

\$500-m high-risk fund to tap mineral wealth

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HIGH NET-WORTH Individuals (HNIs) and corporates in India may join hands with top Canadian investors and risk capital firms to float a high risk fund worth \$ 500 million to promote prospecting of mineral and metal wealth in a big way.

The Finance Ministry and the Securities Exchange Board of India (SEBI) have given an "in-principle" approval to float such a fund dedicated to supporting mining across 1.82 million square kilometres in the country.

Currently, only \$2 million is spent annually in India on prospecting and exploration of minerals and metal wealth. Exploration of minerals by the public sector Mineral Exploration Corporation Ltd (MECL) and the Geological Survey of India is limited to bulk minerals like iron ore and bauxite, officials say.

The government seems to be drawing lessons from China which tapped Canadian investors to float a \$ 150 million risk fund five years ago. As a result, China is the third largest producer of gold in the world, officials said. They said the fund, the first of its kind in the Indian markets, will have stringent disclosure norms much tighter than those under which hedge funds operate on Indian bourses through FII (foreign institutional investor) sub-accounts using participatory notes.

"In all probability, it is likely to be a hybrid fund with participation from both Indian individuals and Canadian investors with appetite for high risk laced returns," said a top Mines Ministry official, who did not want to be identified. "A large chunk of the resources would be mobilised from Canada which is a hub for prospectors and venture capitalists in mining worldwide."

The Gold Rush

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According to the government's mining policy draft, the Centre proposes to liberalise norms for prospecting and exploration by foreign and domestic companies. Prospecting for copper, zinc, nickel, gold, diamonds and lead is high on the agenda of the government and industry.

A 20-member industry and government delegation led by Mines Secretary A.K.D.Jadav and Ravi Kastia, Executive President in the Aditya Birla Group were in Toronto recently to sell India as a hot destination for Canadian prospectors.

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bad-based Central Mining Research Institute (CMRI), Tata Steel, Essel Mining and Hindustan Copper, besides the Geological Survey, are interested in entering this area in a big way.

More than 20 Canadian mining and mineral suppliers, mining companies, service providers and financial institutions are apparently keen to explore opportunities in India. A Canadian businessmen's group headed by Warren Holmes, Chairman of Nuinsco Resources and Larry Smith of Inco are said by officials to have agreed to visit India shortly. The risk fund will be discussed during their visit, government sources said. badarinath@hindustantimes.com