

FINANCIAL REVIEW

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HD **MMG boss prefers quality assets**
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Andrew Micheltore, the boss of **Chinese**-owned MMG, says the suite of assets the **mining** majors have up for **sale** are of no appeal, even if they can be picked up on the cheap.

"The ones [the majors] tend to want to sell are the ones that they don't want or don't see value in," the Melbourne-based Micheltore says.

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"We've looked at a number of them for the past few years – they've been running this process for almost three years. We've looked at them but we haven't found one [we would want]."

The fact the assets are cheap makes no difference, he said. "Like every other bargain you've bought in your life ... you don't value it."

Many of the majors, led by BHP Billiton and Rio Tinto, have put assets on the chopping block, as they seek to slash costs and exit non-core and under-performing businesses.

MMG, which is Australian managed, **Hong Kong** listed and **Chinese** controlled, is keeping an eye out for acquisitions to fuel growth.

But its immediate priority is bedding down its \$US5.85 **billion** (\$6.28 **billion**) **purchase** of the coveted Peruvian **copper** mine Las Bambas.

MMG led a consortium of **Chinese** entities to buy the prized asset from commodities trading giant Glencore this year, in a forced **sale**. It was finalised last month.

The **sale** was required by **Chinese** authorities before they would approve Glencore's merger with fellow Swiss giant Xstrata, given fears about the huge influence the merged group would wield over the **copper** market.

MMG's major shareholder is **Chinese** state-owned enterprise Minmetals, which holds about 74 per cent of its register. Thinking long term

The prized Las Bambas asset is expected to operate for at least 20 years, which is in keeping with MMG's "long-life" **acquisition** strategy. Construction is expected to be finished in 2015.

Micheltore says assets have no appeal unless they have a mine life of at least 10 years, but a 20-year minimum is his preference.

"Most of the [assets] that are being divested don't have much life; they are getting towards the end of their lives.

"Interestingly we've watched some of them go for incredibly high numbers and you go, 'Wow, how are they going to get their money back on that?'"

He said MMG preferred to buy in at the late construction stage of a project, and focused on exploration potential.

"If you are going to pay for what's there, you don't ever pick up a bargain," he says. "Or if you do, it's like every other bargain you've bought in your life: it sits in the bottom of a closet somewhere because you don't value it."

MMG has walked away "a lot of times" from due diligence on assets priced "at full value", he says.

As for BHP's \$US15 billion spin-off of unwanted mines, unveiled last week, Michelmore says it is "attractive" because it fills a gap in the Australian market. Speculation about listing

Investors are starved of mid-tier mining companies in Australia, and there has been persistent speculation that MMG will list on the ASX to capitalise on the gap in the market.

"The feedback is always that if we were listed [in Australia] people would be interested but they would also have to buy us because all the meaningful mid-tiers have disappeared in Australia, a bit like in the United States and Canada."

But Michelmore said a decision on a secondary listing, which could also be taken in the other key mining markets of London or South Africa, would be made after Las Bambas was up and running. "Hong Kong is relatively naïve in their understanding of the minerals business," he says.

"If we want to grow and attract more investment we can't just rely on our major shareholder and Chinese funding, we have to look at where else we grow and how else we do it."

MMG's market capitalisation is about \$2.1 billion

He said China will ultimately measure MMG's success by whether it can broaden its shareholder base to attract substantial Western institutional investment. "It is part of China moving out of China."

CO	orieml : MMG Limited cminmc : China Minmetals Corporation imreht : Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co Ltd lawspr : Minmetals Land Limited
IN	i22 : Primary Metals i224 : Non-ferrous Metals i2245 : Aluminum ibasicm : Basic Materials/Resources
NS	c182 : Asset Transactions ccat : Corporate/Industrial News c18 : Ownership Changes cactio : Corporate Actions ncat : Content Types nfact : Factiva Filters nfcpin : FC&E Industry News Filter
RE	china : China austr : Australia apacz : Asia Pacific asiaz : Asia ausnz : Australia/Oceania bric : BRIC Countries chinaz : Greater China devgcoz : Emerging Market Countries dvpcoz : Developing Economies easiaz : Eastern Asia
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