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Today's Market View - Bushveld Minerals, Bluejay Mining, Alba Mineral Resources and more...

SP Angel . Morning View . Friday 20 11 20

Iron ore price hit three month high on falling stocks and recovering demand

Alba Mineral Resources (LON:ALBA) - Exploration licence awarded at historic Gwynfynydd mine

Beowulf Mining* (LON:BEM) - Subscription period in SDR rights issue begins

Bluejay Mining* (LON:JAY) - Rising expectations for titanium dioxide demand to tighten market for feedstock

Bushveld Minerals* (LON:BMN) - Ferro-vanadium prices continue to rise

Recent interviews:

VOX - 18/11/20:

<https://www.voxmarkets.co.uk/media/5fb6391dbc74c922485f4f70/?context=/listings/LON/ALS/multimedia/>

IGTV: US Election, China growth policies Solgold*, Mkango*, Rainbow Rare Earths*: <https://youtu.be/YKk5-kVpVGE>

EV revolution, gold and other ideas (Interactive Investor): <https://www.youtube.com/watch?v=ja0ldjszfCc>

Metals Markets: Are they totally dependent on stimulus? (IG TV): <https://youtu.be/TOiSwRpgfKM>

*SP Angel act as nomad or broker or nomad and broker to companies mentioned in the above videos.

Dow Jones Industrials +0.15% at 29,483

Nikkei 225 -0.42% at 25,527

HK Hang Seng +0.26% at 26,426

Shanghai Composite +0.44% at 3,378

Economics

Share Information

Code:

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US - A letter by Steven Mnuchin to Jerome Powell asking the Fed to return funds made available by the government for central bank's purchase programmes.

Treasury Secretary argued that funds that were released to support markets from municipal debt to corporate finance have served the purpose and so those markets are no longer in need of further aid.

The Fed disagreed and argued that the lack of take-up for some of the programmes is a sign they have worked suggesting funds to be left in place.

The episode demonstrated a rare moment of discord as the economy confronts the risk of a renewed downturn amid a resurgence in infection rates, Bloomberg writes.

President-elect Joe Biden said he has picked a new Treasury Secretary with an announcement due either this week or the week after.

Hand recount of votes in Georgia and a federal judge delivers a win to Joe Biden in Georgia.

Biden secures 16 electoral votes by winning 12,000 more votes than Donald Trump.

UK - Retail sales posted a sixth consecutive monthly increase in October ahead of closure of many non-essential shops the next month.

Sales were up 1.2%mom v no change forecast.

"Feedback from shops suggested some consumers may have brought forward their Christmas shopping, ahead of potential further restrictions... online stores also saw strong sales, boosted by widespread offers," the Office for National Statistics commented on the data.

Consumer confidence dropped to the lowest since spring as the nation went into a four-week lockdown in November.

The index fell to -33 this month, two points lower than in the previous month and the lowest reading since May, according to GfK.

Budget deficit for the first seven months to come in smaller than expected during the summer as tax revenues outperformed estimates in Q3, FT reports.

The total level public sector borrowing this year is likely to drop below the £372bn forecast by the OBR in August.

Latest October data show that public sector net borrowings run at £22.3bn last month, more than double the rate recorded last year (£10.8bn).

Brexit talks suspended as a member of the EU's negotiating side tested positive for COVID-19 and Michel Barnier forced to go into self-isolation.

Previously, the UK and the EU aimed to reach an agreement by next week to allow time for the European parliament to ratify any potential deal, with a possible emergency session on 28 December pencilled in, the Guardian reports.

Ethiopia - Tigray rebel forces are reported to have fired rockets in the city of Bahir Dar in the neighbouring Amhara

region but caused no casualties or damage, Reuters cited the Amhara government.

The Tigray region has been subject to a confrontation between the local militarised Tigray People's Liberation Front (TPLF) and federal forces in recent weeks.

The conflict is estimated to have led to hundreds casualties during the period, 33,000 refugees running into Sudan and raised questions if PM Abiy Ahmed can hold the ethnically divided nation together.

Currencies

US\$1.1872/eur vs 1.1839/eur yesterday. Yen 103.88/\$ vs 103.92/\$. SAR 15.431/\$ vs 15.536/\$. \$1.326/gbp vs \$1.321/gbp. 0.729/aud vs 0.728/aud. CNY 6.575/\$ vs 6.551/\$.

Commodity News

Precious metals:

Gold US\$1,867/oz vs US\$1,859/oz yesterday - Gold prices set for second weekly fall on vaccine hopes

Constant news flow this week from Pharma heavyweights including Pfizer and AstraZeneca regarding the success of Covid-19 trials has caused gold prices to decline, as investors favor riskier assets.

Investors pulled \$4bn from gold funds last week, the biggest ever weekly outflow, according to Bank of America.

Also weighing on gold, US Treasury Secretary Steven Mnuchin called to end the Fed's pandemic lending program, and said that the \$455bn allocated to the Treasury should instead be available to Congress to reallocate.

Spot gold inched 0.1% lower on Friday morning to \$1,866/oz after rising on Thursday afternoon, and is currently down 1.1% for the week (Reuters).

Gold ETFs 109.3moz vs US\$109.4moz yesterday

Platinum US\$959/oz vs US\$938/oz yesterday

Palladium US\$2,334/oz vs US\$2,325/oz yesterday

Silver US\$24.16/oz vs US\$23.98/oz yesterday

Base metals:

Copper US\$ 7,146/t vs US\$7,061/t yesterday

Aluminium US\$ 1,995/t vs US\$1,991/t yesterday

Nickel US\$ 15,880/t vs US\$15,760/t yesterday

Zinc US\$ 2,783/t vs US\$2,745/t yesterday

Lead US\$ 2,000/t vs US\$1,960/t yesterday

Tin US\$ 18,720/t vs US\$18,640/t yesterday

Energy:

Oil US\$44.2/bbl vs US\$44.5/bbl yesterday

In a surprise move, Total plans to increase its investments in Libya's oil industry, with the French giant planning Libya's production to "the highest levels"

Total has stakes in several Libyan oil fields, including the nation's biggest, Sharara

The field, along with many others, was shut down for more than eight months this year after groups affiliated with the eastern government blockade oil export terminals, which pushed Libya's oil output from above 1MMbopd to less than 100,000bopd

In late September, when the Libyan National Army started lifting the blockades from the terminals, production began increasing and has to date topped 1.2MMbopd

However, earlier this month, the NOC warned that this level of production may not be sustainable.

Libya has signalled it would not be joining the OPEC+ production control effort, from which it has been exempted due to the frequent production outages caused by the conflict between the eastern-affiliated LNA and the Government of National Accord, which was recognised by the UN

The NOC's chairman Mustafa Sanalla recently said that Libya might consider joining the cuts only when it reaches a production level of 1.7MMbopd

This would be more than the country produced prior to the 2011 civil war that saw the end of the rule of Ghadaffi

Libya's fast production ramp-up has added one more pain to OPEC's already substantial load as the group still grapples with a global oil supply overhang that has been slow to decline amid the continuing pandemic

The outlook also remains challenging, with reports suggesting there may be internal divisions in OPEC regarding whether it should extend the current rate of cuts, deepen them or reduce them as initially planned

Natural Gas US\$2.617/mmbtu vs US\$2.675/mmbtu yesterday

Natural-gas prices fell again yesterday, extending a recent November slide with moderate temperatures sweeping across the US and Europe and limiting demand for the power-generation fuel

Most actively traded futures for January delivery dropped 4.2% to US\$2.72/mmbtu, bringing their tumble for the month to about 22%. Prices had surged to nearly two-year highs at the end of October as traders wagered that frigid weather late in the year would support demand, but forecasts in recent days have been milder than anticipated

The weather over the next two weeks is set to be much warmer than normal according to the NOAA and the ECMWF-EPS 46 day extended outlook for the US shows December will be much warmer than usual

Data from the EIA showed natural gas supply fell 2.4% compared to last week, dry production down 0.7%.

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$124.3/t vs US\$123.0/t - Iron ore futures hit three-month high as Chinese stocks continue to fall

Iron ore futures in China have gained every day this week to close at three-month highs, amid declining port stocks and surging steel prices.

Chinese stockpiles fell 0.2% to 127.5mt this week- a second straight decline while Australian exports slid to their lowest level since September amid port maintenance (Mysteel).

Futures on the Singapore Exchange rose 1% to \$126/t on Friday, up 5.3% this week, whilst iron ore futures in China closed at the highest since the 7th of August (Bloomberg).

Chinese steel rebar 25mm US\$628.6/t vs US\$626.1/t

Thermal coal (1st year forward cif ARA) US\$55.5/t vs US\$56.2/t - Newcastle Port damage a potential supply shock in thermal coal market

One of Australia's biggest thermal coal ports is expected to have reduced export capacity for an extended period after adverse weather damaged one of the two shiploaders, which is expected to be out of action for a number of weeks.

The New South Wales thermal coal mines of BHP Yancoal, Centennial Coal, Peabody Energy and Whitehaven Coal all use the facilities at Newcastle Port.

The port was completely halted for just over 24 hours, however the bigger issue for coal markets will be how long the terminal will be forced to operate with just one shiploader.

The two shiploaders can put a maximum of 66mt of coal onto ships each year, but have been doing closer to 55mt in recent years (Australian Financial Review).

Coking coal swap Australia FOB US\$110.0/t vs US\$110.0/t

Other:

Cobalt LME 3m US\$32,395/t vs US\$32,395/t

NdPr Rare Earth Oxide (China) US\$54,674/t vs US\$53,530/t

Lithium carbonate 99% (China) US\$5,931/t vs US\$5,847/t

Ferro Vanadium 80% FOB (China) US\$27.0/kg vs US\$27.0/kg

Antimony Trioxide 99.5% EU (China) US\$5.4/kg vs US\$5.4/kg

Tungsten APT European US\$220-225/mtu vs US\$220-225/mtu

Graphite flake 94% C, -100 mesh, fob China US\$445/t vs US\$430/t

Graphite spherical 99.95% C, 15 microns, fob China US\$2,475/t vs US\$2,275/t

Spodumene 6% Li₂O min, cif (China) US\$375/t vs US\$385/t

Battery News

New wind turbine blade material could transform the wind industry

Scientists have created a new material, called thermoplastic resin, that could enable wind turbine blade recycling and 'transform' the wind industry.

Researchers at the US Department of Energy's National Renewable Energy Laboratory, in partnership with the chemicals manufacturer Arkema Inc of Pennsylvania have been. Testing this material in the laboratory and say it could make wind turbine blades lighter, lower cost and more recyclable.

Thermoplastic resin can be converted into liquids at high heats then hardened when cooled. Novel material, which is currently used for blade manufacturing, often ends up in landfill at the end of its lifespan. It also requires more energy and manpower in manufacturing.

Thermoplastic resin could make blades about 5% less expensive to make.

GE in talks to build wind turbines in UK

US conglomerate, General Electric, is in talks to establish a wind turbine factory on the UK north east coast, creating 3,000 jobs and helping the government meet offshore wind targets which have been raised to a capacity of 40 GW by 2030.

It would initially supply turbines for Dogger Bank. 190 of GE's new Halidade-X turbines will be used in the first two phases of Dogger Bank.

Tees Valley mayor Ben Houchen is favourite to attract the UK plant, despite rival bids from Humberside and Rosyth. He received £212m in government funds to clean up vast former steelwork sites and the South Tees Development Corporation recently unveiled plans for a £90m, 1km-long quay, with 500 acres of land for development.

Scottish government officials expressed concern that UK ministers were steering GE towards Teeside so they could make good on election promises of boosting investment in the English north east.

Solar Panels in Space

The European Space Agency wants to fund projects to have solar panels in space to produce 'beamed power'. Currently, renewable energy technologies do not provide a constant supply of energy, whereas a space based solar power station could orbit to face the sun 24/7.

An issue is how to assemble, launch and deploy these structures. One power station may need to be as much as 10km squared in area.

One solution is to develop a swarm of thousands of smaller satellites which will assemble to form a single, large solar generator. In 2017, researchers at the California Institute of Technology outlined designs for a modular power station consisting of thousands of ultralight solar cell tiles.

The University of Liverpool is looking into techniques for printing ultralight solar cells on to solar sail structures to create large, fuel free solar power stations.

To transmit power back to Earth, scientists plan to convert electricity from the solar cells into energy waves and use electromagnetic fields to transfer them down to an antenna on the Earth's surface. This would then convert waves back into electricity.

Solar power space stations should be developed in the next decades. Researchers in China have designed a system called Omega which should be in operation by 2050. It can supply 2GW of power into the Earth's grid, the equivalent of the power that over 6m solar panels on Earth could produce.

GM plan to spend an additional 35% (\$27bn) by 2023 on EV rollout

The Company aims to become the principal EV player in North America with models ranging from <\$30,000 to >\$100,000.

GM has invested \$2.2bn into its Hamtramck facility for the Hummer EV and Cruise Origin vehicles.

GM's Ultium platform, the foundation GM vehicles is to use NMCA cells with 70% less cobalt content.

GM also plans to release 30 new electric models by 2025 and is committed to sourcing 100% of its US facilities with renewable energy by 2030 and global sites by 2040.

Luxury car makers begin shift to EV

Ferrari and Bentley have signalled their intent to lean into the EV transition. Ferrari has committed to procuring hybrid supercars while Bentley has committed to offering only PHEV and electric models by 2026.

Bentley will go a step further in 2030 offering only battery electric vehicles by this date as part of its "Beyond 100" strategy. The Company has also committed to developing a powertrain that does not rely on rare earth metals over the next 3yrs.

Bentley is working towards providing a hybrid option for each of its current ICE models by 2023.

The Ferrari CEO has also suggested that the luxury car brand would never go 100% electric, but the Company has recent form of U-turns, previously stating the Company would never produce an SUV....the Purosangue SUV will be released in 2021.

Company News

Alba Mineral Resources (LON:ALBA) 0.5p, Mkt cap £26.4m - Exploration licence awarded at historic Gwynfynydd mine

Alba Minerals reports that it has been awarded exploration rights covering the historic Gwynfynydd gold mine in Gwynedd, north Wales.

Gwynfynydd is reportedly the "second largest producer of gold in the UK's history, after the Clogau-St David's Gold Mine" where the company is currently drilling and where "drill hole LL001 ... [has been] ... completed for 183.5 metres and LL002 ... [is] ... currently in progress".

The rights at Gwynfynydd are for six years and the company reports that the mine "historically produced around 45,000 ounces of gold at a mining grade of 15 grams/tonne" prior to closure in 1999.

The company describes some of the history of the Gwynfyndd mine saying that quartz lode gold mineralisation was "discovered in 1860 and started commercial development in 1887. The Gwynfyndd Mine has produced around 45,000 ounces (around 1.3 tonnes) of gold since inception with a historical mining grade of 15 grams of gold per tonne ("g/t Au").

Production most recently occurred between 1991-1999 "when 10,000 tonnes of ore was extracted annually from a total estimated resource base of 180,000 tonnes. All the 20th Century production came from the Chidlaw Link Zone, which varies in thickness from one to eight metres".

The company says that "A potentially significant target is located below and to the east of the Chidlaw Link Zone. This deep zone, more than 250 metres below surface, was tested by only a single diamond drill hole from surface (drilled in 1992) and is constrained by faults which are known from surface and underground mapping".

"In the first phase of work, Alba's technical team will seek to capture and integrate all historical data sets for Gwynfyndd within the Company's overall geological model for the Dolgellau Gold Field. In terms of field work, this will initially comprise reconnaissance site visits and inspections. More comprehensive field activities will be planned during Q1 2021, with a view to commencing a field programme in earnest in Q2 2021".

Executive Chairman, George Frangeskides, expressed delight that Alba Resources has "secured the exclusive mineral exploration rights to the Gwynfyndd Gold Mine and its surrounding exploration ground ... [and confirmed that] ... Alba now has the exclusive exploration rights across the entire length of the Dolgellau Gold Belt".

He confirmed that "Gwynfyndd shares many of the same characteristics and the same geological setting as Clogau-St David's, and as such we intend to approach the exploration and development activities at Gwynfyndd in much the same way as we have done at Clogau".

Conclusion: Alba Mineral Resources is planning further exploration of the Dolgellau Gold Belt in North Wales following the award of exploration right at the historic Gwynfyndd gold mine in addition to its existing project at the Clogau St David mine site located around 10km southwest of Gwynfyndd and in a similar geological setting.

Beowulf Mining* (LON:BEM) 4.2p, Mkt Cap £27.1m - Subscription period in SDR rights issue begins

The subscription period for Beowulf's rights issue of Swedish Depository Receipts (SDR) begins today, and runs until the 4th of December 2020.

The SDR rights issue amounts to up to approximately SEK 56.7m (~£4.96m) at a subscription price of SEK 0.370 per new SDR.

Beowulf is conducting an Open Offer on a pre-emptive basis of up to approximately £7.3m in total. To enable existing holders of SDRs to participate in the open offer, the company will offer entitlements to new ordinary shares under the Open Offer by way of the SDR Rights Issue.

New SDRs in the SDR Rights Issue will also be offered for subscription without preferential rights to institutional investors, other professional investors and the general public in Sweden - and Beowulf has received underwriting commitments of up to 80% (approx. SEK 45.3m) of the SDR rights issue.

The capital is extended to drive each business area forward, advancing works across Beowulf's portfolio of projects such as the Kallak iron ore project in Sweden and Vadar Mineral's Mitrovica license in Northern Kosovo.

*SP Angel acts as Nomad and Broker to Beowulf Mining

Bluejay Mining* (LON:JAY) 10.54p, Mkt cap £102m - Rising expectations for titanium dioxide demand to tighten market for feedstock

BUY - Valuation 27.4p

News from the recent TZMI virtual congress indicates a growing supply/demand gap as mine interruptions struggle to meet demand

There is an expectation that forecasts for a 3% fall in demand may be revised to reflect a faster than expected return to the growth previously expected.

This combined with lower mine production due to falling grades, expansion delays and a lack of new projects to replace closing mines is causing concern amongst buyers of ilmenite concentrate feedstock.

Stronger pigment production is tightening inventory levels in the supply chain with smelters working to catch up with demand for titanium dioxide.

Latest projections indicate feedstock demand growth levels are delayed by a couple of years leading to a potential short term surplus in the market.

Demand from Chloride slag producers is expected to lead growth in feedstock demand assuming the Jizan smelter successfully commissions leading to an expectation for 1.7% GAGR each year.

Forecasts suggest a significant gap may open up in the market from 2025 unless new mine production comes to the market.

The market expects a reduction in sulphate pigment supply but with increasing demand for beneficiation.

Overall demand for sulphate ilmenite is seen as increasing +66% from 2019 to 2024

China is likely to continue to buy in ilmenite feedstock as domestic supply falls amid continued growth in chloride beneficiation.

Production of chloride slag continues to grow requiring further imported feedstock

Iluka expects inventory to build in the market this year but expects this to unwind in 2021

Conclusion: Bluejay's Dundas ilmenite project looks well timed to supply into a forecast deficit and higher ilmenite prices

*SP Angel act Nomad and broker to Bluejay.

Bushveld Minerals* (LON:BMN) 12.98p, Mkt cap £150m - Ferro-vanadium prices continue to rise

Vanadium prices continue to rise in China and the US on new prices posted by FastmarketsMB.

Ferro-vanadium rose 1.8% this week to \$10.1-10.25/lb in-whs Pittsburgh for 70-80% V.

Ferro-vanadium rose another 1% to \$24-27/kg fob China for 78% V min.

The forthcoming election of Joe Biden is seen as good for global trade and this may help cut tariffs imposed by the US and China..

Chinese construction activity appears to be accelerating since the Chinese Communist Party Plenum at end-October

While the main topic appeared to be about confirming President Xi's leadership till 2035 and probably beyond the assembly also focussed on modernising China's industry and manufacturing and continuing with the Urbanisation program to lift more Chinese people out of subsistence farming and rural poverty and into urbanised city life.

We see this as driving demand for more strengthened steel and for greater compliance in the addition of vanadium into rebar and other structural steel.

*SP Angel acts as Nomad and broker to broker to Bushveld Minerals

Analysts

John Meyer - John.Meyer@spangel.co.uk - 0203 470 0490

Simon Beardsmore - Simon.Beardsmore@spangel.co.uk - 0203 470 0484

Sergey Raevskiy -Sergey.Raevskiy@spangel.co.uk - 0203 470 0474

Joe Rowbottom - Joe.Rowbottom@spangel.co.uk - 0203 470 0486

Sales

Richard Parlons -Richard.Parlons@spangel.co.uk - 0203 470 0472

Abigail Wayne - Abigail.Wayne@spangel.co.uk - 0203 470 0534

Rob Rees - Rob.Rees@spangel.co.uk - 0203 470 0535

Grant Barker - Grant.Barker@spangel.co.uk - 0203 470 0471

SP Angel

Prince Frederick House

35-39 Maddox Street London

W1S 2PP

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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

SSY

RRE

Steelhome

Lithium Carbonate, Ferro Vanadium, Antimony

Asian Metal

Tungsten

Metal Bulletin

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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