

FROM THE CAPITAL

Ten ASX companies getting the job done

A look at a leading bunch of juniors doing what they said they were going to do, well

John Robertson

Those mining companies getting the job done deserve credit irrespective of investment outcomes. It is often unfair to judge company executives solely on market values in an era in which Mario Draghi's next utterance might be many times more influential than what's done at the mine or in the office.

A sound mining industry investment usually has two distinct elements: first, a company meeting a constantly evolving array of business targets every day and, secondly, an accurate judgement about how capital markets will respond to what the company is doing.

The first element is very much in the hands of company managers. The second, requiring an understanding of markets and cyclical positioning, is down to the acumen of investors. Each has their own role to play.

Companies consistently meeting their never-ending sequence of daily challenges are a necessary pre-condition for a favourable investment outcome and almost always preferable to the corporate sky rocket that puts on a show but is likely to disappear quickly over the horizon never to be seen again.

Companies grappling successfully with what they set out to do are hard to find. Here is my, admittedly Australian centric and subjective, list of 10 companies that deserve respect from investors for getting done what they said they were going to do.

Fortescue Metals Group stands out for having broken into an industry dominated by global industry stalwarts. The company is now fighting bravely against the lower iron-ore prices to which its own entry into the industry has contributed. That aside, Fortescue stands out for outstripping the consensus expectations for what it could achieve.

As an explorer, Sirius Minerals has outstripped expectations, too. Its Fraser Range discovery has precipitated a reappraisal of a region now touted as a new nickel province of global significance. Another 20 or so companies are looking to replicate on their own tenements what Sirius has done.

Sandfire Resources made its initial discovery at the DeGrussa copper prospect in Western Australia in April 2009 after several years



of trying and, three years later, was already producing. Within a single cycle Sandfire has moved from explorer to mature producer. Its current strategic challenge is to convert a large Bryah Basin exploration footprint into a long-life operating asset.

Orocobre has completed construction of a lithium production facility in Argentina. Some of its original thoughts about how long it would take had to be adjusted along the way as government approvals were delayed. Having adeptly overcome that glitch, the company is ramping up production. Its next big test is to sell all it can produce. It has a big enough resource to think of itself as a multi-decade producer and, consequently, a possible core portfolio holding for future investors in the sector.

Northern Star Resources has delivered on a promise to be a 600,000oz/y producer after first rehabilitating the Paulsens gold mine in Western Australia and then extending the business model to other properties being discarded after passing their prime. The company was at risk of becoming a big near-term producer with an unsustainably narrow resource base. Its promise to build value through longer mine life is its current strategic test.

Highfield Resources has four development sites in a historical potash mining area in northern Spain. It acquired its first Spanish potash assets in June 2014 after listing on the ASX in the previous February. It has completed a definitive feasibility study for the first of the projects at which construction is scheduled to begin by the end of 2015.

Whitehaven Coal was listed on the ASX in

June 2007 to operate coal mines in central New South Wales. The company subsequently acquired the Maules Creek thermal and semi-soft coking coal mine through a merger with Aston Resources in 2012. First coal sales from Maules Creek were reported in January 2015 and, in a tough market, the company secured a \$1.4 billion finance facility in March this year.

Sheffield Resources has further to go than most of the others in this list but its Thunderbird minerals sands project in Western Australia is the biggest discovery of its type in the world. Sheffield has had iron-ore exploration interests, which fell short of expectations, and is an aspiring Fraser Range producer so not every throw has hit a bullseye. But one quality discovery out of three is far better than mother nature intended, putting it ahead of all but a few other recent explorers.

Kasbah Resources was listed in 2007 with the aim of developing the Achmmach tin deposit in Morocco. It has worked steadily to build the resource and has successfully attracted high-quality project partners to one of the few greenfield tin projects on the horizon. Having recently tweaked its feasibility analysis to improve the project economics, it is at the point of securing funding for mine development.

With little fanfare, Universal Coal has moved into production after listing on the ASX at the end of 2010 with the aim of tapping the growth in South African energy demand. The first step was to become a domestic focused supplier of around 2Mt/y of thermal coal, bypassing the depressed state of the seaborne export markets. It subsequently acquired an idled colliery with a sufficient resource to sustain a 20-year mine life and where it is aiming to produce its first coal later in 2015 to double production.

Despite compiling this list supposedly without regard to investment outcomes, the temptation to check returns has been a little too much.

At the end of March, the average return among this group of 10 companies since the beginning of 2011 or first listing was +4%. The median result was a fall of 11%. These were hardly inspiring outcomes, although Australia's small resources share price index declined 76% over the same period. ▼