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Bellzone Mining (BZM LN) – Corporate update on Konta Port and Kalia iron ore project in Guinea
KEFI Minerals* (KEFI LN) – US$13.8m investment in Tulu Kapi project

Kodal Minerals* (KOD LN) – £1.5m fundraising

Petropavlovsk (POG LN) – Second largest shareholder supports existing board ahead of AGM

World’s Biggest Electric-Vehicle Battery Maker Soars on Trading Debut

- Contemporary Amperex Technology Co. Ltd. jumped by the maximum 44% allowed by the exchange, valuing the company at about $12.3bn during first day of trading in Shenzhen. The IPO made CATL the biggest company on China’s ChiNext list.
- Cemented the position of Zeng Yuqun, CATL’s founder and top shareholder, on China’s rich list with an estimated net worth of about $3.4bn, according to the Bloomberg Billionaires Index.
- CATL, which also supplies Nissan Motor Co., Hyundai Motor Co. and BMW AG, last year overtook Panasonic as the world’s largest supplier of EV batteries by sales thanks to increasing domestic demand.
- CATL is now best-positioned to benefit from generous government subsidies for new-energy vehicles and restrictions on gasoline cars, with advantages in capacity and customer base expected to help battery demand quadruple over the next four years.
- According to founder Zeng Yuqun, the company plans to “grasp the opportunities of the fast growth in the global lithium-ion battery market, and maintain our leading position in technologies, manufacturing, capacity and talents”.

China finds greener way to make lithium batteries

- A new method for extracting lithium in a greener and more efficient way has passed China’s state-level appraisal, paving way for its commercialisation to boost the new energy sector
- Qiu Zumin, professor of the institute of environmental science and engineering in Nanchang University, said the new lithium extraction technology has passed the national scientific and technological achievements appraisal, it is expected to replace current lithium extraction methods in China, which are blamed for significant waste and low margins
- With traditional methods, 30-40t of waste can be produced in the making of 1t of lithium carbonate
- Peng Guiyong, chair of Haohai, said the company plans to invest 1bn yuan (US$156m) to build a production line with an annual capacity of 40,000t of lithium carbonate
- It remains to be seen just how well the new technology works and if it might also apply to western hard rock spodumene deposits

Disputed mining code adopted in Democratic Republic of Congo

- Regulations to implement Congo’s new mining code have been signed into law with no changes despite objections from mining firms that have been threatening legal action
- The prime minister’s legal counsel Anita Lwambwa later confirmed that none of the changes being demanded by the mining industry had been made
- Enacting the code is likely to trigger a legal battle between Congo and major mining companies. Tax hikes and the removal of exemptions for pre-existing operations appear to breach existing government agreements.
- The new code overhauls Congo’s principal economic sector by raising the cost of business for investors and boosting the state’s share of mining revenue. It raises royalty payments on copper and cobalt to 3.5% from 2% and doubles the state’s free share in mining projects to 10%.

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The implementation has forced investor's in the world's top cobalt supplier to take legal action against the government to protect violated rights. Miners are insisting the government reinsert a stability clause, present in the former code, that protected license holders from complying with changes to the fiscal and customs regime for 10 years.

Mining firms including Glencore Plc and Randgold Resources Ltd. warned the government the new code could deprive the state of $3 billion of revenue over the next decade as companies will contest key aspects of the legal reform if they are implemented.

Miners also sought the removal of a 50% tax on ‘super-profits’ – defined as income realised when the commodity prices rise 25% above levels included in a project’s feasibility study – and new categorisation of ‘strategic substances’ which could include cobalt, with a 10% royalty rate

Major companies to be impacted: Glencore, Randgold Resources, Alphamin, AngloGold Ashanti, Ivanhoe, Gold Mountain International/Zijin, MMG and China Molybdenum.

Dow Jones Industrials +0.30% at 25,317
Nikkei 225 +0.48% at 22,804
HK Hang Seng +0.28% at 31,045
Shanghai Composite -0.67% at 3,047
FTSE 350 Mining -1.52% at 19,918
AIM Basic Resources -0.78% at 2,545

Economics

North Korea – mining

- While we have previously turned down offers to visit North Korea to look at mining assets I recall a previous employer seriously considering a barter trade of copper for tins of pork bellies.
- North Korea is considered to be rich in many minerals though its mining industry is likely lag far behind western operational standards
- We may reconsider our self-imposed travel ban on the outcome of talks between Trump and Kim Jong Un, though the mining industry and its investors are not always as quick to embrace new territories as are the politicians.
- For now we are focussed on the reopening of two historic gold mines in South Korea by Bluebird Merchant Ventures (BMV LN) which could result in a significant uplift in its valuation.

Legal & General – to take action against companies not addressing risk of climate change

- Legal & General ‘LGIM’ which run a massive amount of investor money in the form of index and other funds says it is going to take action against companies which are not addressing the risk of climate change.
- There are a number of reasons behind the move the concept of addressing this as well as any other meaningful risk sounds sensible.
- While Legal & General may focuss on man-made climate change, companies and investors may also consider the impact of the Earth’s orbit around the sun and other factors governing our climate
- See the current BBC science documentary on the Earth’s voyage around the sun: https://www.bbc.co.uk/iplayer/episode/b01d7kd5/orbit-earths-extraordinary-journey-episode-1
- Climate change is being driven by may factors and it may well prudent to plan ahead, but do we prepare for flood and fire or for cold and ice.
- Most investors don’t appear to think that far ahead in their stock selection preferring to focus on quarterly results and dividends so we guess it’s good that companies are being asked to plan ahead.
- Global warming appears to be helping companies in Greenland such as BlueJay Mining* (JAY LN) and Ironbark Zinc Limited (IBG AU)
- If we are heading into the next ice age and Snowball Earth then we should be buying every energy company going.

Currencies

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Commodity News

Precious metals:

Gold US$1,297/oz vs US$1,295/oz last week

- Gold remains shy of $1,300/oz as the dollar softens following G-7 trade spat ahead of the Trump-Kim meeting in Singapore tomorrow. Safe-haven gold found support as relations between the US and its closest allies plunged to new lows, as the Group of Seven summit ended with the American president lashing out at fellow leaders and backtracking on a pledge to sign the G7 communiqué.

- The gathering ended early with President Donald Trump broadsiding allies via Twitter, calling the Canadian prime minister “very dishonest and weak”, undermining the bloc and raising trade tension concerns with threats to impose more tariffs. The G7 has not been more divided in its 45-year history, as Angela Merkel, German chancellor, noting the American president was putting “America first”. After Mr. Trump rejected the G7’s tortuously negotiated compromise communiqué, he threatened to impose more tariffs on cars that he tweeted were “flooding the US market”.

- While the precious metal finds support from growing tariff tensions, price movements can be influenced by the probable Fed rate hike on Wed, ECB and BOJ meets Thurs and Fri respectively.

- President Trump is also making final preparation for his dramatic meeting with North Korean leader, with the hopes that Kim Jung Un has a strong desire to end his country’s economic strangulation in return for relinquishing his nuclear threat.

- The president wants a complete, verifiable and irreversible dismantling of his nuclear weapons program. In response, North Korea is seeking a security guarantee – including a potential peace treaty formally ending the Korean War – and the removal of the US’s nuclear umbrella protecting allies South Korea and Japan.

Gold ETFs 74.4moz vs US$74.6moz last week

Platinum US$908/oz vs US$898/oz last week

Palladium US$1,016/oz vs US$1,011/oz last week

Silver US$16.85/oz vs US$16.65/oz last week

Base metals:

Copper US$ 7,275/t vs US$7,258/t last week

Aluminium US$ 2,316/t vs US$2,302/t last week

Nickel US$ 15,415/t vs US$15,340/t last week

Zinc US$ 3,206/t vs US$3,170/t last week

Lead US$ 2,491/t vs US$2,490/t last week

Tin US$ 21,050/t vs US$21,075/t last week

Energy:

Oil US$76.0/bbl vs US$76.9/bbl last week

Natural Gas US$2.939/mmbtu vs US$2.902/mmbtu last week

Uranium US$23.50/lb vs US$23.75/lb last week

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US$65.0/t vs US$65.4/t

Chinese steel rebar 25mm US$669.2/t vs US$668.0/t

Thermal coal (1st year forward cif ARA) US$88.5/t vs US$88.3/t

Premium hard coking coal Aus fob US$199.5/t vs US$197.6/t

Other:
Retreating prices in top consumer China signal sustained supply to match the rapidly advancing cobalt demand from electric vehicle growth. The price of battery-form chemical cobalt sulfate dropped to its lowest since January. Falling more than 20% from an April peak, according to researcher Asian Metal Inc. Metal Bulletin data supports the movement, with benchmark cobalt metal softening after reaching the highest level in a decade this year.

“The current atmosphere in China has gone fairly bearish recently, certainly around chemical demand”, notes Benchmark Mineral Intelligence, with a lull in purchasing by battery manufacturers suggesting sufficient supply.

Prices for sulfate remain more than 200% higher than two years ago, as battery and automakers see the prospect of global shortage a top risk for electrification plans. The market suffers from single source supply risk, with two-thirds of production originating from the Democratic Republic of Congo.

Cooling prices could be triggered by a number of factors including a lack of big orders for cathode supplies in the third quarter, sulfate traders dropping holdings and also the possibility supply is being bolstered by more recycling, where the mineral is extracted from old phone batteries and other cobalt-rich waste.

**Company News**

**Bellzone Mining (BZM LN) 0.7p, Mkt Cap £11m – Corporate update on Konta Port and Kalia iron ore project in Guinea**

- Bellzone Mining have updated the market as to discussions to maximise the value of the Konta Port ferronickel project and Kalia iron ore project in Guinea.
- The Konta Port was built at a cost of around US$120m with installed bulk capacity of 4mtpa and extension up to 10mtpa.
- The rise in nickel prices should add value to the second stage ferronickel project feasibility study which is targeted for completion this year.
- The first stage of feasibility study gives an estimated NPV of $104m at a 10% discount rate at a $17,500/t nickel prices.
- Management also report that the Bankable Feasibility Study on the high quality iron ore at Kalia gives an NPV which is positive over a range of different iron ore prices.

**KEFI Minerals* (KEFI LN) 4.2p, Mkt Cap £8.9m – US$13.8m investment in Tulu Kapi project**

- KEFI Minerals reports that an Ethiopian investment syndicate has, subject to final documentation and Ethiopian Government approval, agreed to make a US$30m investment in Kefi's wholly owned subsidiary, Kefi Minerals Ethiopia, which holds Tulu Kapi Gold Mines.
- An initial US$9m of the investment will take place in August 2018, with the balance on closing of the project finance. At this point, the Tulu Kapi Gold Project would be 23% owned by the Ethiopian Government with the remaining 77% owned by Kefi Minerals Ethiopia which in turn would at that stage be owned 70% by Kefi Minerals and 30% by the incoming Ethiopian syndicate giving Kefi Minerals itself approximately 54% exposure to the project.
- The company notes that “At approximately US$1 million per percentage point of ownership, the proposed equity pricing terms for the Ethiopian investment syndicate are broadly consistent with those entered into with the Ethiopian Government for its committed investment of local currency (Birr) equivalent of US$20 million into TKGM, except that the Ethiopian Government is also entitled to a 5% free-carried interest in TKGM”
- The incoming Ethiopian investment syndicate leaders “have a record of successful investment in other local enterprises such as hotels and banks”.
- Commenting on the transaction, Kefi Minerals’ Chiarman, Harry Adams, noted that it “further strengthens our alignment with local stakeholders for our Tulu Kapi project. Their investment on roughly the same terms as the Ethiopian Government means that c.46% of the Project equity will now be held by the Ethiopian Government and local investors to complement the other benefits.”
- Mr. Adams went on to describe how Kefi Minerals “has now assembled the proposed full project funding consortium, including contractors, equity and non-equity capital and is expected to move towards full financial close later this year by closing out the remaining Ethiopian Government processes and approvals”.

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The Tulu Kapi project, located in western Ethiopia is expected to produce around 140,000 oz pa of gold over 7 years at an all-in-sustaining cost of around US$800/oz.

**Conclusion:** The additional investment by Ethiopian interests should not only help with financing the Tulu Kapi project itself but also further broaden the local content and support base for the project.

*SP Angel act as Nomad to KEFI Minerals*

**Kodal Minerals** *(KOD LN) 0.14p, mkt cap £9.3m - £1.5m fundraising*

- Kodal Minerals has conditionally raised £1.5m through the issue of approximately 1,153m additional shares at a price of 0.13p/share. The new shares represent around 17% of the enlarged capital of the company.
- The new funds "**will be used to further the exploration and development programme at the Bougouni lithium project in Southern Mali**".
- The company’s principal shareholder, Suay Chin International has subscribed for £1.2m of the issue, increasing its holding in Kodal Minerals to 29.0%. These additional shares will be "**subject to the existing lock-in agreement between the Company, Suay Chin and others under which all of Suay Chin's holding of Ordinary Shares are subject to orderly market restrictions until 12 May 2019.**"
- The balance of the funds are being subscribed by a combination of existing and new shareholders.
- Welcoming the continuing support of Suay Chin, Chief Executive, Bernard Aylward, pointed out that “**As part of the initial investment by Suay Chin, Kodal and Suay Chin have agreed to negotiate a binding off-take agreement as the project advances to development, and this further investment by Suay Chin confirms its confidence in the Bougouni Lithium Project and the interest in securing supply of the spodumene concentrate.**"
- In addition to planned additional drilling and the “**the development of a maiden resource estimate over the summer months once we receive the assay results from the most recent drill programme**, Kodal Minerals and Suay Chin are “**continuing to work together on the metallurgical testwork and bulk sampling with the aim of progressing our project as rapidly as possible.**"

**Conclusion:** Suay Chin has increased its holding in Kodal Minerals and demonstrated its continuing enthusiasm to move the Bougouni Lithium Project nearer to production. We look forward to the forthcoming initial mineral resource estimate in order to provide an insight into the Bougouni project in relation to other developing lithium projects.

*SP Angel act as Financial Advisor and broker to Kodal Minerals. A partner at SP Angel acts as Chairman to the company.*

**Petropavlovsk (POG LN) 8.0p, Mkt Cap £265m – Second largest shareholder supports existing board ahead of AGM**

- Sothic Capital, Petropavlovsk’s second largest shareholder with a 10.9% holding, and an investor since 2013, has published an open letter stating that it “**is strongly against replacing the current Board as requested by CABS and Slevin (and seemingly supported by Mr Rakishev) ahead of the Annual General Meeting ("AGM") on 29 June 2018. Sothic considers the so-called activist attempt by CABS and Slevin as being contrary to good corporate governance and one which could jeopardise the significant value potential of Petropavlovsk.**”
- Citing a lack of transparency in the proposals, Sothic states that “**there is a real risk that adoption of the proposal would squander Petropavlovsk's turnaround potential and create the possibility for the Company to be sold at a discount to a minority of shareholders who may be working in concert.**, and goes on to express concern “**that we do not know the true identity or business interests of the controlling shareholder(s) of both CABS and Slevin, which are registered in Cyprus and Tortola, BVI, respectively, where transparent disclosure of ownership is not required.**"
- Acknowledging that the company had, in the past, “**made a number of key strategic errors, that, as a major shareholder, we do not want repeated. It is therefore of considerable concern that the Directors being proposed by CABS and Slevin were the key decision-makers in the original flawed strategic direction of Petropavlovsk.**"
- The letter expresses support for the current strategy and concludes that “**all shareholders will benefit from the current strategy [and] … the proposals put forward by CABS and Slevin (and the lack of transparency surrounding them) risk a reversal of that successful strategy and, in turn, material harm to the proper governance and value of the Company.**"

**Conclusion:** The AGM on 29th June is shaping up to be a stormy one as different visions for the company’s future compete for support.
S.P. Angel – Morning View – continued

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