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SP Angel are the No. 1 broker for AIM mining stocks in London

Acacia Mining (ACA LN) – Production on track to meet 2018 guidance
Condor Gold (CNR LN) – Q1 Results and La India update

Dow Jones Industrials +0.75% at 24,357
Nikkei 225 +1.12% at 21,788
HK Hang Seng +0.48% at 28,319
Shanghai Composite +0.49% at 2,747
FTSE 350 Mining +0.74% at 18,208
 AIM Basic Resources +0.34% at 2,418

Economics

Currencies
US$1.1712/eur vs 1.1700/eur yesterday Yen 110.58/$ vs 110.64/$ SAr 13.572/$ vs 13.655/$ $1.324/GBP vs $1.325/GBP 0.741/aud vs 0.738/aud CNY 6.652/$ vs 6.637/$

Commodity News

Precious metals:
Gold US$1,256/oz vs US$1,255/oz yesterday

• Gold holds steady and investors wait to understand the impact of US President Donald Trump’s introduced tariffs on $34bn of imports from China. The Asian nation immediately said it would be forced to retaliate.
• The duties on Chinese goods started at 12.01am Friday in Washington, which is just after midday in China. Trump has suggested a further $16bn of goods could follow in two weeks before reporting the total could eventually reach $550bn, a figure that exceeds all of the US goods imports from China in 2017.
• U.S. customs officials will begin collecting an additional 25 percent tariff on imports from China of goods ranging from farming plows to semiconductors and airplane parts. Tit-for-tat threats are escalating with China’s officials saying previously they would respond by imposing higher levies on goods ranging from American soybeans to pork, which may in turn prompt Trump to raise the trade barriers even higher.
• China’s commerce Ministry notes “The United States has violated World Trade Organisation rules and ignited the largest trade war in economic history. Such tariffs are typical trade bullying, and this action threatens global supply chains and value chains, stalls the global economic recovery, triggers global market turmoil, and will hurt more innocent multinational companies, enterprises and consumers.”
• Recent US tariffs on steel and aluminium antagonised fellow developed nations and drew fire from countries including the European Union and Canada.
• The tariffs could jeopardize an economic upswing that has extended to nine years on his watch and pushed the jobless rate to the lowest in nearly half a century. U.S. and Chinese companies will now find it costlier to trade with each other, meaning less demand and higher prices. The International Monetary Fund warns an extended spat could undermine the strongest global expansion since 2011.
• The next battleground could be vehicles, having a strong impact on metal demand. The Trump administration is reviewing whether to introduce duties on imported cars and trucks in a bid it says to protect U.S. national security. The threat deepened tensions with the EU, which warns that car tariffs would inflict pain across its 28 member states.

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Trump argues that his approach will force other countries to trade more fairly, reducing America’s $552 billion trade deficit and prompting employers to return to America. But recent U.S. tax cuts and spending increases will probably buoy the dollar and the nation’s current-account deficit anyway, the IMF said this week.

Bullion for immediate delivery has hit the lowest since December earlier this week, after recording the biggest quarterly loss since 2016.

Gold ETFs 69.8moz vs US$69.6moz yesterday
Platinum US$842/oz vs US$843/oz yesterday
Palladium US$948/oz vs US$951/oz yesterday
Silver US$16.05/oz vs US$16.06/oz yesterday

Base metals:
Copper US$ 6,303/t vs US$6,370/t yesterday
- Copper extends losses for more than $1000 since closing at a four-year high of $7,332/t, with London metal slumping -0.8% to $6,297.5/t. It was one of the busiest days of 2018 on commodity futures markets with over 2.3m tonnes of September copper worth $14.6 billion exchanging hands by mid-afternoon.
- The metal is flashing a powerful warning about expectations for economic growth after US President Donald Trump elected on a major escalation of his administration’s global war on trade, imposing tariffs on $34bn of imports from China.
- Copper has recorded its biggest weekly loss since 2015, and “has become the lightning rod for concerns about economic growth amid the rising trade dispute”, according to Australia & New Zealand Banking Group Ltd. Bank of England Governor Mark Carney said the rise of protectionism will affect trade flows, push up import costs, and have an impact on the confidence, investment and demand.
- Broad base metals have tumbled in recent weeks on concerns that the litany of trade disputes initiated by Trump – which also target the European Union, Canada and Mexico – will escalate and damage the global economy. The LME Metals Index, providing the strength of six base metals, hit the lowest since August 2017.
- The fundamental output for copper remains strong, with demand accelerating from the green economy. A number of market participants feel the market is oversold, as ANZ note “supply disruptions remain a threat, and shifts in China’s consumption patterns will see demand for refined copper remain strong. If trade tensions subsides, we would expect copper prices to recover strongly in the second half of 2018”.

BHP, workers at Escondida mine in Chile 'far from agreement'
- Negotiations between workers and BHP Billiton Plc at the Escondida copper mine in Chile, the world’s largest, are “far from reaching agreement” with less than three weeks to go before the negotiation deadline
- The official, Carlos Allendes, said the union was preparing a $400,000 emergency fund to support workers if they opt to strike after the company offers its final proposal on July 24
- Allendes said that despite BHP’s setting up a negotiating table in mid-June, conversation with its managers had been “scarce”
- The union is seeking a 4% share of the mine’s profits, through a 5% increase in salaries and a bonus of between 22,000 Chilean pesos and 24,000 pesos ($33,500 and $36,000) per worker

Aluminium US$ 2,077/t vs US$2,086/t yesterday
Nickel US$ 13,930/t vs US$14,135/t yesterday
Zinc US$ 2,699/t vs US$2,674/t yesterday
Lead US$ 2,340/t vs US$2,322/t yesterday
Tin US$ 19,420/t vs US$19,590/t yesterday

Energy:
Oil US$77.4/bbl vs US$77.8/bbl yesterday
- A potential confrontation between the US and Iran is brewing in the Strait of Hormuz after Tehran threatened to block the Gulf passageway in retaliation for Washington’s looming sanctions against Iranian oil exports – a threat the US military said would be immediately countered.
- The Trump administration is demanding all countries end imports of Iranian oil by 4 November as part of its new policy of hostility towards Tehran after Washington’s unilateral exit from the 2015 nuclear agreement.
Iran’s president, Hassan Rouhani, responded during a rare visit to Europe this week by signaling that Tehran could disrupt regional crude shipments and cut its cooperation with the UN nuclear watchdog.

Natural Gas US$2.839/mmbtu vs US$2.838/mmbtu yesterday
Uranium US$22.95/lb vs US$22.95/lb yesterday

Bulk:
Iron ore 62% Fe spot (cfr Tianjin) US$63.1/t vs US$64.2/t
Chinese steel rebar 25mm US$636.6/t vs US$639.8/t

- The European Union is poised to cap its imports of steel in the latest evidence of the domino effect caused by U.S. President Donald Trump’s protectionism
- The EU said it would impose curbs on foreign steel in mid-July to prevent the European market from being flooded by shipments diverted away from the U.S. as a result of its 25 percent steel tariff
- The move marks a victory for the European steel industry, which has pressed for import restrictions to counter the risk of a slump in domestic prices, over EU carmakers, which as users of the metal have argued against trade barriers

Thermal coal (1st year forward cif ARA) US$91.3/t vs US$91.6/t

- Benchmark seaborne thermal coal prices jumped to $120.10 per tonne on Thursday, its highest level since November 2012, thanks to tight supply in key Asian export regions.
- Measured from lows hit end-2015, early 2016 coal used in power generation has gained 140%. Strong consumption in China, despite ongoing efforts by Beijing to reduce reliance on coal for electricity generation, and restocking from the spot market by Japanese utilities have buoyed prices.
- Import demand from China has been supported by hotter than average temperatures, weak hydro power output, and limited growth in domestic supply, the Australian dept of resources said in its quarterly report released this week.
- Coal at the Rotterdam port in the Netherlands is set to enter triple digits for the first time since January 2012 exchanging hands for $98.95 this week.

Swiss Re Stops Insuring Businesses With High Exposure to Thermal Coal

- Swiss Re, the world’s second largest reinsurer, has pulled the plug on underwriting policies for companies with more than 30 per cent of thermal coal in their mining or power-generation portfolios
- No other major reinsurer has yet followed in Swiss Re’s footsteps but the move opens up a new flank in the fossil-fuel battles which have previously involved investment managers and insurance groups opting not to invest in coal companies
- Edi Schmid, Swiss Re’s group chief underwriting officer, says: “The implementation of the coal policy is a major step forward in ensuring that our business activities are aligned with the Paris Agreement and related national efforts. We are working with our clients to find the best solutions that enable them to adapt to a low-carbon economy”

Premium hard coking coal Aus fob US$195.8/t vs US$193.1/t

Other:
Cobalt LME 3m US$72,250/t vs US$71,750/t
Tungsten APT European US$350-354/mtu vs US$342-347/mtu

Company News

Acacia Mining (ACA LN) 130 pence, Mkt Cap £533.7m – Production on track to meet 2018 guidance

- Acacia Mining has reported Q2 production of 133,778 oz of gold bringing output for H1 to 254,759oz and keeping production in line to meet “the top end of our guidance range of 435,000-475,000 ounces for 2018”.
- Quarterly gold production is 36% below the 208,553oz achieved in Q2 2017, “primarily driven by the move to reduced operations at Bulyanhulu [where production is now confined to the retreatment of tailings] and to stockpile processing at Buzwagi [where] … production [is] now being derived solely from lower grade ore stockpiles due to the effective completion of the open pit.”
• Production from North Mara increased by 3\% in comparison to Q2 2017 to 85,920 oz as a result of higher grades from the underground operation at Gokona.
• The company reports that cash balances increased by US$13m to US$120m during the quarter with a net cash balance of “approximately US$63 million at period end.”
• We expect further details when the company releases its second quarter results on 20\textsuperscript{th} July.

Condor Gold (CNR LN) 37.5p, Mkt Cap £25.2m – Q1 Results and La India update
• Condor Gold reports that it has now submitted further technical documents requested by Nicaragua’s Ministry of Environment and Natural Resources in support of its application to develop an open pit mine at La India.
• Plans for mining had previously been modified extensively to address local concerns and to obviate the need for resettlement of around 1000 people at the village of La Cruz de La India. Major modifications included “a redesigned open pit, the relocation of the processing plant 1,200 meters from the Village, the possible elimination of the southern waste dump, the elimination of the road diversion in year three of production and the relocation of the explosives magazine.”
• The development also envisages the construction of a five metre high berm “between the re-designed open pit and the Village to further reduce noise and dust pollution and provide a physical barrier. The mine site infrastructure requirements will be reduced by over 30\% to approximately 500 hectares.”
• The proposed development envisages annual production of 80,000oz of gold from the processing of approximately 1mtps of ore.
• Although the announcement does not indicate a firm timetable for the project approvals, Condor Gold’s Chairman, Mark Child expressed confidence that “Condor is close to receiving permitting approval”. Mr. Child added that “The re-designed mine site infrastructure has been well received and a potential obstacle to permitting has been removed”.
• The company also commented that “Despite the current political upheaval and civil disobedience in Nicaragua, Condor has held very constructive meetings in recent months with the key Ministries who are progressing Condor’s application for an Environmental Permit for a new mine at Mina La India.” The company asserted its priority to provide employment opportunities and economic advancement of the area and pointed out that its “70 direct and indirect employees, and their families, who have confirmed their desire to continue to work and maintain stability within their communities as much as possible.”

Conclusion: It appears that extensive and far-reaching changes to the proposed development at La India and the abandonment of plans to relocate the local village and its inhabitants may be sufficient to gain the required approvals. We await confirmation of the formal go-ahead for mine development.

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