

Asia Pacific Mining Conference 2007

Held recently in Manila, the 7th Asia Pacific Mining Conference was possibly the largest such event in the region. Organized by the Asean Federation of Mining Associations (AFMA), it attracted many of Asia's most prominent miners and mining organizations.

Charlie Sartain, CEO of Xstrata Copper, provided an interesting speech on his company's recent progress at world domination. Mr. Sartain's most recent acquisition was the world-class Tampakan project in Philippines. With pre-feasibility estimates of 2B tons of copper/gold, the site is the largest copper development project in Xstrata's portfolio and some say it will be the most significant in Asia. Copper, he explained, is arguably his company's most important mineral since it alone accounts for 53% of Xstrata's entire cash flow (EBITDA).

The story of the development of the Tampakan project is one of great achievement in the face of extreme adversity. The original ownership entity called Indophil Resources began in 1996 under the direction of a fanatical Australian named Tony Robbins. It almost ceased to exist during the lean years but Mr. Robbins endured personal hardship and plodded on. From an original market capitalization of just \$500K AUS it has grown to \$300M AUS today. Indophil and its hard-driving boss succeeded beyond expectations and it would not have been possible without dedicated government support. Most importantly, Tampakan will provide a 50-year economic benefit for the people of Philippines and will open the gates for investment by other world-class companies.

Owen Hegarty, the high-flying CEO of Oxiana, gave what many considered the most enthusiastic performance of the 3-day conference. He provided a riveting account of his company's early beginnings in the late 1990's and its recent progress to stardom. With operations almost exclusively in Asia, Oxiana recently reported a profit of \$500M AUS. Over the past 10 years, Owen's company has grown its market capitalization from \$20M AUS to \$5B AUS.

Mitch Hooke, CEO of the Minerals Council of Australia, spoke about his strong beliefs in the mining "Super-Cycle." This theory says that demand for minerals will be strong for many years to come since countries in Asia with roughly half the world's population are industrializing quickly. The super-cycle concept is treated with suspicion by many experienced industry watchers who have "seen it all before." But, to people in Asia who witness relentless economic growth taking place before their eyes, it is considered more like a fact of nature.

Patrick Waters of Anglo American gave a persuasive presentation to document his belief that field exploration is the best path to value creation. His numerous examples in places such as Indonesia and Philippines showed investment returns that were beyond those obtainable through the high-priced acquisition route that seems more fashionable these days.

Lastly, Benjamin Romualdez, the extroverted president of the Asean Federation of Mining Associations (AFMA) and the Chamber of Mines of the Philippines, expressed strong opinions on continuing growth of the mining sector in Asia. Using his country of Philippines as an example, he cited billion dollar investment intentions of such celebrity companies as BHP Billiton, Sumitomo Metal Mining and Xstrata. He predicted that mining industry dollar earnings could reach as high as \$10 billion by 2012 -- up from just \$2B today. Other countries in south-east Asia have similar growth opportunities ahead, according to Mr. Romualdez.

While not everyone believes that such growth is possible, it is clear that most people in Asia feel strong development in the mining sector is inevitable for years to come.

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