

# Pembridge Resources plc (PERE LSE)

22 July 2019

## Stock Data

|                 |      |
|-----------------|------|
| Share Price:    | 16p  |
| Market Cap (M): | £4.5 |
| EV (M):         | £N.A |

## Company Summary

Pembridge is an aspiring copper producer, intending to re-start production at the Minto high grade copper mine in the Yukon.

## Pembridge Announces Strategic Alliance, Advanced Payment and Off-Take Financing Arrangement with Sumitomo

### Event

Pembridge Resources plc ("Pembridge") has announced that its subsidiary Minto Explorations Limited ("Minto") has signed an agreement with Sumitomo Canada Limited", a subsidiary of Sumitomo Corporation ("Sumitomo") (the "Agreement") to receive a working capital facility ("Advanced Payment") in connection with an off-take agreement for 55,000t of copper concentrate (the "Off-Take"), to be produced by the Minto mine. The Advanced Payment and the Off-Take are part of a broader strategic relationship between Sumitomo and Pembridge, In addition the parties are working together towards finalising a pre-payment facility agreement (the "Pre-Pay").

### Highlights

The key highlights of the agreement are:

- The Off-Take is for 100% of the copper concentrate produced at the Minto mine delivered on a cost, insurance and freight (CIF) basis to a nominated Japanese port and shall remain in place until (i) 55,000t of copper concentrate delivered, or (ii) 31 December 2020, whichever is later.
- The Advanced Payment shall be made by Sumitomo to Minto on a monthly basis, for 90% of the estimated value of concentrate produced that month with final payment due on delivery to Japan.
- The Advanced Payment allows Minto to immediately monetise each month's production, eliminating the historically large working capital requirements when the site is unable to transport concentrate owing to seasonal weather disruptions.
- The Advance Payment is subject to interest payable of USD 3 month LIBOR plus 1.5%, until Sumitomo has taken delivery of the concentrate in Japan.
- Total quantity and period of the Off-Take will be renewed and extended upon the completion of the Pre-Pay.

### Comment

This is an ideal arrangement for Pembridge. It guarantees Sumitomo a stream of high grade and very clean the copper concentrates, whilst reducing the working capital for Pembridge. A 90% payment is not uncommon in the copper industry, but the major difference in this case is that the payment is made on the value of the monthly copper production.

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## Research Disclosures

### **Peter Rose**

Peter has 33 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 13 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 22 July 2019

| Company Name                   | Disclosure |
|--------------------------------|------------|
| Pembridge Resources (PERE LSE) | 1, 2, 7    |

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