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Perseus Mining Ltd

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Miners ride 2020 rollercoaster and come off in strong position

The beginning of 2020 was a world in which Donald Trump was inching his way through a trade war of his own making with China, sparking thoughts of economic autarky in the minds of policymakers of the kind not seen since the 1930s.

Then came the 'China virus' as the 45th American President quickly daubed it, and the world changed for miners, as for everyone else.

Initially, it was a mixed picture. Lockdowns spread across the world sporadically, a bit like the virus, and so there was a period that began mid-way through the first quarter, when companies operating in jurisdictions as diverse as Chile and Canada, South Africa and Sweden, and Australia and China, were all obliged to come up with bespoke responses to the virus.

Mines in some parts of the world, like West Africa where companies like Perseus Mining Limited (ASX:PRU) (TSE:PRU) (OTCMKTS:PMNXF) have a major presence, continued to operate throughout the period while adhering to COVID-19 guidelines.

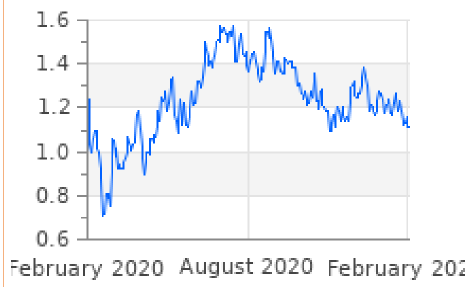
Elsewhere, in more established mining jurisdictions in South Africa, where welfare needs are backed up by a strong union culture, there were brief lockdowns, and companies like Pan African Gold (LON:PAF) and Bushveld Minerals (LON:BMN), shut their respective gold and vanadium operations for a few weeks.

But, just as the welfare of the workforce needed to be put front and centre, in countries where bond markets and credit ratings couldn't support furlough schemes there was a need to put miners back to work fast, to allow them to generate income for their families.

Price: 1.165

Market Cap: $1.43 billion

1 Year Share Price Graph



Share Information

Code:		PRU
Listing:		ASX
52 week	**High**	**Low**
	1.66	**0.63**
Sector:		**Gold & silver**
Website:		**www.perseusmining.com**

Company Synopsis:
Perseus Mining Ltd is dual listed on the Australian Securities Exchange (ASX:PRU) and the Toronto Stock Exchange (TSX:PRU).

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In Sub-Saharan Africa, partly perhaps because several jurisdictions have had experience with ebola in the recent past, the impact of the virus hasn't been as deep as it has been in Europe and North America. So, although there are some restrictions in place, most companies are able to operate as close to normal as could have been hoped.

In North America, the ability to operate has been somewhat more constrained, as freedom of movement has been curtailed and some companies have struggled to access properties. Only in exceptional circumstances will any UK or Irish-based company have been allowed to send executives into the US or Canada to oversee work programs. Most programs still went ahead, but with lighter oversight, and in some cases, lighter budgets too.

On the whole, though, the industry was keen to press on and get on with things. Share prices crashed in March when the panic was at its height, but quickly recovered thereafter.

Not for the mining sector this time round that same hunker-down mentality which so characterised the last major crisis it faced - the global financial crisis of 2008.

Back in 2008 money, and specifically, new capital was scarce.

Not so, in this new kind of crisis, where economies are stopped voluntarily rather than as a result of some kind of external shock or systemic malfunction.

In this crisis, money has been everywhere. Indeed, governments were keen to make sure there was more money in the world than there ever has been before, and printing presses - to use the euphemistic term - have been running hotter and hotter.

That in itself has raised some alarm bells amongst economists, and it was interesting to see Mervyn King, the former governor of the Bank of England commenting that Modern Monetary Theory is neither modern, nor monetary (since it is broadly fiscal in implication), and on the basis of the last contradiction, not much of a theory either.

Nevertheless, he didn't come down wholly against the money printing bonanza. To paraphrase, he said that the jury is still out.

But for the miners, it isn't.

Stimulus money creates demand, particularly for infrastructure, which is particularly intensive in its use of metals. It also reiterates that fiat money has no intrinsic value, and hence stimulates demand for gold.

That double win, an environment where base and precious metals are both in demand, has broadly characterised the second half of 2020 for the mining sector as a whole.

Even Rio Tinto (LON:RIO) which, experienced the worst public relations disaster of any company in the sector after it detonated huge amounts of explosives across a sacred aboriginal site, experienced its highest share price since 2008.

That's right, Rio's shares are at their highest since level since the early onset of the world's last major financial crisis more than 12 years ago. Anglo American's (LON:AAL) aren't doing quite as well - they are only at an eight-year high. Glencore (LON:GLEN), which doesn't have the exposure of Rio and Anglo to iron ore, one of the key ingredients in the now re-activated Chinese infrastructure boom, has done less well.

But the big gold companies, like Barrick Gold Corp (NYSE:GOLD) and Newmont Corporation (NYSE:NEM) have also been hitting multi-year highs, as gold has repeatedly tested, and on occasion gone through the US$1,900 mark while Australia's Newcrest Mining Ltd (ASX:NCM) (OTCMKTS:NCMGY) has traded up to A$38.15.

At the junior end of the market, De Grey Mining Limited (ASX:DEG) was one of the standout success stories, as it consolidated an Australian discovery that saw share prices rise from A$0.05 in January to A$1.60 in September and today has been up to A$1.02 while market cap has risen to approximately $1.285 billion.

Some supply still remains constrained as a result of the coronavirus, of course, especially from South America, where VALE's iron ore output suffered badly and some of the major copper mines had to curtail production significantly. But for the rest of the sector, which is able to produce, these supply constraints only add to the upward pressure on price.

And so, it was no wonder the capital markets flung their doors open to junior miners: while everyone else was sitting at home, the miners were still able to go out and make money.

And, as things stand, 2021 should see more of the same.

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