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HD **Copper** mine's absurdist drama
BY Matthew Stevens
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Looming deadlines for GlencoreXstrata's decision on the **sale** of a Peruvian **copper** mine that was required by **China**'s competition regulator has Australians sitting at polar ends of arrangements waiting impatiently for closure. The mine in question is a \$US6 **billion** (\$6.7 **billion**) greenfields project called Las Bambas.

Commitments on its **sale** were extracted by **China**'s regulator, MOFCOM (Ministry of Commerce), as a condition of the Middle Kingdom's approval of the biggest merger in **mining** history, Glencore's takeover of Xstrata. It seemed pretty certain from the get-go that the big beneficiary of Glencore's deal-sealing concession would be **China** Inc.

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So it has proven, with **China** MinMetals (CMM) said to be the only cab still on the rank for Las Bambas.

Which brings me to the first Australians left on tenterhooks by a **sale** process that is sort of illustrative of how many roads in global **mining** seem to intersect with Melbourne.

The bloke actually running CMM's **copper** chase is former WMC Resources and Oz Minerals chief executive, Andrew Micheltore. Since 2009, Micheltore has run a **Hong Kong**-listed, mainland **China**-owned **mining** house called MMG, formerly known as Minerals and Metals **Group**.

He runs the business from an office in Melbourne's Freshwater Place and just about everyone on his senior executive shares pedigree in either BHP Billiton or WMC.

A decision on Las Bambas had been expected in February but Glencore indicated at Tuesday's 2013 profit briefing that it was now aiming for the end of March. The MOFCOM deadline for signing a binding **sale** agreement is September 30.

There is speculation that MMG has been frustrated by the pace of the **sale** process and has been increasingly irritated by the tardiness of Glencore's response to requests for information from the Las Bambas data room.

And that might well inform the growing balance of opinion that says Glencore is more likely to hold on to Las Bambas than sell it.

For its part, Glencore says the process is still very live and that the trigger for uncertainty is the same now as it always was: price.

The MOFCOM settlement says the final price must be the higher of either a market valuation by two Glencore selected investment banks or the total cost of the mine. The thing has cost nearly \$US6 **billion**. Given Las Bambas is a 450,000-tonnes-a-year, multi-decade operation that is very near completion and thus increasingly de-risked, Glencore is said to be looking for a premium comfortably higher than capital invested. Small question of ownership

Which brings us to the second **group** of Australians that are watching this deal with their long-term fate left uncertain by its result.

Just over the Yarra River, at a slightly more Protestant office in Collins Street, sits plucky and persistent Indophil Resources.

It is run by another WMC old boy, Richard Laufmann. And it owns 37.5 per cent of the second-biggest **copper** deposit WMC ever found. It is called Tampakan and the reason that, nearly 20 years after discovery, it is still one of the world's top-10 undeveloped **copper** resources is that it is on the troubled Philippines **island** of Mindanao.

Laufmann has seen partners in Tampakan come and go. But currently his big brother is Glencore, which reluctantly speaks for a 62.5 per cent **stake** in the project as a result of the Xstrata takeover. Glencore's **billionaire** boss Ivan Glasenberg doesn't like expensive greenfields projects, so Tampakan is one of several long **copper** assets currently listed for **sale**.

So how does that tie back to MOFCOM and Las Bambas?

Well, as it turns out, **China** has listed Tampakan as one of four assets that can be surrendered to an auction process should Glencore fail to settle on Las Bambas. The other three options include Glencore's share of the Freida River prospect in Papua New Guinea, the El Pachon project in Argentina or the mature Alumbrera mine also in Argentina.

Given Glencore has already said it wants to find a way out of Tampakan, you could be forgiven for thinking there was no real problem for Indophil in Tampakan appearing on this list. But far from being flattered, Indophil recently made clear its irritation by announcing firmly its claim on protective rights over any **sale** that Glencore might contemplate, forced auction or otherwise.

Those rights mean Indophil can recover full ownership at whatever price might be set in the auction contemplated in the MOFCOM process. The other complication here is that, in a technical sense only, Glencore would be selling something it doesn't yet own. While **mining's** new giant has **firm** ownership rights over Tampakan, it is still not a registered owner of the asset in the Philippines.

The delay in registration dates way back to 2007 when Xstrata exercised its rights over a 62.5 per cent **stake** in the project. As it turned out, that **transaction** triggered capital gains tax obligations in Australia and the Philippines. Under the terms of a bilateral tax treaty, Indophil applied to the Philippines for protection from double taxation. Remarkably, it is still waiting on a ruling. So like Waiting for Godot's Vladimir and Estragon, Glencore waits for its ownership to be registered. To hurry things along, Glencore is seeking Supreme Court orders in Queensland in a case that is supposed to start on the 14 April.

Rio Tinto chairman Jan du Plessis appears to have had some very specific challenges at the front of his mind in the selection of two new directors invited to join the Anglo-Australian miner's **board** overnight.

A former head of French nuclear power **company** Areva **Group**, Anne Lauvergeon, will become the first Gallic director of the increasingly international **board** that du Plessis has assembled over the past four years.

Meanwhile, the introduction of former Anglo American executive Simon Thompson adds another layer of experience in dealing with the complexities of **commercial** life in Africa, which hosts of some of Rio's most challenging growth options.

Given the delicacies of the heavy lifting that Rio Alcan might yet need to do in the recasting of the French outposts, Lauvergeon looks to be an inspired choice. A **mining** engineer who is currently a director of American Express, Vodafone and Total, her curriculum vitae announces a **commercial** and political savvy that is all too typical of the French industrial classes. Rio reports that Lauvergeon was an economic adviser at the French Presidency where she also served as deputy chief of staff.

Like Lauvergeon, Thompson has a wealth of experience in banking, **mining** and, more recently, **energy**. And as with his new French colleague, that appears to have left Thompson well connected. The former Oxford and Rothschilds man has served on boards as geographically diverse as Newmont **Mining** Corp, AngloGold Ashanti and Rusal. But it is likely to be Thompson's executive past and his boardrooms present that secured him the nod from du Plessis. The new guy ended up running Anglo American's base metals business before moving into non-executive life. He is currently chairman of Tullow **Oil**, a North Sea **oil** driller trying to make a new life in the **oil** basins of Ghana and Uganda.

Rio, of course, has a productive history in Africa. The continent of confusion currently hosts two of the **company's** biggest challenges, in the form of a new **iron ore** development in Guinea and an acquired **coal** disappointment in Mozambique.

The headliner there, of course, is Guinea's Simandou project. It is easily the biggest, best undeveloped **iron ore** asset in the world. Digging it up will be easy. Getting the stuff from mine to coast and from coast to boat is going to be a whole lot more complicated. Rio's Mozambique **coal**, on the other hand, shares the worst of Simandou's problems (isolation and uncertain politics) but not its best (top product).

Finally, having added two directors to replace one (Vivienne Cox), Rio's chairman says he remains on the hunt for another Australian director.

While there are two executive directors, CEO Sam Walsh and chief financial officer Chris Lynch, Rod Eddington's retirement left one local non-executive director in the form of AFL chairman Mike Fitzpatrick.

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