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Owen Hegarty-backed private equity vehicle grabs copper mine

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Owen Hegarty's private equity vehicle EMR Capital says it is the "ideal time" in the cycle to buy good copper assets after striking a \$45 million deal to buy a mothballed copper mine in Queensland.

EMR chief executive Jason Chang said the Melbourne-based firm's investment strategy is not dependent on commodity prices going up.

Copper is trading at six-year lows but Mr Chang said EMR's deal to buy the Mt Gordon copper project makes sense, even at current prices.

"Even at current prices, we think this asset can achieve a very appealing return on equity, with its potential cost structure, long life, upside potential and good grade and scale," he said.

"Despite the headlines, we believe copper has a great future, supply is getting more difficult."

It was "the ideal point in the cycle to acquire quality copper assets".

Mr Chang, who co-founded EMR with Mr Hegarty in 2011, expects the fund will make more investments in the next six months. It is looking in potash, copper, gold and coking coal.

Monday's deal is the fifth investment for EMR's first fund, which it closed in January at \$US450 million.

It has been stuck in partnership with private copper mining play Lighthouse Minerals, headed by former Equinox Minerals executive Carl Hallion. Lighthouse will run the mine – which has been bought from ASX-listed minnow Aditya Birla Minerals – while EMR will control the board. The aim is to create a mid tier copper producer.

Hindalco, one of the biggest producers of primary aluminium in Asia, owns 51 per cent of Aditya Birla Minerals. The Mt Gordon copper mine has been under care and maintenance since 2013

Mr Chang is confident the Mt Gordon deal can exceed traditional private equity return on equity, of 20 to 25 per cent.

EMR has also been in discussions over offtake and parties interesting in buying the project when EMR exits.

The fund provided the lion's share of funding for the Mt Gordon deal, which will cost EMR about \$80 million in total, including working capital.

Deal includes a \$5 million payment on financial close next month, and EMR taking on \$40 million in the project's environmental and performance bonds.

EMR is also up for another \$10 million payment if the three-month delivery quoted London Metals Exchange price for copper averages at least \$4.20 per pound over any continuous six month period between 12 months following first commercial production and 36 months after first commercial production.

So the \$45 million deal will be about \$80 million deal over the next 12 months.

EMR invested \$52 million in Spanish potash developer, Highfield Resources, earlier this year.

This story was found at: <http://www.smh.com.au/business/mining-and-resources/owen-hegartybacked-private-equity-vehicle-grabs-copper-mine-20150921-gjrchd.html>