

# YIELDING BENEFITS WITH PARTNERSHIP APPROACH

In just 12 months, a plan to help junior resource companies better achieve their full potential has become a reality. **Ngairé McDiarmid** reports

**M**ARCUS L'ESTRANGE and fellow director Shaun Melville co-founded Drilling Resource Partners on November 29 last year.

Its sole focus is to benefit companies and therefore their shareholders in the junior resource sector, by only partnering with companies that are yet to realise their intrinsic value. Under the partnership, the company will benefit from DRP's innovative business model with the focus of increased shareholder value.

DRP had also teamed up with newly-formed Raptor Mining Services to provide "end-to-end solutions" for junior resource companies, DRP managing director L'Estrange explained.

"We're really looking at

invigorating the small-cap sector but the two companies are looking at different stages of development – DRP is brownfields and resource definition whereas Raptor's focus is solely low cost mine development and production," he said.

"Raptor is the natural extension of our larger business model."

L'Estrange said DRP was formed because he could see many shareholders had been in some ways forgotten in the small cap sector in the past few years.

"We view those shareholders as an asset of the companies we partner with, hence we believe the companies should feel the same way," he said.

"We have a very different investment philosophy and business philosophy that revolves around longevity in helping the fortunes of

the company over the medium to long term as opposed to being transaction driven.

"That goes to the heart of our business model."

He said DRP had an in-depth selection criteria that potential partners had to meet.

"Part of that selection criteria is that we need to see the board has a similar philosophy to our own – we really do want to look after the best interests of shareholders, which clearly translates into the best interests of the company," he said.

"I think this should be a directive for all company directors but unfortunately that doesn't always translate."

A recent example of DRP's strategy in action was managing KIN Mining's successful IPO (ASX:KIN).

A drill rig is loaded onto a plane in Perth for use in Africa.





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**MARCUS L’ESTRANGE**  
DRILLING RESOURCE PARTNERS

KIN is a Western Australian explorer concentrating on six projects in the Goldfields near Leonora.

DRP entered into a partnership with KIN and the explorer’s subsequent initial public offering raised more than \$A2.5 million, successfully debuting on the Australian Securities Exchange on October 2.

This success was achieved even though, at the time of DRP’s appointment, circa \$200,000 was in the bank and the company was nearing the end of its second supplementary prospectus.

Subtle changes were made and a re-positioning of certain elements enabled the stock to be trading at a 50% premium to its issue price, which L’Estrange said was quite an achievement in this market.

“With any company we partner and help with an IPO or capital raisings, we ensure the funds are used in the best way possible to benefit the shareholders, by either putting it into drilling or short-term production,” L’Estrange said.

At press time, KIN was set to begin a drilling campaign on its priority targets in little more than a month from listing.

Melville, who is DRP’s marketing director, said KIN was an example of a company that met most of DRP’s selection criteria, in that KIN had good assets and its directors had proven track records in multi-million dollar discoveries.

L’Estrange said DRP had a lot of respect for investors’ dollars.

“Some companies don’t realise there are a lot of mums and dads who invested their hard-earned cash because they believed in the story or a certain direction a company was taking,” L’Estrange said.

“We really don’t like seeing those funds wasted. Success obviously needs to be rewarded, however, there’s a time and a place for that.

“We view as a red flag directors who fall into what we call the ‘lifestyle directors’ category and often issue a lot of shares to themselves without creating real value.

“In many such cases their interests aren’t aligned with those of the shareholders who really want to see some results on the board.”

L’Estrange said DRP also liked to remind investors they were stakeholders in the fortunes of the company and that carried with it some influence.

Melville said clear and regular communication was the key.

“We’ve been working with the boards of the companies we deal with to ensure that their message is translated in a way so that there’s transparency in the communication,” he said. “That assists us in helping promote their story as well.”

Melville said it was important to communicate all news, warts and all, to maintain shareholders’ knowledge and faith in the company.

While DRP is focused on providing services to companies at the brownfields and exploration stage, its associated company RMS is committed to providing services at the production phase.

RMS was formed to offer cost-effective alternative mining operations, where larger scale operators or mining plans had struggled and some had failed.

The services RMS offers include underground and open pit mining, low-cost resurrection and optimisation of processing plants, and providing required professional personnel.

RMS aims to continually improve all facets of its clients’ mining businesses, with a strong emphasis on safety, lowering costs and improving productivity.

The people behind DRP and RMS bring an array of high-level skills to the table. ▶

DRP’s professional drilling contractors onsite in WA.

## **DRILLING RESOURCE PARTNERS AT A GLANCE**

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### **PROJECTS**

KIN Mining

“We’re a small company that has some very high calibre skill sets on board and our size gives us a bit of nimbleness and flexibility that some of our potential competitors may not have,” L’Estrange said.

L’Estrange went from collecting gemstones as a child to a career in mining, oil and gas, environmental engineering and sales.

The geological engineer’s first job out of university in Melbourne was in WA’s Goldfields, which he described as an eye-opening experience.

L’Estrange went on to help develop Engenius software, which is in the offshore exploration field of the oil and gas sector, before establishing DRP.

Melville, who has a psychology degree, brings experience in head-hunting, marketing, HR and business start-ups.

He also founded the Universal Health Network and has worked for a range of companies from blue-chip to start-ups across the resources and IT sectors.

A key member of the team is the widely travelled and well-connected Dr Iain Gray, who heads RMS’s design and construction.

China and Malaysia-based Gray has worked on a wide variety of projects from establishing large-scale mines and associated infrastructure, to multi-billion dollar resort developments and designing low-cost housing in third world countries.

While area manager for construction company Fluor, he developed the multi-billion dollar Newlands Coal project in Queensland, which included a 2.8km jetty, on-shore handling facilities, 300km rail link, open cut coal mine and a township for the workers.

Gray said it was an honour to be



DRP MD Marcus L’Estrange taking rock chip samples from historic workings at KIN’s Leonora projects.

involved with what DRP and RMS were doing and the way of doing business they brought to an industry, that unfortunately continued to suffer with commodity demand and supply cycles. He has recently been examining a number of projects in WA and said he was looking forward to the opportunity to go out bush again.

The combination of DRP and RMS provides an “ear to the ground” for international investors looking to position themselves early in what they believe to be the profitable resources sector.

L’Estrange said the subdued state of the market provided the best scenario for companies to benefit from working with DRP and RMS.

“When things are depressed and commodity prices are lower, that’s when our business model has its greatest effect,” he said.

“I think in the boom there were a lot of companies that had expanded too quickly and probably not progressed at a prudent pace.

“When the commodity prices started to sink they were left having to pay off large mills or infrastructure that they didn’t really need to be using as the demand for commodities cooled.

“So this has presented opportunities in the market for us to either assist those companies to become profitable again in the current market, or look at some of the assets those companies may have and look at bringing them into some of the companies we are currently partnering.”

L’Estrange said the companies DRP partnered should end up with a market capitalisation higher than their peers.

“A lot of companies do peer comparisons and we find them very interesting,” he said.

“They will use peer comparison to show how undervalued they are relative to their peers, however, I think this is a little bit of a false concept as often these companies are undervalued for a very good reason

even if they have worthy assets.

“What we aim for, with our business model, is that the companies we partner set the benchmark – not just on market capitalisation but also how the company conducts itself, particularly with its shareholders.”

L’Estrange said companies with a stronger market capitalisation than their peers could not only better handle any hurdles that cropped up but could also take advantage of market opportunities.

As part of DRP’s ability to look outside the square, he said DRP took a different view to the set formula in the market about the time taken before a company went into production.

“We actually see a different formula that can be highly advantageous in the current market,” he said.

“That is moving some of the exploration targets to near-term production, even if they’re on a small scale.

“While it’s not really going to make the company’s share price go through the roof with production revenue and dividends to shareholders, one of the real benefits is that the company can fund further stages of exploration, rather than using traditional capital raisings and asking the shareholders for more and more money.”

L’Estrange said DRP understood capital raisings were necessary, particularly at the junior end of the market.

“However, I do think they have been relied on too heavily in most business models of small cap companies, to the detriment of shareholders,” he said.

Hence DRP’s business model takes a longer-term perspective – minimising in some cases the adverse effects of too many capital raisings. This encourages a more loyal shareholder base, utilising innovative corporate strategies – and essentially putting shareholders first.

“We’re here to work with companies, for the benefit of all shareholders,” L’Estrange said.

Underground miner Mick Fitzgerald, DRP MD Marcus L’Estrange and metallurgist Adrian Hall onsite in Tennent Creek, Northern Territory.



# THE BOARDROOM



## THE FIRM

Drilling Resource Partners provides an alternative, more efficient model for increasing company market capitalisation through using innovative corporate strategies. DRP's business model puts shareholders first and foremost. The business model takes a long-term perspective that minimises the dilution effects of capital raisings, encourages a more loyal shareholder base and looks to structure an effective marketing program over

years rather than weeks. DRP only partners companies that fit stringent selection criteria including having quality assets and capable board and management, plus other criteria. It enhances and helps realise partnered companies' optimum value relative to their peers.

## THE STRATEGY

DRP's sole mission is to provide a unique range of services to enable companies to reflect their full value above their peers for the benefit of all shareholders. DRP identifies companies that have not performed to the expectation of shareholders but in DRP's assessment have strong potential that has not been realised. DRP then re-aligns the focus of the company to areas such as early production status and generating cash flow to ensure all shareholders benefit.

## THE DIRECTORS

### MARCUS L'ESTRANGE DRP MANAGING DIRECTOR

Holds a Bachelor of Engineering and is a member of the Institute of Engineers Australia. Is a geological engineer with extensive experience in mining, oil and gas and the environmental industry. Has been involved with the start up of several successful companies within the resources sector and a range of mining operations across Australia. Has a diverse range of skills as an engineer as well as in sales and marketing and business development. In the position of engineering sales manager, over four years he helped to start up Engenius Software and then market the exploration software globally to the majority of offshore exploration companies.



### SHAUN MELVILLE DRP MARKETING DIRECTOR

A co-founder of Drilling Resource Partners. He is also the chief executive and founder of the Universal Health Network across Australia and New Zealand. Has extensive experience gained from working closely with a range of companies from blue chip down to start ups operating within Australia's resource and IT sectors to provide HR, recruitment and marketing solutions. Completed a Bachelor of Psychology at Murdoch University and has worked in Australia, London and on international projects.



### DR IAIN GRAY RMS HEAD OF DESIGN, ENGINEERING & CONSTRUCTION

Specialises in the conceptual planning up to master planning, engineering, project management and development. Is working on multi-billion dollar projects in coal mining, tourism and integrated resort industries in Asia and the Middle East. His assignments have included the construction of the massive \$1.7 billion open cut coal mine, township, road, railway and coal loading facility with Fluor Australia for Mt Isa Mines. Gray has built a gold mine in Ghana and worked extensively for government bodies including the United Nations. He has been involved in the infrastructure, mining and construction industries since 1960.



Nuggets found on DRP client KIN Mining's tenement.

### ADRIAN HALL RMS PRINCIPAL METALLURGIST

Specialises in building and/or resurrecting milling and processing plants – and doing so for a magnitude less than most contractors would charge. His experience in the operating and optimisation of plants is invaluable. Has experience working with a wide range of commodities from precious metals to nickel, copper, uranium and antimony. Has worked in all aspects of mineral processing from feasibility, metallurgical test work, flow sheet development, preliminary engineering, approvals, construction, commissioning and operations.



### JIM MOORE RMS SENIOR MINING ENGINEER

A highly experienced mining engineer and a member of the Australasian Institute of Mining and Metallurgy. Has exposure to all levels of mining operations and has worked on some of the largest mining projects in Australia, Philippines, New Zealand, China, Africa, Laos and France. His technical skills and expertise focuses on the optimisation of open pits, ore body modelling, mine planning and JORC resource calculations.

