

Sandfire Resources NL

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Just how much life is there in the mining sector, with Mines & Money London now just a few weeks away?

It's a truism that mining is in the doldrums. You only have to look at metals prices which, with one or two exceptions, have been on the slide all year.

And you only have to count up the number of junior companies with market capitalisations of less than £2m making their way on Aim amid a combined scarcity of liquidity and cash to realise that times are tough.

And yet, unlike the great bear markets of recent years, in particular the one in 2009 when a deathly pall hung over the whole sector, this time round, things are bubbling away beneath the surface.

For a start, there are good news stories around. MOD Resources may not have found the cluster of copper projects it wanted to in Botswana, but T3 still shaped up well enough to tempt Sandfire Resources (ASX:SFR) to proffer a tasty bid. London's Metal Tiger (LON:MTR) benefited from that transaction too.

Meanwhile, over in Australia, gold is at record levels in Aussie dollar terms and the market continues to hum away.

That may not have a direct effect on London, but there is an influence nonetheless: the global mining markets are now running slightly out of step with each other, and it's enough for London investors to know that money is being made in the sector, even if for now someone else is making most of the running. ECR Minerals (LON:ECR) and in particular Greatland Gold (LON:GGP), with their assets in Australia but their listings in London have been beneficiaries of this dynamic.

And so, in spite of it all, it seems there's life in the old dog yet.

It's in this context, that several junior mining companies are now contemplating listing on Aim or the Standard List, after a dearth that's lasted many a month.

How many of them actually make it will be a measure of whether the market really is beginning to turn, or whether we will continue to bump along the bottom for a while yet. But the fact that they are planning to come at all will be enough for some investors to dust off their old mining investment spreadsheets, and begin to cast around for value.

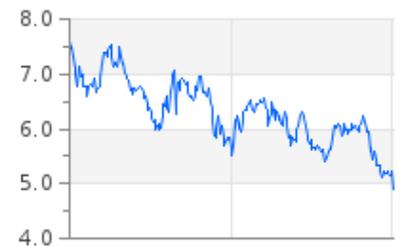
After all, the smart money always buys when conditions are dire, because that way you make the most money on the way up and you can also afford to sell before the top of the market becomes all too apparent and the flood to the exit begins. Buy early, sell early, make money.

It's also interesting to see that some of the weaker juniors that have struggled to survive are now beginning to be recapitalised. Thus, the old African Battery Metals has been injected with cash, reinvigorated with new board members and reinvented as Power Metal Resources (LON:POW).

Price: 4.9

Market Cap: \$872.34 m

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: SFR

Listing: ASX

52 week	High	Low
	7.69	4.9

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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And Alien Metals (LON:UFO), the old Arian Silver, has also been provided with bridging finance, new management, and has already started doing deals.

These isolated signs of life may not add up to a full-blow recovery yet, not by any means, but it shows that there is at least some money out there willing to commit to mining and exploration. If it gets rewarded, more may become available.

Two other signs that all is not complete desolation have also become apparent in recent weeks. The first is that Glencore (LON:GLEN) has put £1m into Group Eleven Resources (CVE:ZNG). Nothing remarkable about that if you take the long view, but just lately the number of majors willing to make any kind of commitment to exploration by junior partners has been close to zero. Glencore has not only endorsed Group Eleven's Stonepark project, which lies next to Glencore's own Pallas Green project, it's also sent a signal to the wider market that exploration assets are once again under consideration.

The other sign that there may be reasons to be cheerful shimmering under the surface of gloom that still pervades the sector is the success of Cornish Lithium's recent £1.4m crowdfunding exercise. The company was only after £1m, but was happy to take more to undertake further work on its extensive portfolio of concessions in Cornwall.

This work is being closely watched by the UK government and could end up adding significant value to the UK economy as a whole, if, as Cornish Lithium hopes, the area becomes a cornerstone to a new UK electric battery industry.

But perhaps more significant for the UK's mining sector as a whole is the innovative way in which the funding was brought in. It was the first significant crowdfunding deal done by a mining company in the UK, but you can bet it won't be the last.

This is an industry that's crying out for financial innovation. Cornish Lithium has shown it can be done, and that there is still hope for the rest of us.

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