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Private equity joint venture buys Mt Gordon mine for \$55m



Mt Gordon: private equity is emerging as a strong buying force for distressed assets

MATT CHAMBERS THE AUSTRALIAN 12:00AM September 22, 2015

Teams behind the two biggest local copper successes of the China boom have combined for a private equity purchase of Aditya Birla's mothballed Mt Gordon mine near Mount Isa for up to \$55 million, to ride what they see as growing demand for the metal.

EMR Capital, a private investment company chaired by Oxiana founder Owen Hegarty, and Lighthouse Minerals — run by the former Equinox Minerals team that sold their company to Barrick Gold for \$7 billion in 2010 — have agreed to buy Mt Gordon for \$5m upfront, another \$10m if copper prices reach a certain level and \$45m in environmental bonds.

The acquisition of the mine comes as private equity emerges as a strong buying force for distressed assets.

Part of the reason private equity has an advantage is that listed companies' shareholders are not keen on them paying anything that acknowledges prices may increase and they balk at assets that require more development investment.

“While commodities prices and markets remain challenging, we are confident of the medium- and longer-term outlook for copper,” Mr Hegarty said yesterday.

“The acquisition of Mt Gordon creates an exciting opportunity to leverage the fundamental strength we see in the copper sector.”

Mr Hegarty will chair an EMR/Lighthouse joint venture that will have Lighthouse chairman and Equinox founder Craig Williams on the board, with Carl Hallion, a former Equinox executive, as managing director.

The deal takes advantage of an Aditya Birla strategic review started in April to streamline the company in the wake of reduced production from its Nifty mine in Western Australia and continued low prices.

It compares favourably to a price of \$31m (not including environmental bonds) offered and declined by Aditya Birla a year earlier.

Mr Scullion said an extra \$65m to \$70m would probably be needed to get the Mt Gordon mine up and running, something the joint venture is hoping to do in 2017 if market conditions allow it.

The plan is to mine about 1.4 million tonnes of ore a year from underground, representing contained copper of about 30,000 ounces based on the reserve grade of 2.2 per cent copper. Melbourne-based EMR, which raised \$US450m (\$627m) from investors this year, will provide funding and take a majority stake, while Brisbane-based Lighthouse can boost its stake by reaching development milestones.