Juniors, mid-caps hold the next crop of projects

ARGONAUT Securities has again rounded up the best undeveloped projects within ASX-listed companies, with juniors and mid-tiers carrying all of the weight.

Kristie Batten | 12 Dec 2017 | 10:05

Gascoyne's Dalgaranga project.

The criteria for the 11 projects on the list were development stage (from scoping through to pre-production stage), an internal rate of return of more than 25%, profitable through all commodity price cycles, and a high likelihood of a project valuation of more than $A100 million within 24 months.

"High margin is a common theme, which is driven by favourable project attributes including grade, nimble operating cost structure and 'economies of scale'," Argonaut said.

"High margin projects are best positioned to buffer market volatility."

As with last year's list, analysts were unable to find a project that sits within an ASX major, and Argonaut analyst James Wilson told MNN the pool of projects to choose from continued to shrink, highlighting the lack of exploration in the sector.

Of the 11 projects on the list, six were also on 2016's list – Berkeley Energia's Salamanca uranium project in Spain, Dacian Gold's Mt Morgans gold project in WA, Metro Mining's Bauxite Hills project in Queensland, Pilbara Minerals' Pilgangoora lithium project in WA, Gascoyne Resources' Dalgaranga gold project in WA and Salt Lake Potash's Lake Wells project in WA.

Syrah Resources's Balama graphite project and Paringa Resource' Buck Creek coal project dropped off the list this year due to entering production, as did Gold Road Resources' Gruyere gold project and Heron Resources' Woodlawn zinc project, both under construction.

Nine out of 10 of 2016's projects have started construction, and the average rise in market capitalisation over last year's list was 102%.

New entrants were Regis Resources' McPhillamys project in WA, MOD Resources' T3 copper project in Botswana, Agrimin's Lake Mackay potash project in WA, Kidman Resources' Earl Grey lithium project in WA and West African Resources' Sanbrado project in Burkina Faso, though the latter three featured on the honourable mentions list last year.

Of the 11 projects, only four are under construction, though Berkeley announced today that it was awarding contracts to start construction in the new year, while Regis is expected to push the button on McPhillamys before the end of the month.

Of this year's projects, Mt Morgans is closest to production, with first gold targeted in March, followed closely by Pilgangoora, Dalgaranga and Bauxite Hills in the second quarter.

Pilgangoora has the highest net present value of all the projects, at $1.4 billion, while Bauxite Hills has the highest IRR at 77%.

Lake Mackay has the highest capex at $345 million and is the furthest from production (2021).

All of the projects have payback periods of less than three years, and all are in low-risk jurisdictions, with the exception of Sanbrado, which is in the moderate-risk Burkina Faso.

A further seven projects were given 'special mentions' – Cardinal Resources' Namdini gold project in Ghana, Stanmore Coal's Isaac Plains East coal project in Queensland, Avanco Resources' Pedra Branca copper project in Brazil, Northern Minerals' Browns Range rare earths project in WA, Sovereign Metals' Malingunde graphite project in Malawi, Apollo Minerals' Rebecca gold project in WA, and Merdeka Copper Gold's Tujuh Bukit copper-gold project in Indonesia.

In the case of Merdeka, the company technically doesn't qualify as it is not ASX-listed; however the company is run by Australians and may consider an Australian listing.

Source: http://www.miningnews.net/operations/feasibility/juniors-mid-caps-hold-the-next-crop-of-projects/?utm_medium=email&adfesuccess=0