

MOD to fall to Sandfire after success and stock standard trading history

MiningNews.Net – June 25, 2019
Exploration / Development > Discovery
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COPPER explorer MOD Resources is set to be taken over at the second attempt by miner Sandfire Resources via a A\$167 million scrip and cash deal.

Sandfire failed early this year to transact a deal valuing the Botswana-focused MOD's shares at 38c, but it is set to be successful this time after upping the bid about 18% to 45c and including a cash component to a maximum of \$41.6 million.

The potential deal comes after MOD issued new equity post Sandfire's initial bid price at 31c per share.

It also comes after MOD completed a feasibility study for its T3 project three months ago and thereafter went hunting for financing.

The feasibility results point to Sandfire needing in the order of \$260 million to develop T3 as a 28,000 tonne per annum copper producer - plus 1.1 million ounces per annum of silver.

Sandfire had \$194 million at the start of the June quarter, with about \$42 million likely to be paid to MOD shareholders who want cash as part of their consideration in the takeover now underway.

First production from T3, previously flagged for 2021, would marry well with depletion of Sandfire's DeGrussa project in 2022, though the copper miner will also be hopeful of exploration success near its established WA operation and good progress at its possible Black Butte development in Montana, US.

With MOD heading for the exits, history shows shareholders of the company in early 2016 were the big winners, with the stock going from about 4c back then to around 70c over a 12 month period - on a subsequently consolidated-basis.

However, since a fundraising priced at the equivalent of 62c back in March 2017, the value of the stock has steadily eroded as feasibility work continued.

The erosion matches the textbook market pattern typically followed by "successful" exploration stocks in the resources sector, with the value created in the discovery phase being chipped away over the feasibility period.

Not that MOD can be faulted for its efforts to preserve value, with exploration accelerated to outline the upside and a listing in London among the corporate initiatives undertaken.