

Strategic Minerals

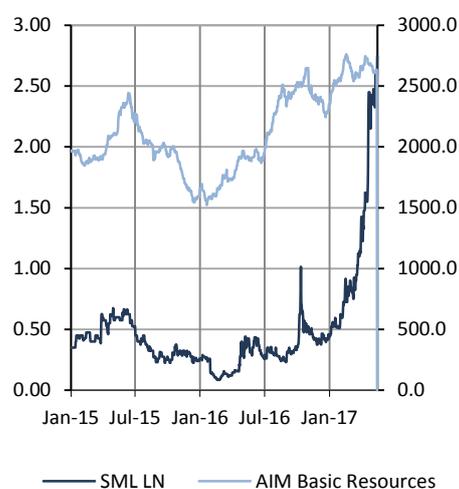
SML LN

Taking control of CARE joint venture

Stock Data

Ticker	SML LN
Share Price:	3.0 pence
Market Cap:	£36.5m

Price Chart



Strategic Minerals is comparatively unusual amongst its peers in the junior mining sector in having a source of cash-flow from its Cobre magnetite business in New Mexico. Cobre is expanding its customer base and recently secured a new contract to supply an additional 4,000tpm with effect from 1st June. The company is also assuming control of its Western Australian exploration programme and has recently started drilling at the Redmoor tin project in Cornwall

- Strategic Minerals has announced that it is to take control of the Central Australian Rare Earths (CARE) exploration joint venture in the Laverton area of Western Australia from its partner, Rarus Limited.
- It will acquire the remaining interest in exchange for 19m new shares issued at £0.0275p/share or £522,500. Strategic Minerals noted that while Rarus' cash constraints inhibited accelerated exploration of the CARE tenements it felt unable to commit additional funds without assuming control.
- In particular, we expect future work to investigate the recently identified cobalt potential of the CARE licences. The majority of the world's cobalt comes from DRC, where the integrity of the supply chain has, in the past, been subject to question. Consequently we consider that the establishment of alternative sources of supply in a country like Australia could be a fruitful exploration endeavour.
- Strategic Minerals recent expansion of its Cobre magnetite sales business through the acquisition of a new 4,000tpm long term sales agreement significantly enhances the company's available cash flow and underpins our increased valuation of the Cobre business from £3.3m to £11.5m.
- Drilling has now started at the Redmoor tin project in Cornwall. The company is to drill 23 holes this year, over two phases of work, in order to extend and upgrade the existing inferred resource base of 13.3m tonnes at an average grade of 0.21% tin, 0.32% copper and 0.16% WO₃.
- In the light of the recent developments, particularly at CARE and Cobre, we have taken the opportunity to update our March 2017 valuation summary as follows:-

Strategic Minerals Valuation Summary				
	£m		Pence / Share	
	Base Case	Upside Case	Base Case	Upside Case
Redmoor	5.68	8.05	0.46	0.65
Cobre	11.49	19.15	0.93	1.55
Hanns Camp †	12.20	16.22	0.99	1.31
Total	29.37	43.42	2.37	3.51

Source: SP Angel Estimates

†Now on 100% basis

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