

HD **\$US130m backing for WA mining venture**

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WC 688 words

PD 3 November 2014

SN Business News

SC WABN

LA English

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Global private **equity** group Denham Capital has teamed up with former Karara **Mining** chief executive Steve Murdoch to establish a venture that will invest in a handful of new and established **mining** projects.

Denham has agreed to make an initial **equity** commitment of \$US130 **million** (\$A145 **million**) in the new venture, called Auctus Minerals.

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Auctus will be based in Perth and will target new **mining** projects requiring capital to develop or existing projects that need to be restructured to lift their performance.

Mr Murdoch, who left Karara in July 2013, told Business News he has been working with Denham since March this year.

"We've been working intensely for months on our business model and our pipeline management and our interaction with Denham," he said.

Mr Murdoch said Auctus would probably invest in just a handful of projects.

"If you have a look at our project assessment and where we think there are opportunities, you are probably talking two to three projects; that's what we're budgeting and planning on at this stage."

He said the investments could be across a broad range of sectors.

The one sector it will not invest in is **coal**, and "we're not really keen on something that sparkles; **gold**, silver and to a certain extent diamonds".

"If it sparkles, we're not all that interested because it's not an industrial metal; they are the broad exclusions, everything else is in."

Mr Murdoch said he has been working closely with KPMG partner Greg Evans and director Matt Pedley, who heads the accounting **firm's mining** M&A practice.

"They've been helping us with research analysis, particularly financial modelling, and tactics and strategies around deploying this sort of business model.

"They've got a really strong team over there and have been very helpful while we've been developing a business model."

The Auctus investment is the second big Australian deal announced this year by Denham, which transferred its Asia Pacific office from Singapore to Perth in 2013.

Denham has also committed to invest \$US200 **million** in Pembroke Resources, a **company** led by former Gloucester **Coal** chief Barry Tudor that is developing a portfolio of metallurgical **coal** assets in the Asia-Pacific region.

Mr Murdoch's most recent role was chief executive of **iron ore** producer Karara **Mining**, which is owned by **China's** Ansteel and Perth **company** Gindalbie Metals.

He has also run the Australian **operations** of UK-based scaffolding group Cape, after it made a series of big acquisitions in the region, and was chief operating officer at shipbuilder Austal.

Earlier in his career, he was general manager of metallurgical **operations** for Mount Isa Mines.

Mr Murdoch has been joined on Auctus' management team by two former colleagues, finance director Paul Sims (ex Karara CFO) and commercial director Terry O'Connor (ex Cape).

"Our executive team has a highly regarded pedigree in delivering value enhancement outcomes in the Australian resources space," he said.

"Partnering with Denham, which provides deep entrepreneurial culture and extensive knowledge of the global resources industry, has resulted in the formation of a powerful **mining** endeavour in Australia."

Denham's Perth-based managing director and head of the Australasian region Bert Koth said "Stephen and his team have a long and successful track record of implementing savings to operating and development costs in both base metals as well as bulk minerals".

"During the **mining** boom, Australia has become a high cost environment with productivity decline," Mr Koth said.

"Thus, the key to value creation in Australian **mining** projects today is the ability to achieve cash flow fast and reduce cost rigorously. Partnering with Stephen and his team will allow us to realize that opportunity."

Denham is among a handful of private **equity** groups focused on the resources sector.

These include Resource Capital Funds, run jointly from Perth and Denver, Colorado. It has backed a wide array of **mining** companies, including MZI Resources, Wolf Minerals and India Resources.

Other private **equity** investors active in the local **mining** industry include Sydney-based Pacific Road and The Sentient Group.

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