

SP Angel – Morning View – Tuesday 31 10 17
Copper is little changed despite weakening Chinese PMIs

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BHP Billiton (BLT LN) – Preliminary Agreement on Samarco

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121 Mining Investment Conference London – 27th - 28th November, 8 Fenchurch Place

- The 121 event is SOLD OUT with 70 mining companies attending and presenting
- > 277 institutional investors are already registered
- If you are an FCA registered institutional investor and would like to join then please register for a free pass and conference agenda:
- <https://www.weare121.com/121mininginvestment-london/registration/register-investor/>

Australian mines rockets 44pc after confirming cobalt credentials.

- Cobalt and nickel project revealed to be part of same deposit as Clean TeQ's world class Syerston project – one of biggest undeveloped nickel and cobalt resources outside of Africa.
- Resource measured at 2.7 million tonnes cobalt but believed could be bigger.

Cobalt and tungsten key to cheaper, cleaner hydrogen.

- Researchers designed a new catalyst that reduces cost of electrolytic hydrogen production – uses tungsten and cobalt.
- Needs low voltages to work and avoids use of precious metals like iridium.

Dow Jones Industrials	-0.36%	at	23,349
Nikkei 225	-0.00%	at	22,012
HK Hang Seng	-0.32%	at	28,246
Shanghai Composite	+0.09%	at	3,393
FTSE 350 Mining	-0.25%	at	17,272
AIM Basic Resources	+1.08%	at	2,530

Economics

US – Consumer spending jumped in September on rebuilding of damaged properties drive.

- Despite the latest subdued readings in the core inflation measure, the Fed is likely to take some comfort in strong GDP growth numbers released recently allowing for another planned rate hike in December.
- The FOMC meeting is due later this week with expectations for the Fed stay put on rates this time.
- Personal Spending (%mom): 1.0 v 0.1 in August and 0.9 forecast.

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- Personal Income (%mom): 0.4 v 0.2 in August and 0.4 forecast.
- Core PCE (%yoy): 1.3 v 1.3 in August and 1.3 forecast.

China – Business activity measures point to a slowdown in growth rates in October as measured by official PMI numbers.

- In particular, PMIs for high energy consuming and highly pollution sectors dropped below 50, the growth/contraction threshold level, as “some regions intensified their efforts to clean up the environment”, the National Bureau of Statistics said in a statement.
- New orders came in weak posting one of the strongest declines in a number of years.
- Manufacturing PMI: 51.6 v 52.4 in September and 52.0 forecast.
- Services PMI: 54.3 v 55.4 in September.

Japan – The BoJ kept the monetary policy unchanged while cutting its inflation forecasts raising the divide between other central banks focused on gradually reducing the stimulus.

- The nine-member board voted 8-1 to leave rates at record lows and continue with asset purchases.
- The Bank reiterated its estimates for inflation to hit the target 2% in FY19 while reducing forecast inflation rates in the medium term (FY17: 0.8% down from 1.1%; FY18: 1.4% down from 1.5%; 2019: 1.8% unchanged).
- The economy was forecast to expand at 1.9% (up from 1.8%) in FY17, 1.4% (unchanged) in FY18 and 0.7% (unchanged) in FY19.

UK – Subdued consumer confidence reading for October released this morning, in line with the worsening trend recorded in the run up and post Brexit vote.

- Surprisingly, the major purchase index which measures consumers’ willingness to buy larger ticket items such as white goods and furniture climbed for a third month in a row amid an increase credit card borrowing in the UK.
- GfK Consumer Confidence: -10 in October v -9 in September and -10 forecast.

Eurozone – GDP growth accelerates to 2.5% in Q3 helping unemployment to reduce further; although, inflation disappointed in October as the gap between recorded prices growth and target rate of 2% remains wide.

- GDP (%yoy): 2.5 in Q3 v 2.3 in Q2 and 2.4 forecast.
- Unemployment: 8.9 in September v 9.0 (revised down from 9.1) in August and 9.0 forecast.
- Core CPI (%yoy): 0.9 in October v 1.1 in September and 1.1 forecast.

Italy – Unemployment declined to the lowest level this year coming on the back of generally positive economic data in the Eurozone.

- The S&P hiked Italy’s sovereign credit rating one notch on Friday to BBB on Friday amid “more robust economic growth” and increasing private investment and employment.
- Jobless rate came in at 11.1% in September with previous month’s reading cut 0.1pp to 11.1%.
- Despite obvious improvements in the labour market youth unemployment remains high with 35.7% of those in the labour force and aged <25 years out of job; this compares to nearly 44% hit at the peak of unemployment in 2014.

Spain – Pro-separatist parties agreed to participate in regional elections called by the central government in December.

- This includes the Puigdemont party PdeCat.
- President Puigdemont is reported to have travelled to Brussels with five other members of sacked administration.
- The euro was up slightly against the US\$ recovering slowly post hitting multi month lows hit on Friday with latest polls showing Catalan separatist parties come in behind pro Spanish unity candidates.

Currencies

US\$1.1646/eur vs 1.1626/eur yesterday. Yen 113.06/\$ vs 113.69/\$. SA\$ 14.049/\$ vs 14.088/\$. \$1.322/gbp vs \$1.316/gbp.

0.768/aud vs 0.768/aud. CNY 6.629/\$ vs 6.648/\$.+

Commodity News

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Precious metals:

Gold US\$1,277/oz vs US\$1,270/oz yesterday

- Investors remain vigilant and the dollar flat at 94.56 ahead of potentially turbulent market movement as the two-day US Federal Reserve meeting starting today, the announcement of the next Fed chair of Thursday and US payrolls data to round off the week.
- Initial signals suggest US President Donald Trump supports the dovish Fed governor Jerome Powell as the next head of the US central bank, favouring more accommodating monetary policy against his counterpart Sanford university economist John Taylor.
- Early warnings of political uncertainty supported safe-haven purchasing as the first charges come to light from the probe into the alleged Russian intrusion in the 2016 presidential election campaign. Special counsel Robert Mueller is beginning the investigation into whether Trump's campaign official conspired with Russian efforts to hamper Democratic candidate Hillary Clinton's program.

Gold ETFs 69.3moz vs US\$69.4moz yesterday

Platinum US\$922/oz vs US\$916/oz yesterday

Palladium US\$974/oz vs US\$974/oz yesterday

Silver US\$16.88/oz vs US\$16.76/oz yesterday

Base metals:

Copper US\$ 6,877/t vs US\$6,854/t yesterday

- A hesitant dollar index allowed copper to make gains against the previous session's two-week low. The base metal, which is fundamental to growth in the manufacturing and construction sectors, will be negatively impacted by reductions in Chinese official manufacturing PMI which indicated a slowing outlook as 0.8 points were lost in October to bring the index to 51.6 points.
- The Kobe Steel data fabrication scandal investigation broadens as the Japanese Industrial Standards (JIS) certification for its copper tube products is revoked due to falsified product specifications. The ongoing independent investigation committee will be required to examine data regarding the improper conduct, and establish the causes of the forged shipments, while determining considerable measures to prevent recurrence. Current loss of the JIS certification related to 25 tonnes of copper and copper alloy seamless tubes, 19,300 tonnes of flat-rolled and extruded aluminium products, 19,400 units of aluminium castings and forgings, and 2,200 tonnes of copper strips and tubes; accounting for 4% of Kobe Steel's total sales.
- Russia's Norilsk launches copper mine near Chinese border
- Project 400km by rail from border in Siberian region, plans to export production to China due to strong demand
- Scheduled to produce 28,000 to 30,000 tonnes of copper

Aluminium US\$ 2,165/t vs US\$2,164/t yesterday

- Tensions between the world's two largest economies are growing after the U.S. government raised "strongly dissatisfying" penalties on Chinese aluminium foil imports. The rule to impose antidumping duties is claimed to be a "serious distortion of reality" and breaking world trade rules, and a blatant "discriminatory" move to block imports of undercutting Chinese manufacturers flooding the US market with underpriced aluminium products. The US Commerce Department plans to impose fresh duties of 96.81 to 162.24 percent on the aluminium foil imports.

Nickel US\$ 11,870/t vs US\$11,560/t yesterday

Zinc US\$ 3,244/t vs US\$3,195/t yesterday

Lead US\$ 2,432/t vs US\$2,418/t yesterday

Tin US\$ 19,550/t vs US\$19,855/t yesterday

Energy:

Oil US\$60.8/bbl vs US\$60.8/bbl yesterday

- Hedge funds and other money managers are piling into the bullish market movement, accumulating a total long position of 1.189 billion barrels of crude, gasoline and heat oil by Oct. 24.

Natural Gas US\$2.993/mmbtu vs US\$2.970/mmbtu yesterday

Uranium US\$20.00/lb vs US\$19.95/lb yesterday

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Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$57.8/t vs US\$58.7/t

Chinese steel rebar 25mm US\$625.2/t vs US\$625.0/t

- China's official manufacturing PMI showed contraction of 0.8 points in October to 51.6 points (National Bureau of Statistics) as production and market demand for steel falters.
- The country's steel purchasing managers' index reflected market sentiment as data released by the China Federation of Logistics & Purchasing dropped 1.4 points to 52.3 points, the lowest value since May this year. The sub-index for new orders had significant drop of 4.7 points to 55.9 while production dipped 1.5 points to 58.3 pointing to slowing growth in downstream demand in China's domestic market.
- Despite domestic woes, new export orders from 6.7 points to 47.2 as international buyers increased interest in Chinese steel mills.

Thermal coal (1st year forward cif ARA) US\$85.3/t vs US\$84.9/t

Premium hard coking coal Aus fob US\$178.0/t vs US\$178.4/t

Other:

Tungsten APT European US\$275-285/mtu vs US\$280-285/mtu last week

Company News

BHP Billiton (BLT LN) 1371p, Mkt Cap £78.4bn – Preliminary Agreement on Samarco

- BHP Billiton reports that the company and Vale have reached a preliminary agreement with the Federal Prosecutors' Office in Brazil over the Samarco dam failure.
- The agreement establishes a process and timetable *"for negotiation of a settlement of the BRL 155 billion (approximately US\$48.6 billion) and BRL 20 billion (approximately US\$6.3 billion) Public Civil Claims relating to the dam failure."*
- Under the agreement experts will be appointed to advise the Prosecutors' Office on environmental and socioeconomic aspects of the claims.
- *"The Preliminary Agreement suspends a BRL 1.2 billion (approximately US\$0.4 billion) injunction order under the BRL 20 billion Public Civil Claim and requests suspension of that claim"*.

Conclusion: The Preliminary Agreement provides a framework for what will probably be a protracted negotiation to resolve the complex issues arising from the failure of the Samarco dam in November 2015

Gem Diamonds (GEMD LN) 79p, Mkt Cap £110m – Improved diamond output and prices for Letseng

- Gem Diamonds reports that its Letseng mine produced 30,774 carats of diamonds during the quarter to 30th September representing a 23% increase on the 24,999 carats produced during the previous quarter.
- Average diamond prices received during the quarter also improved by 4% to an average US\$1858/carats and the sales during the July diamond tender achieved the highest level since September 2015 at US\$2397/carats. Year to date sales in 2017 amount to 75,839 carats at an average price of US\$1806/carats for a revenue of US\$137m.
- The company notes that during the first 9 months of 2017 Letseng has yielded six diamonds larger than 100 carats in size and that it sold 24 individual diamonds for prices in excess of US\$1m each generating a total revenue of US\$56.9m.
- The company has revised its mine plan with slightly reduced volumes of waste removal and lower volumes of ore treated. Overall, however, the company is maintaining its production guidance of 110-114,000 carats and its sales guidance of 108-112,000 carats. Guidance suggests therefore that production is expected to rise further during Q4 to around 36,000 carats.
- Commenting on the progress of Gem Diamonds' cost reduction strategy, Chief Executive, Clifford Elphick, said that *"The group-wide efficiency and cost reduction review is progressing well and has already identified annual and once off cost savings of US\$20 million, which is an increase of US\$5 million over the figure announced at the time of our interim results."*

Conclusion: Production at the Letseng mine is building up and yielding a number of large, high value diamonds while cost reduction efforts are generating significant savings which should generate improved profitability.

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Solgold (SOLG LN) 31.3p, Mkt Cap £474m – Solgold makes new discovery at La Hueca project in Southern Ecuador

- SolGold reports very high grade copper mineralisation in rock chip samples from its new Hueca Project in Southern Ecuador.
- The Hueca project is an outcropping porphyry showing copper gold mineralisation at surface.
- Mineralisation is seen over an extensive 5km x 1km area, part of a much longer 25km porphyry trend, with the following grades seen in rock chip sampling:
 - 13.82%
 - 8.37%
 - 4.08%
 - 2.5%
 - 1.8%
- The structure is Jurassic in age which makes it similar to Lundin Mining's Fruta del Norte gold project and Glencore's giant La Alumbrera copper mine in Argentina.
- SolGold have used the Alpala copper, gold discovery at Cascabel in central Ecuador to formulate a blueprint for the further discovery of other copper, gold porphyry systems in the region.
- SolGold is the largest tenement holder in Ecuador and management are confident that the Hueca discovery will serve to differentiate SolGold from its competitors over the coming years.
- SolGold hold 100% of the La Hueca prospect covering a strike length of some 25km. Five porphyry systems have been identified along strike, named as Mathis, Florida Santa Cruz, Porvenir, Timbarra and Sharug.
- The new discovery in southern Ecuador is wholly owned by Solgold and, unlike the deeper mineralisation currently being evaluated at Cascabel is a near surface discovery which may be easier and less expensive to explore.

Conclusion: SolGold has the team, the expertise and the systems in place to make further discoveries in Ecuador. The country remains largely unexplored from a mining perspective due to a tough fiscal regimen and environmental legislation.

The Ecuador government is to hold a referendum shortly in which the population will vote on seven questions ranging from new anti-corruption measures to issues on mining and oil production in environmentally sensitive areas. Five of the questions relate to direct reforms to the constitution. The question on mining may propose to repeal the windfall tax on large-scale mines which has held back mine development in Ecuador. The referendum is likely to prevent former President Correa from seeking further re-election and to roll back onerous mining regulation.

**SP Angel acts as Nomad and broker to SolGold. The mining team at SP Angel have raised funds for SolGold on at least eight occasions over the past 10 years.*

Strategic Minerals* (SML LN) 2.4p, Mkt Cap £30.1m – Redmoor drilling results

- Strategic Minerals has reported the latest results from its continuing drilling programme at the jointly owned Redmoor tin/tungsten project in Cornwall, where it holds a 50% interest in Cornwall Resources with New Age Exploration.
- The results from holes 11-15 include three holes drilled to target the higher grade portions of the sheeted vein system (SVS) with a further hole targeting the high grade Kelly Bray Lode at depth beneath known historic mine workings.
- The results, in conjunction with historic work and the earlier, previously reported, results of the current programme are expected to form the basis of a revision to the existing inferred resource estimate which currently amounts to 13.3m tonnes at an average grade of 0.21% tin, 0.32% copper and 0.16% WO₃. The resource update is expected in Q1 2018.
- Among the results reported today are:
 - An intersection of 15.03m averaging 0.41% tin, 0.36% tungsten trioxide and 0.19% copper in the sheeted vein system from a depth of 311.99m in hole CRD015 which also intersected a second 6.63m wide mineralised horizon averaging 0.44% tin, 0.57% tungsten trioxide and 0.48% copper from a depth of 343.74m.
 - An intersection of 7.41m averaging 1.15% tin, 0.43% tungsten trioxide and 0.88% copper also in the sheeted vein system from a depth of 298.74m in hole CRD013, and

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- An intersection of the SVS of 3.32m averaging 0.19% tin, 0.67% tungsten trioxide and 0.40% copper from a depth of 144.46m in hole CRD014 which also intersected a second 7.83m wide mineralised horizon averaging 0.06% tin, 0.93% tungsten trioxide and 0.32% copper from a depth of 156.15m.
- Hole CRD011 encountered a 0.75m wide intersection of the Kelly Bray Lode averaging 0.69% tin, 0.01% tungsten trioxide and 8.70% copper from a depth of 367.25m below known historic mine workings.
- *“Hole CRD012 also targeted the eastern edge of the mineralisation, close to surface. Anomalous but non-significant mineralisation was intersected ... including 0.53m @ 1.68% SnEq from 50.11m and 2.00m @ 0.96% SnEq from 122.07m, locating the eastern extreme of the SVS mineralisation, where mineralisation is less well developed.”* On this basis, it appears that the company believes that it is unlikely to extend the exploration much further towards the east.
- The results to date are reported to indicate that the *“multiple high-grade zones within the SVS ... are interpreted to plunge to the west at around 25°”*.
- Currently 19 of the planned 20 holes have been completed and drilling *“is expected to be finished imminently”*.
- Commenting on the latest drilling results, Peter Wale, a director of Cornwall Resources, said, *“It is pleasing that the results from the latest 5 holes at Redmoor have continued to build our confidence in the calibre of the resource potential for this project.”*

Conclusion: Further encouraging results from Redmoor keep the expected resource update on track for Q1 2018. The continuing intersections of substantial mineralised widths within the SVS may offer potential for relatively low cost bulk underground mining while the high copper grade encountered in the Kelly Bray Lode intersection reported today, if it ultimately proves to be part of an extensive body of copper mineralisation, could benefit the overall economic viability of the Redmoor project.

**SP Angel act as Nomad and broker to Strategic Minerals*

Wolf Minerals (WLFE LN) 5p, Mkt Cap £54.4m – Process plant improvements

- Wolf Minerals reports that, as a result of improvements made to the Drakelands processing plant, it has increased tungsten concentrate production and sales by 15% during the quarter ending 30th September 2017.
- Plant throughput of 474,170 tonnes (June quarter – 490,297 tonnes) increased tungsten in concentrate output to 36,501 mtus from the 30,996mtus in the previous quarter. Tin in concentrate output rose to 49 tonnes from 41 tonnes.
- Mined ore grades for the quarter averaged 0.21% tungsten trioxide and 0.03% tin. We believe that these grades are somewhat higher than reserve grades which we understand are 0.18% tungsten trioxide and we note that the company comments that *“The improvement in the processing plant performance continues to inform the blending strategy on optimal ore feed quality for throughput and recovery.”* We also note that recovery rates have yet to be disclosed.
- Despite the improvements, which represent important progress in the remedial measures at Drakelands, *“The net cash used in operating activities for the Quarter was A\$17.5 million, including A\$1.9m on development, A\$17.3 million on production and A\$1.7 million on finance costs with revenue of A\$7.8 million.”*
- The company reports net cash at the end of the quarter at A\$4.7m and notes that the previously announced additional financial support from RCF makes an additional A\$16.9m (£10m) *“in available loan facilities to support revenue, on a forecast gross cash outflow of A\$31 million for the coming quarter.”*
- Prices of the benchmark intermediate product, ammonium paratungstate have improved over recent months and currently stand at around US\$280 per metric tonne unit compared to around US\$200/mtu at the beginning of 2017.

Conclusion: Wolf Minerals' programme of remedial work at Drakelands is making progress, however, the operation is still consuming cash at present and relying on the continuing financial support of its major shareholder, Resource Capital which owns approximately 56% of the company while it seeks to improve the operation.

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