

46

The West Australian  
Thursday, October 19, 2017

## WEST BUSINESS

Edited by Ben Harvey  
ben.harvey@wanews.com.auFor all your latest news,  
go to [thewest.com.au/business](http://thewest.com.au/business)

## Rio charged over coal assets

■ Sean Smith

Rio Tinto's African misadventures have again come back to haunt it, with the US charging the miner and two former senior executives over the ill-fated \$4 billion purchase of a coal deposit in Mozambique six years ago.

The bombshell court complaint by the US Securities and Exchange Commission alleges Rio, former chief executive Tom Albanese and former chief financial officer Guy Elliott inflated the value of the coal assets acquired through its \$US3.7 billion takeover of Australia's Riversdale Mining in

2011 and sold a few years later for \$US50 million.

"Rio Tinto and its top executives failed to come clean about an unsuccessful deal that was made under their watch," the SEC's co-director of enforcement, Steven Peikin, said.

"They tried to save their own careers at the expense of investors by hiding the truth."

The SEC is seeking the return of "ill-gotten gains", civil penalties and a ban on Mr Albanese and Mr Elliott serving as officers or directors of a public company.

Rio is already embroiled in a bribery scandal in Africa over \$US10.5 million that was paid to



Tom Albanese Guy Elliott

a consultant who advised the group on the controversial Simandou iron ore project in Guinea. The company, Mr Albanese and Mr Elliott have denied the SEC allegations.

"Rio Tinto believes the SEC case is unwarranted and when all the facts are considered ...

the SEC claims will be rejected," it said. The company also disclosed, however, that it had been fined £28.4 million (\$47.7 million) by Britain's Financial Conduct Authority for not writing down the value of the Mozambique coal assets earlier.

Rio bought Riversdale hoping to ship the coal to market down the Zambezi River on barges.

However, the Mozambique Government scuttled the barge plan and the deposit turned out to be smaller than expected.

The SEC alleges that, having burnt investors with a disastrous buy of aluminium company Alcan, Rio, Mr Albanese and

Mr Elliott knew that disclosing the diminishing value of the Mozambique coal project would "call into question their ability to pursue the core of Rio Tinto's business model".

"Instead, they concealed the adverse developments, allowing Rio Tinto to release misleading financial statements" shortly before raising \$US5.5 billion from US investors, it said.

This included \$US3 billion raised after May 2012 when Rio executives in Mozambique "had already told Mr Albanese and Mr Elliott that the subsidiary was likely worth negative \$US680 million".

## Martins moves to bauxite developer

■ Peter Williams

West Africa bauxite project developer Alliance Mining Commodities has beefed up its management team by hiring prominent resources executive Jose Martins.

Mr Martins has resigned as chief financial officer of Macmahon Holdings and will be leaving the mining contractor early next year.

Mr Martins is a former chief financial officer at mining services provider Ausdrill and oil producer PTTEP Australasia.

He was the public face of PTTEP during the Montara oil spill off the Kimberley in 2009.

He will take on CFO role at the Paul Kopejtko-led AMC, which in August secured \$US80 million from investors to build its 2.1-billion-tonne Koumbia bauxite project in Guinea.

The privately owned company plans to bring Koumbia into production next year ahead of a potential float to fund expanding the project.

In Mr Martins' time at Macmahon, the contractor repelled a CIMIC Group takeover attempt and brought in an Indonesian miner as its biggest shareholder.

He said Macmahon had a strong balance sheet, improved market conditions and a supportive share register.

"It's in good shape, so it's a good time to hand over to someone else because a lot of the groundwork's been done," he said. "They've got a lot of new contracts, it's about delivery. Definitely, the worst is behind it and now it will be profitable."

The company said it regretted Mr Martins' departure and thanked him for his contribution and effort during what had been a transformational period.



Newcrest Mining's executive general manager at Telfer, Phil Stephenson, welcomes the standstill on gold royalties. Picture: Steve Ferrier

## Telfer boss spruiks annual spend over investment

■ Stuart McKinnon

For Newcrest's Telfer boss Phil Stephenson, the miner's decision to expand its East Pilbara gold mine is more about the annual \$800 million it will spend over an extra four years than the \$93 million it will spend on the investment itself.

The company said yesterday it would go ahead with a cutback to the West Dome open pit at Telfer, extending the mine's life from 2019 to 2023. The decision will come as welcome news for Newcrest's 1550 employees and contractors on site.

The proposed expansion had been placed under a cloud after the State Government in its Budget last month said it planned to lift WA's gold royalty rate 50 per cent from 2.5 per cent to 3.75 per cent.



Four years of life and the \$800 million or so spent each year – it's a big contribution to the WA economy.

Newcrest's Telfer boss Phil Stephenson

Newcrest had argued strongly the added cost would make the low-grade mine a marginal proposition and the company would have to reconsider expansion.

Mr Stephenson said the proposed royalty rise had forced the company to stop, go back to the drawing board, have a look at the numbers and ask whether the expansion could still work.

"As you know, Telfer is a very marginal mine and what little margin we do have, a hike in the

gold royalty like this takes a pretty significant dent into that," he said.

"As it turned out, the royalty hike got voted down so that made it an easy decision for us.

"If we didn't go ahead with this, we'd be pulling up stumps within two years.

"The \$93 million of capex captures a lot of attention, but for me the bigger story is the additional four years of life and the \$800 million or so spent each

year – it's a big contribution to the WA economy."

Mr Stephenson said that the company was continuing exploration at Telfer and was investigating the potential for block caving at depth in its underground mines.

"We've still got 7Moz of resources in the ground above and beyond our reserve base so that's a pretty substantial untapped resource," he said.

"That's what we keep saying about Telfer, the grades are not high.

"It's a low-grade operation but there's still plenty of gold in the ground, it's just a matter for us to work out how we can get it out economically.

"We think there could be life in the old girl yet."

Newcrest shares closed off 1¢ yesterday at \$21.88.