

Metals & Minerals NY Conference 2013

# Is the Metals & Mining Boom Over?

Presented by **Benjamin Cox**

## Data Parameters:

- Exchanges: **TSX, TSX-V, CNSX**
- Sector Covered: **Metals & Mining**
- Market Cap: **All Market Caps**
- Date Range: **1 January 2011 - 1 May 2013**



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# Background & Experience



### CEO, Director

- Copper and zinc
- Open pit, +1% average grade



### Founder, Managing Director

- Equity finance data
- Sector, broker analysis
- Due diligence



### CEO, Director

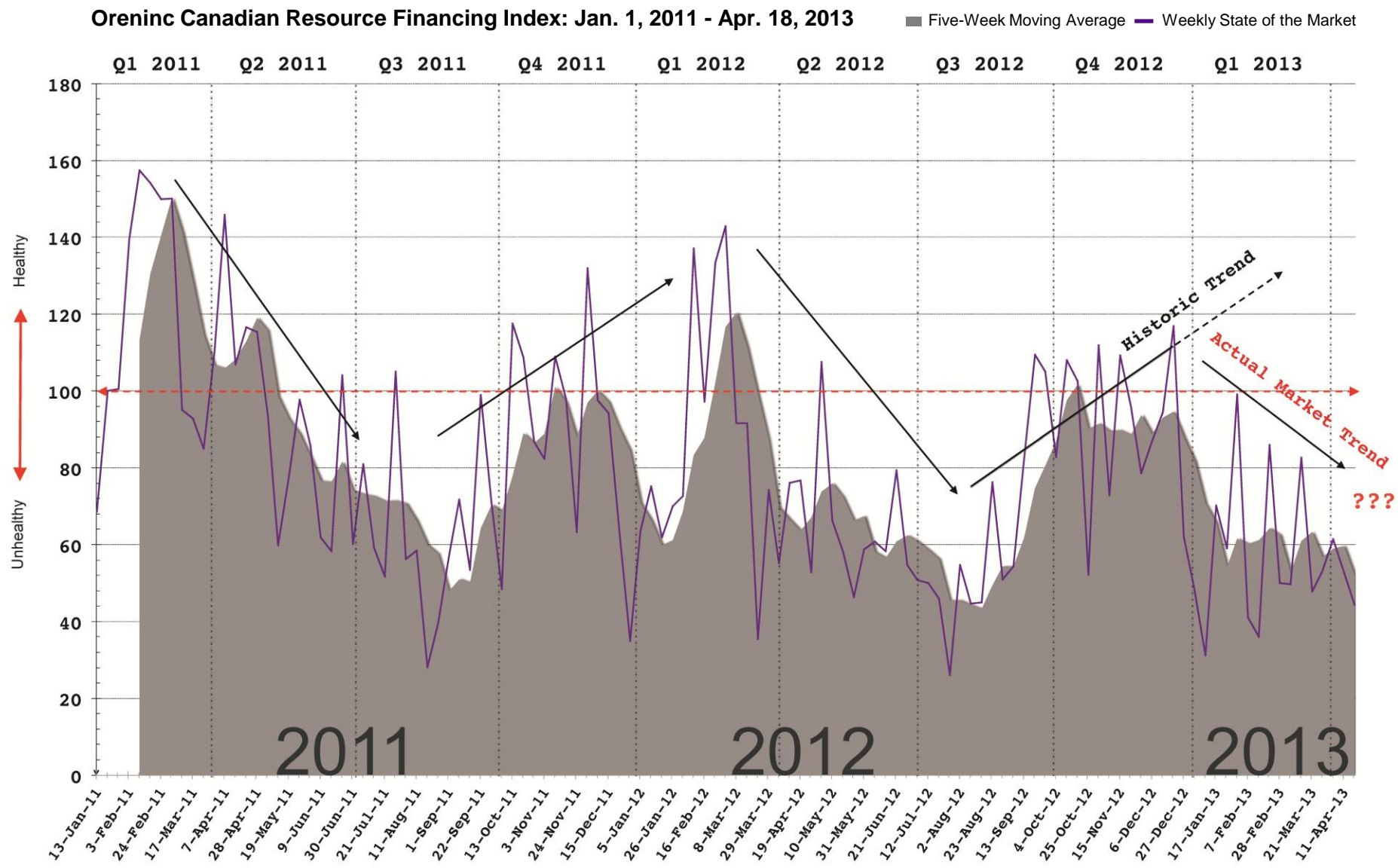
- Iron ore
- Multiple JV partners

### Previous:

- D.E. Shaw: Hedge fund
- Linux Fund: Open source technology

“Diverse background in mining and finance.”

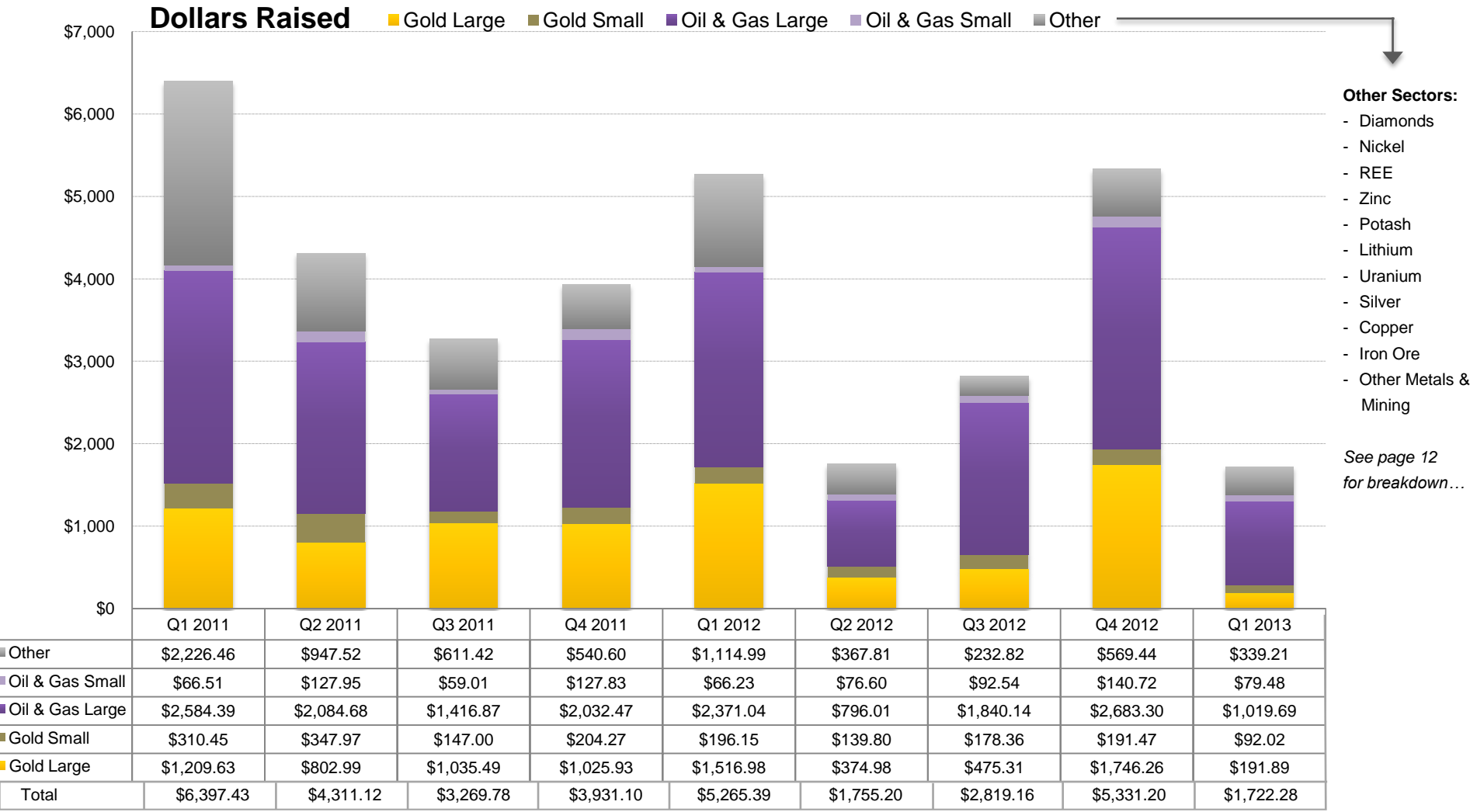




- Resource demand still exists: Marginal demand growth is currently weak, but we are not predicting a collapse of Chinese demand or the continuing development of the third world.
- Global economies will recover: The world has not ended – for gold investors this is a bad thing, but for overall resource demand this is a good thing.
- Many small companies do not have a mandate; the market is going through a cleaning cycle.
- There is long-term demand for metals, and that demand correlates with demand for companies that develop metal assets.
- Capital market players are taking a break from metals equities, but – like US housing – once they sense a bottom, they will fly back in for the uptick.
- The question is: What can you do to prepare for the recovery, and can you wait it out?

# Capital Raises Are Non-Existent

Large: +\$40m Market Cap  
 Small: Sub-\$40m Market Cap



**Note:** The chart represents all deals in all natural resources sectors opened on or after 1/1/2011 and closed by 1/5/2013. Dollars raised listed in million-dollar units. Small gold includes companies with market caps below \$40 million. Large gold includes companies with market caps between \$40 million and \$1 billion.

# Pipeline for Exploration Stage Companies is Dry

**\$800k** raised was the average for small companies in Q1 2013.

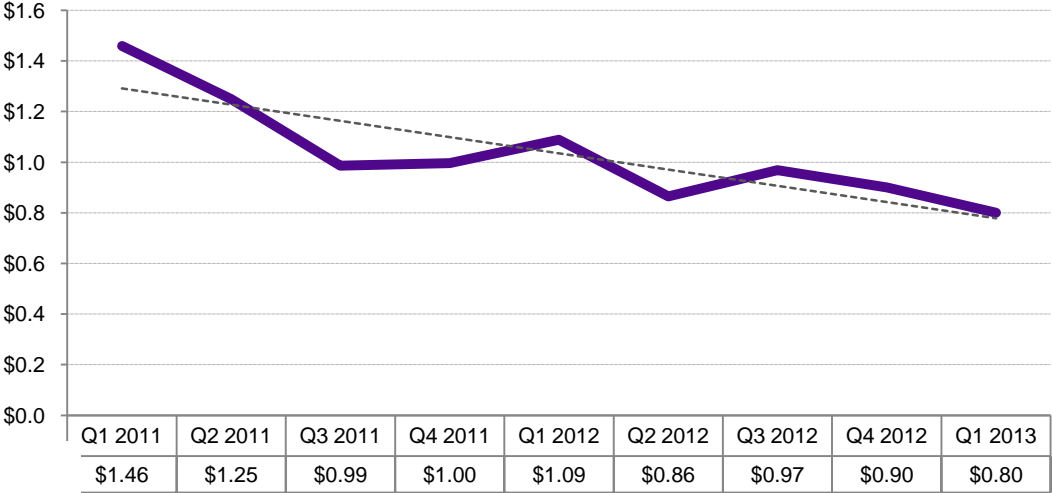
Unfortunately, that doesn't mean **\$800k** in the ground.

Who gets paid first:

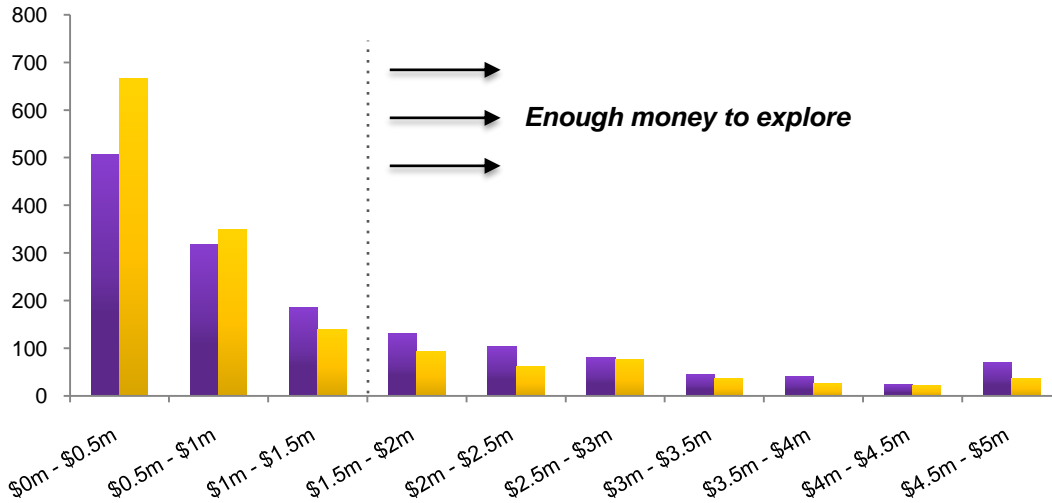
- 1) Government (Titles and taxes)
- 2) TSX/Exchange (Listing fees)
- 3) Bankers (They'll take their share)
- 4) Lawyers (\$450/hr adds up quick)
- 5) Auditors (One audit per year)
- 6) Office space (Office space is a 5-year lease)
- 7) IR teams (Have to spend money to raise money)
- 8) Management (You need to get paid for your work)
- 9) Exploration (How much did you say was left?)

The first eight items keep the lights on and are mandatory; the ninth is what drives growth, but is the first to shrink.

**Average Deal Size: Sub-\$5m**



**Number of Deals by Offer Size**



**Note:** The charts represent all deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013. Average deal size listed in million-dollar units.

- 1) Reexamine your portfolio** → Markets change over time; it is important to determine whether the reasons you initially invested still make sense

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- 2) Define what makes a “winning” company** → Quality team, great resource, commodity that you like

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- 3) Determine “must avoid” capital structures** → Shares outstanding, market cap, cash on hand, etc.

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- 4) Go beyond the story** → External research and data is necessary to make smart choices

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- 5) Take advantage of corporate cash shortages through direct investments**

“

**Everything is cheap in a down market; the price premium between good and bad companies is smaller**

**Review each company and ask: “If I were to sell the stock today, would I buy it back at the same price?”**

**Sentimentalism is not a suggested investing strategy.**

”

- ✧ Many management teams have given up and are willing to do deals.
- ✧ Take advantage of cheap assets, but before you add to your plate, start by cleaning what you have.
- ✧ If you wouldn't buy it back, then what would you buy instead?
- ✧ You cannot afford to be sentimental in this market. There are better companies out there for less.



## Transport/Location

- ✓ How will resource be hauled?
- ✓ Distance/cost of transport
- ✓ Port capacity
- ✓ Accessibility
- ✓ Country risk (e.g., border, regulatory)

## Permitting

- ✓ First Nations
- ✓ Bodies of water
- ✓ National forests
- ✓ Opponents of mine (i.e. Environmentalists, NIMBYism)

## Infrastructure

- ✓ Cost
- ✓ Shared infrastructure
- ✓ Power, water, labor
- ✓ Mill size/capacity
- ✓ Tailings/waste

## Financials

- ✓ Capex/Opex
- ✓ Cash on hand, loans, debt
- ✓ Royalties/NSRs
- ✓ Market exposure

## Resource

- ✓ Grade/size
- ✓ Byproducts, impurities
- ✓ Shape of ore body/ease of mining
- ✓ Type of deposit
- ✓ Historical estimates

## Partnerships

- ✓ Joint ventures
- ✓ Terms of partnership
- ✓ Major shareholders

## Mine

- ✓ Development stage
- ✓ Open pit/underground
- ✓ Production/recovery rates

## Management

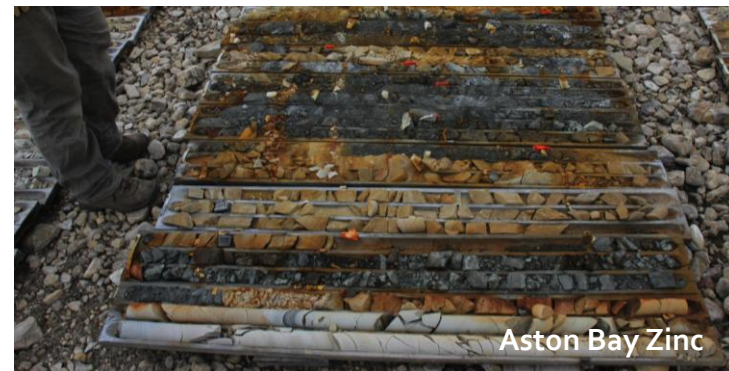
- ✓ Can they raise money?
- ✓ Industry experience/connections
- ✓ Delivers

## Walk away if a 4- to 10-year-old company:

- Lacks a material resource statement
- Has repeatedly financed for under \$750k and has 100m+ shares outstanding
- Has a flagship project that will not be economic without substantial market changes
- Has management that has over-promised and under-delivered

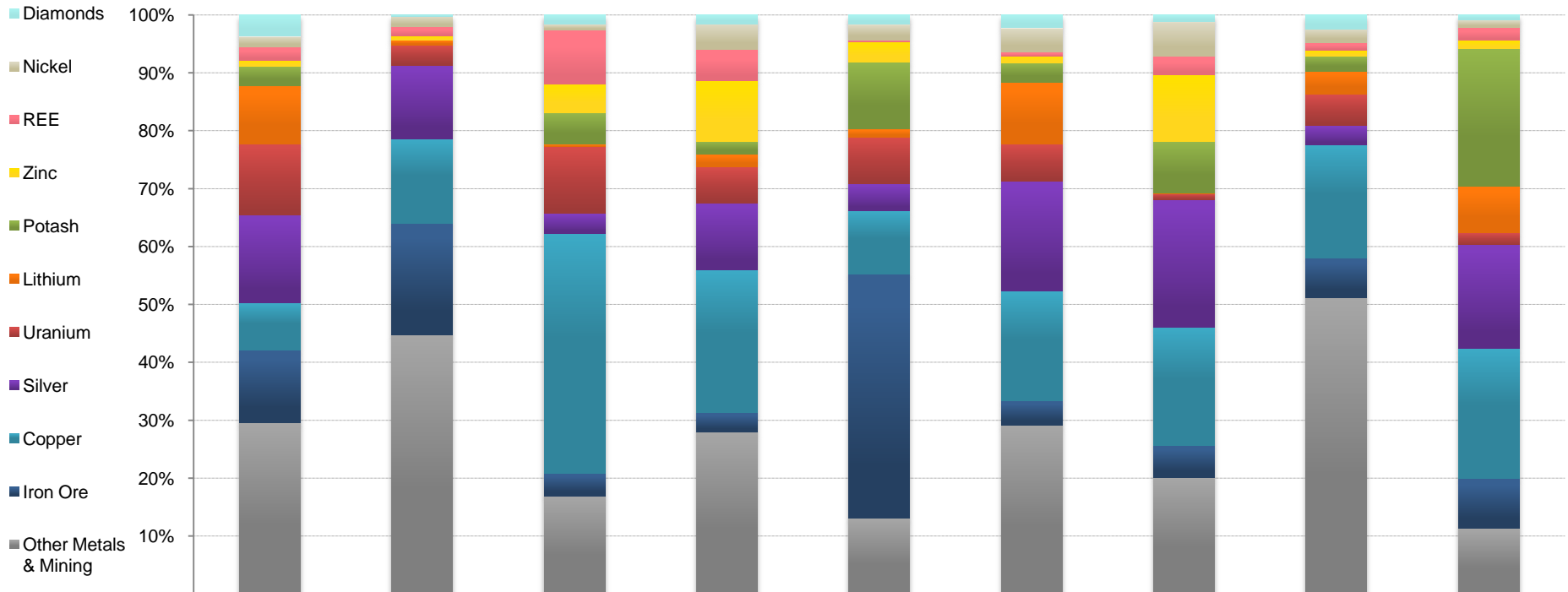
# Picking Commodities

- Focus on a commodity that you like, understand, and have faith in
- Quality commodities have:
  - Supply constraints
  - Inelastic demand
  - A lack of quality pipeline projects
  - A foreseeable shutdown in major mines
- Oreninc likes zinc, copper, coking coal, iron ore, and nickel



# “Other” Sector Breakdown

## Other Sectors



Sector	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Diamonds	\$82.10	\$2.10	\$9.96	\$8.31	\$18.39	\$8.10	\$2.63	\$13.69	\$3.00
Nickel	\$39.55	\$17.51	\$5.60	\$24.17	\$29.35	\$15.41	\$14.11	\$13.37	\$4.21
REE	\$51.74	\$15.10	\$57.74	\$28.78	\$4.33	\$2.71	\$7.25	\$7.64	\$7.74
Zinc	\$22.78	\$6.80	\$29.63	\$56.52	\$39.40	\$4.06	\$26.75	\$5.66	\$5.00
Potash	\$77.01	\$0.00	\$33.60	\$12.48	\$128.54	\$12.77	\$20.85	\$15.01	\$80.21
Lithium	\$224.60	\$7.63	\$2.43	\$11.40	\$14.91	\$38.90	\$0.20	\$22.79	\$27.24
Uranium	\$270.73	\$32.91	\$70.42	\$33.98	\$90.23	\$23.51	\$2.49	\$30.43	\$7.28
Silver	\$338.99	\$120.34	\$21.37	\$62.50	\$51.62	\$70.00	\$51.35	\$19.13	\$60.56
Copper	\$180.55	\$138.57	\$253.04	\$133.42	\$122.12	\$69.48	\$47.40	\$111.13	\$76.34
Iron Ore	\$279.45	\$181.95	\$24.32	\$18.11	\$470.23	\$15.88	\$12.83	\$39.41	\$29.26
Other Metals & Mining	\$658.94	\$424.62	\$103.31	\$150.93	\$145.87	\$106.98	\$46.96	\$291.18	\$38.37
<b>Total</b>	<b>\$2,226.46</b>	<b>\$947.52</b>	<b>\$611.42</b>	<b>\$540.60</b>	<b>\$1,114.99</b>	<b>\$367.81</b>	<b>\$232.82</b>	<b>\$569.44</b>	<b>\$339.21</b>

**Note:** The chart represents all deals in all natural resources sectors (other than gold and oil and gas) opened on or after 1/1/2011 and closed by 1/5/2013. Dollars raised listed in million-dollar units.

## Iron Ore

- Oligopoly control creates stickier prices
- Major material for global development



## Zinc

- Developing countries are becoming more concerned with higher quality galvanized products for building infrastructure
- Major mines are going offline in the next decade



## Copper

- Necessary for global development
- Naturally scarce resource



## Coking Coal

- Necessary for steel producing blast furnaces
- Much scarcer than thermal coal



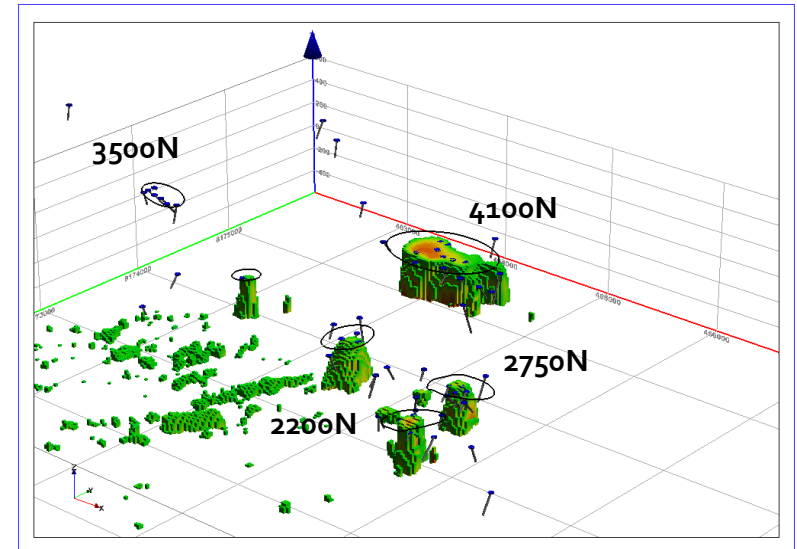
- Kills dying or hopeless projects
- Hires a team focused on where the company is going, not where it was last year
- Gets paid (...do not invest with people who work for free)
- Builds corporate groups that share resources, insights, and relationships





## Resource stands out:

- Material tonnage
- Economic grade
- Feasible location
- Manageable capex costs



Aston Bay Copper VTEM Survey

## No obvious hurdles to next stage of development, such as:

- Political risk
- Permitting and NIMBY risk
- Messy corporate and project ownership structures
- Stakeholders that are aligned

**Google Earth:** Digitally fly a project; it is shocking how much you can learn



**USGS:** Learn about the commodity



**SEDAR:** Read reports (NI 43-101, MD&A, financial statements, resource statements)

- IR teams get paid to sell the upside



- Finding the downside of companies and projects is critical

**Fraser Risk Index:** What countries do industry professionals like and why?



**Common sense:** Step back and make sure that projects and management teams make sense





**Sector Pulse Reports:** Bi-monthly market analysis for 12 sectors

**Broker Tear Sheets:** Quarterly comparison of 30 brokerage houses

**Get to know:**

- **Commodities:** Are banks looking for deals in this commodity?
- **Companies:** Have they raised money successfully in the past?
- **Brokers:** Do their past deals result in long-term value for their clients?

**Sponsorship opportunities:** Distribution to 3,000+ subscribers consisting of high-ranking personnel from institutions, resource companies, investors, law firms, auditors, and investor relations companies

## Zinc Sector Pulse Report

April 30, 2013

30

# Zn

65.391

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## Broker Tear Sheet

March 31, 2013

### Canaccord

**Date Range:** 1 Apr. 2012 - 31 Mar. 2013  
**Money Brokered:** \$537.56M  
**Deals Brokered:** 41

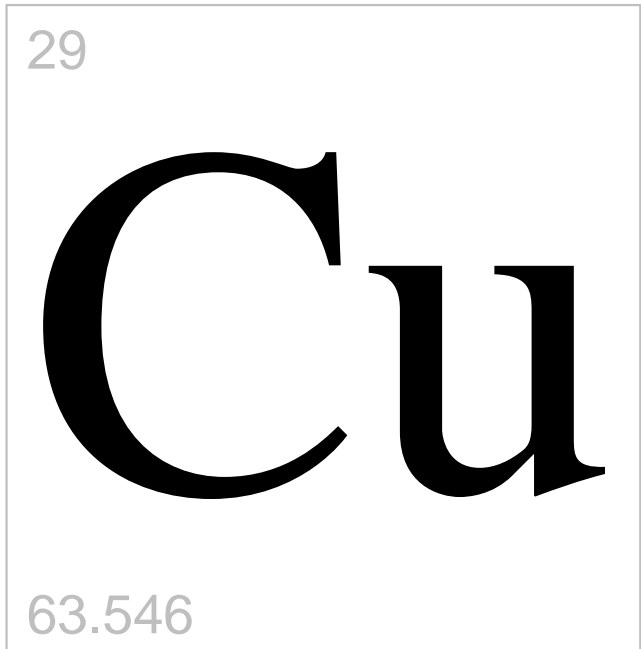
Commodity	Percentage
Gold	55%
Iron Ore	12%
Potash	11%
Oil & Gas	10%
Silver	8%
Lithium	4%

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# Copper Sector Pulse Report

April 30, 2013



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## Proud Sponsors

**Aston Bay Holdings Ltd. (TSX-V: BAY)** is a Canadian copper and zinc exploration and development company advancing the Storm Copper and Seal Zinc Projects.

Contact: [info@astonbayholdings.com](mailto:info@astonbayholdings.com), 60.262.6969



[www.astonbayholdings.com](http://www.astonbayholdings.com)

### Storm Copper

2.9% Cu over 105m including 5.05% Cu over 3.2m

Five mineralized zones, all open

### Seal Zinc

Direct-ship concentrate, open pit, 300m from tidewater

Historic resource of 2mt @ 3% zinc + Ag/Fel credits \$200+ per tonne in raw rock value



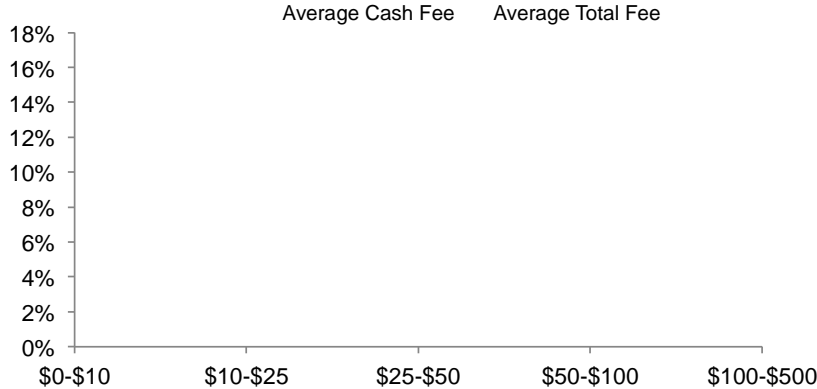
## Broker Fee Charts



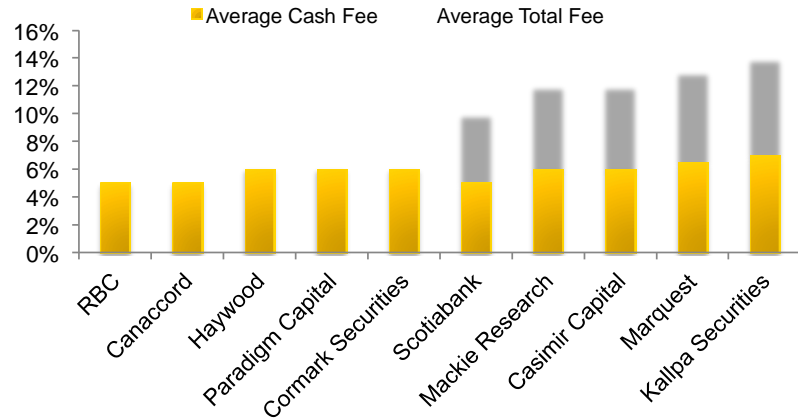
When looking at a financing, it is important to remember: generally, the smaller the market cap, the higher the fees.

This graph represents the fees charged by each broker in the copper sector. The numerical values listed on page 5 can be used for negotiating purposes.

**Broker Fees by Company Market Cap: All Sectors**



**Broker Fees: Copper**



**Note:** The graphs represent all brokered deals in the respective sector(s) opened on or after 1/5/2012 and closed by 30/4/2013. Market cap listed in million-dollar units. Broker Fees graph includes top ten brokers by money led.



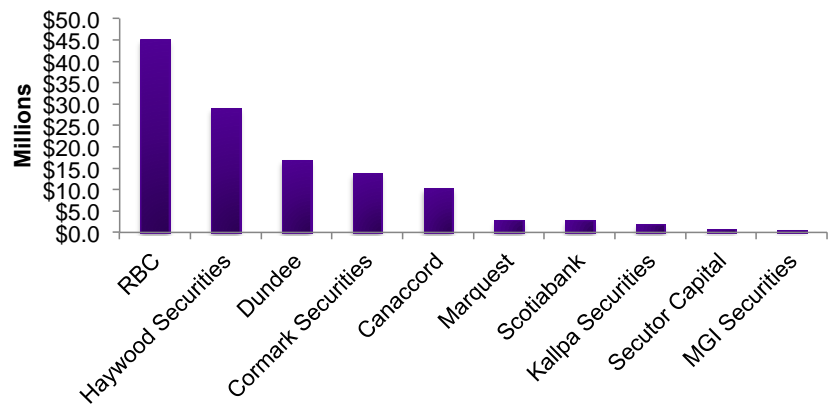
## Broker Efficiency

Choose a broker who has completed offerings of similar size to your deal, but keep in mind that these figures are averages. Sometimes a broker completes one large offering and several small ones, which skews the average deal size. Therefore, it is important to review the table in the back.

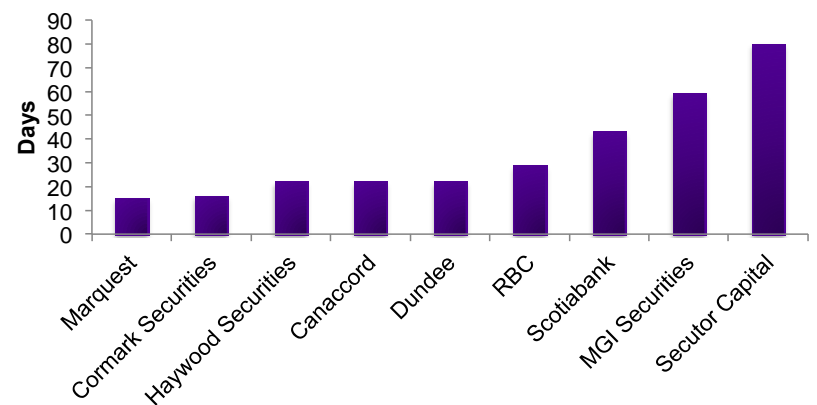
We care about broker efficiency. The speed at which a broker moves a transaction from announcement to completion may be a good indication of their ability to deliver a successful raise.



Average Deal Size: Copper



Average Time to Close: Copper

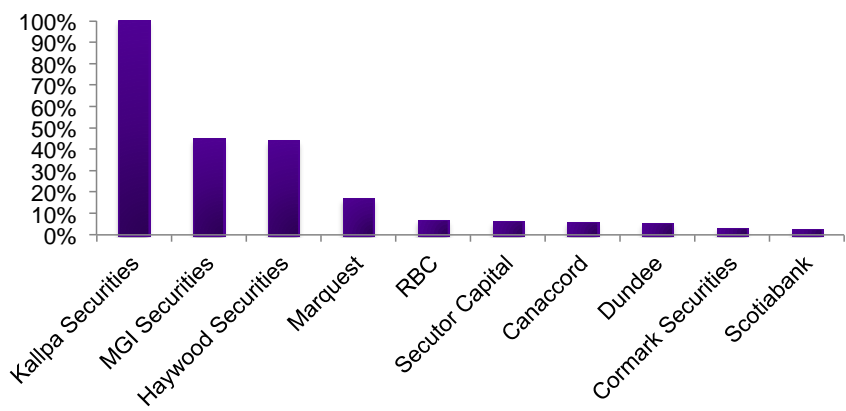


**Note:** The graphs represent all brokered deals in the respective sector(s) opened on or after 1/5/2012 and closed by 30/4/2013. Graphs include top ten brokers by money led.

## Broker Sector Focus

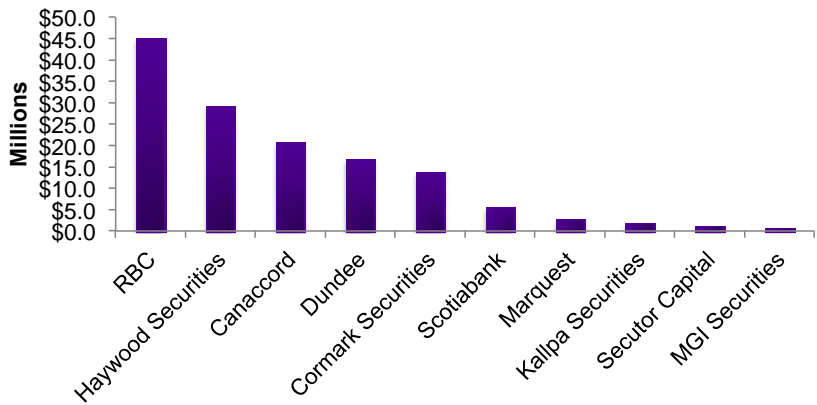
The percentage of a broker's total led in your sector gives you a sense of how material your sector is for their business.

**% of Brokers Total Book: Copper**



Money raised in copper will show which brokers have a track record of raising money for your sector.

**Money Raised: Copper**



**Note:** The graphs represent all brokered deals in the respective sector(s) opened on or after 1/5/2012 and closed by 30/4/2013. Graphs include top ten brokers by money led.

## Brokers: Copper



Broker	BOOK				AVERAGE FEES			STRUCTURE		EXECUTION	
	% of Total Book	Deal Size*	Total Deals	Total Raised	Cash	Warrant	Total	% of Bought Deals	% of Deals with Warrants	Days to Close*	Subscription Rate*
Canaccord	5.8%	\$10.3	2	\$20.6	5.7%	4.4%	10.1%	50.0%	0.0%	22.0	100.0%
Cormark Securities	3.0%	\$13.8	1	\$13.8	6.0%	0.0%	6.0%	0.0%	0.0%	16.0	115.0%
Dundee	5.4%	\$16.8	1	\$16.8	6.0%	6.0%	12.0%	0.0%	100.0%	22.0	112.2%
Haywood Securities	43.9%	\$29.0	1	\$29.0	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	100.0%	0.0%	22.0	116.0%
Kallpa Securities	100.0%	\$1.8	1	\$1.8	7.0%	7.0%	14.0%	0.0%	100.0%	N/A <sup>2</sup>	100.0%
Marquest	17.1%	\$2.8	1	\$2.8	6.5%	6.5%	13.0%	0.0%	100.0%	15.0	104.5%
MGI Securities	45.0%	\$0.4	2	\$0.7	8.0%	8.0%	16.0%	0.0%	50.0%	59.0	38.3%
RBC	6.8%	\$45.0	1	\$45.0	5.0%	0.0%	5.0%	0.0%	0.0%	29.0	100.0%
Scotiabank	2.5%	\$2.7	2	\$5.5	5.0%	5.0%	10.0%	0.0%	0.0%	43.0	94.9%
Secutor Capital	6.2%	\$0.6	2	\$1.2	8.0%	8.0%	16.0%	0.0%	100.0%	80.0	39.5%
<b>Brokered</b>	--	<b>\$7.6</b>	<b>18<sup>3</sup></b>	<b>\$137.2</b>	<b>5.5%</b>	<b>2.4%</b>	<b>8.0%</b>	<b>10.5%</b>	<b>47.4%</b>	<b>50.6</b>	<b>66.3%</b>
<b>Non-Brokered</b>	--	<b>\$1.6</b>	<b>100</b>	<b>\$163.0</b>	<b>4.4%</b>	<b>1.3%</b>	<b>5.6%</b>	--	<b>83.0%</b>	<b>41.8</b>	<b>87.9%</b>

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**Note:** The chart represents all brokered deals in the respective sector(s) opened on or after 1/5/2012 and closed by 30/4/2013. Average deal size and total raised listed in million-dollar units. <sup>1</sup>Fees unavailable at time of publication. <sup>2</sup>Deal announced solely at close. <sup>3</sup>"Brokered" Total Deals may not be a direct sum of column because brokers are excluded from above chart if unsuccessful at closing all announced deals.

## All Deals: Copper (page 1 of 9)



Company Name	Open Date	Ticker	Cash Fee	Warrant Fee	Total Fee	Dollars Raised at Close	% of Market Cap	Security Type	Financing Basis	Market Cap at Deal Open	Lead Underwriter	Co-Underwriter
Tigray Resources	08/04/2013	TSX-V:TIG	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$2.4	29.1%	Common	Best Efforts	\$8.3		
Salazar Resources	26/03/2013	TSX-V:SRL	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$1.0	7.2%	Common	Best Efforts	\$14.0		
Phoenix Copper	22/03/2013	TSX-V:PHC	1.0%	0.0%	1.0%	\$0.1	3.6%	Common	Best Efforts	\$3.4		
White Tiger Mining	20/03/2013	TSX-V:WTC	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$0.04	1.0%	Flow-Through	Best Efforts	\$4.1		
Cascadero Copper	19/03/2013	TSX-V:CCD	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$0.1	1.3%	Common	Best Efforts	\$7.5		
Castle Resources	15/03/2013	TSX-V:CRI	4.1%	3.9%	8.0%	\$1.0	6.1%	Common	Best Efforts	\$16.5		
Castle Resources	15/03/2013	TSX-V:CRI	4.1%	3.9%	8.0%	\$0.9	5.5%	Flow-Through	Best Efforts	\$16.5		
Copper Fox Metals	22/02/2013	TSX-V:CUU	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$2.7	0.8%	Common	Best Efforts	\$315.7		
Panoro Minerals	20/02/2013	TSX-V:PML	6.0%	6.0%	12.0%	\$15.0	14.6%	Common	Bought Deal	\$102.9	Canaccord	BMO
Bellhaven Copper & Gold	15/02/2013	TSX-V:BHV	6.0%	6.0%	12.0%	\$1.8	13.5%	Common	Best Efforts	\$13.3		
Dunav Resources	12/02/2013	TSX-V:DNV	6.0%	6.0%	12.0%	\$16.8	47.0%	Common	Best Efforts	\$35.8	Dundee	Paradigm Capital
Cadillac Ventures	08/02/2013	TSX-V:CDC	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$0.50	6.1%	Common	Best Efforts	\$8.2		
Desert Star Resources	28/01/2013	TSX-V:DSR	4.8%	0.0%	4.8%	\$0.5	47.0%	Common	Best Efforts	\$1.1		
Miocene Metals	18/01/2013	TSX-V:MII	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$0.2	7.0%	Common	Best Efforts	\$2.3		

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**Note:** The chart represents all deals in the respective sector(s) opened on or after 1/5/2012 and closed by 30/4/2013. Dollars raised and market cap listed in million-dollar units. <sup>1</sup>Fees unavailable at time of publication.



# Broker Tear Sheet

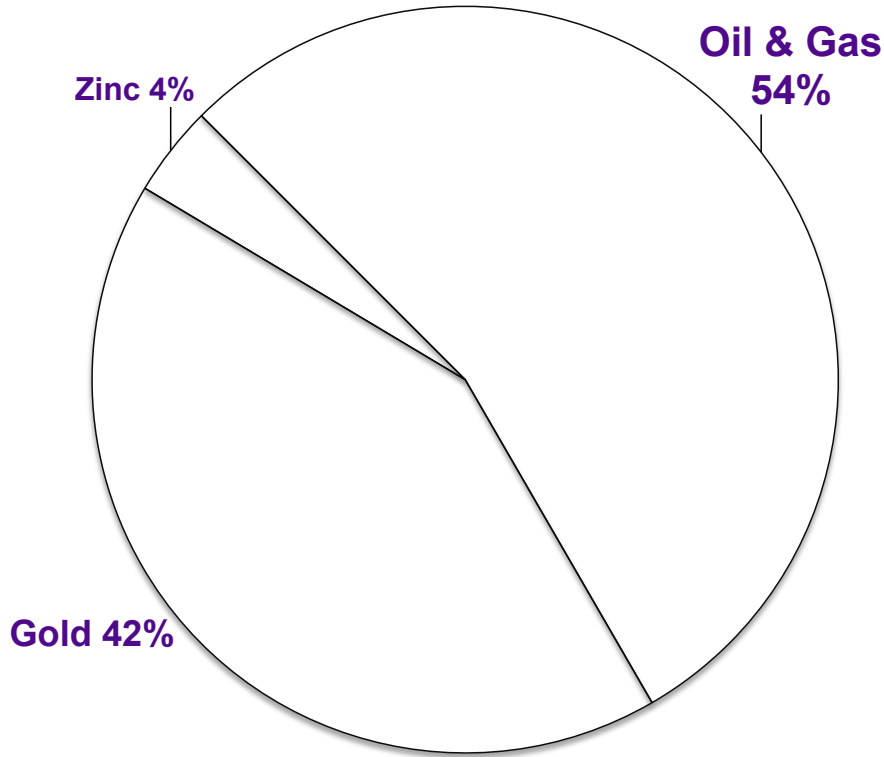
March 31, 2013

## GMP Securities

Date Range: 1 Apr. 2012 - 31 Mar. 2013

Money Brokered: \$393.35M

Deals Brokered: 16



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## Tear Sheet: GMP Securities



Sector	BOOK				AVERAGE FEES			STRUCTURE			EXECUTION	
	% of Total Book	Deal Size*	Total Deals	Total Raised	Cash	Warrant	Total	Share Price Premium	% of Deals Bought	% of Deals with Warrants	Days to Close*	Subscription Rate*
Oil & Gas	54.2%	\$23.67	9	\$213.00	5.1%	0.0%	5.1%	-11.3%	55.6%	22.2%	30.8	101.4%
Gold	41.9%	\$27.49	6	\$164.91	5.3%	1.4%	6.8%	-11.1%	33.3%	66.7%	25.0	103.7%
Zinc	3.9%	\$15.44	1	\$15.44	5.0%	0.0%	5.0%	FT-Only	100.0%	0.0%	19.0	162.0%
<b>All Sectors</b>	<b>100.0%</b>	<b>\$24.58</b>	<b>16</b>	<b>\$393.35</b>	<b>5.2%</b>	<b>0.6%</b>	<b>5.8%</b>	<b>-11.2%</b>	<b>50.0%</b>	<b>37.5%</b>	<b>27.9</b>	<b>99.8%</b>

**Note:** The chart represents all deals recorded by Oreninc opened on or after 1/4/2012 and closed by 31/3/2013 across all sectors in which GMP Securities acted as lead or co-lead underwriter. Deal size and total raised listed in million-dollar units. Share price premium excludes all flow-through transactions. Sectors excluded from above table if no offerings were successfully completed, except for subscription rate. \*Average.

## All Deals: GMP Securities (page 1 of 2)



Company Name	Open Date	Ticker	Cash Fee	Warrant Fee	Total Fee	Dollars Raised @ Close	% of Market Cap	Security Type	Financing Basis	Market Cap @ Deal Open	Lead Underwriter	Co-Underwriter
<b>Kilo Goldmines</b>	30/1/13	TSX-V:KGL	6.0%	3.0%	9.0%	\$10.00	35.12%	Common	Best Efforts	\$28.48	GMP Securities	Clarus Securities
<b>Premier Royalty</b>	19/12/12	TSX:NSR	5.0%	5.0%	10.0%	\$30.00	22.18%	Common	Bought Deal	\$135.27	GMP Securities	CIBC
<b>Toscana Energy Income</b>	6/11/12	TSX-V:TEI	6.2%	0.0%	6.2%	\$10.00	28.73%	Common	Bought Deal	\$34.80	GMP Securities	Macquarie
<b>Cub Energy</b>	21/11/12	TSX-V:KUB	5.0%	0.0%	5.0%	\$12.50	13.77%	Common	Best Efforts	\$90.75	GMP Securities	Canaccord
<b>Renegade Petroleum</b>	29/10/12	TSX-V:RPL	6.0%	0.0%	6.0%	\$70.75	32.48%	Common	Bought Deal	\$217.81	GMP Securities	TD Securities
<b>Klondex Mines</b>	2/11/12	TSX:KDX	6.0%	0.0%	6.0%	\$22.93	34.32%	Common	Best Efforts	\$66.80	GMP Securities	MGI Securities
<b>Aureus Mining</b>	1/11/12	TSX:AUE	5.0%	0.0%	5.0%	\$80.28	73.70%	Common	Best Efforts	\$108.93	GMP Securities	RBC
<b>Sarama Resources</b>	26/9/12	TSX-V:SWA	6.0%	0.0%	6.0%	\$12.00	24.52%	Common	Bought Deal	\$48.94	GMP Securities	Cormark Securities
<b>Loncor Resources</b>	20/9/12	TSX-V:LN	6.0%	6.0%	12.0%	\$9.71	13.09%	Common	Best Efforts	\$74.18	BMO	GMP Securities
<b>TriOil Resources</b>	18/9/12	TSX-V:TOL	5.0%	0.0%	5.0%	\$8.75	5.99%	Flow-Through	Bought Deal	\$146.11	Canaccord	GMP Securities
<b>TriOil Resources</b>	18/9/12	TSX-V:TOL	5.0%	0.0%	5.0%	\$20.00	13.69%	Common	Bought Deal	\$146.11	Canaccord	GMP Securities
<b>RMP Energy</b>	30/7/12	TSX:RMP	5.0%	0.0%	5.0%	\$10.00	5.50%	Flow-Through	Bought Deal	\$181.65	GMP Securities	Cormark Securities
<b>Bowood Energy</b>	12/7/12	TSX-V:BWD	5.0%	0.0%	5.0%	\$6.00	39.68%	Common	Best Efforts	\$15.12	GMP Securities	Macquarie

**Note:** The chart represents all deals recorded by Oreninc opened on or after 1/4/2012 and closed by 31/3/2013 across all sectors in which GMP Securities acted as lead or co-lead underwriter. Dollars raised and market cap listed in million-dollar units.

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- Sector and region-specific reports
- Exchange comparison for public listing
- CPC evaluation and comparison
- Company assessments and project valuations
- Bespoke financing data

## Management Services

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- Due diligence and re-allocation of assets
- Company and project valuations
- Corporate restructuring (M&As, RTOs, JVs, QTs)
- Administrative services (major clients)
- Marketing and branding (major clients)

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