

Sandfire Resources NL

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Two smaller mining companies are trying for listings in London at the moment, so is the market coming back at last?

There's Brexit, there's the parlous state of the mining markets worldwide, and there's an increasing question mark around over-regulation on the Aim market.

Nevertheless, two junior miners are currently moving through the marketing process ahead of proposed listings in London.

One, Minergy Ltd (BSE:MIN), is a coal mining company in Botswana that's just gone into production and is now in a ramp up phase.

The other, Critical Metals Plc, is an acquisition vehicle that aims to acquire production and near-term assets with a particular focus on antimony, beryllium, caesium, tantalum, niobium, copper and cobalt.

Between them, they may signal the start of a gradual renaissance in a mining market that has been almost desolate over the past year or two.

True, there have been a couple of new faces already.

Resolute Mining and MOD Resources came over from Australia to access a bigger pool of capital and a greater understanding of the African scene. But Resolute's been established for years in Australia anyway, and no sooner had MOD arrived than it was gobbled up by Sandfire Resources (ASX:SFR) and the listing returned lock, stock and barrel to Australia.

And yes, Katoro (LON:KAT) was spun out of Kibo Energy (LON:KIBO), but it's just the listing that's new - the assets have been available to London investors for years. On the flip side, companies like African Battery Metals have gone under, and had to be completely reinvented.

There's also Yellow Cake PLC (LON:YCA) of course, which came to the London market relatively recently too, but although it's become well established as London's go-to uranium vehicle, it doesn't actually do any mining.

Minergy does, and Critical Metals plans to.

So what's changed, and why are these companies now emerging to take their chances on a market that to some still looks fickle and unforgiving?

For Critical Metals' Russel Fryer, Brexit is a key factor. He plans to source significant amounts of capital from North American contacts, and with the pound now so weak every dollar is likely to much further.

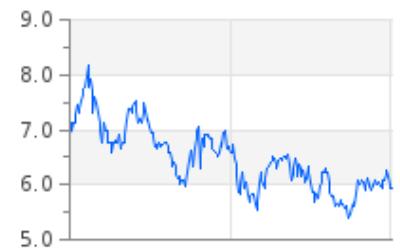
"The whole Brexit situation is incredible," says Fryer.

"When I started this it was US\$1.37 to the pound, now it's US\$1.20 or thereabouts. So I've gained 10% and the gold price has increased too."

Price: 5.635

Market Cap: \$1 billion

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: SFR

Listing: ASX

52 week High Low
8.34 5.35

Sector: General mining & base metals

Website: www.sandfire.com.au

Company Synopsis:

Sandfire Resources NL (ASX:SFR) operates the DeGrussa Copper Mine in Western Australia.

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With that dynamic in mind, it may not be too long before we see one or two new junior gold companies also dipping their toes in the water, although debate continues to rage about how sustained this current gold rally will turn out to be.

Mark Bristow, the chief executive of Barrick Gold (TSE:ABX)(NYSE:GOLD) commented in the wake of the Denver Gold Show that he felt the industry wasn't yet ready for US\$1,500 gold.

But it was George Salamis, an old stager in the mining industry who's now running precious metals specialist Integra Resources Corp (CVE:ITR), who put it best.

"Despite some minor signs of euphoria from a significant rise in the gold price over the last six months, there are still many non-believers and sceptics out there on the buy-side," he told his network on Linked-in.

"I guess some in the industry are waiting for the generalist funds to rush in, in order to believe that this gold rally is real. I've seen two of these cycles before - this one is real, it's just getting started and patience will be rewarded."

As if to back him up, new research from Citigroup reckons gold could go to US\$2,000 gold price within two years. In that environment we might at last see the IPO market begin to hot up again on both sides of the Atlantic.

Having said all that, gold does stand somewhat apart from the rest of the mining industry. Aside from the relative inscrutability of the gold market, there is also the countercyclical aspect that buyers like gold when times are bad, whereas base metals and industrial commodities are much more in demand when times are good.

Coal is another matter again, though, which is why the Minergy listing is interesting. For one thing, coal is well out of fashion, so if the company can get this listing away it will be a sign that markets are once again willing to focus on fundamentals rather than sentiment, since Minergy will be throwing off cash from production from here on in.

What's even more, interesting is that Minergy isn't beholden to London. If the listing falls flat the company can go away and survive on a slower pace of growth supported by cashflow alone. But if it gets away it will show that willing buyers are now once again coming to the table to meet willing sellers, and on reasonable terms.

We should know in a month or so how it's going, since the plan is to get Minergy listed by the end of November.

And we should know by then too, whether this flicker of interest is likely to lead on to brighter and greater things, or whether we are due for another dismal Mines and Money conference this winter. We shall see.

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