

Serbia mining: What Is The Deal With Rio Tinto & Reservoir Minerals copper-gold Joint Venture?

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Rio Tinto Plc and Reservoir Minerals Inc. have signed a “joint-venture” agreement related to the latter’s four wholly-owned exploration permits, with a combined area of 265.6 square kilometers. The project will be funded by Rio, which can earn 75% interest during different stages of the venture by funding costs of about \$75 million.

Under the terms and conditions of the contract, Rio Tinto can choose to bear the total project expenditure of \$7 million by November 30, 2019. This will enable it to earn 51% interest in the Tilva project. The company has already agreed to spend a minimum project expenditure of \$3.1 million by the end of 2017. This is inclusive of the reimbursement costs of a maximum of \$500,000 that will be used in the drill program in the Tilva project.

Bidness Etc writes it believes it is a lucrative investment opportunity for Rio Tinto since Reservoir Minerals has a rich exploration history. Reservoir recently updated its exploration activity in Romania, Serbia, and Macedonia. It also operates in areas of south-east Europe that are known to have high potential for copper-gold miners. However Reservoir linked company Reservoir Corp developing renewable energy projects in Serbia (Brodarevo 1 and 2 HPPs) managed to generate fierce opposition in local community and national NGOs raising even neighboring NGO networks against the HPPs development. According to NGOs Prijepolje Brodarevo all permits of Reservoir are cancelled by local courts.

Reservoir President and CEO Simon Ingram stated that the company is delighted to work with Rio Tinto at the Timok belt, where Reservoir has recently shown its exploration potential for copper-gold deposits. He further said that the company expects more growth and success after the agreement.

The “joint-venture” agreement is a huge boost for Rio Tinto, at a time when investors are not too satisfied with the stock. The agreement looks to be a huge boost for Rio Tinto at a time when investors are not too satisfied with the stock. The mining industry has become a cyclical industry with the current decline in mining activity. However, a number of analysts contend that it is safe for long-term investors to invest in mining companies. The company has an efficient mining strategy and has displayed cost-efficient measures as well. It has done active restructuring of its business in the past year. With a decline in commodity prices, the cost has also fallen, benefitting the business in the long run. It has reduced its cost base by \$5.4 billion in working capital. The company also has a solid cash flow. From 2013 to 2014 the free cash flow surged 76% from \$1.14 billion to \$2.55 billion. This helped the company expand its business through the purchase of assets and other small businesses.

Reservoir Minerals already have a deal with Freeport McMoRan. Joint Venture and Shareholders Agreement to further explore and develop the Timok Project in Serbia with

Freeport-McMoRan Exploration Corporation with agreed and approved 2015 budget of US\$18.7 million, to move the Timok Project forward toward the completion of a scoping study. The five member board of directors of the JV Company Rakita Explorations is comprised of three Freeport nominees and two Reservoir nominees.

Brokers, investors, analysts and NGOs from Canada, US, UK and Germany are monitoring closely the Reservoir Minerals.