

# Follow yesterday's leaders in today's mining market

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*West African Resources expects to bring its Mankarga gold project in Burkina Faso into production in 2016.*

By **Trevor Hoey**

Perhaps during a period of indiscriminate selling it may pay to follow the smart operators behind the success stories of years gone by to identify emerging companies worth targeting.

*Smart Investor* reflects on the backgrounds of Mark Connelly and John Wellborn and profiles companies where they have recently been appointed to key management roles.

Most would remember Mark Connelly as managing director of Papillon Resources, where he was charged with the role of developing the Fekola mining project. He took Papillon from a mere minnow to a \$670 million takeover by B2Gold in 2014.

Wellborn was involved some five years earlier when a suite of West African gold assets including the Fekola tenement was sold by Prairie Downs Metals (now Prairie Mining) to Colonial Resources.

Wellborn was managing director of Prairie Mining and is still on the board of the company. Colonial Resources eventually morphed into Papillon Resources and Connelly was appointed managing director in 2012.

The most recent moves have been Connelly to chairman of West African Resources and Wellborn to managing director of Resolute Mining. West African Resources expects to bring its Mankarga gold project in Burkina Faso into production in 2016 with analysts at GMP Securities forecasting production of 71,000 ounces in fiscal 2017.

By comparison, Resolute is one of the largest gold producers by volume listed on the ASX with fiscal 2015 guidance of 315,000 ounces, predominantly from its flagship Syama project in Mali.

The group has also advanced its Bibiani gold project in Ghana where the completion of a scoping study in June delivered an underground mining inventory of 574,000 ounces. The study showed extremely low start-up costs, a short payback period and a potentially long mine life which even on current metrics translates to 5.5 years.

Duncan Hughes from GMP Securities is forecasting group production of 316,000 ounces in fiscal 2016 generating a profit of \$63 million, representing earnings per share of 9.6¢. This places the company on a price-earnings multiple of less than four based on its recent trading range which implies a discount of about 40 per cent to Hughes' 12-month price target of 55¢.

Hughes said he expects Wellborn will want to fast-track Bibiani if results are in line with expectations and this could see it come into production quickly given infrastructure is already in place.

Resolute has an impressive share register which includes Baker Steel, Van Eck and ICM Investment, which manages funds in excess of \$US24 billion (\$31.9 billion).

## **BULLISH**

GMP is equally bullish on West African Resources and on the score of Connelly's appointment said: "he brings significant credibility in terms of West African gold mine development and deal making capability".

Prior to Papillon Connelly was managing director of Adamus Resources, which merged with Endeavour creating a three-mine, 300,000-ounce producer under his leadership. Connelly has also had important roles with Newmont and Inmet and it would be difficult to find anyone with greater experience in gold exploration and development in that region.

West African's share price surged nearly 50 per cent on the day his appointment was announced. However, this was arguably off an oversold level and not surprisingly despite current sharemarket volatility the rerating has stuck.

In discussing with *Smart Investor* his decision to take on the role he was quick to praise the company's progress to date, saying, "West African acquired Mankarga only 18 months ago which is a testament to the management team to get it to this stage of development".

He said he was pleased to join the board at such an exciting time and hoped he could use his past experience in West Africa to help the company to continue to move forward – fairly modest words from one who has rewarded shareholders handsomely as a result of his astute hands-on approach at other ventures.

Mankarga is shaping up as a high-grade low-cost project, a distinctive advantage for investors concerned about the gold price falling further. GMP estimates cash costs including royalties in fiscal 2017 will be \$US566 per ounce, implying a healthy margin based on its projected 2017 gold price of \$US1225 per ounce.

Looking at Wellborn's other interests, one that looks particularly attractive is Prairie Mining which has just been granted the exclusive right to apply for and consequently be granted a mining concession for the Lublin coal project in Poland.

It is a large-scale premium coal project close to infrastructure. Assumed annual operating costs of \$US37 per tonne place it on the lowest position of the global cost curve for coal delivery into Europe. Prairie is definitely worth putting on the watchlist.