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## **SMALL CAP FOCUS: DGR takes corporate scientific approach to mining exploration by shooting for the next big opportunity**

**By Ian Lyall**

Warren Buffett quoted Wayne Gretzky's advice when explaining why, in the teeth of the financial crisis, he was still a fan of equities.

'I skate to where the puck is going to be, not to where it has been,' the hockey great said, when asked to explain the secret of his success on the ice.

Buffett's point in quoting The Great One? Shoot for the next big opportunity, not the one that everybody is currently excited about.

It is a philosophy shared by Nick Mather, the boss of resources group DGR Global.

And while he would recoil at comparisons with Buffett, this mantra has served Mather well.

His CV lists a number of successes where he has looked to where the puck might be heading, rather than where it has been.

Chief among them was Arrow Energy, sold to Shell and China Energy for \$3.5billion . However, there's a long list of others.

'I do not lay claim to precipitating their success alone,' Mather says of his business triumphs, which also include Waratah Coal and Bow Energy.

'But I was instrumental in the selection of project areas and development of the strategy and resource philosophy.'

His latest venture, DGR, is an umbrella for a number of developing mineral firms. However, it is less an exploration group and more a 'factory', he said.

'The Ford Motor Company makes cars; we make exploration and ultimately mining companies,' Mather added.



'The process of doing that means we start at year zero with a good geological idea and a team with talented geoscientists.

'And it is geoscientists we think are our real engine room at DGR.'

Each of its projects is a company in and of itself, with independent management. This autonomy, Mather reckons, makes the projects easier to fund and simpler to progress. 'The process takes three to 12 years to take an idea to maturity,' Mather said.

'I use that as the timeframe based on the biggest and the best [investment] I was ever associated with: Arrow Energy.'

The methodology behind ASX-listed DGR is that its selection of minerals and geographies apes the top down strategic approach deployed by the super-major miners.

And it sticks with the Buffett/Gretzky mantra of skating to where the puck will be rather than where it has been.

So, the strategy is forward-looking to the extent of assessing how the world will look in 25-35 years, rather than today.

Urbanisation is likely to accelerate rather than slow in that time, with an estimated 4 billion people bound for the world's (and mainly China's) major cities.

New conurbations will spring up, requiring steel to build the infrastructure, copper to transport power, and gas – the most environmentally acceptable and transportable energy source – to fuel this expansion.

In SolGold (copper), Armour Energy (gas) and Iron Ridge (iron) DGR is plugged into all three strategic commodities. It also has interests in gold, the world's oldest currency.

The group also takes the forward looking approach targeting those countries on the cusp of political reform that provide opportunities not yet spotted by the rank and file explorers.

One of the central planks to the DGR strategy is to have control of the project, while Mather's team also likes to take a significant regional position, rather than picking up 'postage stamp sized' small licence areas.

'There are a number of competitive advantages to having [a large land position] and the local governments tend to be more helpful. They also tend to attract the big miners,' he said.

High grade, logistically accessible projects make them easier to finance, Mather pointed out. And this is key when it comes to tapping the banks when it comes to the building phase.

And of course the people are key to unlocking the potential of these assets. You can have the best land package in the world, but without skilled personnel it is useless.

'DGR is all about the application of state of the art geotechnical techniques that enables us to cost-efficiently and rapidly identify very high grade targets,' said Mather.

'The other tool we use is very talented geo-scientists. Most geo-scientists and geophysicists are stuck in boxes by their employers and told to model this or map that. We don't say that. We say,



"have a think about how we might find this".

'We don't care if they don't come into the office. They can go to a coffee shop, think laterally and come up with a value-adding idea, rather than fulfilling a specific micro-task.'

