

HD MMG's helping hand to juniors

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CHINESE state-controlled MMG has emerged as something of a godsend for cash-strapped junior exploration companies.

At a time when the door to **equity** funding has been slammed on the explorers, and when **mining** majors such as BHP Billiton and Rio Tinto have slashed their own exploration efforts, the inclusion of juniors in MMG's unchanged dollar commitment to exploration stands it apart from the rest of the Australian industry.

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The Melbourne-managed and **Hong Kong** listed MMG — 73 per cent owned by **China** Minmetals — has 19 joint ventures or other funding agreements with junior companies to explore for **copper**, nickel and zinc here and overseas.

The joint venture partnerships in Australia include those with Havilah, Mithril, Westgold, Golden Cross, Sandfire and Anglo Australian Resources. And among its portfolio of joint ventures with ASX-listed juniors with overseas projects, MMG's venture with IMX on the Nachingwea nickel project in Tanzania — under which it could spend \$US60 **million** (\$63m) over five years — is the best known.

MMG also has another 20 exploration deals with juniors in negotiation at any one time, as it considers project turnover a key success factor in the probabilities game that is minerals exploration.

As much as half of the group's annual exploration expenditure of \$US70m is finding its way into junior partnerships.

The rest goes into near-mine exploration and the development of longer-term intellectual property.

Heading up the three-pronged strategy is exploration veteran Steve Ryan, MMG's executive general manager of exploration.

A geologist with an MBA, Mr Ryan has 25 years' international experience swinging off helicopters and sitting on drilling rigs in places such as India, PNG, Fiji, Russia, Laos and **China** for CRA/Rio Tinto, and later Oxiana/Oz Minerals.

The Melbourne-based Mr Ryan also spent three years with a Dutch venture capital group which, when matched up with his love of geology, would seem to explain MMG's unique exploration strategy, in the Australian context at least.

But Ryan told The Australian at MMG's Freshwater Place head office on the banks of the Yarra that the inclusion of juniors in the group's exploration strategy was more part of MMG's DNA. "When MMG was established (in 2009 to acquire four Australian mines from OZ Minerals in the wake of the global financial crisis) it was under a mandate by the then 100 per cent shareholder **China** Minmetals to grow a major exploration, development and **mining company**, one with full Western business principles, and one that was internationally competitive.

"We are now a listed **company** with other (public) shareholders. However, **China** Minmetals' support to meet the original mandate remains as a commitment for the long term.

"It is a relationship which gives MMG some competitive advantages, particularly around long-term investment horizons with a rational approach to risk, and significant and consistent investment into growth strategies.

"This is exactly what is required to succeed in exploration."

Mr Ryan said the typical long-term investment horizon of the **Chinese** parent delivered particular benefits to MMG in the current downturn.

"My role is to show a better value proposition for exploration during the downturns. And what the board and shareholders have been receptive to is the situation now where each dollar invested in exploration achieves the same as \$5 invested two or three years ago," Ryan said.

"That is very much around the cost of securing new projects. You can now secure new projects on far more favourable terms than you could just a few short years ago. The juniors are obviously scrambling for funding.

"So it is a great opportunity for of a **company** like us. We've basically had the guts to hold on to our level of exploration expenditure, meaning we can secure projects on far more favourable terms."

Mr Ryan said the downturn meant that the number and quality of exploration projects that could be accessed from cash-strapped juniors had improved greatly. "After the big mineral industry boom of the last 10 years, the world was basically all pegged," he said.

But with the **equity** funding route for juniors currently a "no go" zone, there is a revolving door of opportunities. MMG's steady exploration budget commitment means it can strike while the going is good.

"We are not predicting this current downturn to be too severe or too protracted. So these opportunities might not be around for too much longer," Mr Ryan said. "That is why we have come in this year — even though our profits are down — with the same level of investment to secure these projects.

"Major discoveries don't come along very often. The whole idea is that it is a probabilities game — the more of these projects we can secure, the more the probability of success rises."

Turning over projects is central to the strategy. "We get in there and explore them hard and fast. And if they don't meet our criteria, we withdraw."

Ryan does not subscribe to the statistical theory bandied about by the major companies, that juniors don't make big discoveries. He makes the point that nearly always in the history of a big discovery, prospector types and junior explorers will have had some sort of early involvement.

And besides, Sandfire's DeGrussa **copper/gold** discovery and Sirius's discovery of a potentially major new nickel province have been cases of base metals exploration success by juniors in recent years, while there has been precious little by majors, in Australia at least.

Another attraction of the junior engagement strategy for Mr Ryan is that it brings with it exposure to the most entrepreneurial component of the **mining** industry. "The juniors are highly entrepreneurial. They tend to be leaders into regions and countries where other companies have not yet gone," he said.

"And because of the sheer number of them, they cover so many bases, so many angles. It is within that large pool that there are going to be some that are sitting on large projects that we are very interested in."

Additionally, their whole reason for existing is usually one project, one that can be in a country or jurisdiction that MMG might not have experience in.

"So we actually use them as a bit of a springboard into new regions. People overlook the juniors, thinking that they can be a bit fly-by-night.

"But there are some very, very good ones out there. They are a very important part of the industry," Mr Ryan said.

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