



HD Water into **coal**: Sinodinos' Cuesta holding raises questions, too

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Arthur Sinodinos has held onto his shares in Cuesta **Coal**, a small **firm** he chaired in 2010-11. Why has he held onto it for so long? And what's the connection to Labor figure Eddie Obeid?

Senator Arthur Sinodinos' [register of interests](#) makes colourful reading, with a fair amount of black thrown in. There's the framed cartoon worth more than \$300 given to him in February by **coal** haulier Aurizon's policy VP, John Short, who is a personal friend. There's the Sydney Institute dinner he attended a year ago as a guest of then-**coal** association chief Nikki Williams.

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Then there's a shareholding in Cuesta **Coal**, a **coal** explorer that has so far escaped much attention. In February 2013 Sinodinos disclosed he'd offloaded shares in Australian Water Holdings, now subject of the Independent Commission Against Corruption inquiry in New South Wales. In late 2012 he'd ditched shares in NAB, where he was a senior executive for a while. But he held onto his shares in Cuesta **Coal**, which he chaired for an eventful year in 2010-11.

Why? Wouldn't you sell everything, if only to avoid pesky media questions? A spokesperson for Sinodinos told Crikey this morning an order was placed several weeks ago to sell the shares but had "not come through yet".

Cuesta **Coal** has rights to a significant, but not huge, thermal **coal** deposit in Queensland's western Bowen Basin. A subsidiary of Gina Rinehart's Hancock Prospecting has the right to "farm in" or take a share of the asset by helping to fund the exploration costs.

Like most junior **coal** companies, Cuesta is battling depressed **coal** markets, with thermal prices trading below US\$75 (\$81) a tonne. On the other hand, Cuesta is half-owned by **Chinese** interests, who presumably have access to cheap government finance and may take a longer-term view of the project investment in the interests of **energy** security.

Market observers reckon Cuesta is undervalued at the current share price of 9c, given the quality of its **coal** and its relatively low development cost.

Sinodinos has 584,488 shares worth some \$49,000—not small change—plus 300,000 options issued in 2010 and exercisable at 20c each, which expire in 2015 and are well out of the money given Cuesta shares have not traded above 15c in the past year and have gone below 7c. The 20c strike price shows Cuesta had much higher hopes; in 2012 the **company** wanted to float at 30c a share. To put things in perspective, imagine the share price had soared to a dollar. Sinodinos stood to make roughly three-quarters of a **million** bucks out of his **stake** in Cuesta—but even that was nothing compared to the \$20 **million** windfall gain he stood to make out of AWH, had it succeeded in its quest for public-private partnership with Sydney Water.

Sinodinos became chairman of Cuesta's predecessor **company**, Blackwood **Coal**, in late 2010. Blackwood's young CEO Matt Crawford was looking to assemble a high-quality board to attract investors. Crawford and Blackwood co-founder Kevin McKnight, the chief operating officer, earned their stripes over 4-5 years at White **Energy**, the **coal** technology **company** chaired by Travers Duncan—[often dubbed "Mr Coal"](#)—before striking out on their own.

Duncan was a co-investor in a private **company** Cascade **Coal**, which held rights to the Mt Penny tenement in the lower Hunter Valley, alongside former Labor minister Eddie Obeid. ICAC last year found both Duncan and Obeid behaved corruptly.

How did Sinodinos get involved with the ex-White **Energy** boys? Casting round for a politician to instal on his board, did Crawford ask Duncan for advice, and did Duncan come up with the name Arthur Sinodinos? The Senator's spokesperson this morning said Sinodinos met Crawford through third parties Senator Sinodinos met Matt Crawford through third parties unrelated to White **Energy**, Duncan or Obeid.

RF <http://www.crikey.com.au/?p=431587>

CO ccoalz : Cuesta Coal Limited | tsydin : The Sydney Institute

IN i1 : Energy | i111 : Coal Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

RE austr : Australia | sydney : Sydney | apacz : Asia Pacific | ausnz : Australia/Oceania | nswals : New South Wales

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