

Business

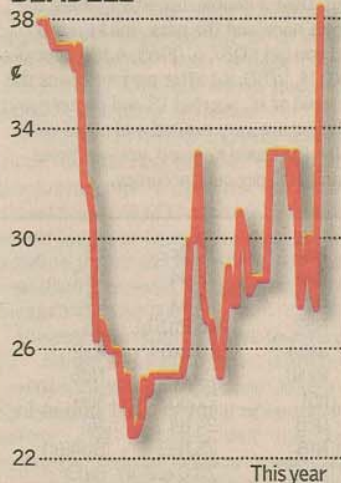


The West Australian | MARCUS PADLEY GOBSMACKED BY A DENTIST'S ADVICE P44

Edited by SEAN SMITH

Beadell roars on Lion deal

BEADELL



SOURCE: BLOOMBERG

SEAN SMITH

Beadell Resources shares stormed out of a trading halt yesterday as investors celebrated a \$280 million deal which will transform the anonymous WA explorer into a gold producer.

As flagged in *WestBusiness*, the group clinched a deal to secure full ownership of the Cracow gold mine in Queensland by buying Lion Selection Group's 30 per cent stake for \$80 million. It agreed last month to buy the other 70 per cent from Newcrest Mining for \$200 million, but that had been conditional on Lion Selection not exercising its pre-emptive rights.

The deal came as Lion Selection turned the tables on its hostile suitor by selling a major stake in Indophil Resources to Xstrata as the launch pad for a \$426 million takeover bid

announced yesterday — the latest in a multi-billion-dollar string of offers for Australian miners by the Swiss giant over the past five years.

Shares in Beadell, headed by the former management team of Wiluna gold miner Agincourt Resources, leapt nearly 40 per cent on the Cracow news, peaking at 40¢ before closing 10.5¢ up at 38¢.

The group will raise nearly \$300 million, including at least \$235 million in equity, to fund the Cracow purchases, no mean feat for a company which, despite yesterday's market rise, is valued at only \$35.6 million.

The involvement of blue-chip investment banks Morgan Stanley and Merrill Lynch as lead managers for the equity raising, which will be partly underwritten by Newcrest, provides a level of comfort that Beadell can secure the cash, but analysts

are yet to be won over.

"It's a significant undertaking and in this market there are no guarantees," Fat Prophets head of mining research Gavin Wendt said.

However, Beadell chief executive Peter Bowler said Lion Selection's decision to not only waive its pre-emptive rights but sell its holding in Cracow was a bonus. "It wraps it up into a lot better deal," he said.

Beadell, like others in the market, had expected Lion Selection to exercise its pre-emptive rights, but it is believed a combination of price and the Indophil offer changed its mind.

The Cracow mine, south-west of Gladstone, has produced an average 100,000oz a year since entering production nearly four years ago.

While there have been some con-

cerns that Beadell may be paying too much, the company cites extensive underground development undertaken at Cracow and the potential to significantly increase the estimated resource of about one million ounces through exploration.

Xstrata's \$1-a-share offer for Indophil is aimed at securing full control of the big Tampakan copper project in the Philippines.

Indophil, which owns 34.2 per cent of the deposit, rejected the offer. Its shares closed 31¢ higher at \$1.09, suggesting investors think there is scope for a higher bid.

The deal is conditional on Indophil pulling its offer for Lion Selection or that bid failing.

Analysts have questioned why Xstrata did not offer to just buy the Tampakan stake from Indophil.