

# Africa still attractive to Australian junior explorers

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The increased participation at the recent Africa Down Under conference indicates that the caution exhibited over last few years by many of the Australian Securities Exchange (ASX) listed junior explorers may have come to an end.



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Conversations are now focused on finding suitable projects to buy or fund. There has been a tangible increase in the ability of ASX explorers to raise funds, explore and invest.

For several years, BDO has analysed the quarterly reports of mining and oil & gas exploration companies listed on the ASX. The latest edition of the Explorer Quarterly Cash Update – Quarter Ended June 2018 on the cash position of ASX listed explorers, shows that across the sector investing cash flows increased by 44% from \$411m for the March 2018 quarter to \$592m. The increasing trend in capital expenditure observed over recent quarters demonstrates that these companies are actively pursuing investment opportunities to strengthen or expand their scale of operations, in addition to exploration activities.

The change of tide for ASX junior explorers is further supported by the total exploration expenditure for June 2018 quarter reaching the highest level since June 2016 quarter.

Exploration expenditure increased by 15%, from \$366m for the March 2018 quarter to \$420m for the June 2018 quarter. This represents the second highest spend on exploration during a single quarter since March 2015. The Australian Bureau of Statistics also reported that metres drilled by exploration companies increased by more than 44% for the June 2018 quarter.

## African prospects

Furthermore, the number of ASX-listed exploration companies continues to exhibit an upward trend, increasing for the second consecutive quarter, from 702 to 705. Given the steady fall in the number of ASX listed explorers from 2012, the recent uplift is very encouraging. There were 30 exploration companies that raised in excess of \$10m during the June 2018 quarter. Of these, there were four gold, four lithium and four oil and gas companies. Of these, several have interests in Africa, including West African Resources Limited (gold, Burkina Faso) which raised \$36m, Battery Minerals Limited (graphite, Mozambique) which raised \$20m and Lukapa Diamond Company Ltd (diamonds, Angola) which raised \$17m.

Africa has always held its reputation as the land of opportunity, however the decline in commodity prices following the mining downturn forced Australian companies to focus on “low risk” assets closer to home. The companies that made it through the tougher times were able to do so through reducing administration costs. The continuation of the improved performance in the last few quarters, together with the availability of funds and increased costs in Australia, is leading to an increased appetite for ASX explorers to go back into Africa.

## ABOUT THE AUTHOR

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