

## Too many irons in fire for Murchison

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Murchison Metals, the iron ore hopeful behind the struggling \$5.94 billion Oakajee Port & Rail (OPR) project in Western Australia, is locked in late-stage talks about selling its mining and infrastructure development assets.

Murchison entered a trading halt yesterday to complete discussions on the sale of its entire stake in the Crosslands Resources mining joint venture and its entire holding in OPR.

Murchison, which launched a strategic review in July led by Rothschild and **O'Sullivan Partners** when it realised that it would not be able to fund its equity share of the iron ore project and OPR, did not name the potential buyer.

Sources point to Mitsubishi – like Murchison, it owns 50 per cent of Crosslands and a 25 per cent direct stake in OPR – as the likeliest purchaser. But a Mitsubishi spokesman in Japan said his company did not comment on market speculation.

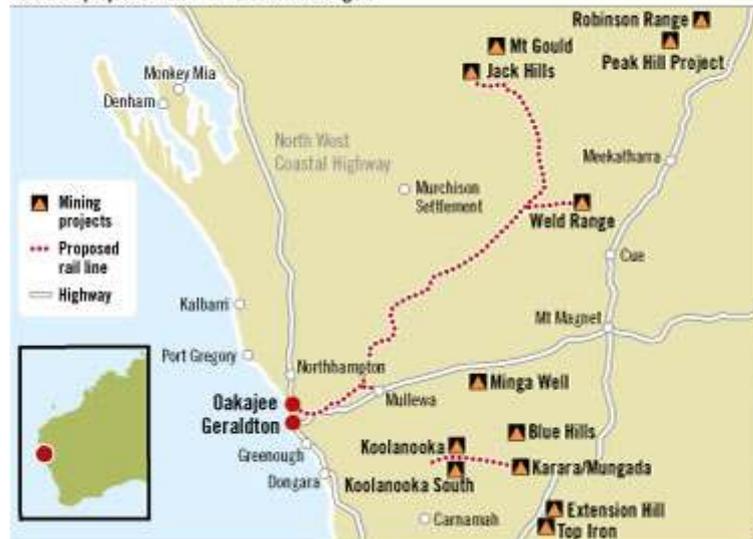
A purchase by the Japanese group would allow it to avoid making a final staged payment to Murchison for the acquisition of Crosslands' Jack Hills iron ore project. The expected size of that payment has shrunk to less than \$500 million from an initial \$2 billion since Mitsubishi struck the deal with Murchison in 2007, because the iron ore resource was less rich than expected and the development's capital costs have risen.

There are several Chinese-backed projects in the mid-west region that would benefit from the OPR infrastructure, most notably Gindalbie Metals and Sinosteel. As it stands, the OPR project is not viable unless Gindalbie and Sinosteel sign up as foundation customers for the infrastructure along with Crosslands.

West Australian Premier Colin Barnett has been vocal about the need to get Chinese parties involved in OPR for it to get off the ground.

### Go west

Resource projects in the Mid-West iron ore region



Ownership structure of Oakajee Port and Rail Project



One source said sovereign wealth fund China Investment Corp had been pondering whether to become involved but was not yet close to making a decision.

Gindalbie chairman George Jones said he would regard the purchase of Murchison's assets by a better-funded party to be a positive. "If it leads to the ultimate development of that mid-west infrastructure, I applaud it," he said. "I see something like this as being the only way forward for what's called Plan A for the mid-west region."

It is possible the buyer of the Murchison assets could on-sell them to a Chinese group, wholly or in part.

Gindalbie, which will ship iron ore from Geraldton for the first two stages of its project, would need Oakajee developed in order to complete further expansions. It has been pegging its own rail corridor as a back-up plan.

Murchison's share price has fallen to 27.5¢ from a peak of \$6.02 in July 2007, leaving it with a market value of just \$122 million.

If Murchison seals the deal under discussion, it would be left as a corporate shell with a \$US100 million debt facility with Resource Capital Funds due to be repaid in April. It had drawn down \$US48.75 million of this as of September 30.

It also owns the early-stage Rocklea iron ore project in the Pilbara.

The deal would remove the requirement to make a full takeover for Murchison, which counts South Korean steelmaker Posco as its largest shareholder at 14 per cent. However, it would trigger a shareholder vote on the sale of the assets.

UBS analyst Glyn Lawcock said most institutional investors had already abandoned the stock.

“At this point now you can’t value it other than what someone might put as the value of the resource in the ground,” Mr Lawcock said.

with Peter Kerr and Sarah Thompson

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