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AIM JOURNAL

Raising cash on AIM

In his article on page nine, mining expert Alastair Ford talks about the signs that it may become easier for AIM mining companies to raise money this year. Although he does say that it may be a long climb back. There are also positive signs in other sectors, but some of the discounts to the market price can still be significant.

Drug developer Avacta launched a £20m placing and a REX retail offer for up to £6.8m and the next day the placing element was increased to £25.7m due to strong demand from investors. However, the placing and offer are at 50p/share, which is well below the market price of 75.8p the day before the announcement. The price was 103.5p at the end of January.

There is already £16.6m in the bank and the additional money should last well into 2026 depending on the take up of the offer. The cash will enable Avacta to concentrate on its therapeutics drug development programmes. There are plans to sell the diagnostics division and for a Nasdaq listing.

Tekcapital took advantage of the success of the MicroSalt flotation to raise £2m at 10p/share, although this was well below the high of 17p in the middle of February.

Gama Aviation increases tender

Aviation services provider Gama Aviation is increasing the size of its proposed tender offer following the sale of Jet East for $131m. Two major shareholders will not be tendering shares and the concentration of ownership after the tender means that the company may decide to leave AIM.

The net proceeds of the disposal will be around $100m, which is equivalent to 125p/share. Net cash was $82m at the end of 2023. Initially, Gama Aviation said it would be returning £16.5m to shareholders via a tender offer at 95p/share. That is the equivalent of 27% of the share capital.

Chief executive Marwan Khalek and Bermesico Holdings Ltd, which own 41.1% between them, say that they are prepared not to tender their shares. Gama Aviation will be offering to buy back up to £37.5m worth of shares so that the other shareholders can tender all their shares and not be scaled back. Hutchison Capital Holdings intends to tender its 29.6% shareholding.

In 2023, Gama Aviation's continuing operations generated revenues of $145m, down from $168m. After the tender offer there will still be enough cash for the company's requirements, including capital investment. A general meeting is likely to be held in April to gain shareholder approval for the tender.

In this issue

Marlowe set to return £150m

Safety and regulatory compliance consultancy services provider Marlowe is selling most of its governance, risk and compliance software and services assets to private equity firm Inflexion for an enterprise value of £430m, or £405m after transaction costs. The Marlowe share price has been on a downward trend for the past year, but this deal has perked it up. There is likely to be £150m returned to shareholders.

The disposal is raising the equivalent of more than two-thirds of Marlowe's enterprise value prior to the announcement. Once the remaining debt in the company is repaid and the cash distributed to shareholders, there could be net cash of around £60m.

The business being sold generated around two-fifths of EBITDA and regulatory approval will be required for the deal to go ahead. Marlowe chief executive Alex Dacre is leaving to continue to run the business being sold.

There are two main businesses that will be left. Testing, inspection and certification businesses provide design, installation and monitoring services for fire safety and security, as well as water treatment and hygiene services. Occupational health business Optima Health has more than 800 clinical professionals that provide health advice, assessments and monitoring. The cash in the balance sheet can be spent on further add-on acquisitions for these operations.

Cavendish estimates that these businesses could generate EBITDA of £47m in the year to March 2024. Marlowe will need to appoint a permanent replacement for the exiting chief executive.

Verditek transforms

Verditek is selling its solar business for £528,340, which will be satisfied by the surrender of loan notes plus interest. The company will become a cash shell. Former Mears boss Bob Holt and John Charlton are joining the board, and the existing directors are resigning. Both of them were involved in turning around AIM-quoted compliance and energy services provider Sureserve. Bob Holt is helping to secure £300,000 of investment at 0.075p/share and he will loan the company up to £300,000, which is convertible into shares at 0.075p each. There are plans to raise a further £1.5m at the same share price. The company is changing its name to EARNZ, which stands for Energy Advisory Regeneration Net Zero.

Strong start for Eroxon sales

Futura Medical generated initial 2023 product revenues of around £3.1m following the launch of erectile dysfunction treatment Eroxon in the UK and Belgium. It has already built up a 20% market share in these markets. This is only the start with launches planned in more countries.

Eroxon is available on prescription in England and Wales from 1 March. Early data from the UK and Belgium suggests that Eroxon is helping to grow the market. This augurs well for further launches. European revenues are expected to double in 2024. Cooper has extended its exclusive European licensing agreement to January 2029 and is planning to launch Eroxon in France, Italy, Germany and Spain. Eroxon has also been launched in the UAE and M8 Pharmaceuticals holds the rights for 16 countries in Central and South America.

Haleon has secured US rights to Eroxon. Nothing is included in the current forecasts for US sales. The timing of a launch is uncertain, and it may not be until 2025. This could provide a significant boost to revenues and much of that could fall through to profit.

Revenues of £10.1m are forecast for 2024, including the recognition of a $4m upfront payment from Haleon for US rights. That will enable Futura Medical to report a small pre-tax profit. In 2025, there could be profit based purely on sales revenues.

There was cash of £7.7m at the end of 2023. The $4m prepayment boosts that figure, although cash is expected to fall to £2.7m at the end of 2024. It could start to rise in 2025.

There are other potential treatments for pain and sexual health that could be developed using the company's DermaSys technology, provides targeted delivery of the active ingredient through the skin. Generating cash from Eroxon will help to fund development spending.

Canaccord Genuity showing signs of recovery

Capital markets and wealth management services provider Canaccord Genuity had a better third quarter, but capital markets revenues remain subdued.

Third quarter revenues of $189.8m were 2% higher than in the corresponding period last year, taking the total revenues in the nine months to December 2023 to $1.1bn. The UK contributed 26% of third quarter revenues, but the contribution is still well below the 32% for 2022-23.

There was a 42% jump in third quarter pre-tax profit to $44.7m. The nine-month pre-tax profit is down 14% to $94.1m.

Capital markets generated 49% of third quarter revenues, and it managed to make a profit to offset losses earlier in the year. In the nine-month period, 44% of global investment banking revenues came from metals and mining companies, with 16% from technology and 12% from life sciences. In contrast, consumer and retail companies generated 39% of global advisory revenues, with technology companies contributing a further 39%. Advisory revenues were much higher in the third quarter.

Investment banking revenues have been subdued for nearly two years. In the latest nine-month period, the total revenues for the division were lower than in the fourth quarter of 2021-22.

The UK is a small contributor to the capital markets business, but accounts for the majority of revenues in the wealth management division. It also has $56.8bn of client assets out of the group total of $99.2bn at the end of 2023.

■ **Aquis Exchange** has launched conditional order functionality on the Aquis UK and Aquis EU platforms. This enables members to post the same liquidity on multiple venues without the risk of over-trading. This extends the Aquis dark pool, which was launched in 2022.

The 2023 results will be published on 21 March. Pre-tax profit is expected to be 16% higher at £5.2m.

The Financial Conduct Authority has published the findings of its wholesale data market study, which is of interest to Aquis Exchange. The company makes data available to its clients either directly or through market data vendors. Last year, data revenues were 23% higher at £3.7m.

There was an examination of credit ratings data, benchmarks and market data vendor services. The financial regulator found that the wholesale data market can be improved. However, it has ruled out any significant intervention because of potential unintended consequences for data availability.

There are plans to suggest ideas that could make wholesale data available in a fair and transparent way. This is all part of the plans to repeal and replace existing EU-based laws. The FCA is continuing to consider allegations of anti-competitive practices in all markets, including wholesale data.

ADVISER CHANGES - FEBRUARY 2024

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Futura Medical	Stifel Nicolaus / Liberum	Liberum	Liberum	Liberum	2/6/2024
AB Dynamics	Stifel Nicolaus / Peel Hunt	Peel Hunt	Peel Hunt	Peel Hunt	2/12/2024
Velocity Composites	Dowgate / Cavendish	Cavendish	Cavendish	Cavendish	2/13/2024
Scirocco Energy	Strand Hanson	WH Ireland	Strand Hanson	Strand Hanson	2/19/2024
Ethernity Networks	CMC / Peterhouse / Allenby	Peterhouse / Allenby	Allenby	Allenby	2/22/2024
Manolete Partners	Canaccord Genuity	Peel Hunt	Canaccord Genuity	Peel Hunt	2/26/2024
Team	Oberon / Shore	Shore	Shore	Shore	2/29/2024

Kitwave continues organic growth as it seeks further acquisition opportunities

Grocery wholesaler *www.kitwave.co.uk*

Grocery distributor **Kitwave Group** continues to grow organically, as well as via acquisition. Although inflation boosted revenues there was still underlying growth and Kitwave is adding to its market share.

In the year to October 2023, revenues grew from £503.1m to £602.2m, while underlying pre-tax profit moved up from £18.9m to £27.5m. The acquisition of Wilds of Oldham, where integration will be completed in April, came too late to make a contribution last year. The total dividend was increased by 21% to 11.2p/share.

The acquisition of Westcountry Foods and capital spending pushed up net debt to £25.7m. The business remains highly cash generative and without further acquisitions net debt could fall to £18m by the end of October 2024.

Food service was 30% of sales

Food service is becoming increasingly important with 30% of revenues last year, up from 25% the year before. It also contributed 43% of EBITDA before central overheads. The operating profit margin of the division improved from 7.2% to 8.6%. The group operating profit margin improved to 5.3%, despite higher distribution costs. The proportion of orders received electronically rose to 47% and it could move above 50% in the near-term.

By the end of the year the new 80,000 square feet distribution facility should be opened. This combines existing depots in south west England following the WestCountry acquisition.

KITWAVE GROUP (KITW)			305p
12 MONTH CHANGE %	+27.6	MARKET CAP £M	213.5

Forecasts have consistently been upgraded during the financial year. Canaccord Genuity is currently maintaining its 2023-24 pre-tax profit forecast at £28.5m with a slightly upgraded dividend estimate of 12.7p/share. Wilds will add to revenues, but no additional profit is anticipated in the forecast for. Even after the recent recovery, the shares are trading on just over ten times prospective earnings, while the forecast yield is 4.2%. Medium-term earnings growth is expected to be modest, but Kitwave has shown that it can find acquisitions to enhance the growth.

CVS Group accelerates acquisition activity

Veterinary practices owner *www.cvsukltd.co.uk*

Vet practices owner **CVS Group** is accelerating its expansion in Australia, while continuing to make add-on acquisitions in the UK. The bank facility has been extended to February 2028 and there is plenty of available finance for further purchases.

The interims were in line with the trading statement at the beginning of the year. In the six months to December 2023, revenues were 11% ahead at £329.9m, with like-for-like growth of 5.9% and the rest from acquisitions. Profitability was hit by higher wage and other costs.

CVS GROUP (CVSG)			1471p
12 MONTH CHANGE %	-21.3	MARKET CAP £M	1,053.9

Increased interest charges and a rise in the corporation tax rate held back earnings, which dipped 2% to 44.5p/share. The interim dividend is raised from 7p/share to 7.5p/share.

Net bank debt increased from £55.2m to £129.2m, which is mainly due to acquisitions and the investment in a greenfield vet practice in Derby. A referral hospital has been opened in Bristol. A further £5.2m has been spent on another acquisition in the second half. There are currently 15 practices in Australia with more purchases to come.

Investec forecasts a full year pre-tax profit of £91.2m, up from £85.4m last year, which is based on a slightly lower growth rate in revenues than in the first half. The vet market review by the Competition and Markets Authority is ongoing and there is unlikely to be a report until next year. CVS management is confident that there should not be any significant problems for the company as a result of the review.

Strong momentum for cleaning services provider React with potential for further acquisitions

Cleaning services *www.reactsc.co.uk*

Cleaning services provider **React** has shown that it can grow organically and supplement this with acquisitions such as window cleaning firm LaddersFree, which added more services to offer to clients. The momentum built up last year has continued into the current financial year.

React increased its pre-tax profit from £700,000 to £1.8m in the year to September 2023. Revenues grew by 43% to £19.6m with a full contribution from the LaddersFree acquisition. Net cash was £1.3m at the end of September 2023.

There are more than 1,200 customers with the top ten accounting for 43% of revenues. Recurring revenues are 87% of the total figure. Contract maintenance accounts for nearly three-quarters of revenues with the rest generated by reactive contract work and ad hoc business. All three businesses have gross margins of around 27%.

Trading is at record levels

Trading is at record levels and contracts continue to be won and extended. Pre-tax profit is expected to grow to £2.1m on revenues of £21.2m this year. This was trimmed after the results announcement because of additional investment in systems to cope with further growth, as well as sales and marketing. There could be earnings enhancing, add-on acquisitions that improve the geographical coverage of the group in a fragmented market.

REACT (REAT)			1.4p
12 MONTH CHANGE %	+27.3	MARKET CAP £M	14.9

Premier Miton has cut its shareholding from 8.1% to 4.95%, while Harwood Capital reduced its stake from 9.04% to 8.34%. AIM-quoted investment company Onward Opportunities increased its investment from 6.25% to 7.92%. The share price fell after the share sales but recovered by the end of February.

The strategy is to build up a business with a market valuation of more than £50m within five years. The shares are trading on nine times prospective earnings.

Feedback could progress on three fronts

Medical imaging communications *www.fbkmed.com*

Getting the NHS to make a firm decision to take up new technology takes a long time as **Feedback** knows with its Bleepa communications technology. There are signs that there could be additional contracts from the NHS on the horizon, but it may still take a while. There are two other potential sources of revenues in the form of UK private hospitals and the Indian market, where import approvals have been obtained.

The interim revenues were lower at £410,000 and the cash outflow was £1.95m, but the financial position is strong. There was £5.4m in cash and no debt at the end of November 2023.

FEEDBACK (FDBK)			75.5p
12 MONTH CHANGE %	-57.6	MARKET CAP £M	10.1

Since then, the Queen Victoria Hospital/ Sussex community diagnostic centres contract for Bleepa and CareLocker was extended until June 2024 ahead of a formal procurement decision. This is part of the process towards integrated care systems. There is also £300,000 of funding for two Bleepa pilots in Buckinghamshire and Berkshire. If the pilots are successful, then other NHS trusts may sign up.

A subsidiary has been established in India and an import licence granted. India is introducing the equivalent of GDPR, and this provides an opportunity for technology where information can be securely shared. There are 44,000 private hospitals in India. There could be opportunities in other countries.

Feedback has entered a partnership with radiology specialist Medical Imaging Partnership, which will pilot Bleepa-CareLocker in the UK private sector. Initially there will be a direct access prostate screening service. Revenues will be minimal, but it could prove to be a more significant revenue generator in the future.

Springfield Properties focuses on reducing debt although there are signs of recovery

Housebuilding *www.thespringfieldgroup.co.uk*

SPRINGFIELD PROPERTIES (SPR)			82p
12 MONTH CHANGE %	+1.9	MARKET CAP £M	97.3

Scottish housebuilder **Springfield Properties** is focusing on reducing its borrowings and is not paying an interim dividend. Land sales will generate cash, but there will still be a significant land bank with a large proportion of it already with planning permission.

In the six months to November 2023, revenues declined by one-quarter to £121.7m and pre-tax profit slumped from £6.6m to £2m. Overheads have been reduced. Net bank debt was £93.4m.

Total completions were down from 673 to 432 in the first half. Higher interest rates hit private housing demand. House prices have held up well in Scotland, though. The company had reduced its

Land sales will generate cash

exposure to the affordable housing market because of poor margins, but it has been winning contracts recently. There are £40m of new contracts and some of homes will be delivered in the second half.

Even after land sales, Springfield Properties still has around 6,500 plots and 90% of these already have planning permission. There is a pipeline of another 22,000 plots with around 15% having gained planning permission.

Rent controls mean that there has been a lack of private rental housing construction in Scotland, but that could change in April if proposed changes go ahead. There appears to be institutional investment available once the changes are confirmed, although the main benefit would show through next year.

Finance director Iain Logan has purchased an initial 30,000 shares at 83.5p each. Singer forecasts a fall in full year pre-tax profit from £16m to £10m. Net debt could fall to £60m after land sales. The shares are trading on 13 times prospective 2023-24 earnings, falling to ten next year. They are also trading at a discount to the NAV of £151.2m.

Alumasc bucks building sector trend

Building products *www.alumasc.co.uk*

ALUMASC (ALU)			182.5p
12 MONTH CHANGE %	-0.5	MARKET CAP £M	65.9

Building products supplier **Alumasc** is on track to make an improved profit in the year to June 2024, even though the underlying markets, particularly housebuilding, have been weak. The balance sheet is strong and Alumasc is well placed to benefit when the construction sector recovers, as well as to make further add-on acquisitions.

Interim revenues increased 6% to £47.8m and pre-tax profit was 14% higher at £6.3m. Tight control of costs helped to improve margins. The interim dividend was raised 1.5% to 3.45p/share.

Exports contributed to the growth – they are currently around 15% of group revenues - and new housebuilding product launches enabled that division to grow. The building envelope division adding sales resource and its profit was lower. The acquisition of ARP, which was announced last July, was cleared by the competition authorities, and it will make more of a contribution in the second half.

ARP will be integrated into the water management division, which increased its profit in the first half. There are £800,000 of annualised savings identified before the ARP acquisition and they will come through in the second half.

Net debt was £7.4m at the end of 2023 – it would have been less than £1m without the ARP payment. That could fall to £6.4m by the end of June.

A major export order for Chek Lap Kok Airport has been delayed, but full year pre-tax profit could still improve from £11.2m to £12.1m. Non-executive director Stephen Beechey acquired 13,616 shares at 183.6p each. The prospective multiple is less than eight, while the forecast yield is 6%.

Double digit yield for oil and gas producer i3 Energy

Oil and gas *www.i3.energy*

Dividend

Oil and gas producer i3 Energy has been paying dividends since July 2021 when it paid a 0.16p/share special dividend for 2020. The 2021 dividend was 0.3p/share, while the 2022 total was 1.35p/share. The 2023 total dividend is 1.36p/share. The payments were monthly, but they have reverted to quarterly.

The most recent quarterly dividend was 0.2565p/share. The 2024 total dividend is forecast to fall to 1.026p/share. That would still equate to a distribution of £12.3m.

Net debt is estimated at $23m at the end of 2023. The company is expected to generate slightly less cash in 2024 than in 2023, but net debt could still fall by the end of 2024 even though there will be higher capital spending on drilling and exploration.

Business

The focus of i3 Energy is long-life, low decline and high return oil and gas assets. The current investments are in the Western Canada sedimentary basin and the UK North Sea. An independent reserves evaluation will be published in March.

The revenues are generated in Canada. These assets were acquired in 2020 and the deal was partly funded by a placing raising £26.6m after expenses at 5p/share. The core areas are Central Albert, Wapiti and the Clearwater. New wells are meeting or exceeding expectations.

The main UK North Sea assets is the Serenity field, where i3 Energy has a 75% working interest. It is working with its partner Europa Oil & Gas to evaluate the options for the field. There were plans to link the field with the Tain discovery, but the licence was relinquished by its previous holder.

I3 ENERGY (I3E)	
Price (p)	9.3
Market cap £m	111.8
Historical yield	14.6%
Prospective yield	11%

Average annual production in 2023 was 20,711 barrels of oil equivalent/day, after a better than expected fourth quarter. This generated net operating income of $93m.

This year's average annual production is forecast at 21,606 barrels of oil equivalent/day. WH Ireland assumes slightly higher oil and gas prices of $80.92/barrel and $2.56/mmbtu, although the gas price has been downgraded. Around one-quarter of production has been hedged.

The plan is to drill in Canada in the second half so that production can commence when winter prices are improving. The focus will be on oil, while the gas price is relatively weak.

Acquisitions are being assessed and there are several potential purchases, as well as possible disposals of non-core assets. The strong cash flow and the C$100m, three-year debt facility secured last May mean that the company could finance deals.

Canadians have been buying shares and they have shareholdings totalling more than 10%. This means that i3 Energy will have to publish quarterly results to comply with TSX rules. The buying in Canada will help the share price, which is attractive given the cash generated by the operations and the potential for further investment.

Dividend news

Disinfection products supplier **Tristel** doubled its interim dividend to 5.24p/share on the back of strong sales growth and cash generation. This is partly a rebasing of the dividend with the full year dividend forecast to rise from 10.5p/share to 11.6p/share. In the six months to December 2023, revenues increased from £17.5m to £20.9m, while underlying pre-tax profit improved from £3.08m to £4.13m. Cash increased to £10.8m. UK revenues grew fastest through a combination of an increasing number of medical procedures as the NHS tries to reduce the backlog and higher prices. North American sales should start to grow as new products are launched. Cavendish forecasts a 2023-24 pre-tax profit of £7.6m.

Engineer **Avingtrans** grew interim revenues by 30% to £65m, but investment in the medical imaging division held back profit progress. Like-for-like sales growth was 24%. Buying pumps company Slack & Parr and increasing the stake in 3D X-ray technology developer Adaptix pushed Avingtrans into net debt. The interim dividend was raised from 1.7p/share to 1.8p/share with a full year total of 4.7p/share forecast even though increased investment in the medical business will lead to a reduction in full year pre-tax profit. Net debt is likely to increase to £7.3m. The restructuring of the engineering businesses into one division could lead to disposals that will move Avingtrans back into a net cash position.

Jarvis Securities announced a first quarter dividend of 1.75p/share. The execution-only stockbroker and financial administration services provider did not pay a fourth quarter dividend for the previous financial year. The third quarter dividend was 2.25p/share. A FCA skilled persons review was ongoing, and the finance director replaced. This review meant that Jarvis Securities was not able to pay dividends, so this is a positive sign. A phase 1C report is due to be published by the FCA.

Expert view: Registrars

Labour's plans for capital markets. Can digitisation provide a quick win?

By Hardeep Tamana

Later this year, the UK electorate will be headed to the polling booths for the next General Election, and right now the opinion polls are strongly suggesting that this will see a change of leadership for the country. But with so many social and broad-based economic challenges for lawmakers to grapple with, where does this leave the UK's languishing capital markets?

At Avenir Registrars we are already running issuers primarily on fully electronic systems

These may be seen as a bastion of capitalism, but with financial services accounting for an estimated 12% of GDP in 2023, it is an economic juggernaut that politicians of any party ignore at their peril.

Financing growth

Labour published a state of the nation report titled Financing Growth laying out its plans for the financial services industry. Arguably this was a sanguine piece designed to offer a degree of reassurance that wholesale reform wouldn't be on the table and that international institutions shouldn't be looking for the exit – the more extreme socialist mantras that dominated ahead of the 2019 election cost Labour dearly and an approach revolving around marginal change is being seen.

That seems eminently sensible – if it is not broken do not try to fix it – although the comments about reinvigorating capital markets whilst well intentioned seem unlikely to offer any real cut through. Structural reform and a futuristic outlook is warranted here – it will be the private sector, not government, who will deliver the necessary innovation.

The Labour report understandably focuses very much on the top line. Hundreds of items of financial legislation are progressing through the requisite legal processes at any point in time, so this isn't the forum to be addressing detail at a granular level, but are there any quick wins where a change in administration could be the catalyst to improve the standing of London as a capital markets venue?

Digitisation

The one theme that we see as having the ability to materially – and potentially rapidly - enhance London's appeal to issuers remains digitisation. The direction of travel of the current government's appointed task force here appears to be one that is predicated by not causing too much controversy or delivering any short-term resource burdens. And whilst there's a clear business-friendly benefit when it comes to taking an approach like this, we need to remember that the primary objective of a public market is to best serve the needs of the public.

The primary objective of a public market is to best serve the needs of the public

Mandating a more rigorous overhaul of digitisation when it comes to securities registry management would give an incoming government the ability to be making an astute and strategic play that in turn significantly improves the value proposition sitting between issuers and investors.

Whilst there would be a degree of heavy lifting necessary to facilitate such a move, as we have shown at Avenir Registrars we are already running issuers primarily on fully electronic systems, backed off by paper-based register in the event that the securities holder wants to continue using an analogue format.

What we know is that this approach is far more efficient and secure, whilst our issuers who have adopted this approach also tell us that it helps reduce the cost of maintaining the listing.

Digitisation presents a fantastic opportunity for any lobby of lawmakers to ensure that the capital market of tomorrow fully harnesses the power of the technology that exists today, not just when it comes to equities but also in reinvigorating London as a debt securities powerhouse.

Experience tells us that making bold moves now won't always be frictionless, but with a market that is demanding significant change, pandering to the whims of large infrastructure providers who claim that wholesale reform is either impossible or carries unnecessary risks won't deliver a robust capital market fit for the future.

HARDEEP TAMANA, Managing Director, Avenir Registrars (www.avenir-registrars.co.uk).

Improving outlook for fundraisings for AIM mining companies

AIM mining companies have been finding it difficult to raise the cash they require to push ahead with their projects, but it might become easier this year.

Whisper it softly, but the London markets are once again open for junior mining companies.

Since the bell sounded on the first day of trading in 2024, several junior miners have successfully raised funds, primarily on AIM.

> So, we can say for sure that there's been a cautious improvement in sentiment in general

These include equity fundraisings from Phoenix Copper, Power Metal Resources, GCM Resources, Orosur Mining, Beowulf Mining, Amaroq Minerals, Tertiary Minerals, Premier African Minerals and VAST Resources.

The year's early momentum was carried - to some extent - into the London mining market's first major conference of 2024 – Indaba in Cape Town.

Indaba was held, as usual, in the early part of February and, while it wasn't exactly buzzing, it was well-attended and the delegates had a deliberate air.

There was a certain feeling that things were afoot.

Now, some weeks on, the financiers are all back at their desks, beginning to complete on their Cape Town deals, and to look forward to what's next.

And so, it'll be interesting to see what the mood in Canada is when the major Prospectors and Developers Conference gets underway in the first week of March.

This is the mining industry's biggest conference bar none and, although the representation from London has lessened in recent years as budgets have been tightened, there will still be a few names there that are familiar to UK investors, including Bradda Head, Conroy Gold & Silver, Cleantech Lithium, Serabi Gold, and Technology Minerals.

There will also be a delegation there from a UK quango called Cornwall Trade and Investment, looking to represent the loud and proud handful of small-cap British miners that are beginning to bring Cornwall back on to the global mining map.

> Many, like ECR Minerals, opted to put a freeze on directors' pay until conditions improved

That broad representation ought to help stimulate some interest locally, although how specific the benefits will be for AIM investors is moot.

Yes, the owner of Cornwall's most famous mine, South Crofty, Cornish Metals, is quoted on AIM. But it's been noticeable, too, that a newer breed of company, like Cornish Tin and Cornish Lithium, have done very well with crowdfunding and government grants, and have felt no compunction to make a move to AIM.

Cornish Tin raised over £2m last year through crowdfunding, and in these tough times that's actually a huge achievement. Of the junior mining companies listed above that have raised money on AIM this year, only Phoenix Copper made it past the £2m mark, although admittedly the year is yet young and Cornish Tin didn't do all that money in one go.

But last year was hard.

That UK companies like Cornish Tin and Cornish Metals opted to raise money from outside of traditional sources tells a story – these companies have assets located in the same financial jurisdiction as some of the most sophisticated capital markets in the world.

And yet, in the second half of 2023, the equity markets were almost completely closed to junior miners - brokers had used up all their favours and the only money that was on the table tended to link back in one way or another to spread betting companies.

Some AIM miners played around with the idea of raising such paltry sums as £200,000, just so they could keep the lights on. Many, like ECR Minerals, opted to put a freeze on directors' pay until conditions improved.

The old poetic phrase "running on fumes", which gained much circulation in the years following the global financial crisis, was back in vogue.

And then, right at the end of last year, as a crowning indignity, came a great horror story: Horizonte Minerals, one of the few junior miners in London ever to have gone the full distance from moose-pasture to major operation, had suffered such immense cost overruns it was essentially defunct.

The company's Araguaia project survives, but good luck bringing Horizonte Minerals shares into the black in your brokerage account. The dilution in the rescue package has wiped out anyone who wasn't already in the red, and there weren't many of those in any case.

To cap it all, base metals inventories began to build, although to be fair this is something that tends to worry analysts more than investors.

All told, the stage seemed to be set for an abysmal start to 2024.

But it hasn't quite worked out that way.

Alright, we haven't started with a party, and Indaba 2024 is not Indaba 2005, but all of a sudden, after a long period of dearth, there's money around.

Why is this?

In more ways than it's possible to quantify, valuations in junior mining are driven by sentiment.

And there is a general feeling abroad at the moment that the pain suffered in the immediate aftermath of the end of COVID is now abating.

Mining did well in COVID, and suffered badly as a result of the supply-chain chaos and inflation that followed. Supply chain issues hit demand for base metals, while inflation diminished the attractions of the precious metals.

Even so, the US is doing its best to diminish the value of the US dollar, and there's only so much downward pressure you can put on the US dollar index before gold starts to bounce up again. And where gold leads, the rest of the mining industry often, though with a time lag, follows.

What's more, the overall global economic picture has turned more positive lately, and although there will be uncertainty from elections in the US later in the year, inflationary pressure has dropped away, and most supply chain issues are resolving.

> The fourth quarter is likely to be the one in which all the real action takes place

China remains the great unknown, of course.

But China isn't the only non-Western country that is pumping serious stimulus money into mining at the moment.

Saudi Arabia

There is also Saudi Arabia which, as a matter of deliberate policy, is nurturing a significant and growing mining and exploration sector in-country. Given the depths of the pockets open to the Saudis, any junior that knows what it's doing is likely to get lucky when it comes to finding a local partner.

We've seen that dynamic at work with KEFI Gold and Copper, which is now making gold and copper discoveries with the help of local Saudi money. Sure, they'll have to share the upside, but twas ever thus in junior mining.

As a whole, Saudi Arabia is virtually virgin mining country, but the reasons for that are largely historic, and to do with oil. The Arabian Nubian Shield, the geological structure which hosts, amongst others, former AIM company Centamin's Sukari mine in Egypt, runs beneath the Red Sea and across to Saudi. So, it's prospective - no doubt about that - and could well be the scene of a big mining rush if all the bureaucratic roadblocks are got out of the way.

So we can say for sure that there's been a cautious improvement in sentiment in general, and that in some jurisdictions, like Saudi the action could run quite hot quite soon.

In general, though, the first half of the 2024 looks likely to be a matter of fits and starts for the junior miners.

Yes, we've started off better than might have been expected. On the other hand, once the effects of Indaba and PDAC in Toronto this month wear off, and investors hunker down and wait for results from the early and limited deployment of the capital that we've already seen, there may be a period of waiting.

So much isn't new.

Historically, mining markets have sometimes come alive at the beginning of a year, enjoyed a flurry in the first quarter, quieted down for the second quarter before flaring up again at the beginning of the third, ahead of the summer recess.

The fourth quarter is likely to be the one in which all the real action takes place

It could be that 2024 follows that pattern, and if it does, then the fourth quarter is likely to be the one in which all the real action takes place.

Could the near-death of Horizonte Minerals at the end of 2023 turn out to be when the market finally bottomed out? We are still a long way from good times, but we may now be at the beginnings of a long climb back.

Alastair Ford (Alastair@sofabarconsulting.com)

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	26.1	16.7
Industrials	21	17.3
Financials	11.4	10.2
Technology	11.3	12.4
Health Care	9.9	10.5
Basic materials	8.4	15.7
Energy	6.6	11.3
Telecoms	2	1.7
Property	1.8	2.1
Utilities	1.6	0.7

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	736.5	-14.3
FTSE AIM 50	3951.97	-14.9
FTSE AIM 100	3564.99	-13.4
FTSE Fledgling	10926.5	-8.3
FTSE Small Cap	6257.58	-3.2
FTSE All-Share	4163.21	-3.3
FTSE 100	7630.02	-3.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	127
£5m-£10m	100
£10m-£25m	142
£25m-£50m	98
£50m-£100m	100
£100m-£250m	98
£250m+	79

KEY AIM STATISTICS

Total number of AIM	744
Number of nominated advisers	25
Number of market makers	20
Total market cap for all AIM	£77.7bn
Total of new money raised	£136bn
Total raised by new issues	£48.2bn
Total raised by secondary issues	£87.8bn
Share turnover value (Jan 2024)	£4.3bn
Number of bargains (Jan 2024)	0.83m
Shares traded (Jan 2024)	106.4bn
Transfers to the official list	202

TOP 5 RISERS OVER 30 DAYS

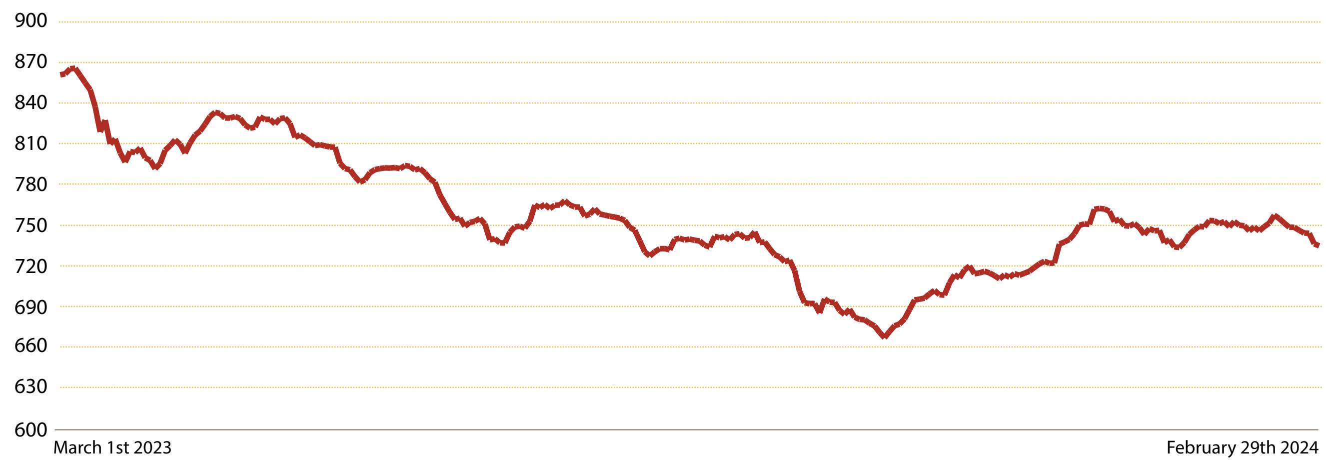
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Renalytix	Healthcare	40.5	+245
Powerhouse Energy	Cleantech	0.85	+174
Libertine Holdings	Cleantech	4.25	+158
Empyrean Energy	Oil and gas	0.725	+119
Sondrel	Technology	9.75	+91.2

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Saietta Group	Cleantech	0.35	-97.7
Shield Therapeutics	Healthcare	2.3	-63.8
Horizonte Minerals	Mining	3.75	-63.1
UK Oil and Gas	Oil and gas	0.0075	-63
Bidstack	Media	0.225	-56.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th February 2024, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be downloaded from the website www.AimJournal.info/archive.

The readership via the email is predominantly a professional one. One-quarter of readers are company directors, one-fifth solicitors and accountants, one-fifth brokers and 15% PRs. The rest of the readership is made up of investors, journalists and other individuals.

AIM

The Alternative Investment Market (AIM) was launched on 19 June 1995 with ten companies that had a total market value of £82.2m at the end of the first day's trading. The total amount of money raised by new and existing companies in the remainder of 1995 was £96.5m.

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £134bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies in the FTSE 100 that started on AIM include online gaming operator GVC, engineer Melrose Industries and student accommodation developer Unite Group. Healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, and online gaming technology developer Playtech are FTSE 250 index constituents.

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