

In the moments of celebration and inebriation because of the successful sale of the Mining and Smelting Basin Bor, a dilemma whether one should be looking a gift horse in the mouth and asking oneself if the job was done successfully as it is being said might be unwelcome. At first glance, the sale of Bor can be seen as a gift from heaven because the former and current president of Serbia (plus the former minister of mining) have for so long and earnestly been cajoling the President of China that he finally gave in and sent the company Zijin as a strategic partner to Serbia with USD 350 million to buy 63 percent of RTB Bor. Now, we are eagerly waiting for the Chinese, God willing, to formally sign a recapitalization and business plan agreement for the next six years.

There is an impression, as stubbornly insisted by the representatives of the authorities, that this transaction went well for us, and that we have conveniently managed to palm off a commercial corpse to the Chinese which was a hopeless case. In the last two years, state officials, individual economic analysts and the media have been referring to RTB Bor in this way. Truth be told, RTB Bor has earned such a public attitude due to its business results and behaviour of its management (primarily the general manager). The truth is that the state stuck up for Bor, drove it into the reorganization plan prepared in advance (the authorized auditor distanced itself from the delivered documentation) and released it from a EUR 900 million (historical and new) debt. Nothing, however, subsequently changed in the operations of this mining company, it continued to operate poorly and run into new debt (EUR 200 million). All this created a bad impression of the public, which was amplified by the rivalry about the company's unpredictability and the necessity of its privatization, either by selling assets or by recapitalizing. The president of the state, while he was prime minister, spent huge amount of his time in the past two or three years in persuading the Chinese president to find a company from this country to take "under its wing" the wreckage of the Bor company.

Today, however, with the new information emerging, it seems that the fate of RTB Bor has not only been solved in tête-à-tête conversations of two presidents. And, more importantly, it turned out that the Bor copper producer was no economic corpse, but an extremely promising company on a global scale.

The crucial news for a fresh look at RTB Bor was published in Canada and only a day after the Serbian minister of mining Mr. Aleksandar Antić announced that the Chinese company Zijin was interested in recapitalizing Bor and becoming the owner of the company's 63%. The news says that the Canadian company Nevsun Resources (a leading medium-sized heavy metals processing company) announced that it has signed a final agreement with Chinese company Zijin on the Chinese takeover of all non-subscribed and non-subscribed shares of Nevsun at a price of six Canadian dollars per share. For this transaction Zijin committed to pay in cash 1.9 billion Canadian dollars (1.4 billion US dollars). Interestingly, a 1.5 billion Canadian dollar (CAD 4.75 per share) bid for the purchase of

Nevsun on 26 July was given by the company Lundin Petroleum. However, on 9 August, Nevsun's Board of Directors "after carefully considering and receiving recommendations from the special commission of independent directors and after consulting with their financial and legal advisors", rejected Lundin's bid as a hostile one. Then came the bid from China, from the company Zijin. The Chinese move is considered unusual in such stock exchange transactions. The usual way is for the new bidder to start with a share price slightly higher (for example, 10-15 cents) from the bid of the first bidder, and gradually manoeuvre and raise the price to three, four or five percent. However, the Chinese immediately raised the price by 57 percent compared to the share price of 7 May (when Lundin announced its intention to takeover Nevsun), or 26 percent (CAD 1.25 per share) higher than Lundin's and thereby demonstrated incredible interest in buying Nevsun. Behind this kind of non-standard response, the Chinese are likely to hide a reliable estimate showing that Nevsun has "gold" businesses that in the coming years can dismiss very high, even non-standardly high profits. Then, on 5 September, the Board of Directors of Nevsun unanimously recommended to shareholders to accept Zijin's bid and to sell their shares in this company. Shareholders have 105 days (from 18 September when Zijin has undertaken to send them a written circular takeover bid) to consider selling. Thus, in just two days, Zijin announced its intention to purchase the "copper" businesses in Serbia and Canada for almost two billion US dollars.

But what is the connection between the Canadian company Nevsun and RTB Bor and Serbia, except that their buyer is the same?

A very serious one indeed. Nevsun operates in Serbia through its company Rakita Exploration, implementing the Timok project. Nevsun is the owner of exploration rights over the world class copper and gold site called Čukar Peki in Bor. The ties between Nevsun and Serbia have lasted for eight years now. Namely, in 2010, according to the consortium agreement, the company Reservoir Minerals and Freeport-McMoRan Inc. (the world's largest molybdenum producer and the second largest copper producer) started geological explorations under the Bor-Metovnica licence. The licence and exploration rights were probably given by the Government of Serbia, or the ministry in charge of mining, by signing an appropriate agreement. Nonetheless, the Government has never published the said agreement, which would probably shed the light onto the rights and obligations of the lessor and the lessee. There are many intriguing questions about this agreement, if it was ever signed. For example, it would be interesting to see how much Serbia has charged for an exploration rights licence? Then, can the owners of exploration rights resell them to a third party and under what conditions? What is the term of the exploration rights and what are the obligations of these companies? Do they have the right of prior purchase of the future mine? What are the rights and obligations of Serbia towards the companies exploring the site?

Two years later (July 2012) Mr. Dejan Koželj, the geologist of Rakita, discovered the site of Čukar Peki, and in 2016 he received a prize at a conference of the Canadian Mining and Development Research Association.

In July 2012, having acquired 55% of Rakita's equity stake in the company, Freeport has entered into an agreement with Reservoir Minerals to be the exclusive operator of the Timok project and to finance the project costs on its own by the end of the Feasibility Study. More than hundreds of millions of dollars have been invested into geological explorations. In January 2014, the Reservoir Minerals issued the First Technical Report on the Assessment of Mineral Resources at the Čukar Peki Deposit.

All data on the potential of the new Bor site were known, in real time, by the top state and political structures of Serbia. Special mention is made of the presentation of the Minister of Mining, Mr. Aleksandar Antić, at the seventh session of the second regular session of the Serbian Assembly on 1 December 2015, regarding the draft Mining and Geological Explorations Law. On this occasion, Mr. Antić said: "I have to emphasize that we have consulted and received certain proposals and suggestions from the world's biggest companies, such as Freeport-McMoRan, Rakita Exploration, and in the last weeks and months you were in a situation to see and hear that Serbia really has serious potentials. First of all, we had explorations in the Bor basin run by private reputable companies, including Rakita Exploration, owned by Freeport-McMoRan. They are conducting significant explorations at the Čukar Peki location whose results brought large encouragement that we will have a new world class miningfield, with a high degree of copper and gold, whose mining can change the life and economic structure in Serbia in the coming decades. I repeat, all indicators point out that this is a world class site, facilitating the opening of the new mine in the next few years."

In March 2016, Reservoir Minerals issued a Preliminary Economic Analysis prepared by an independent mining and geological company SRK Consulting from Great Britain. According to the study, Čukar Peki is potentially one of the world's largest copper and gold deposits, in whose Upper Zone some 35 million tons of ore can be mined out with 2.9 percent copper and 1.9 percent of gold per ton (about 900,000 tons of copper and 70 tons of gold ), while its Lower Zone is incomparably richer.

After such preliminary findings, the interest among the world's companies for Čukar Peki was on the rise. On 2 May 2016, Reservoir Minerals announced that it had exercised the right of prior purchase and purchased a portion of the ownership for USD 155 million from Freeport. Thus, it acquired 55% of the share in the Upper Zone of the Timok project at the copper and gold deposit of Čukar Peki and increased its interest in the Lower Zone. Lundin, which was already mentioned, was interested in purchasing a portion of Freeport for as much as USD 262.5 million, but Reservoir Minerals had the right of prior purchase (under the contract).

Then in July 2016, Nevsun bought Reservoir Minerals for half a billion dollars, automatically becoming the owner of the Rakita company in Serbia and the Timok project, where one of the world's largest sites (Čukar Peki) was discovered, with reserves of 14 million tons of copper and nearly 300 tons of gold according to preliminary explorations. If this turns out to be correct, the actual quantities are best perceived by comparing them with the fact that over the past 110 years of RTB Bor's existence it produced some 3.5 million tons of copper and about 160 tons of gold. This is Nevsun's "gold" business that the Chinese have "mined out" while negotiating with the Serbian leadership on the purchase of RTB Bor, and because of which they abruptly raised the share price for a quarter (roughly the same amount of money they offered to buy 63 percent of RTB Bor) and beat Lundin.

Was Serbia in any way able to react at the moment when Nevsun purchased the Reservoir Minerals as the lessor of the exploration rights on the Timok project? The answer to this question is hidden in the agreement Serbia signed (if at all signed) in 2010 with the Reservoir Minerals - Freeport-McMoRan Consortium. It is unknown, for example, whether Serbia, as the lessor of exploration rights, limited and under what conditions it allowed resale of the exploration rights. Has Serbia, as all these international companies involved in the Bor project, hired and consulted financial and legal advisers? However, the same question about the advisers also goes for Zijin's entry into RTB Bor - it would be very useful if the minister Antić would publish who were the financial consultants for the Bor recapitalization, and who are the lawyers working on the recapitalization agreement.

Exploration companies have discovered a "gold vein" within range of the business headquarters of RTB Bor that could change the economic life of Serbia. At the moment when high-stake global players are involved in the game over the fate of Bor's wealth, RTB Bor is presented in Serbia as a commercial corpse without a future that is to be sold and taken off the Serbian tax payers' back as soon as possible because it made and it will only make losses. Instead of engaging renowned consultants such as McKinsey or Boston Consulting to write a new history of the copper business (not of RTB Bor's rescue), and then choose the world mining leader to implement the new strategy with, the leadership of Serbia recklessly set out to wheedle its friends to save the citizens of Serbia, and buy RTB Bor in tatters and do Serbia the greatest possible favour. Serbia looked for friends high and low in various parts of the world - in Russia, Turkey ... and finally found one in China.

However, unlike the leadership of Serbia, who "turned a blind eye", the Chinese have calculated that the new mine, Čukar Peki (when opened and the day is not far away) would generate several times the value of existing RTB Bor assets and mines. It was not difficult to gather that the new site and the old company would create an incredible synergy and radically change the RTB Bor business. What seems to be this synergy was graphically explained by the Serbian Minister Antić the following day: "Zijin as a strategic partner has undertaken to ensure the full utilization of the Smelter's capacity at 80,000 tons

per year (currently 43,000 tons) by the third year, while by the sixth year the Smelter's production would range between 120,000 and 150,000 tons".

In addition to this, Chen Jinghe, Zijin president, spoke clearly and openly when announcing news about the purchase of Nevsun: "It is an outstanding mining company with a strong focus on safe, efficient and sustainable mining practices. As the new owner of Nevsun, we will keep this focus and look forward to working with stakeholders in Serbia and Eritrea and improving these mining and development resources. In Serbia, on the Čukar Peki project, we intend to quickly develop the Upper Zone and start production in this zone and continue to improve and define the first-class potentials of the Lower Zone."

Another topic related to the Chinese acquisition of Nevsun can be intriguing. If Cliff Davis, the president of Nevsun, on 19 July 2016 stated (for Vecernje Novosti) that he bought the company Reservoir Minerals for USD 500 million (and as a result the Serbian Timok project) and is now selling Nevsun to the Chinese company Zijin for USD 1,4 billion (Serbian business included) the question is whether and where he needs to pay capital gains tax (USD 900 million)? Probably in Canada, but the legitimate question might be "what is Serbia getting out of this"?

However, maybe Serbia does not deserve anything more than leftovers of USD 350 million it got from China for 63 percent of RTB Bor. If the Serbian leadership pretended not to see (or it really did not see!!!) the synergistic potential of Bor and failed to recognize something is up at Čukar Peki, then our Chinese friends have rightly taken us for a ride and behaved in this business as if Serbia is their colony. If Serbian politicians did not know or could not have assumed that they held a "golden vein" in their hands, they could have at least hired world-renowned consultants to advise them on what and how to do it. Why not?

It is not just the point that the government wants to show that Serbia will benefit because the new RTB Bor, with the Chinese as its majority owner, will pay dividends and mineral royalties to Serbia's budget. Even this is probably a lot. However, Serbia would have reaped far greater benefits from this project with a significant impact on the global scale, if only its own officials saw (or wished to see) a bigger picture in the negotiations about the RTB Bor's fate and insisted, for example, that the state maintain.

Source: danas