

FINANCIAL REVIEW

SE Companies and Markets
HD **Integra team brings Victoria copper play Stavely to market**
BY IPO watch Sally Rose
WC 769 words
PD 24 March 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 25
LA English
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The team that netted investors \$426 million in junior gold producer Integra Mining via a sale to Silver Lake Resources last year is now trying to raise \$8 million through the listing of junior copper explorer Stavely Minerals. A bookbuild for the initial public offering will launch on March 26, and is due to close on April 23, with normal trading due to commence on May 7.

RBS Morgans is lead broker on the offer, which will be only the second IPO to use the on-market ASX Bookbuild Facility that was launched in late 2013. Any broker will be able to bid for a parcel of shares and a minimum of 25 per cent of the offer will be set aside for on-market bidders.

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For the float to go ahead the company must raise a minimum of \$5 million through the issue of 25 million shares at 20¢ each. The prospectus allows the company to issue up to 40 million to raise a maximum of \$8 million.

The directors have already spent about \$4.7 million on acquisition and exploration. The West Australian company owns two assets near Ballarat in Victoria. Joint Ore Reserves Committee documentation shows the Stavely tenement contains 28 million tonnes at 0.4 per cent copper, while the Mt Ararat tenement is a deposit with 1.2 million tonnes of mineral ore at 2 per cent copper. It is expected gold would be a by-product of both future copper mines.

The purpose of the IPO is to fund phase one exploratory drilling, which the directors hope will show the Mt Ararat resource is bigger and that the Stavely tenement contains a porphyry – a more concentrated and valuable source of copper. Exploratory drilling is due to commence within one month of a successful listing. Copper preferred to iron ore

Market conditions for junior resource companies are difficult, but the outlook for copper is better than other metals.

"Copper producers are one of our preferred sectors of the mining industry at the moment because demand is more broad based than for other commodities, such as iron ore, that are overwhelmingly dependent on China," Blackswan Equities analyst Mark Savich said. However, it is a tough time for any resources company that isn't in production yet to be raising money, he said.

"As a rule of thumb, copper projects usually take 10 years from discovery to production," Patersons Asset Management equity strategist Jason Chesters said. "A notable exception is Sandfire Resources which did it in four years."

Stavely Minerals is unable to provide any draft schedule for when it might begin production but points to the team's experience.

Managing director Chris Cairns, chairman Bill Plyley and directors Peter Ironside and Jennifer Murphy were all part of the management team of Integra Mining that oversaw that company's transition from 6¢ a share gold explorer to 60¢ a share producer before being swallowed by Silver Lake Resources in a \$426 million acquisition.

There are a number of third-party interests which overlap the Stavely and Mt Ararat tenements including native title claims, Aboriginal heritage sites, and private land. Gaining consent of these third parties could create delays or even block the projects. Assuming the Stavely and Mt Ararat assets are successfully developed, the biggest long-term risk to the future profitability of Stavely Minerals is the **copper** price. Analyst predicts fall in price

The benchmark three-month **copper** contract on the London Metals Exchange was last priced at \$US6430 (\$7074) a tonne. Goldman Sachs analysts forecast the LME **copper** price will fall to \$US6200 a tonne over the 12 months to March 2015.

"The **copper** market is likely to remain in surplus over the next two to three years, and some weaker than expected **China** data has made people nervous in recent months but the demand outlook for **copper** beyond 2017 still looks strong," Mr Chesters said.

The value of the Australian dollar is another important risk factor that is outside the **company's** control.

If the offer is fully subscribed directors will control 66 per cent of the **company** with their shares held in escrow for two years. At listing the **company** will have a market capitalisation of \$15 **million**. Investors in the IPO risk the future dilution of their shares.

The board plans to come back to market to raise more **equity** in two years once the exploratory drilling is complete to fund the development phase. There is no expectation of a dividend in the foreseeable future.

CO rldaus : Integra Mining Limited | slvkrc : Silver Lake Resources Ltd | smccqp : Stavely Minerals Ltd.

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AN Document AFNR000020140323ea3o0002b