

SE Business
HD **MMG to head Las Bambas copper mine in Peru**
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INTERNATIONAL competition for resources investment dollars means Australia needs to move promptly to remove the lingering **mining** tax, as well as take measures to stop the decade-long deterioration in productivity.

The message is from Andrew Michelmore, chairman of the Minerals Council of Australia and chief executive of MMG, the Melbourne-based but **Chinese**-owned miner that received shareholder approval yesterday to spearhead the consortium acquiring the Las Bambas **copper** project in Peru for \$US5.85 **billion** (\$6.2bn) from Glencore Xstrata.

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The Abbott government's plan to repeal the Rudd government's **mining** tax and its associated \$10bn in spending measures was frustrated in the Senate last week, with Palmer United Party senators joining Labor and the Greens to support amendments to keep the spending measures in place.

The latest instalment from the **iron ore** and **coal** miners subject to the tax was due yesterday, and it will take until the next sitting in August — and support from PUP senators for the attached spending measures to be abandoned — for the **mining** tax to be killed off.

Mr Michelmore said that although the **mining** tax had failed to raise anywhere near what the Rudd government had predicted (\$170 **million** last year compared with a forecast \$3.5bn), getting rid of it promptly would send the right message to investors.

He said that along with the repealed \$7bn carbon tax, the **mining** tax had created a perception in the minds of international investors of instability in Australia's sovereign risk profile.

"The **mining** tax is not significant in terms of the dollars raised. But it is significant in terms of the uncertainty that it creates for investment communities in countries with the dollars to invest in Australia," Mr Michelmore said.

"So by just removing the **mining** tax out of the discussions signals we are back into a stable sovereign risk regime. That is the position that we need to get to." Mr Michelmore also called for action on productivity improvement. "Productivity is the next thing that works against us. The Aussie dollar doesn't help, but we can't do anything about that. But we have lost productivity over the last decade." He was speaking in **Hong Kong**, where MMG is listed, after shareholders approved MMG's participation in the Las Bambas **acquisition** (62.5 per cent interest), and a life-of-mine deal under which MMG's 73.6 per cent shareholder, **China** Minmetals, will buy 57 per cent of the new mine's production of **copper** concentrate.

The mine is more than 60 per cent complete and is expected to produce its **copper** at a super competitive price of US80c a pound, from the second half of next year, based on Glencore's timetable which has yet to be confirmed by MMG.

Mr Michelmore said that first production from Las Bambas should be sweetly timed, given an expectation that the supply-demand balance in the **copper** market should tighten by 2016. A key

emerging factor is the world's biggest producer, Chile, struggling to maintain production in the next five years.

And many new mines being developed in South America have quality issues with their arsenic levels, forcing them to seek out low arsenic concentrates with which to blend their material, such as that which Las Bambas will produce.

The growth to come from the Las Bambas project has prompted suggestions MMG has outgrown its home market listing in **Hong Kong** and that it needs to list on the main **mining** markets of London, New York and/or Australia. "It is definitely in our thought processes," Mr Michelmores said. "But that is down the track, and it is not our focus at the moment. We've got to get Las Bambas up and running." He confirmed that MMG would continue to be based in Melbourne.

CO march : Glencore PLC | mncasr : Minerals Council of Australia | oriemi : MMG Limited | cminmc : China Minmetals Corporation | imreht : Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co Ltd | lawspr : Minmetals Land Limited

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