

Digging deep to unearth success in mining ventures

May 21 2015, by Rob Kidd



QUT researchers investigated why some joint mining ventures succeed and others fail. Credit: Wikipedia Creative Commons

New light has been shone on the pathway to success for mineral exploration ventures in Australia.

Researchers from QUT's Australian Centre for Entrepreneurship Research (ACE) investigated more than 1000 joint ventures in the Australian [mining](#) industry to uncover why some succeed and others fail.

They found mining firms that bring new partners in to exploration projects increase the risk of termination - even if the [new partner](#) has deep pockets.

The results showed stability was the key to successful projects, providing valuable security in an industry affected by changing regulations and wider economic factors.

The research was sponsored by the Queensland Exploration Council (QEC) and the Australian Research Council.

Lead researcher Dr Rene Bakker said, surprisingly, bringing on new partners to [joint venture](#) mining projects sometimes increased the risk of a [project](#) being terminated.

"It is not always beneficial for smaller firms to bring on board a new partner, even one with deep pockets," he said.

"A new partner can upset the status quo, disrupting the balance of power and making the project more likely to fail.

"Joint ventures can be a great resource for mining firms if executed correctly. But, as one mining executive said, you have to be very careful who you get into bed with.

However with significant challenges facing the [mineral exploration](#) sector, Dr Bakker said joint ventures would continue to feature prominently.

"New discoveries are becoming harder and more costly and joint ventures can help fill in gaps in specialised knowledge and financial resources," he said.

"Challenges for investors include the upfront cost of capital investment, difficulty of discovery processes, increased lead time to advance deposits and increased global competition.

"We found successful projects were stable and this stability was maintained by factors including choosing projects widely, coming into the project with confidence, clearly defined needs at each site and patience and stamina to cope with the long lead times and high costs.

Chair of the QEC Geoff Dickie said patience and stamina were required by investors, given the long lead times and high costs.

"Joint venture partners need to be able to take a long-term view even in the face of a highly volatile market," he said.

"This research gives explorers valuable insights into setting up and maintaining successful ventures."

Provided by Queensland University of Technology

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