The best undeveloped projects of 2018

ANALYSTS at Argonaut Securities have selected nine properties which have been identified as the best undeveloped projects of 2018.

Kristie Batten | 18 December 2018 | Exploration/ Development > Feasibility

The selection criteria to make the best undeveloped projects (BUPs) list includes the project being between scoping and before commercial production, having an internal rate of return of more than 25%, is able to profit through all cycles, has a high likelihood of achieving a project valuation of more than $100 million within 24 months, and the owner must have a market capitalisation of less than $5 billion.

"Perhaps the key criterion to our BUPs is low-cost, high-margin assets with the capability to maintain strong financial returns through the commodity price cycle," Argonaut said.

"The quality of such projects enables a broader range of financing options, underpins likely development as well as increasing M&A appeal."

Last year the list had 11 projects and in 2016, 10, which Argonaut attributed to "the lack of projects entering feasibility stage as a consequence of low investment in exploration".

Of the nine, four are in Australia and four are gold projects.

New entrants on this year's list were OZ Minerals' newly acquired CentroGold gold project in Brazil, Galena Mining's Abra lead project in Western Australia, Cardinal Resources' Namdini gold project in Ghana and Myanmar Metals' Bawdwin zinc project in Myanmar.

Regis Resources' McPhillamys gold project in New South Wales, MOD Resources T3 copper project in Botswana, Kidman Resources' Mt Holland lithium project in WA, and West African's Sanbrado made the list for the second year running, while Salt Lake Potash's Lake Wells potash project in WA made its third straight appearance.

Falling off the 2018 list was Pilbara Minerals' Pilgangoora, Dacian Gold's Mt Morgans, Metro Mining's Bauxite Hills and Gascoyne Resources' Dalgaranga after they all reached production during the year.

Dacian was the best performer of the 2017 list, with its share price rising 18% over the year as the company started production on time and on budget and grew resources.

Agrimin's Lake Mackay potash project in WA was on last year's list but didn't make the cut in 2018 due to it no longer meeting the criteria, while Berkeley Energia's Salamanca uranium project in Spain dropped off after being on the list for three consecutive years.

Of all this year's projects, Kidman's Mt Holland, a 50:50 joint venture with SQM, has the highest net present value and internal rate of return at A$1.82 million and 191% respectively.

It also has the lowest capital cost at $114 million.

Namdini has the highest capital costs by far with an expected outlay of $575 million, while CentroGold has the lowest payback at just 1.5 years.

Unlike 2017's list, none of this year's projects are under construction though Sanbrado's development is imminent after West African achieved financing recently.

The report also includes 10 "special mentions", some of which are pre-study stage but show potential.

The most advanced of these is Australian Mines' Sconi nickel-cobalt project in Queensland and Strandline Resources' Fungoni mineral sands project in Tanzania, which are at financing stage.

Explaurum's Tampia gold project in WA isn't far behind after the company released an updated feasibility study on Friday.

Tungsten Mining's Mt Mulgine tungsten project in WA is subject to a review before the start of construction, while Core Lithium's Finniss project in the Northern Territory is at the definitive feasibility study stage.

Merdeka Copper-Gold is not expected to release a feasibility study into its major Tujuh Bukit porphyry project until 2021.

Genesis Minerals just released a scoping study for its Ulysses gold project in WA.

At the early or pre-study stage is Bellevue Gold's Bellevue gold project in WA and Xanadu Mines' Kharmagtai copper project in Mongolia.

The earliest stage project is Atrum Coal's Elan South coking coal project in Canada, which is pre-resource.