

[Home](#) > [From the Capital](#) > [Are miners really different?](#)

Are miners really different?

A special Christmas greeting to all those readers who have criticised, defamed, attempted to censor, threatened legal action and blustered accusations of criminal conspiracy as a consequence of my weekly 'From the Capital' jottings during 2016.

[John Robertson*](#) | 22 Dec 2016 | 10:21 | [Opinion](#)

[f](#) [Twitter](#) [t](#) [G+](#) [in](#) [✉](#) [RSS](#)



CEOs are often upset at mining analyst's critical takeaways

My first recollections of belligerent mining industry executives bullying analysts date back more than two decades leaving me in little doubt about the risks I run in expressing even vaguely critical opinions about industry outcomes.

The desire of executives to defend businesses to which they have committed a large part of their lives is understandable enough and, in some circumstances, even laudable. But the urge to attack in the face of anything less than overt flattery is in arrogant defiance of reality.

Related content

- [Lithium brain fade](#)
- [Kidman sells Burbanks](#)
- [Picking the right commodity](#)
- [Lithium litmus test](#)
- [Mt Holland, Australia: 85.7m grading 1.75% Li2O from 93.9m depth \(KEGR007\)](#)

Almost certainly, no ASX-listed resources company will meet the goals set out by directors to attract investors.

This might sound overly derogatory and unreasonably dogmatic but the observation stands the test of time as well as conforming to the mathematics of the underlying investment propositions being put forward within the industry.

As I have observed in columns through the year, mine development is a series of conjunctive events. If a company needs to finalise 10 critical steps along the path to development, each of which has an apparently high 80% chance of being completed as planned, the overall chance of success is actually around 10% and not, as some would mistakenly infer, the average of the chance of each step being completed.

Mine development is a daunting and potentially thankless task. Everything needs to fall into place seamlessly for success. It is no use saying, for example, that every box has been ticked except for the failure to obtain a native title agreement. One failure along the way, no matter how exemplary the remaining parts, potentially scuppers the whole.

Successful investing in the sector requires concerted efforts to identify risks so as to skilfully skirt around the inevitable deviations from plans.

Against this reality stands an unwritten law that no one should talk about risk publicly. Risk denial is such a deeply embedded cultural feature of the mining industry that self-righteous indignation easily morphs into obnoxious bullying at its mention.

So, when a chief executive objects to strategic risks being highlighted as pertinent influences on investment decision-making, I am inclined to politely ignore the noise.

Late in the year, one reader described the column as well written but generally too conservative. That, in contrast to the vituperation of offended chief executives, was an observation worth contemplating.

Trying to strike a fair balance in a complex world does often prevent a radical conclusion and, yes, adoption of conservative opinions.

Ironically, where my remarks attracted the most intense executive anger, I had actually been concerned to draw out in a balanced fashion some of the wider investment implications of the diverse pressures confronting directors.

My comments about Kidman Resources, whose directors proved themselves among the most obnoxiously thin-skinned of those encountered in the past year, are illustrative.

After listening to chief executive Martin Donohue speak about the company's business strategy at a meeting hosted by the Melbourne Mining Club, I described Kidman favourably as having adopted "a clear strategic pathway" in explicitly dropping its pursuit of base metals in favour of gold.

My [July 27 column](#) went on to describe how the surprise discovery of lithium on the company's tenements in Western Australia added an investment challenge, namely, having to explain a new and still ill-defined strategy to investors.

The irresistible buzz of lithium, I contended, risked confusing investors about strategic directions. It also posed a challenge for companies needing to prioritise capital in a market in which funding was difficult to access. Kidman was only one example among many.

TOPICS (select for more information):

John Robertson

Lithium

Australia

Kidman Resources

"Risk denial is such a deeply embedded cultural feature of the mining industry that self-righteous indignation easily morphs into obnoxious bullying at its mention"

Donohue himself had spoken at some length about the company needing to choose between lithium and gold. In then publicly committing the company to a clear statement about its strategic intentions, it was Donohue who had initiated the theme of the column.

Following publication of the column, colleagues and acquaintances of mine were assailed by company lackeys clumsily questioning my integrity as they alleged the company had been badly misrepresented. So great was the offence, I was informed by Donohue, that the Kidman board had decided to take legal action against me.

Paradoxically, Donohue conceded to me that he agreed with the general point of the column but did not like the idea of Kidman being used as an example. He suggested there were other companies to which I could have more accurately referred.

Besides, he claimed, he would be announcing a clear strategic path focusing on gold and hiving off the company's lithium interests within a matter of days. Others may have been confused and indecisive in the face of the lithium frenzy but not Kidman, according to Donohue.

But, as I pointed out to the Kidman chief executive, the history of the industry was tilted in another direction. The evidence suggested Kidman would not choose gold over lithium. It would stick with both.

Despite my scepticism, but being pleasantly surprised at Donahue's apparent commitment to strategic good sense, I made a firm offer to follow up with a column using Kidman as an example of unusual strategic clarity as soon as his promised announcement had been made.

Unfortunately, no such announcement was ever forthcoming. But indignation persisted and Donohue subsequently reiterated his threat of legal action against me, apparently on instructions from a still inexplicably and obdurately hostile board.

Meanwhile, the company now claims that its gold and lithium development options "will be pursued in parallel".

My gut feel was right. The temptation would be too great. The courage to decide would not exist. Kidman Resources directors were simply adult versions of disagreeable playground bullies.

So, as I contemplate the concluding year and also wish all my less petulant readers a Merry Christmas, the lesson for 2017 becomes clearer. In pursuit of less conservative opinions, I should ignore companies saying 'but we're different'. Thanks, Kidman.

**John Robertson is the chief investment strategist for PortfolioDirect, an Australia-based equity research and resource stock rating group. He has worked as a policy economist, business strategist and investment professional for nearly 30 years, after starting his career as a federal treasury economist in Canberra, Australia*

