

6 November 2015

Funding exploration the Kaizen way

Kaizen Discovery hopes to keep turning the exploration funding model on its head with the October acquisition of the Pinaya copper-gold project in Peru, CEO Matthew Hornor told Mining Journal at the Mining and Investment Latin America Summit in Lima, Peru.

By Paul Harris

Hornor said Kaizen had reversed the typical model of discovering a deposit and trying to sell it into the market, by getting potential funders on board right at the start in the form of Japanese trading house Itochu.

“The existing model, whereby companies seek to get consuming companies in at the end of the process, is broken. We want to get them in from the beginning and have them married to the projects,” he said.

Corporate lawyer Hornor spent much of his early career working in Japan where he made the contacts that enabled Kaizen, formed in 2013, to embark on this model. It made its first key acquisition in British Columbia, Canada in 2014 that included the Aspen Grove copper project, located near to Copper Mountain Mining’s mine, and Itochu invested directly at the project level, buying a 40% stake.

The conservative nature of Japan’s trading houses has seen them repeatedly “buy at the top of the market”, said Hornor, but Kaizen offers them the possibility to identify and invest in promising projects at an early stage. The Japanese backing also “allows us to hold onto a project for far longer than a junior explorer can typically do as the trading houses have huge experience in mining”, project business development manager Chris de la Vallee told *Mining Journal*.

With a team that includes David Broughton as vice president exploration, the 2015 recipient of the Prospectors & Developers Association of Canada’s (PDAC) Thayer Lindsley Award for international mineral discoveries, Kaizen is looking to convert opportunities a depressed price environment is presenting as acquisitions.

The deal in late October saw Kaizen, which means ‘change for the better’, take its first steps into Latin America with the acquisition of Pinaya. “Peru is the next milestone to solidify the partnership with the Japanese,” said Hornor.

Pinaya has a measured and indicated resource of 126,984 tonnes of copper and 452,000 ounces of gold and an inferred resource of 142,403t of copper and 307,000oz of gold. It also hosts a gold oxide skarn zone which contains 164,000oz of gold and 5,896t of copper.

“We know we can build a story very quickly on the project,” said de la Vallee.

Kaizen plans to use a similar finance model to the one it adopted at Aspen Grove for Pinaya with a Japanese partner coming in at a different valuation given the project’s more advanced stage. It will use the funds to increase the size of the resource.

The company, 60% owned by Robert Friedland-backed HPX Techco, planned to explore Pinaya with HPX’s Typhoon induced polarisation and electromagnetic geophysical system. Once calibrated on the existing resource, Hornor hopes it can help the company identify areas with similar signatures much quicker than conventional methods.