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Today's Market View Including : African Consolidated Resources, Amara Mining, Ferrum Crescent

African Consolidated Resources (LON:AFCR) – Board changes bring in new blood

Amara Mining (LON:AMA) – Results from Infill Drilling programme at Yaoure

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Fenner (LON:FENR) – Fenner warn on tough going in US coal market

Ferrum Crescent (LON:FCR) – Update on Financing

Australian unions demand leave for dead pets and soft cushions for seats for miners

- Mining has traditionally had a bit of a rough image – and what is wrong with that?
- But Australian miners, seem to be made of softer stuff, with unions demanding bereavement leave for dead pets, cushions for seats during meal breaks etc....
- Recently we heard that Australian mining accommodation looks like concentration camps according to one Labour Queensland MP.
- Problem is that some politicians don't know what hard work looks like - it doesn't normally come with fancy curtains at the windows.
- We reckon the best thing to do when you have a bereavement is to get back to work and get on with it. Health & Safety considerations accepted.

Weaker demand for iron ore cause freight rates to fall for Capesize and Panamax ships

- Coal and iron ore prices continue to fall on lower demand and rising production for seaborne supply.
- Chinese traders are thought to be delaying purchases due to high stock levels in China while production for supply into China continues to rise.

US - The economy contracted 1.0%qoq (annualised) in Q1/14, down from initial estimates for a 0.1%qoq growth, according to revised official data. Ouch!

- Estimates were for a 0.6%qoq decline.

- A contraction is attributed to a downwards revision in business inventories (-1.62pp v previous estimates for -0.57pp) and weaker non-residential fixed investment (-0.21pp v no change reported previously).
- Market estimates are for a downturn to be only temporary with forecasts for Q2/14 GDP growth now forecast at 3.5%qoq.
- Jobless claims fell more than forecast last week (300k v 327k in the previous week and 318 forecast).
- Pending home sales edge up in Apr (+0.4%mom v +3.4%mom in Mar and +1.0%mom forecast) but remain 9.4% below last year's Apr reading.
- US authorities agreed the flight path for the Virgin's SpaceShip Two that will begin test launches this year.

Japan – Inflation accelerates to the highest level in 23 years in Apr on the back of the sales tax increase.

- CPI climbed 3.4%yoy in Apr versus +1.6%yoy in Mar and in line with forecasts.
- As expected industrial production contracted last month with the rate of a decline coming in higher than forecast (-2.5%mom v +0.7%mom in Mar and -2.0% expected).
- A separate report showed unemployment rate held steady at 3.6%, in line with estimates, in Apr.

Germany – Retail sales disappoint in Apr while Mar estimates have been revised to +0.1%mom from an initially forecast decline (-0.7%mom).

- Sales fell 0.9%mom compared with a 0.1%mom gain in Mar and a 0.2%mom increase forecast.

UK – Inclusion of drugs sales proceeds and prostitution in the national GDP estimates boosts the economy by c. £9.7bn, according to the latest ONS data.

- Prostitution adds c.£5.3bn to GDP as the agency used estimates of the number of prostitutes, change in the population mix and average rates to calculate the size of the sector.
- Illegal drugs (excl. imports) are calculated to add around £4.4bn to the annual GDP with crack being the largest contributor (£1.5bn) in the category, followed by cocaine (£1.0bn) and cannabis (£0.8bn).
- Valuation of the black market activity is part of an extensive attempt to revise GDP estimates. Re-evaluation is reported to add an extra £33bn to the economy including black market numbers and with the ONS expected to announce the economy is much as 5% bigger than previously thought. New estimates to be released in Sep.

Commodity News

Precious metals:

Gold US\$1,254/oz vs US\$1,253/oz yesterday –

Platinum US\$1,457/oz vs US\$1,452/oz yesterday – New South African Minister of Mines sounds determined to end platinum strike quickly and there is nothing like a crisis to help a man to make his mark. Negotiations between protesting workers and platinum miners in South Africa continue.

Palladium US\$832/oz unch vs US\$837/oz yesterday –

Silver US\$19.02/oz vs US\$18.93/oz yesterday

Base metals:

Copper US\$6,892/t vs US\$6,904/t yesterday - US\$6,372/t is the global marginal cost for refined copper and should be a support level according to the Jiangxi Copper.

- Refined copper supply is expected to be tight this year with estimated growth in smelting capacity at 800,000t and an increase in refined metal demand at >850,000t.
- New mine commissioning and expansion of existing operations expected keep the copper concentrate market well-supplied this year.

Aluminium US\$1,839/t vs US\$1,832/t yesterday - Alcoa started construction of the US\$100m aerospace expansion in La Porte, Indiana, to produce nickel-based superalloy parts for jet engines.

- The facility, which is expected to be completed by the fourth quarter of 2015, will utilize "the latest in high-tech advanced manufacturing equipment," Alcoa said.

Nickel US\$18,910/t vs US\$18,922/t yesterday –

Zinc US\$2,050/t vs US\$2,052/t yesterday

Lead US\$2,104/t vs US\$2,111/t yesterday

Tin US\$23,480/t vs US\$23,289/t yesterday

Energy:

Oil US\$109.9/bbl vs US\$110.1/bbl yesterday

Natural Gas US\$4.574/mmbtu vs US\$4.624/mmbtu yesterday

Thermal Coal US\$81.8/t vs US\$82.1/t (30/05/14)– first year forward CFR ARA

Coking coal US\$120/t unch vs US\$120/t (30/05/14)seaborne hard coking coal index -

Uranium US\$28.25/lb unch (30/05/14) vs US\$28.25/lb (29/05/14) -

Tungsten - US\$374.0/mtu unch (30/05/14) vs US\$374.0/mtu (29/05/14) APT European

Iron Ore US\$95.7 (30/05/14) vs US\$96.8 (29/05/14) 62% Fe spot (cfr Tianjin)

Company News

African Consolidated Resources (AFCR LN) 1.2 pence, mkt Cap £10m – Board changes bring in new blood

- African Consolidated Resources today announces the appointment of two new directors to the board as well as the appointment of Roy Pitchford as the permanent CEO and the transition of Roy Tucker, acting chairman to finance director.
- The move reflects the skills and experience needed to develop the Pickstone Peerless Gold mine in Zimbabwe.
- William Battershill is appointed as Chairman with Eric Diack as a non-executive director. Battershill has been Chairman of BSi steel, which distributes steel products around sub-Saharan Africa since 2009. Diack has served as finance director of Anglo American and also as a director of Adcock Ingram and ArcelorMittal.
- Stuart Bottomley, Neville Nicolau, current non-exe directors, and Michael Kellow, technical director all step down from the board.

Conclusion: The market had been expecting a board reshuffle and the incorporation of new expertise for the new development of the Pickstone Peerless gold mine. Problems in South Africa are making Zimbabwe look increasingly attractive while new reports of Mr Mugabe being treated for cancer in Singapore may lead some to look forward to a more business friendly regime going forward.

Amara Mining (LON:AMA) Results from Infill Drilling programme at Yaoure

- The company announced results from 19 RC holes from its infill drill programme at the Yaoure project.
- The drilling programme has focussed on the high grade CMA zone which contains 30% of the current 6.3m oz resource.
- Best intercepts include 11m at 4.4 g/t gold from 213m, 31m at 5.4 g/t gold from 184m and 6m and 10.4 g/t gold from 149m.
- The programme at Yaoure which started in April completed the first 26 RC holes for 5,763m on 17th May.
- As well as the RC programme, nine DD holes have been completed and three are in progress for 2,832m.
- Two mineral resource updates are expected in H2 2014 based on the drill results.
- The first is targeted to increase the resource within the US\$950/oz pit design and the second to upgrade the inferred resource to the indicated category.

Conclusion: These results which are targeting the high grade zone of the resource shows continuity of high grades mainly at depths of around 200m. Any increase of the high grade resource will be helpful at the next stage of feasibility.

Centamin (LON:CEY)– Approval by Egyptian Cabinet for power generation to support expansion

- A statement has been posted stating the company may use its own power generators to extract more gold from the mine.

Conclusion: This is not an official announcement from the company. There is no mention of the increase in the daily usage of ammonium nitrate. This is required to increase open pit mining rates and is having an impact on the movement of waste material relative to the current mine plan.

Central Rand Gold (LON:CRND) – Temporary suspension

- Central Rand Gold shares have been suspended pending clarification from the company's auditors of the accounting treatment of the Redstone loan note (convertible) with a separate warrant agreement. The warrant exercise price was 8.78 pence – eg well in the money.
- The company's 'unaudited' financial statements treated an element of the loan as equity but the auditors are now looking to reclassify this element as a 'derivative liability'
- The Redstone loan of \$7.25m was paid in two tranches with the second half paid in January this year.
- Redstone have already converted 75% of the convertible into equity and could get 67.28% of the company if they go for full conversion.
- If the warrant is exercised more shares are issued and Redstone might 'normally' be required to make an open offer for the company so we do not see how this becomes a liability. We would expect Redstone to have a 'whitewash' from the Stock Exchange so that they might not need to make an offer for the company in this event.
- The company's preliminary results on 16th May 2014 refers to a convertible loan with Redstone Capital while the original August 2013 announcement refers to a loan note instrument and a warrant agreement. We can see that the loan note is a convertible with a separate warrant agreement attached. This just adds to the confusion and may also be confusing the auditors by the sounds of things.

Conclusion: The situation appears confused and difficult to understand. We would normally expect the company's advisors to have anticipated these events.

Fenner (LON:FENR) – Fenner warn on tough going in US coal market

- Fenner has today updated the market on the performance of its business in relation to its forthcoming year at end August.
- US: Management caution on deteriorating conditions in the US coal industry with the sector "showing no prospects for imminent improvement" and expect to see "significantly weaker results in the USA than previously anticipated for the remainder of the financial year."
- Australia: The Australian arm had hoped to win a tender to supply a major conveyor belt to an iron ore miner in western Australia, which it had previously expected to manufacture and deliver during the final quarter of the financial year." This loss of this tender sets back sales

Conclusion: It is hardly surprising that the coal business is under pressure though US coal producers are working hard to export coal which was previously consumed at home. We expect iron ore miners to continue to ramp up production where possible though pressure on mining finance and the fall in iron ore prices may limit the number of new entrants into production.

The Fenner team now expect underlying group pre-tax profits to be some 10-15% lower than the consensus forecast of £77.6m. Otherwise the business appears relatively stable.

Ferrum Crescent (LON:FCR) – Update on Financing

- A second payment of US\$500,000 from Anvwar Asian Investment (AAI) from Oman has missed its deadline.
- The company received US\$500,000 from AAI on the signing of an investment agreement on the 16 March.
- The second payment has missed the delayed timetable requested by AAI.
- Funding is to advance the BFS at its Moonlight iron ore project in South Africa.

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