Corcel

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Corcel emerges better and brighter from the old Regency, with big plans for combining battery power cashflow with huge upside in mining exploration

"We want to draw a line in the sand and reflect that this is a completely new business," says Scott Kaintz.

The company he runs as chief executive has just changed its name from Regency Mines, an old and familiar name from the past to Corcel PLC (LON:CRCL), which very much looks forward into the future. The name is in part reflective of the two strands of the Corcel business - mining, and power storage and generation - as core relates to the drill core of mineral exploration and the reference to cell relates to battery cells and energy storage.

It's a completely new business with a new name and new board, as Kaintz says, but it does retain some elements of the old to blend with the new.

Thus, Corcel has recently been active on the Mambare nickel project in Papua New Guinea, and has acquired exposure to a second nickel project at the nearby Wowo Gap. And there's also the exploration campaign that's now getting underway on the company's Dempster vanadium project in Canada.

These are attractive looking projects for a junior mining company to be running, but they don't by themselves necessarily make Corcel stand out from the crowd.

What really differentiates the company from the pack is the move into flexible energy production and storage in the UK. The strategic vision is simple enough: if Corcel can involve itself in enough UK energy projects at attractive enough prices, then the resultant cash flow ought to be perfect for sustaining a small company which aspires to bigger and better things.

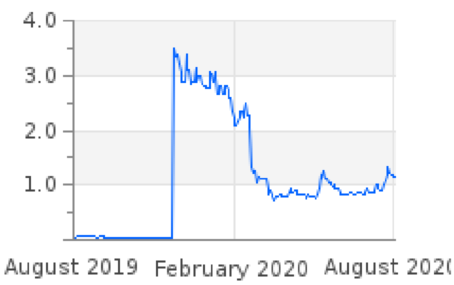
"The idea," says Kaintz, "is that we would be able to fund ourselves and then some from battery projects."

These in turn provide cashflow on an individual basis at very little risk to the company, since each is financed using its own special purpose vehicle.

Price: 1.1849

Market Cap: £2.25 m

1 Year Share Price Graph



Share Information

Code:		CRCL
Listing:		LSE
52 week	**High**	**Low**
	3.84	**0.0265**
Sector:		**Battery Metals**
Website:		**www.corcelplc.com**

Company Synopsis:

CORCEL PLC TRADES AS CRCL ON THE ALTERNATIVE INVESTMENT MARKET OF THE LONDON STOCK EXCHANGE IN LONDON. Corcel is a mining and mineral resource development company, with interests in flexible energy storage and production. The Company was founded in 2004 and listed in 2005. Corcel fields an experienced management team with extensive sector and AIM expertise.

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It's not a traditional way for a mining exploration company to generate cash, but it could turn out to be just as effective. After all, the more normal route, to own and operate a small cash generative mine comes with all sorts of execution risk that's not present here and, with a couple of honourable exceptions, opportunities to invest in such projects inside the UK itself, are nearly non-existent.

But Corcel's thinking goes beyond just the purely utilitarian. There's a strategic vision here too.

"I don't think these things are that opposite," says Kaintz.

"We can be informed on the minerals and focused on developments in the battery space too."

In Kaintz's worldview the mutual exclusivity between mining and power generation is over. The materials need to fuel the next generation of green energy developments can themselves be paid for by the provision of green energy.

And, with dilution at the Corcel level not part of the equation, shareholders can rest easy that their own pockets aren't going to be picked in order to pay for the delivery of this vision.

Instead, there'll be a debt equity mix for each power and battery project which will operate at the level of the SPV. Corcel will take a fee for putting the whole thing together and retains some equity at each individual project level, and therefore the rights to a corresponding portion of the cashflows when they begin to come in.

At the moment it's a little difficult to predict just exactly what that cashflow will be, but at the EBITDA level, earnings of between £2mln and £3mln per year might[SD1] be typical for the current projects under consideration. The template at the moment is the Wiers Drove joint venture, which in turn holds the Burwell project in Cambridgeshire. It's estimated that it will cost £10mln to fund, and that once up and running it will be able to store and trade up to 30MW of electricity, filling its batteries when prices are cheap and selling into the grid at times of peak demand.

These are not small numbers, and to get some sense of where Corcel wants to go with this, it's worth considering that Kaintz is hopeful that the company will have between five and seven similar type projects up and running with in a couple of years.

"We'd like to get 200MW-to-300MW into the portfolio," he says. "200MW makes you a bit of a player in this space."

It will also make Corcel a bit of a player in the mining exploration and development space, given the associated cashflow that's likely to accrue. Mambare has long been held back by its sheer size, but that issue may no longer apply if regular cash can be deployed to move it along. Equally, expectations of a major spend out there have often proved a drag on the company's share price as the market has anticipated major fundings, and therefore dilution, in order to get things moving. That issue no longer applies, so Corcel gets more freedom for manouevre all round.

"The massive blue sky upside is the mining side," says Kaintz.

"But put together three-to-four battery projects and there's plenty of upside in that too. We're calling it an industrial play. So there's plenty of upside on both sides of the business, and a much reduced requirement for regular dilution.

Putting together battery projects in the UK requires time, effort and bureaucratic know-how. But it could just be that Corcel is blazing a trail down a path that other companies too will find compelling and tread, before too long.