

Share prices support current gold and coal transaction values

By Deborah Spicer

Investors in stocks on the Johannesburg Stock Exchange (JSE) Securities Exchange appear to support current transactions when valuing gold and coal shares.

This is apparent in the commodity curves that Venmyn has compiled this year.

Gold and coal valuation curves showing Enterprise Value (EV)-per-unit-of-mineralisation plots and plots for transaction-values-per-unit-of-mineralisation show that these broadly agree.

There is no shift between the EV-per-unit-of-mineralisation plots and the value-of-transactions-per-unit-of-mineralisation plots for transactions that took place between 2009 and now.

Since EV-per-unit-of-mineralisation plots and the value-of-transactions-per-unit-of-mineralisation plots broadly agree, transactions are currently being carried out at a value that the share prices support.

When conducting a valuation, Venmyn typically suggests a range of values for an asset and provides clients with a preferred value based on the technical merits of a project. Many transactions occur at this value or a value close to this.

If clients choose to purchase an asset at a price in the upper portion of the valuation range that is being suggested by Venmyn, this typically means that there is a strategic advantage to buying the asset at that price.

If clients buy assets at a price in the lower portion of the valuation range that is being suggested by Venmyn, this may mean that there are non-technical factors that are influencing the value of the asset, including, for example, that the asset is a distressed one that needs to be disposed of quickly, etc.

To purchase gold, coal or other commodity valuation curves showing current transaction values, per unit of mineralisation for various resource categories, and showing current EV-per-unit-of-mineralisation values, please contact Iaan Myburgh.