

EXTRACTING INSIGHTS

A REVIEW OF THE PERFORMANCE OF AIM LISTED MINING COMPANIES FOR THE YEAR TO JUNE 2021

C-19 and cleantech spur mining company performance

1. INDEXED PERFORMANCE (JULY 2020-JUNE 2021)

The AIM Basic Resources index has rebounded strongly since the markets declined in March 2020, increasing by 47% in the year to 30 June 2021.

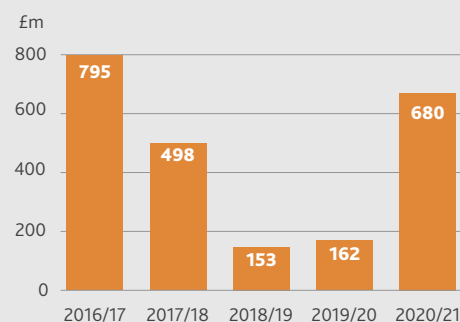
This strong performance likely reflects the strength of commodities such as copper and nickel, whose supply is fundamental in the context of global net zero targets in order to drive the increase in electric vehicles needed, the construction of many renewables projects and the scaleup of other technologies enabling the transition such as electrochemical energy storage systems. The increase in commodity prices also reflects increased economic activity from government spending in response to C-19 and the general recovery from the pandemic.

Gold has remained relatively stable, in contrast to last year when it grew strongly as a safe haven commodity in the midst of the pandemic.



2. FURTHER ISSUES

Fundraising for mining companies on AIM saw a significant increase from last year – up 320%.



Companies have taken advantage of the increase in demand for commodities arising from government spending in response to C-19, the restarting of the global economy and drive to reduce emissions through clean technologies.

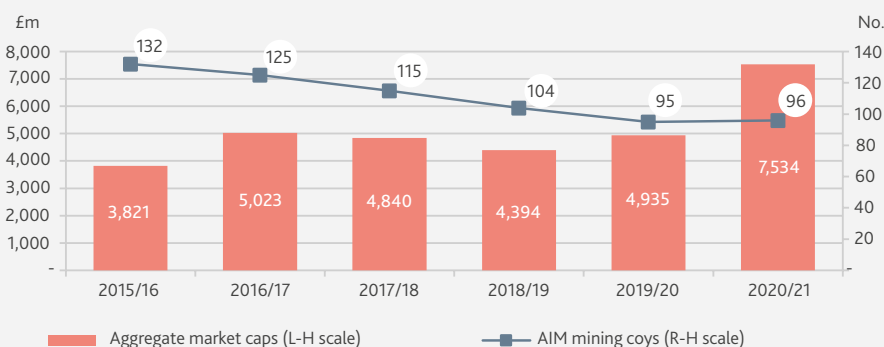
There was an increase in the number of fundraising transactions from 132 in 2019/20 to 143 in 2020/21 but, more significantly, the average raise per transaction increased from £1.23m to £4.75m (up 287%), reflecting investors' willingness to invest larger sums in the sector on the back of increased commodity demand.

3. MINING COMPANY NUMBERS AND MARKET CAPS

The total market capitalisation of AIM mining companies at 30 June 2021 was £7,534m, a 53% increase from the previous year.

The average market cap per mining company was £78m, up 51% on the previous year and the highest average for 10 years. Following a prolonged reduction in AIM mining company numbers, particularly smaller entities, this would suggest that the remaining population is perceived to be of relatively high quality.

The 51% increase in average market cap per mining company is in line with the increase in average market cap for the wider AIM market (48%). After a number of difficult years, it is positive that the mining sector now seems to be as much in favour as other sectors on AIM.

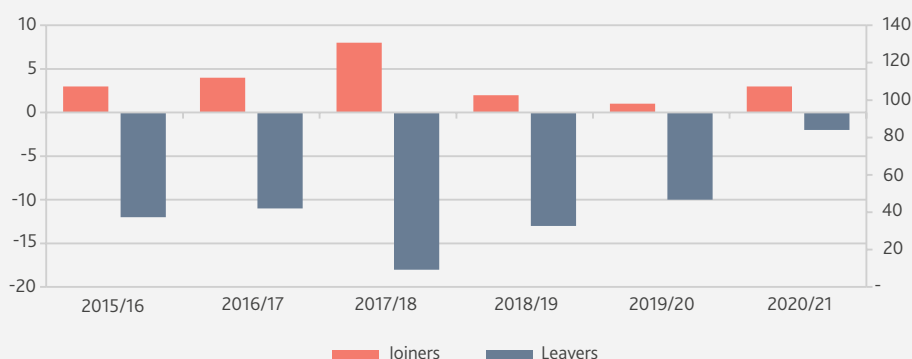


4. AIM MINING COMPANY JOINERS AND LEAVERS

For the first time since 2012/13, there were more joiners (three) than leavers (two) in the AIM mining company population.

Whilst the number of new joiners is still very limited, it is encouraging that there has been such a significant reduction in leavers to just two, the lowest number since our survey began in 2011. Hopefully this is a sign that the cutting of the tail of small companies is nearing completion, leaving a healthier remaining population.

One of the two leavers was Highland Gold, previously the largest AIM mining company, which was acquired by Fortiana Holdings in a deal valuing the company at c£1bn. **This shows how successful AIM can be as a home for growing resources companies who can still achieve successful outcomes if they have the right projects and strategies.**



OUR OUTLOOK FOR 2021/2022

With commodity prices surging and investor appetite heightened, now may be a good time to consider an IPO or raise further capital.

The current focus on ESG is no longer just a focus for the FCA but also for listing sponsors. Maintaining robust risk controls and assurance frameworks is therefore key. BDO recently advised a listed mining company on sustainability reporting as part of a Financial Position and Prospects Procedures report, a type of request which was unprecedented. We expect to see strong demand for related support services in the future.

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FURTHER READING



BDO Global Mining group



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