

Press Metal to comeback with Samalaju Plant : Analysts



Analysts said that Press Metal Bhd is on track to making a comeback following news of it receiving full claims from its insurer to compensate for losses incurred from last year's fire incident at its Samalaju smelter.

RHB Research Institute Sdn Bhd noted that all smelting pots in Press Metal's Samalaju plant have been running at full capacity since June. This is further aided by aluminium price showing signs of bottoming out, with an upside bias.

It said, "Press Metal told Bursa Malaysia that it has received the final claim of RM45 million from its insurer, MSIG Insurance (Malaysia). The payment partly covered the loss caused by a fire incident at its Samalaju smelter (Phase II) in May 2015, which

resulted in unstable power supply that damaged its smelting pots and halted operations. All in, the company has received a total claim of RM115 million."

Press Metal made a total impairment of RM62.3 million in FY15 on the loss of machinery as a result of the fire. The excess of RM52.7 million is to cover loss of income during the period that the plant underwent repairs.

From this move, RHB Research observed that Press Metal's management gained in-depth knowledge on how to prepare for and handle the impact of any surprise power disruption after the last state-wide power failure that affected its Mukah smelter (Phase I) in 2013.

It said, "Despite having provided an estimated RM90 million for operating losses and assets written off, the company has thus far not reached an acceptable agreement with its insurers on the claims."

It added, "We believe a full compensation for the recent fire insurance may provide stronger grounds for the company to reach a settlement for the earlier claim, considering both claims have an almost similar basis."

The compensation received certainly helps to improve the company's cash flow although the amount would be classified as an exceptional gain given its non-operational and non-recurring nature.

It further added, "Therefore, we make no changes to our earnings estimates. Key risks include further downward pressure on aluminium prices and a sharp weakening of the USD that may hurt its profitability," adding that any unforeseen interruption of power supply at its smelting plant could also damage its machineries.

Horizonte Minerals completes acquisition of Glencore project

Horizonte Minerals Plc, the nickel development company focused in Brazil, announced that the transfer to a wholly-owned subsidiary of the company of the remaining two licences that make up the Glencore Araguaia Nickel Project (GAP) in north central Brazil.

This completes the licence transfer under the agreement 'Asset Purchase Agreement' to acquire GAP from Xstrata, a wholly owned subsidiary of Glencore, as announced by the Company on 28 September 2015.

The closing of the transaction completes the consolidation of GAP and Horizonte's Araguaia Project creating one of the largest nickel saprolite projects globally.

The transfer includes the advanced Serra do Tapa nickel deposit.

Combined projects currently the focus for a new Pre-Feasibility Study due for completion in Q3 2016.

Jeremy Martin CEO of Horizonte said that "I am very pleased to announce the closing of the transaction with Glencore. The purchase of the GAP project and



consolidation with our existing Araguaia project creates one of the highest grade saprolite nickel projects globally. We are in the final stages of completing a new Pre-Feasibility study on the combined project with the aim of demonstrating that Araguaia will sit on the lower end of the global cost curve and the upper end of the grade curve with low capital intensity. In short our aim is to develop one of the lower cost ferronickel operations with short capital repayment, while offering operational flexibility for increased nickel production in the future. Following the PFS, the next major milestone

on the project will be the full Feasibility Study which is scheduled to commence later this year. This should run in parallel with an improvement in the global nickel markets, prices have increased over the last three months lifting from the multi-year lows seen in Q1 2016."

Meanwhile, Horizonte Minerals plc is an AIM and TSX-listed nickel development company focused in Brazil, which wholly owns the advanced Araguaia nickel laterite project located to the south of the Carajas mineral district of northern Brazil.