holdings.
- Saracen already holds two gold operations in the Kalgoorlie region- the Carosue Dam and the Thunderbox mine sites.
- According to Barrick's president and CEO, the company want to focus on operating mines that they own fully.
- KCGM produces around 700,000oz of gold each year and has a gold reserve of 6.9 Moz.

Price: 2.75

Market Cap: £29.14 m

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: AAU

Listing: AIM

52 week	High	Low
	3.0899	1.65

Sector: Gold & silver

Website: www.arianaresources.com

Company Synopsis:

Ariana Resources plc is an AIM-listed gold-silver exploration and development company with operations in Turkey. It has a proven strategy of identifying and developing mineral resources and advancing them to production through joint ventures.

action@proactiveinvestors.com

Dow Jones Industrials +0.80% at 28,005

Nikkei 225 +0.49% at 23,417

HK Hang Seng +1.35% at 26,681

Shanghai Composite +0.62% at 2,909

FTSE 350 Mining -0.15% at 18,154

AIM Basic Resources -0.04% at 2,102

Economics

US - The administration is expected to issue a 90-day extension of a license on Monday allowing US companies to continue business with the Company, Reuters reports.

- The announcement comes amid discussions between the US and China on Phase One agreement.
- Chinese state media referred to "constructive" trade talks on a high level phone call between two sides over the weekend.
- General optimism over the potential trade deal sees equity indices higher this morning.

UK - Properties on offer drop 14.9%yoy in the four weeks to November 9 as the market is hit with Brexit uncertainty and coming general elections, Rightmove data shows.

- The average price of a house came up by 0.3%yoy, in line with other measures showing house prices almost flat lined.
- PM Johnson and Conservative party leader are expected to go head-to-head in a live first debate on November 19.

Hong Kong - Protestors and police clash at Polytechnic University campus

- Clashes at the university campus entered their second day as officers attempted to storm the university in the early hours of Monday morning.
- A group of around 100 people tried to leave Polytechnic University, but were met with tear gas and rubber bullets.
- According to the BBC, police warned they could use live ammunition if the attacks continued.
- Much of the conflict in recent days has been focused around different universities and most of classes have ended for the rest of the semester.

UK - High Court to consider separate legal challenges from Lib Dems and SNP over TV debate exclusion

- The two parties have been excluded from ITV's general election debate, and a ruling is expected later on today.
- The debate is currently a head-to-head between Conservative leader Boris Johnson and Labour leader Jeremy Corbyn, due to take place on Tuesday.
- The Lib Dems have also sent a legal letter to the BBC over its decision not to include leader Jo Swinson in a debate on the 6th of December.

Currencies

US\$1.1064/eur vs 1.1019/eur last week. Yen 108.94/\$ vs 108.67/\$. SA\$ 14.743/\$ vs 14.786/\$. \$1.295/gbp vs \$1.288/gbp. 0.682/aud vs 0.679/aud. CNY 7.013/\$ vs 7.011/\$.

Commodity News

Gold US\$1,460/oz vs US\$1,464/oz last week

Gold ETFs 80.9moz vs US\$80.9moz last week

Platinum US\$882/oz vs US\$876/oz last week

Palladium US\$1,715/oz vs US\$1,732/oz last week

Silver US\$16.83/oz vs US\$16.85/oz last week

Base metals:

Copper US\$ 5,861/t vs US\$5,823/t last week - Copper rises for second session today as US-China trade war optimism grows (Reuters)

- Three-month copper on the LME was up 0.3% at \$5,865/t after a 0.6% gain in the previous session.
- The most traded copper contract on the Shanghai Futures Exchange added 0.2% at \$6,717/t.
- On Saturday, Chinese state media said the two sides had "constructive talks" on trade in a high-level phone call that included Vice Premier Liu He, and US Treasury Secretary Steven Mnuchin.

Aluminium US\$ 1,749/t vs US\$1,734/t last week

Nickel US\$ 14,870/t vs US\$15,950/t last week

Zinc US\$ 2,368/t vs US\$2,387/t last week

Lead US\$ 2,000/t vs US\$2,008/t last week

Tin US\$ 16,215/t vs US\$16,180/t last week

Energy:

Oil US\$63.2/bbl vs US\$62.0/bbl last week - Bloomberg report on the \$126bn market in lubricants which is at risk due to the rise of electric vehicles. Most lubricants are for engine and gearbox oil.

- The move to battery electric vehicles will dramatically reduce the use of engine and gearbox lubricants.

Natural Gas US\$2.603/mmbtu vs US\$2.619/mmbtu last week

Uranium US\$25.05/lb vs US\$25.00/lb last week

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$83.2/t vs US\$82.7/t

Chinese steel rebar 25mm US\$589.2/t vs US\$581.7/t - Tata Steel to announce deep restructuring in Europe (FT)

- The restructuring involves job cuts at its main British and Dutch plants.
- The steel sector is troubled with weak demand, trade wars and pressure to shrink its carbon footprint.
- Tata Steel Europe's ambition is to slash employment costs by £150m over time, as well as savings on raw materials procurement.
- The company currently employs about 20,000 people and said that job cuts would occur "across the whole business".

Thermal coal (1st year forward cif ARA) US\$63.0/t vs US\$63.7/t

Coking coal futures Dalian Exchange US\$183.3/t vs US\$183.4/t

Other:

Cobalt LME 3m US\$36,000/t vs US\$36,000/t

NdPr Rare Earth Oxide (China) US\$40,143/t vs US\$40,389/t

Lithium carbonate 99% (China) US\$6,774/t vs US\$6,847/t

Ferro Vanadium 80% FOB (China) US\$29.0/kg vs US\$28.8/kg

Antimony Trioxide 99.5% EU (China) US\$5.3/kg vs US\$5.2/kg - Antimony prices fall 0.5% in Rotterdam to US\$6,050-6,300/t (FastmarketsMB)

Tungsten APT European US\$225-245/mtu vs US\$225-245/mtu - Chinese tungsten APT price weakens 5.3% on thin demand to US\$220-239/t

Graphite flake 94% C, -100 mesh, fob China US\$540/t vs US\$540/t

Graphite spherical 99.95% C, 15 microns, fob China US\$2,550/t vs US\$2,550/t

Battery News

Tata Motors to supply 500 EVs to Indian transport service Lithium Urban (Autocar India)

- 400 newly launched Tigor Sedan EVs and 100 other EVs will be supplied across India and significantly expand the current fleet of 1000 EVs.
- This deal further consolidates Lithium Urban's position as the largest EV based mobility service provider.

Company News

Ariana Resources (LON:AAU) 2.05p, Mkt Cap £21.7m -Drilling results from Kiziltepe

- Ariana Resource reports drilling results from its 2019 Campaign at the Kiziltepe mine in Turkey where once all

the results are available in December the company plans to update its mineral resources estimates.

- Kiziltepe lies within the Red Rabbit joint-venture area which currently hosts an indicated and inferred resource of approximately 4mt at an average grade of 1.3g/t gold and 4.5 g/t silver representing approximately 169,000 oz of contained gold and 570,000oz of silver.
- The drilling programme comprised 3,162m within 25 holes and has confirmed that significant mineralisation extends beyond the current resource area at the far NW extent of the Arzu North mineralisation. The company comments that this has "potential to extend further by several hundred metres" with a beneficial impact on projected mine-life.
- Among the results highlighted today are:
- A 7m intersection at an average grade of 3.34g/t gold and 54g/t silver from a depth of 92m in holeKTP-RC22-19: and
- An 8m wide intersection at an average grade of 2.28g/t gold and 156g/t silver from a depth of 65m in hole KTP-RC21-19 which also contains a 1m wide intersection averaging 5.7 g/t gold and90g/t silver from 76m depth.

Conclusion: The recent drilling results appear to extend the mineralisation and hence the potential mine-life Kiziltepe. We look forward to the mineral resource update when the recent results are added.

Bezant Resources (LON:BZT) 0.22p, Mkt Cap £2.2m - Disposal of 80% of Mankayan copper project in Philippines

- Bezant Resources has confirmed the previously announced disposal of its 80% interest in the Mankayan copper/gold project in the Philippines.
- The Mankayan deposit, located on Luzon Island, contains an indicated mineral resources of 221.6mt grading 0.49% copper, 0.52g/t gold and an additional inferred resource of 36.2mt grading 0.44% copper, 0.48g/t gold.
- Previous studies have indicated that mine development by block-caving at rates of either 12 or 24mtpa requires capital investment in excess of US\$6bn in order to generate NPVs of

Pensana Metals (LON:PM8) A\$0.20, Mkt cap A\$30m - Pensana looking to produce 4,600t of NdPr in concentrate in 2020

Pensana Metals which is looking to finance the Longonjo rare earths project in Angola.

Capital costs are US\$131 and management report 'there is expected to be little difficulty in attracting the debt and equity required to finance the mine'.

Pensana reported results of the feasibility study for the Longonjo project on Friday highlighting the capital cost and other key assumptions on the project.

See: <https://www.pensanametals.com/index.php/investors/asx-announcements/file/74-15-november-2019-preliminary-feasibility-study>

The Feasibility shows very high Internal Rates of Return ranging from 64% to 129% for the low and high price forecasts developed by Roskill and assumed payability of each component in the concentrate based on indicative non-binding terms.

Conrad Partners, run by two metallurgists based in Hong Kong, advise that there is strong interest from identified customers in China to purchase concentrates for further refining and recovery of the contained rare earth oxides, particularly the neodymium and praseodymium content, which accounts for the majority of the concentrate value.

Refining capacity: a major issue with rare earth supply is not that so much of the world's critical rare earths come from China but that so much of the world's refining capacity is either in China or controlled by Chinese entities.

Refinery project: Peak Resources (PEK AU) which is looking to develop the Ngualla high-grade rare earth mine in Tanzania is working on the development of rare earths refinery in Teesside, UK. The planned capex for the refinery is estimated at US\$165m with annual operating costs of US\$40m. The development of this refinery should broaden competition for rare earth concentrates and help stabilise payable concentrate pricing.

Angola ranks 164th out of 176 countries in the Transparency International Corruption Index with all the countries ranked lower than Angola considered to be failed states.

Conclusion: While there are a number of rare earths refineries outside of China the price paid for rare earth concentrates remains a significant issue for western mining companies. Peak's proposed rare earth refinery on Teesside offers potential to make a significant difference and to wrest control of the market from Chinese entities to enable more realistic pricing going forward.

Petra Diamonds (LON:PDL) 9.145p, Mkt Cap £79.1m - Sale of blue diamond from Cullinan.

- Petra Diamonds reports the sale of a 20.08 carat blue diamond recovered from the Cullinan mine earlier this year for US\$14.9m or approximately US\$741,000 per carat.
- The identity of the purchaser has not been disclosed, however Chief Executive Richard Duffy confirming that the sale price had been within the company's expectations said that it "confirms the resilience in the value of very high quality blue diamonds, undoubtedly one of nature's rarest treasures"

Savannah Resources* (LON:SAV) 2.3p, Mkt Cap £29.8m - Additional licence at Mutamba

- Savannah Resources reports that it has conditionally secured a third mining concession at the Mutamba heavy mineral sands deposit in Mozambique.
- The new licence, which covers 11,807 hectares is valid until September 2044, "is contiguous with Concessions 9735C and 9229C which cover ground in the districts of Inharrime and Jangamo in southern Mozambique". A fourth licence application is still under consideration.
- Savannah Resources operates the undeveloped Mutamba heavy mineral sands project, which has an indicated and inferred mineral resource of 4.4bn tonnes at an average grade of 3.9%. The company currently holds a 20% interest in the project with Rio Tinto and can increase its holding to 35% on delivery of a PFS and to 51% once a Feasibility study is completed.
- The company explains that the agreement with Rio Tinto "includes an offtake agreement on commercial terms for the sale of 100% of production to Rio Tinto (or an affiliate)."
- The area is well served by infrastructure with a reliable power supply and access to roads and to the nearby port of Inhambane.
- Chief Executive, David Archer, explained that "Once these three Concessions are formalised, they will enable the Joint Venture with Rio Tinto to progress the Pre-Feasibility Study ('PFS') towards completion. Upon delivery of the PFS, our interest in this world-class heavy mineral sands project will rise from 20% to 35%, an exciting prospect for Savannah as we continue to develop and diversify our portfolio of assets".

Conclusion: Securing the additional licence is a step towards progressing the pre-feasibility study for the Mutamba heavy mineral sands project which, when delivered, will increase Savannah Resources' interest from the current 20% to 35%.

*SP Angel acts as Nomad to Savannah Resources

Shanta Gold (LON:SHG) 8.69p, Mkt Cap £68m - Updated mineral reserves extend the LoM at NLGM to 2024

- The Company added 1,034kt at 4.07g/t for 135.4koz across Bauhinia Creek Deep West, Elizabeth Hill North, Bauhinia Creek North and Black Tree Hill.
- Indicated mineral resources (inclusive of reserves above) at above mineral deposits climbed to 2,142kt at

3.19g/t for 219koz, up from 58koz at 1.77g/t recorded in Dec/17.

- Additionally, new Inferred resources have been estimated at identified deposits increased to 1,062kt at 2.75g/t for 94koz, up from 74koz at 1.71g/t.
- Further drilling is planned to convert ounces included in the Inferred Resource into the mine plan.
- All of deposits remain open along strike and at depth.
- New resources and reserves include results of the 6-month drilling programme through to Sep/19 involving ~8,500m of drilling in 81 holes and located within the 4km radius of the processing plant.
- The programme is reported to have cost only \$1m.
- Additionally, mineral reserves at Ilunga, a newly commissioned underground mine, have been decreased as grades and orebody widths have been found lower than previously estimated.
- Ilunga reserves are estimated at 442kt at 4.52g/t for 64koz, down from 122koz at 5.56g/t accounting for a 44koz worth drop in estimated ounces and 14koz in depletion.

Conclusion: A revision in mineral reserves bring an additional year in the NLGM life of mine with a number of deposits remaining open along strike and at depth offering further potential to grow the mineral inventory. An additional ~80koz in gold production is a great return on \$1m exploration costs spent by the Company.

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*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.

Sources of commodity prices

Gold, Platinum, Palladium, Silver

BGNL (Bloomberg Generic Composite rate, London)

Gold ETFs, Steel

Bloomberg

Copper, Aluminium, Nickel, Zinc, Lead, Tin, Cobalt

LME

Oil Brent

ICE

Natural Gas, Uranium, Iron Ore

NYMEX

Thermal Coal

Bloomberg OTC Composite

Coking Coal

DCE

RRE

Steelhome

Lithium Carbonate, Ferro Vanadium, Antimony

Asian Metal

Tungsten

Metal Bulletin

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