

**HD Corporate: Infinio seeks new lifeline in mining; may struggle to regain investors' trust**

**BY** By Frankie Ho

**WC** 1,656 words

**PD** 17 February 2014

**SN** The Edge Singapore

**SC** EDGESI

**LA** English

**CY** (c) 2014 The Edge Publishing Pte Ltd. All Rights Reserved.

**LP**

If failure is a key to success, Infinio Group may be a step closer to finally getting it right. After several unsuccessful business ventures over the years, the loss-making **company** is again attempting to reinvent itself. This time, it has its sights set on

**mining**. And to make sure it doesn't bite off more than it can chew, it is intent on starting small in the new business.

**TD**

Australia will be the first market Infinio will set foot in as it seeks to carve out a niche in the natural resources sector. On Feb 7, it secured shareholders' approval for its diversification into **mining**, paving the way for it to take over a **gold** mine in Western Australia. First announced last July, the \$6.5-**million**

**acquisition** is expected to be completed by the end of the month.

Infinio is buying the 57.8ha mine from Summit Light Ventures, a special purpose vehicle set up in the British Virgin Islands and owned by five private investors, including

Doris Chung, wife of Raffles Education Corp CEO Chew Hua Seng; and Lim Yeow Sun, who runs a jewellery business and used to trade minerals and other resources.

The **company** will pay \$2.9 **million** in cash and \$3.6 **million** in shares for the mine. Some 1.2 **billion** Infinio shares at 0.3 cent apiece will be placed out to the five vendors, giving them a combined **stake** of more than 20% in Infinio. None of them will have a seat on Infinio's board, although the **company** will seek Lim's help in securing **mining** projects in future. The opportunity in Western Australia was brought to Infinio's attention by one of its former independent directors.

"We will start small and grow from there. There are risks involved in **mining**, so we are going in on a small scale," Keith Wong, Infinio's non-executive director, tells The Edge Singapore. "There are many companies listed in Singapore with **mining operations** but we don't want to be like some of them," he says, noting their difficulty in delivering what they had initially envisioned.

Wong, 44, is expected to be appointed Infinio's executive director once the **acquisition** is completed. The former KPMG corporate finance consultant is the only director on Infinio's five-member board with some experience in **mining**, having once worked at a start-up involved in silicon **mining** in Australia.

Exploration and production work on the Western Australia mine was first carried out in 1911 and over the decades, the asset saw several changes in ownership. Based on the most recent data available, the mine can yield at least 30,000 ounces of **gold** resources and potentially more than 100,000 ounces.

Infinio expects the mine to have a remaining lifespan of between 15 and 20 years, depending on the rate of extraction. The mine stopped production in 2010 following a spat between its owners and **mining** contractors. It last yielded about 1.14kg of **gold**, which was sold for about US\$1.5 **million** (\$1.9 **million**).

"We understand from the previous owners that the amounts sold to the mint were not properly declared to them. They didn't know what the mint paid for the output and how much was actually sold to the mint," Wong says. "As a result, there was an argument with the miners as to how much they would be paid."

Getting the mine back to the production phase can be done fairly quickly, as new water tanks, pipes and accommodation facilities have been installed on-site, paid for by the current owners. If Infinio can maintain the cost of production at about A\$400 (\$457) an ounce, which was what the previous owners of the mine last incurred in 2010, there will be “quite a bit of meat left for us” given where **gold** spot prices are at the moment, Wong figures.

“The spot price of **gold** may be a little low but I don’t see it falling significantly. I think it will hold at around US\$1,400 [an ounce] by year-end,” he says. “This site has been mined successfully for the last 10, 12 years by a three, four-man crew. Why can’t we go in on the same basis?”

The cash portion of the **acquisition** will be paid for with proceeds from **equity**-linked convertible notes issued by Infinio. It initiated the cash call in 2012 to raise up to \$10 **million** for working capital and general corporate purposes. Over \$3 **million** has been raised so far. When more notes are issued and get converted into Infinio shares, the combined **stake** of the five vendors is expected to be substantially lower than the 21.6% they will end up with once the **acquisition** is completed.

#### Beyond **gold**

Besides **gold**, Infinio is also studying **mining** opportunities for other resources, such as **coal**, **copper** and **iron**. In addition to Australia, it is looking at Indonesia, where a **coal** project and a nickel project have been brought to its attention by Summit Light shareholder Lim.

Infinio is also considering arranging an off-take agreement between a **coal** mine in Indonesia and a power plant in South Korea. An off-take agreement is usually negotiated before the construction of a mine in order to secure a market for its future output.

“This will be purely a trading business for us. This way, we don’t have to come up with the capital to buy the mine. It’s a huge mine,” says Wong. “The problem with a lot of these deals is that no one wants to take the risks.

“Each shipment of **coal** — the minimum is 60,000 tonnes — costs US\$50 to US\$60 a tonne. No one dares to take the risk, unless you are certain of a buyer. We need to make sure we are properly hedged before we go in, otherwise we will get screwed.”

#### Dismal track record

Indeed, having gotten the short end of the stick in various business deals over the years, Infinio will do well to tread carefully in its **mining** endeavour. Formerly known as Auston International Group, a private education services provider, the **company** bowed out of the business in 2009 owing to stiff competition, selling it for a mere \$2.2 **million**.

It ventured into the Internet Protocol TV business that year by acquiring Broadband Network Systems (BNS), a **Hong Kong**-based multimedia content and technology provider. Among other things, the move enabled Infinio to work with media organisations and telcos locally and abroad.

But rolling out TV set-top boxes to hotels, a key target group for its IPTV business, became a challenge as many were locked up by existing contracts with other providers and had to turn down BNS. Infinio shut down the business in 2011 after BNS could not pay its staff and creditors.

Hoping to reverse its fortunes, Infinio sought to get into the biofuel business in 2011 by offering to buy an Indonesian **company** that grows Nipah palm, which produces sugar, an ingredient for making ethanol. The proposed \$382-**million acquisition** of Ephraim Resources, the target **company**, would have resulted in a reverse takeover as Infinio had planned to pay for it in shares. The deal was called off after almost two years, as certain conditions were not met.

In 2012, Infinio teamed up with a leading educational media group in South Korea to jointly develop multimedia content for preschool children. However, the long gestation period — from development to sales — and the constant evolution of both hardware and software were too much for Infinio to stomach, forcing it to pull the plug on the South Korean business.

#### Leadership vacuum

“The original forecasts for the various businesses, in terms of revenue, were never met. There were a lot of pipeline projects but they remained as pipeline projects and were never converted,” says Wong. That was partly why Infinio has been without a CEO since Jeffrey Soong resigned in August 2011 to attend to family commitments, after being on the job for only about two years.

Richard Hong, a long-serving director at Infinio, was named acting CEO in 2011. He stepped down in December 2012 but remains a board director. "It's hard to get someone in as CEO when you haven't got a basis to appoint someone. For a while, there wasn't a clear direction for the **company**," Wong concedes.

Even Wong himself, who joined Infinio in 2007 as an executive director, left the board at one point. He stepped down in 2010 to join a start-up in silicon **mining**, only to return as a non-executive director a year later after that **company** failed to make headway. "Things were thrown to Richard Ho D'Orville, Infinio's executive director, to handle after the CEO left. He asked me to come back to help with certain things because I was familiar with a lot of the corporate matters. So, I came back on an ad hoc basis to assist. Eventually, they asked me to come back to the board," says Wong. D'Orville, in his 70s, is still Infinio's executive director.

Given the various failed business ventures and departures of senior executives, Infinio will no doubt have its work cut out in trying to convince investors of the merits of its foray into **mining**. Still, if it gets it right this time, it may be able to make up for what it lost over the years from failing to pull off one business deal after another.

Infinio has a market value of less than \$7 **million**, based on its current share price of barely 0.3 cent, a far cry from its IPO price of 28 cents in 2003, when it was in the private education business.

**CO** auston : Infinio Group Ltd | rafas : Raffles Education Corporation Limited | pnmdsp : Electromotive Group Ltd

**IN** i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i983 : Educational Services | ibcs : Business/Consumer Services

**RE** singp : Singapore | waustr : Western Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | austr : Australia | seasiaz : Southeast Asia

**PUB** The Edge Publishing Pte Ltd

**AN** Document EDGESI0020140219ea2h00006