

FINANCIAL REVIEW

SE Australian Financial Review Magazine
HD **NEW FRONTIERS**
BY Tony Walker
WC 2,962 words
PD 27 June 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 34
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

Seat-of-the-pants **oil** and gas prospector Jerry Ren is emblematic of the next wave of **Chinese** investors. As Tony Walker writes, whether he becomes the richest man in the Northern Territory will depend on what's in the ground – and a bit of dumb luck.

Jerry Ren is talking about his hardscrabble childhood in Benxi, a gritty steel town in north-east **China**. About making his first **millions** from metals trading before he turned 30 and about owning a controlling **stake** in the world's largest graphite mine. About coming to Australia in 2007 on a reconnaissance mission and subsequently securing **oil** and gas exploration leases that cover more than 20 per cent of the Northern Territory. About moving his family here, becoming an Australian citizen and splitting his time between homes in Darwin, Sydney and the **Chinese** port city of Dalian.

TD

This all prompts several questions. Is Ren Xiaofeng, to give him his **Chinese** name, on the way to becoming an oriental version of the late Lang Hancock, whose foresight – and luck – in securing **iron ore** tenements over a big chunk of the Pilbara helped make his daughter Gina one of the world's richest women? Or will we be writing in a few years time - or sooner - about dry holes and broken dreams? Ren resists the Hancock comparison but concedes the future might hold its share of blue sky. "If the Northern Territory ends up with a lot of **oil** and gas, what we did could end up being amazing," he says.

It could also enrich a 50-year-old whose personal wealth is estimated by BRW to be in the order of \$200 **million** but who could be worth a lot more or a lot less than that. The Darwin media has dubbed the entrepreneur the Territory's "richest man" but this remains to be seen. Nothing is certain in the **oil** and gas business, or even likely. When asked about his alleged megabucks status Ren says vaguely, "maybe more than a **billion**".

He may well be referring to potential rather than actual wealth; there's a sense he's flying by the seat of his pants in what might be dubbed the "wild north", or Australia's last frontier. If things turn out as he dreams, he could end up in the top tier of the BRW Rich 200; if not, down among the also-rans - or nowhere at all. New breed of **Chinese** entrepreneur

What is notable about the Ren story is that scarcely a generation after **China**'s paramount leader Deng Xiaoping opened his country to business with the West, we are seeing – seemingly in the blink of an eye – **Chinese** investment boomeranging back into Australia. Ren is among the first of what promises to be a new cohort of **Chinese** entrepreneurs arriving on our shores. Nimble and enterprising, he is a different breed from the lumbering state corporations and their trading offshoots that constituted the first wave of **Chinese** investment in **mining** and other projects in the 1980s and 1990s.

In this later period, wealthy **Chinese** individuals are set to make their mark in tourism and property, but also in frontier activities such as **mining, energy** and agricultural development in remote areas.

David Tollner, Deputy Chief Minister in the Northern Territory, has little doubt his friend will excel in the vanguard of the new cohort. "He's so far ahead of the game it's not funny," Tollner says. "He's a true global player. He thinks outside the square."

Speaking in Darwin and at his \$11.5 million Tuscan reproduction, three-storey mansion on Sydney's upper north shore, Ren insists that what he's doing is not gambling, although concedes he spends a bit of time at Darwin's casino.

"I don't rush in," he says. His business partner in Australian Oil and Gas, Rod Illingworth, describes Ren as a "strange mix" of calculation and impulsiveness. "Strategically, he's ahead of the curve," Illingworth says. "He assesses opportunities quickly, and then acts. He's got guts."

Apart from his oil and gas leases in the Territory, Ren has controlling interests in Sherwin Iron, an iron ore mine south-east of Darwin that has shipped its first samples to China, and an ilmenite deposit nearby that is due to resume production once teething problems in its processing facility are overcome. Ilmenite is the base component in titanium used in aircraft and submarine manufacture, and in pigments for paints.

Ren also has sizeable business interests in Europe, including an aluminium foil container manufacturer, the Nicholl Group, that employs several hundred people in the UK, Germany, France and Belgium. He is cagey about his European businesses, which operate in highly competitive markets. 'Jerry doesn't do anything small'

It's hard to keep up with his account of his various interests. He talks quickly in accented English and moves fast, obviously. Ren remains on the lookout for other ventures, including agricultural projects to capitalise on his belief that demand for protein among an exploding Asian middle class will help transform Australia's northern tier. He has considered investments in cattle stations, prawn fisheries and fish hatcheries, but these have not measured up. "We need to innovate the ground," he says of his agricultural ambitions.

Ren would not be faithful to his Chinese heritage if he was not a bit superstitious. He was born in 1963, in the year of Rabbit, although one of that creature's remarked-upon characteristics – risk aversion – would not seem to apply to him. He prefers to associate himself with another rabbit trait, that of a "good business partner", he says with a laugh.

Whatever lies ahead, Ren has his hands on an extraordinary expanse of the Northern Territory, a place where some geological structures are up to 1.3 billion years old. That's much older than gas-rich locations in the Bowen Basin in Queensland, the North West Shelf in Western Australia and Bass Strait in Victoria.

A Sydney lawyer specialising in the oil and gas industry describes discovering that an unknown had sewn up vast acreage across Australia's top end. "When details of those holding oil and gas exploration leases in the Northern Territory were made public in 2011, we all fell off our chairs." The enterprising Ren had quietly put his hands on the largest expanse of oil and gas exploration leases in the country – right under the noses of big petroleum companies now scrabbling to secure their own share of exploration permits. "Jerry doesn't do anything small," the lawyer observes.

How the son of a steel engineer, who died from respiratory complications due to his years spent in proximity to the heat and dust of a steel mill, came to the Territory seeking a fortune is a story in itself. In 2010, Ren came into contact with Rod Illingworth, a rangy West Australian now in his 40s who had tried his hand at various pursuits, including cattle farming in the Kimberley and professional fishing in the Territory. He had pegged mining leases in the Canning Basin area of Western Australia, so had some experience in securing exploration tenements. He persuaded his Chinese friend to put money towards pegging leases in what was then virgin exploration terrain.

"This was the only place in Australia where you could go and take out an oil and gas lease without putting in a competitive bid," Illingworth says. "This was like the f---ing wild west."

Illingworth owns a 25 per cent stake in Australian Oil and Gas, with Ren owning the balance. Their relationship has soured over Ren's interest in the publicly listed Sherwin Iron, however, of which Illingworth is executive chairman. Things are fraught over moves to raise additional operating capital, which might end up diluting the Chinese entrepreneur's controlling stake, or even causing him to yield control to outside investors. A better quality of life

Ren's Italianate Sydney mansion is sparsely furnished, suggesting he does not have a lot of time for the fripperies of life. Its large rooms have a bit of an empty feel about them, signalling perhaps that this is a temporary resting place before he moves on to his next deal or location. Prominent in his main sitting room, with its comfortable couches and coffee table but not much else, are portraits of his three sons. One, from his first marriage, was educated in Switzerland and is now studying electronic music and film scoring at Berkeley in California. His two younger sons are attending a nearby private school.

Ren's wife and mother-in-law busy themselves in the kitchen area as we talk. His sons play outside in spacious, landscaped gardens with a large swimming pool and tennis court. He plays tennis with his well-heeled neighbours at the weekend and enjoys the odd beer and glass of red. Ren laughs when asked what he is doing to avoid spoiling his children, or as the **Chinese** might say colloquially, to stop them becoming "xiao huang di", or "little emperors".

Ren's two brothers and sister also live here, a reflection of what is happening more generally as **Chinese** find themselves able to seek their fortunes and a better quality of life elsewhere. His older brother is abalone farming in Tasmania in a loss-making venture that he finances. "I like abalone," Ren says, laughing. His sister is a **mining** accountant, and his brother, the youngest in the family, is a **mining** engineer. Neither of the latter work for him.

This is all a very long way from Ren's childhood in what was Manchuria, where he was born on the eve of the Great Proletarian Cultural Revolution that rent **China** apart in ideological battles pitting leftist supporters of modern **China**'s founder, Mao Zedong, against reformists such as Deng Xiaoping.

Ren scarcely remembers this period, apart from his elementary school experiences of wearing a red scarf and listening to revolutionary songs broadcast on communal loudspeakers. At age 12, he was sent to the countryside for indoctrination. He wishes he'd spent less time listening to propaganda and more reading poems of the Tang and Song dynasties, high points in **Chinese** cultural history.

Ren was a gifted child and during his years at No. 1 Benxi Middle School frequently wagged classes, much to his mother's dismay. He ended up in a special class at university in Tianjin, where he studied physics, chemistry and maths, benefiting from his proximity to foreign teachers who were employed to lift education standards. He learnt English at university and in his spare time studied psychiatry, taking time off from his regular classes to go to the Tianjin medical school. Ren's, it seems, is a restless personality and mind. He confides that he had wanted to be a theoretical physicist, but this was not to be. "Knowledge is power," he says more than once. 'Plunging into the sea'

When he left university he went to work for a state-owned metals trading **company**, where he traded speciality metals such as titanium, tungsten and molybdenum, ending up in its head office in Beijing. Unfulfilled in the late 1980s, he followed thousands of other **Chinese** would-be entrepreneurs by leaving secure state employment to start his own business as a metals trader. This was akin to committing what the **Chinese** in those days called xiahai, or plunging into the sea.

In his first deal, he sold 18,000 tonnes of steel plate to a Japanese client. He was on his way to becoming, in his words, "10,000 times richer than anyone could have imagined then". He estimates he made something like \$10 **million** in his first trading year and has not looked back. His engineer father, who laboured long and hard in proximity to the blast furnaces at the Anshan **Iron** and Steel works for a meagre wage, was horrified by his son's money-making. "He said give the money back," Ren says with a laugh.

After his initial success, he established a trading **company** called Mineral Resources **China**, which had an office in **Hong Kong**. He also began chartering ships to carry bulk minerals cargoes on the busiest routes between **China** and Europe and the United States. These were the New Orleans and Rotterdam shipping highways. He shipped a big chunk of minerals on these busy routes for about 15 years. By now he was investing in **mining** ventures on the **Chinese** mainland, including the world's largest graphite mine, located in Heilongjiang province in **China**'s far north. He also owned two magnetite mines in his home province of Liaoning and two fluor spar mines in Inner Mongolia.

But in the end he found **China** an "extremely tough place to do business". He lost his Liumao graphite mine to interests connected with the local government, incurring a big tax loss in the process. "They literally took it from me," he says, without apparent rancour.

Ren's experiences in **China** have led him to come up with his own criteria for classifying investment destinations. Category one places are distinguished by transparency and the rule of law. They include Australia, Canada, New Zealand and the United Kingdom. Category two, where investors are subjected to "political interference", includes the US. Category three comprises countries where there is a lack of transparency and the legal environment is challenging. Australia: land of opportunity

It was against this background that he came to Australia looking for opportunities, having considered various options, including investing in Saskatchewan. After studying geological structures in the Northern Territory, he decided that was his best bet, partly because the weather was better than that in Canada. "I don't rely on geologists," he says of his own understanding of the geological sciences. He is not lacking in self-confidence.

Ren delivers a long description of why the Northern Territory fits his criteria for promising **oil** and gas deposits, including age and its marine-based structures; the Territory was under water **millions** of years ago as part of a vast shifting of the tectonic plates. He likens its geological profile to Saudi Arabia.

The Northern Territory's **oil** and gas provenance very much remains to be seen but by 2011 Ren had set up Australian **Oil** and Gas and put his hands on 300,000 square kilometres of exploration acreage. At a time when explorers were looking elsewhere, Ren was securing first-mover advantage, as Hancock had done in the Pilbara many years before. "I didn't want to be a small **company**, I wanted to be a big **company**," he says of his decision to capture as much leasehold territory as possible. Native title issues over most of the acreage need to be negotiated and he is busy setting up "farm-in" deals with established explorers. His first agreement was struck with Brisbane-based Blue **Energy**, which has its sights set on Queensland and the Northern Territory. Under the agreement with AOG, Blue **Energy** will share exploration costs on about 112,000 square kilometres in the Wiso Basin, north-west of Alice Springs.

John Phillips, the chief executive of Blue **Energy** and himself a geologist, explains that the Wiso Basin shares characteristics with the Oman plate and Eastern Siberia. "Both have existing production from these very old rocks and **billions** of barrels of reserves," he says.

Asked why Australian explorers had not paid more attention to the Northern Territory, Phillips says they were focused elsewhere. There had been a significant change in attitude partly due to a desperate need to find more reserves to meet expanding international demand for liquefied natural gas. The Australian **company** Santos has been producing from its Northern Territory Mereenie **oil** and gas fields since the 1980s, but exploration has lagged. Advocate for northern development

Phillips describes his first meeting with Ren as intriguing. "He appears to have a lot interests, and a diverse set of activities," he says. Asked whether he is tough to do business with, the Blue **Energy** CEO says he "looks after his own interests, but he understands the value of getting a deal".

Ren gave up his commodities trading activities some years ago, characterising it now as "boring". But he remains a trader at heart, developing businesses to the point where they are saleable, to give him the option of moving on to his next project.

Unsurprisingly, he's a strong advocate for development of the north, which the newly minted Australian citizen says is "the best means of preserving our security in the long run". Drawing on his **China** experience, he is in favour of special economic zones in the north to stimulate investment, with tax breaks and other incentives to boost participation in the local economy.

He is doing his bit to persuade **Chinese** investors to look at opportunities in the Territory, leading trade delegations to **China** and utilising his contacts in the metals business there to generate interest. For example, he is helping broker a deal involving a **Chinese** heavy industry **company** to build a \$60 **million** assembly and distribution plant in the Territory. With other such deals pending, he describes the possibilities as dynamic. "Not only good today, but better tomorrow," he says.

Ren advocates "more talk, more contact and more visits" to **China** to advance what he regards as a complementary relationship. While he has wound down his own business in **China**, he retains a residence in Dalian and is a frequent visitor to the country of his birth. Asked what he likes about being here, he falls back on an Australian idiom. "I like these words 'fair go for everybody'," he says. "That's what I like about Australia."

NS nrw : Reviews | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter

RE austr : Australia | china : China | dalian : Dalian | nterry : Northern Territory | sydney : Sydney | liaon : Liaoning | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | nswals : New South Wales

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140626ea6r0004d