

Usmanov's Gallagher Holdings buys 27% stake in Strike Resources

What the Russian papers say

Kommersant

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On Monday, Metalloinvest (the management company of the Gazmetall holding) announced that Gallagher Holdings, a company controlled by Alisher Usmanov, was buying a blocking stake in Australia's Strike Resources Limited.

Metalloinvest said that the Australian company would issue an additional 27% of stock on behalf of the new shareholder, or 37.48 million new shares. The sum of the deal is \$98 million, and Gallagher is purchasing securities at 2.75 Australian dollars, or with a 33% premium to the market. Farhad Moshiri, a representative of the new shareholder, will sit on the Strike's board of directors.

Strike Resources engages in no production. It owns two iron ore fields in Peru (Apurimac and Cuzco) and the rights to one third of a power coal deposit in Indonesia through a joint venture with Orion Equities Limited (Banten), one third of a mineral sands deposit (King Sound) and 75% of an iron ore field in western Australia (Paulsen East). Its majority shareholders are: Database Systems Limited (9.2%), Citicorp Nominees Pty Limited (9.1%), HSBC Custody Nominees Limited (7.3%), ANZ Nominees Pty Limited (6.2%), and National Nominees Limited (4.8%). Its earnings in the 2007 fiscal year - \$8.148 million - were obtained from sales by its divisions, investments, and project purchases. The net value of its assets is \$38.8 million. Shares are traded on the Australian stock exchange.

The Metalloinvest release says that funds from the deal with Gallagher will initially be used to develop Apurimac. It says Strike's ore reserves in Peru total more than 1.2 billion tons and have an iron content of 62% to 64%. Production is expected to begin in 2009 and yield 20 million tons of ore per year. The cost of the project is \$2.3 billion. Metalloinvest explains the deal by a high percentage of iron in the ore (62% to 67%) and closeness of the Chinese market, which is one of the main consumers. "The high iron content of ore and the nearness to ports means low production costs for Strike Resources," said Alexei Morozov, UBS director of analysis.

Formally, the Australian asset can increase the worth of Gazmetall ahead of the fall's IPO and a deal to sell a blocking stake in the holding to Vladimir Potanin's Interros. But for that to be realized, Strike's shares need to be transferred to Gazmetall.

At the same time, sources close to Kommersant add that Alisher Usmanov has commitments to reduce his stake in Strike Resources to 23.4%. Besides, all the businessman's investments in Australian assets have been portfolio investments. This year, for example, he resold a 20% stake in Mount Gibson at a profit.

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