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Pierpont Shareholders have had a tough time with falling commodity prices. Some worse than others.

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Christmas being a cheerful time of year, Pierpont will spend today trying to spread a little joy among his readers.

Many of you will doubtless be downhearted because the fall in commodity prices has crunched the value of your resource stocks. Others are despairing because shares in the big four banks are retreating, due to David Murray insisting they should shore up their capital bases.

Pierpont's mission today is to revive investors' spirits by pointing out that things could be worse. You might be moaning about the drop in value of your BHP or Westpac shares, but there are several other companies around the ASX where investors have suffered far more dire results.

As proof, your correspondent will list three that have been disasters for shareholders, plus a fourth which may yet be saved – just to give readers some extra uplift.

Platinum Australia was a star stock between 2005 and 2008, when it soared from a few cents to $11 mainly on the prospects of its Smokey Hills platinum mine in South Africa. But there wasn't much time to escape at the top, because it tanked abruptly, crashing below $1 and finally going into administration in 2012.

What went wrong? Everything.

To begin with, the global financial crisis belted the price of platinum down from $US2080 in July 2008 to under $US800 an ounce by December (which is why the share price crashed that year). Platinum then recovered but has been in a broad downtrend for the past three years and is $US2012 as Pierpont quills this column.

Platinum Australia had delegated development of the mine to a contracting **company** named Redpath **Mining**. Platinum Australia's directors repeatedly said the development was progressing well, although it wasn't.

Smokey Hills was planned to reach full production of 7900 ounces a month in the first half of 2010 (or 95,000 ounces a year).

But production ran under budget for several reasons. One was industrial action, which had been plaguing the mine at least since 2007. Another was power outages, a chronic problem with mines all over South Africa because the grid just can't supply reliable electricity.

The mineralisation was shallow, enabling Platinum Australia to access the ore by simple adits (tunnels, if you like). Then they hit a large pothole between two of the adits and had to redesign the mine access.

Worse, Redpath was failing to hit production targets. Full production was delayed for a year and directors said they were addressing the situation. In 2010 they sacked Redpath and brought in another company called JIC Mining as contractor.

The switch triggered even worse labour problems, partly because the employees claimed they were owed wages that Redpath hadn't paid. JIC sacked the majority of the workers, who went feral and launched a campaign against the mine. One employee of JIC was killed while travelling home at the end of a day shift. Then Redpath sued Platinum Australia for damages. The company settled for $93 million.

At the start of 2012, Platinum Australia terminated JIC and began running the mine itself. But platinum prices kept deteriorating, production never reached target and in June the company called in Bryan Hughes of Pitcher Partners as administrator.

The shares have been suspended ever since. Hughes sold the assets to African Thunder Platinum, a subsidiary of the Toronto private equity company Great Lakes Capital Management. Macquarie Bank, as the secured creditor of Platinum Australia, will get 13.5 per cent of African Thunder. Unsecured creditors and shareholders will receive 2 per cent. So the shareholders who once owned 100 per cent of Platinum Australia will wind up with maybe 1 per cent of African Thunder.

Not quite a wipeout, but close.

Coppermoly Ltd was another stock that looked a great bargain. Coppermoly had 28 per cent of the Mount Nakru copper deposit in New Britain, PNG and was negotiating to buy the remaining 72 per cent from the giant Barrick Gold for $5 million.

This looked terrific. Barrick had spent $24 million exploring Mount Nakru and was prepared to quit for about what it spends on postage stamps.

Coppermoly was able to force the sale because it held legal encumbrances over the deposit, which prevented anyone else from bidding, and Barrick wanted out anyhow.

The Nakru-01 deposit had an inferred resource of 38 million tonnes at 0.6 per cent copper plus minor grades of gold and silver. In 2012, Swain Engineers did a conceptual mining study, which estimated that an open-pit mine would have an eight-year life and pay back debt in two years. Swain estimated the net present value of the deposit at between $291 million and $728 million.

There is also a Nakru-02 deposit, where a drill hole struck copper grading more than 1 per cent and so looks highly promising, along with several other prospects nearby. Development of the mine, together with a slurry pipeline to the port of Kimbe is estimated to cost $500 million.

The jarring difficulty is that Coppermoly has no cash. It is one of the great horde of junior resource companies trying to raise hundreds of millions for capex while having a bank account that would barely cover Pierpont's Bollinger bill. And the fall in commodity prices hasn't helped. During 2013-14, Coppermoly raised $2.9 million in four share issues and borrowed another $500,000 from its major shareholder Jelsh Holdings, but by the end of September had only $125,000 left in the kitty. Jelsh is charging 6.5 per cent interest on its loan, which is due to be repaid by New Year's Eve.

Coppermoly is talking bravely about doing a joint venture, but the shares have crashed from 15¢ in 2010 to a notional 0.7¢ now and Pierpont fails to discern any white knight riding to the rescue.

Gindalbie Metals is a mid-west iron ore hopeful whose share price has plummeted from $1.60 in 2008 to about 2¢ now.

Gindalbie failed to reap profits from its Karara magnetite mine in the high days of the iron ore boom because of various problems, including slow environmental approvals, the rising Australian dollar, the scarcity of skilled labour and soaring construction costs. Some of these problems have gone or ameliorated, but too late to help Gindalbie.

One of its biggest problems was the concentrator. To expedite construction, some of the engineering design work wasn't completed – a short cut that proved almost lethal. The plant, which was supposed to be fully commissioned in early 2010, was not declared open until April 2013, but still wasn't in commercial production. The first batches of premium quality magnetite were not produced until August 2013.

Iron ore fines clogged filters in the tailings circuit, restricting plant throughput, which had to be fixed with extra pipes and pumping capacity. The tailings system was not achieving correct moisture content and had to be re-engineered.

Total project cost, originally estimated at $1.9 billion, blew to $2.75 billion. And then, of course, the iron ore price crashed.

Gindalbie has been rescued, after a fashion, by its joint venture partner, Ansteel of China, which has pumped funds into the project. Ansteel now owns 52 per cent of the mine and the right to take its stake in Gindalbie to 62 per cent. So Gindalbie hasn't died, but it's on life support. Karara's performance is improving, but it's still not cash-flow positive and, in the words of chairman Keith Jones at the annual meeting "many challenges remain to be overcome before the operation is self-sustaining".

KBL Mining had a different problem. It was running the Mineral Hill copper-gold mine in central NSW before it was nearly hijacked last month by John Kinghorn. Until then, KBL was not only operating profitably but looked like one of the great ASX bargains.

In 2014, KBL made a profit of $10.4 million. Admittedly $6 million of that was a writeback of a previous impairment of Mineral Hill. Even so, the $10.4 million equated to 2.7¢ a share. As the shares were trading around 3.5 , that notionally gave the stock a price-earnings ratio of less than 1.3 times.

But KBL had a $12.5 million debt facility with Capri Trading, owned by the Kinghorn family, which also held 38 million shares in KBL, representing just under 10 per cent. KBL was an open register company with the top 20 holding only 54 per cent.

KBL wanted to dig an open pit to exploit the Pearse gold deposit at Mineral Hill and was looking for ways of funding the capital expenditure. The Pearse extension of Mineral Hill was estimated to produce a free cash flow of $34 million to KBL.

Suddenly last month a junior explorer named Kidman Resources announced it had acquired the debt facility and the shares from Capri Trading. Kidman held tenements next door to Mineral Hill.

Kidman did not seem financially robust. Its cash at the end of September was a mere $1.6 million, so how it would repay Capri looked problematic.

Kidman was active, though. It immediately began approaching KBL shareholders, urging them to vote against all shareholders at the annual meeting due on November 19. That would have included sacking two KBL directors who were up for re-election – Greg Starr and KBL's chairman Jim Wall. In fact, Kidman wanted to sack the entire board and replace them with three of their own nominees.

The Capri-Kidman loan could be converted into shares if KBL was subject to a takeover event. A Kidman-appointed board could trigger that provision by organising some sort of takeover offer.

If the offer were made at the prevailing price of 3.5¢, the loan could have been converted into something like 350 million shares, almost doubling KBL's issued capital and making Kidman-Capri the dominant holder with about 50 per cent. Other shareholders would have been massively diluted and control would have changed hands without the bidder being required to offer a control premium.

KBL adjourned the AGM until November 28 and the board fortunately managed to secure enough votes (roughly 120 million votes to 93 million) to stave off immediate disaster.

KBL director Bob Besley says the company is close to securing enough capital to pay back the $12.5 million loan and develop the Pearse pit (maybe $8 million capex to strip the ore body and instal a small carbon-in-leach plant). KBL has also found three potential Chinese buyers for the gold concentrate from Pearse.

Of course the funding has not yet arrived and Capri and Kidman are still lurking, so KBL has to raise some $29 million quickly to avoid further peril.

And there could be another chapter to go, because KBL also needs capital to fund its proposed Sorby Hills silver-lead-zinc mine in the Kimberleys.

Anyhow, that's the happiest mining story Pierpont could find to conclude this column. He'll see you all again with the Dubious Distinction Awards in a few weeks.

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4 disaster stories to cheer you up and show you how things could have been a lot worse.

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