HD **Comeback kid: can Tinkler revive a dead mine — and his own fortunes?**

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WC 1,191 words

PD 20 May 2014

SN Crikey

SC CRIKAU

LA English

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Nathan Tinkler has somehow raised $150 million to buy a mothballed coal mine. But will he manage to stump up the cash to actually operate it?

John Howard once quipped another comeback to the leadership would make him “Lazarus with a triple bypass”.

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Former billionaireNathan Tinkler looks set to repeat the performance, with confirmation last week that his Singapore-based shelf company Bentley Resources has somehow raised $150 million to buy a mothballed coal mine, Wilkie Creek, in Queensland’s Surat Basin.

Put aside for a moment the other distracting dramas Tinkler has on right now: his brazen performance last week at the New South Wales Independent Commission Against Corruption, his brinkmanship over the Newcastle Knights, and the looming sale of what’s left of his Patinack Farm horse stud.

The fact that Tinkler is trying to mount a mining comeback in today’s tough coal market with an unloved asset that has been for sale for the best part of two years, despite a blizzard of negative publicity, is simply astonishing. If he can manage it, it would be one of the all-time feats.

But on what we know now, it simply doesn’t add up. Since at least June last year, when his 19% stake in listed miner Whitehaven Coal was taken off him, Tinkler has lost one asset after another. His share in a lucrative coal royalty, his stake in the old Aston Metals, his former mansion at Newcastle. All sold up by secured lenders, none generating Tinkler a cent.

Hanging over his head all that time has been an outstanding debt to his main lender, hedge fund Farallon—impossible to know exactly, but in the vicinity of $100 million-plus.

That outstanding liability was referred to explicitly in the deed that accompanied the June 19 announcement that Tinkler had “sold” his 189.5 million shares in Whitehaven to Farallon at an agreed price of $2.96 each—some 40% above market—or a total $561 million. There was no dollar figure put on the liability under the deed, but the principal amount of Tinkler’s loans from the Farallon-led syndicate was US$634 million, after more than a year racking up interest at 15% pa, his total liability was reckoned to be up to US$730 million.

Showing that both sides of the deal hoped for an imminent bounceback in Whitehaven’s share price, the deed had a clause allowing Tinkler’s outstanding liability to be reduced if the company’s shares rose over $2.96 within nine months of the sale—that is, by the end of March this year. Nothing of the sort has happened, of course. Whitehaven has been bouncing along in the $1.50 range lately amid depressed coal prices and ongoing controversy at its crucial Maules Creek project in the Gunnedah Basin, where a blockade against clearing of the Leard State Forest was recently smashed by police.

Tinkler did have some equity in Whitehaven up his sleeve, however. The sale last June did not include Tinkler’s parcel of 34 million so-called “milestone shares” in Whitehaven, which were part of the consideration for the 2012 merger with his private companyBoardwalk Resources. Those were ordinary shares subject to restrictions on entitlement to dividends, voting rights and transfer, which would be “released” to the Boardwalk vendors in certain conditions: if development milestones on its projects were reached (they haven’t been) or if there were a change of control of Whitehaven (ditto).

It's a whole other story, but it is possible Whitehaven is undervalued. Malaysia's super-wealthy Kuok family, substantial shareholders and former Tinkler backers, certainly think so: on Friday their **Hong Kong**-based vehicle Kerry Group popped up with a 5% **stake**, which may be a prelude to a bid. **Chinese** companies are bidding aggressively for Australian miners. **China**'s Shenhua, behind the equally controversial Watermark project not far from Maules Creek, has held merger talks with Whitehaven before.

Tinkler's milestone shares are almost certainly secured to Farallon, which at one point had a personal guarantee covering almost everything Tinkler owned. The milestone shares could not have been transferred yet to Farallon, which would need to disclose any change in its holding, as Whitehaven's largest shareholder. Whitehaven won't comment on ownership of the milestone shares. Even if a Whitehaven bid were to emerge at (say) $2.96 a share again—a thumping premium to the market price—it would only be worth some $83 **million** to Tinkler, still short of the outstanding amount.

Say that's Farallon's problem. A new lender weighing up Tinkler's creditworthiness has to overcome not just his other debts, but his track record. Tinkler has borrowed part of the **purchase** price from New York-based hedge fund Leucadia, which once backed Andrew Forrest's Fortescue. Leucadia knows Tinkler well, having recently merged with Jefferies, which extended him an emergency $US24 **million** loan in late 2012, secured against his **coal** royalty and his Merewether mansion. Which only makes the new loan even more remarkable. Tinkler's negotiating position is not strong, and Leucadia will be demanding sharp terms: the loan will almost certainly be at exorbitant interest rates, come with an **equity stake**, and allow Leucadia to take control—for example, through an explosion of warrants—if there is any failure to stick to timelines or production targets. Those will almost certainly be ambitious: Tinkler has already been quoted saying Wilkie will be back in production by the end of the year.

In all likelihood, Tinkler has not raised all the money yet. Throughout his career, Tinkler has been willing to take huge gambles: putting down small deposits (even with other people's money) in staged deals that give him time to scrape together the rest of the **equity**. This is what happened in the original Middlemount deal that made his fortune, the Maules Creek deal, and even the failed share placement he took up in listed junior Blackwood in 2012.

Unlike those deals, Wilkie Creek is not a speculative project that can be drilled and flipped into a rising market before it enters production. Wiikie Creek is a mothballed mine with variable **coal** quality and rail and port capacity capped at 4 **million** tonnes per annum. When operating, it had a cost base of some $100 a tonne—thermal **coal** is now fetching about $75 a tonne—so Tinkler will have to almost halve costs to make money, and he has never run an operating mine before. Now it is shut. The trucks are gone, the plant has been disassembled, and a $30 **million** cash bond had to be paid to the state government to cover remediation. Other potential buyers baulked at the environmental liability, and thought it might be worth as little as nothing. Peabody was said to be willing to accept $50 **million**. Tinkler may have overpaid again.

It could be a stunning comeback, or the perfect way to lose yet more money.

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