HD Alternative sources appeal for funds

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Tight debt and **equity** environments have led many junior **mining** and exploration firms to seek alternative arrangements to finance their **operations**.

Private **equity** funding, debt or vendor finance and contributions from high-net worth individuals have emerged as the only realistic options for junior **mining** and exploration firms struggling to win the interest of investors on the Australian Securities Exchange.

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Wolf Minerals managing director Russell Clark told Business News his **company** would not have achieved the progress it had on its $230 **million** Hemerdon tungsten and tin project in the UK without the backing of private **equity** funder Resource Capital Funds.

Construction at the Hemerdon project is due to begin in June this year, while the project's $222 **million** financing package - comprising a £75 **million** ($139 **million**) debt facility from a suite of European banks and a $US75 **million** bridge finance facility from RCF - was awarded deal of the year for 2013 by European **Mining** and Metals.

"The **company** was financed with relatively few capital raisings," Mr Clark said.

"Tungsten is a commodity that's not particularly well understood; the project we've got has been worked before so it's not totally greenfields, and when off-takers and the project finance banks looked at it, they were happy that it met their criteria.

"The other thing that was quite clever was that we took a bridging loan from RCF last June when there was still a lot of risk associated with the project.

"At some point we will have to raise money, but the alternative would have been to do it in the middle of last year and dilute our existing shareholders.

"Now we've got a much stronger project and a much stronger share price."

Another **company** that was unable to tap ASX investors for project finance was **iron ore** minnow FairStar Resources.

Midway through 2013, FairStar managing director Kevin Robertson thought the **company** had signed a landmark deal that would put it on the path to production at its Steeple Hill **iron ore** deposit in the eastern Goldfields.

The $260 **million**, 50:50 profit sharing joint venture arrangement with Alliance Super Holdings was cancelled last week, however, and will be replaced by a series of vendor finance arrangements with international infrastructure groups.

Mr Robertson said a $US176 **million** rail infrastructure deal with **Chinese** state-owned CSR Ziyang was the first funding package announced for the project.

"(Steeple Hill) is a more attractive proposition now because nobody is standing alone any more," he said.

"The parties that we are talking to now and the parties that are knocking on our door are from different backgrounds, and their feeling and their understanding is a lot more positive because nobody is taking the risk 100 per cent.

"That's why we split it, when we started talking to people about the financing and splitting it up, it became the preferred option, no doubt about it.

"This strategy is definitely opening a lot more doors for us, particularly in the challenging debt and **equity** markets out there."

The traditional ASX**equity** option, however, is not totally shut down for juniors, according to Red Mountain **Mining** managing director Jon Dugdale.

With a recent uptick in the **gold** price, Mr Dugdale said investors were more open to **gold** stocks and certain companies were able to raise **equity** funding.

"It's limited to particular stories at the moment, stories that look like they aren't going to need a huge amount of capital to get up and running, are reasonably advanced, have higher grades and potential low costs," he said.

"But as the year goes on and those projects get funded, then market conditions will hopefully loosen up even more and investors and financial groups will be less gun-shy and have confidence that the market is on a much more positive footing for the medium-term.

"Certainly that smaller capital requirement with rapid payback potential is an easy discussion to have with financing groups because they can see that when you get to the point of feasibility, a project will be low risk and able to take advantage of shorter-term conditions and be able to withstand price fluctuations."

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