Mining Journal

Viewpoint > From-the-capital

Look at me, please

Gulf Manganese, Kasbah Resources, Lake Resources and Peninsula Energy caught my eye this month as they struggled with one of the most intractable investor relations challenges to ever confront the sector.

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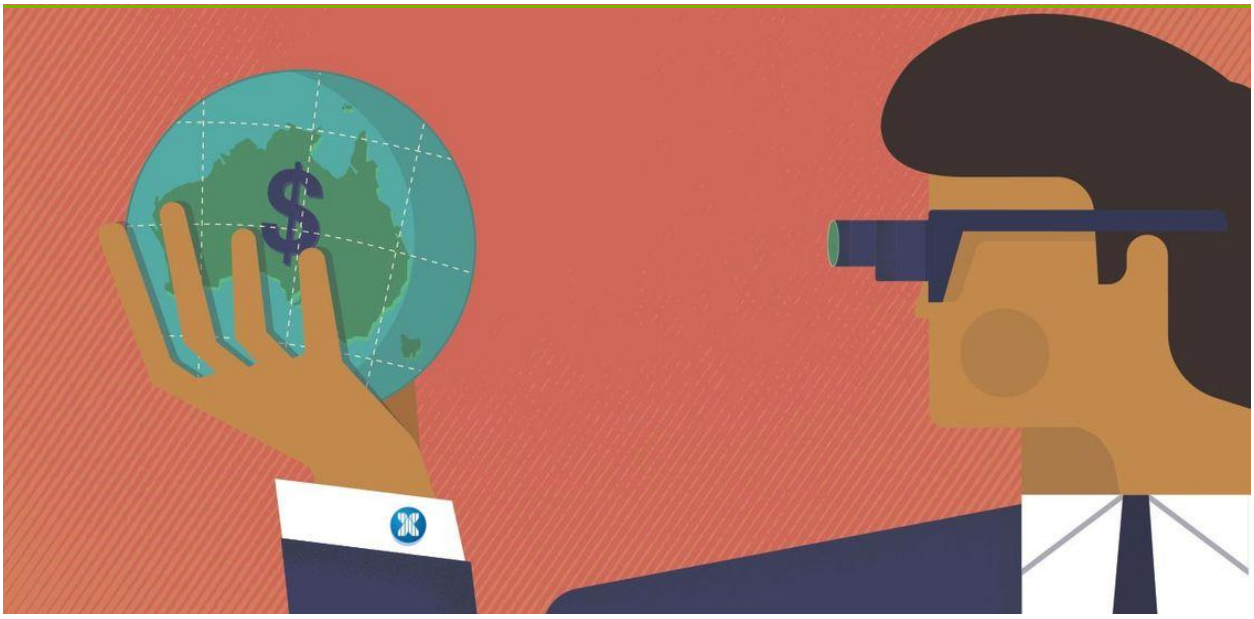

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Australian and international mining stock price indices have more than doubled since early 2016. Yet, the share prices of most stocks in the sector languish near cyclically, if not life of company, low levels.

The bulk of the industry desperately needs a circuit breaker for a sequence of negative returns.

The less support companies receive, the less quickly they can proceed toward their goals, the more expensive is the capital they raise and the greater the risk of value dilution for shareholders. Incentives to wait outweigh reasons to buy now.

The unyielding feedback loop reinforcing the negative cycle is overwhelming a near universal agreement that more mines are needed to meet future global metal demand.

Against this background, even the best resourced companies are challenged to differentiate themselves from the many hundreds of others jostling for market attention.

Previously well-worn paths to new investors are losing their relevance when savers with investible funds may never meet a broker face to face. At the same time, the advent of social media, easier to access communications technology and burgeoning points of influence mean more conduits to investors than ever before.

This is where Gulf, Kasbah, Lake and Peninsula coincidentally grabbed my attention.

There was nothing especially radical in what they did but it was enough for me to say, ‘thank goodness a few are trying a little harder'.

Gulf bobbed up on my Twitter feed, not just once but many times having tweeted out separately each page of its most recent corporate presentation. A picture of the page headed "Value Proposition" drew me in. Unfortunately, like so many in the sector, Gulf mistook a value proposition - which, in my mind, necessarily requires a description of the anticipated financial return on funds invested - for a list of things that it plans to do but, that aside, it made an effort.

> **Even in the absence of good news, a pattern of regular open briefings is a way to help restore a tarnished reputation and, piece by piece, rebuild lost credibility**

I happened across Peninsula Energy chief executive Wayne Heili on YouTube. Being unexpectedly accosted worked. I tuned in. The company is one of the best positioned to take advantage of a future upturn in demand for uranium but that is proving a long wait.

To help cope, Peninsula is modifying its extraction technology to push costs down. As a US producer, it would also benefit from any government moves to source more nuclear fuel locally. The YouTube platform facilitated the exploration of these issues for a wide audience.

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A webinar from Lake Resources chief executive Steve Promnitz spotlighted the company's activities in Argentina. Lake's extensive tenement interests in the vicinity of existing production centres suggest a prosperous lithium oriented future, at least on paper.

The webinar format allowed Promnitz to move methodically through an explanation of what he was doing and why it makes sense. Use of a marking pen to draw attention to aspects of the presentation was hardly rocket science but would have helped viewer engagement. Simple things can make a difference.

Webinars are easily done and potentially so much more effective than simply lodging a sometimes hard to comprehend PowerPoint presentation on an exchange platform. As they expose investors to the thought processes and explanations of an executive, webinars are also more credible than pretend David Frosts quizzing incumbent executives in manifestly contrived interviews.

The choice between lodgement of a presentation and a webinar should be simple. One is the most basic effort required to fulfil disclosure obligations. The other recognises that companies need to improve the odds of engaging with, and convincing, more than just the miniscule proportion of their potential investors with whom they make direct contact.

Important do's and don't's need to be observed in producing good investment content. Promnitz repeatedly infringed one rule of thumb in lamenting the poor investor response to his company's efforts. Saying investors have got it wrong or have failed to properly understand businesses can easily come across as unjustified blame shifting or a misapprehension of a company's circumstances.

As recently as 2016, Lake Resources was a copper explorer in Pakistan before pivoting into Argentine lithium. The team leading the company is technically accomplished but has not successfully delivered projects of this type before. Promnitz's last venture as chief executive was with the now delisted Indochine Mining. Track record matters.

Kasbah Resources advertised a conference call on Twitter to update still sceptical and, in some cases, angry investors about progress toward development of its Moroccan tin project. For years, the company has been on the verge of tapping cheap Japanese funding, according to its incumbent chief executives. Unfortunately, the latest briefing raised fresh doubts about that happening.

Even in the absence of good news, a pattern of regular open briefings is a way to help restore a tarnished reputation and, piece by piece, rebuild lost credibility.

Unbelievably, for a company battling to rejuvenate its investment standing, someone decided to expunge the question and answer portion of Kasbah's recorded conference call posted on the company's website, seemingly to hide evidence of any obstreperous shareholders. Hopefully, such overzealous editing arose from an amateurish investor relations effort because it would be sad to think someone had been paid for such counterproductive tactics.

All four companies are striving to overcome heavy loads of lead in their reputational saddle bags. At the same time, all now have something substantial to offer.

In other times, their market values could be some multiple of what they are today. To fulfil that promise, Gulf, Kasbah, Lake and Peninsula must first work to attract attention, then restore much-needed credibility before establishing sufficient confidence in what they are doing to ramp up prospective investment returns.

Improved cyclical conditions would make life so much easier. Failing that, the onus will fall on senior executives of all companies to hone their investment pitches for a world of multi-channel delivery in which innovation in communications plans will characterise the most successful.

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