

SE Business
HD **\$6bn Las Bambas coup puts MMG in big league**

BY BARRY FITZGERALD, ACQUISITIONS

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THE widely flagged deal for a **Chinese** consortium led by the **Hong Kong**-listed and Melbourne-managed MMG to acquire the Las Bambas **copper** project in Peru for \$US5.85 **billion** (\$6.2bn) has been consummated, propelling MMG up the league table of the world's biggest **copper** producers.

The **sale** of Las Bambas was a condition that Beijing imposed on Glencore's takeover of Xstrata last year, with the world's biggest consumer of **copper** flexing its muscles in determining trade flows and associated control positions in the supply of the metal.

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The development of Las Bambas is 58 per cent complete. It is set to become one of the world's biggest **copper** mines from the middle of next year, with annual output of more than 400,000 tonnes of **copper** at a robust cash cost of less than US80c a pound.

Glencore and the MMG-led consortium have been in discussion on the deal since last August. The final agreement has implications for three ASX-listed companies in other projects in which Glencore is involved, as well as possible ramifications for BHP Billiton's planned divestment of non-core assets.

Had Glencore and the MMG consortium not come to an agreement on Las Bambas, Beijing had earmarked a number of other **copper** assets that it wanted Glencore to divest. They included the Frieda River **copper/gold** project in Papua New Guinea and the Tampakan **copper/gold** project in The Philippines.

Frieda River, of which Glencore owns 80 per cent, is a joint venture with the ASX-listed Highlands. But a deal was struck earlier this year — ahead of any action at Las Bambas — for PanAust to buy out Glencore for \$US75 **million**.

Agreement on Las Bambas means that PanAust's plan for a proposed \$US1.8bn modified development plan for Frieda River can begin to take shape.

At Tampakan, Glencore could have been required to auction off its 62.5 per cent **stake** in the project had the Las Bambas deal fallen over. ASX-listed Indophil, of which Glencore owns 13 per cent, has a 37.5 per cent **stake** in the project.

Glencore has previously indicated it is looking to divest the Tampakan **stake** and has frustrated Indophil, which said recently it had yet to be advised on any sales process, or any plans to move the project forward, pending Glencore's exit.

The potential rub-off on BHP from the Las Bambas deal is related to its planned divestment of unwanted nickel, aluminium, manganese and steaming **coal** assets. While a demerger of the assets into a \$US15bn-plus spin-off to shareholders has firmed as the preferred option, the trade **sale** of individual assets remains a possibility.

Glencore has made passing comments about its potential interest in the nickel assets that BHP has earmarked for **sale**, while analysts have also nominated the **company** as possibly interested in a deal on the aluminium and South African steaming **coal** interests.

The London-listed Glencore told the market that proceeds from the Las Bambas deal would “immediately and materially de-gear” its balance sheet.

But it added that it would continue to look for opportunities to reinvest the capital.

Las Bambas is to be owned by MMG (62.5 per cent), Guoxin International Investment Corp (22.5 per cent) and Citic Metal (15 per cent). The \$US5.85bn **acquisition** cost is before capital expenditure and other costs incurred in the project’s development from January 1 until the deal is closed. By the end of March, that figure stood at \$US400m.

CO bkhlp : BHP Billiton Ltd | march : Glencore Xstrata PLC | bltpc : BHP Billiton PLC

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