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Resources players tap \$300m flow

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Western Australian resources companies are increasingly looking to private equity players for funding as an alternative to traditional capital raisings, with more than \$300 million in deals just this month.

Construction and maintenance services provider [Global Construction Services](#) has become the latest WA company to tap into the private equity market, announcing last week a \$14 million placement to Brookfield Capital Partners III, a [Brookfield Asset Management](#) fund.

GCS has been the subject of persistent takeover speculation in recent weeks, with group managing director [Enzo Gullotti](#) admitting late last month that a corporate deal would deliver the business access to funding and a stronger balance sheet, following a 20 per cent slump in revenue for the year to June 30.

Recent Private Equity Deals		
Company	Private equity investor	Funding amount
Auctus Minerals	Denham Capital	us\$130m
MZI Resources	Resource Capital Funds	us\$58m
Range Resources	Core Capital Management	us\$50m
Toro Energy	The Sentient Group	£20m
ABM Resources	Pacific Road Capital	£20m
Global Construction Services	Brookfield Asset Management	£14m
Latin Resources	The Lind Partners Australia	£3m

The placement forms part of a strategic partnership between GCS and Brookfield, with Brookfield holding 14.9 per cent of GCS's issued capital.

Brookfield's stake will be maintained, should GCS seek additional capital, through an anti-dilution deed, which will allow Brookfield to obtain additional shares on the same terms as those offered to a third party.

Several other WA resources companies have also confirmed private equity funding this month, including [Latin Resources](#), [Range Resources](#), [MZI Resources](#) and [Toro Energy](#).

New player [Auctus Minerals](#) was established this year when global private equity group Denham Capital teamed up with former Karara Mining chief executive Steve Murdoch to establish the venture, which will target new mining projects.

Denham's initial commitment of \$US130 million was its second significant Australian deal this year, after it invested \$US200 million in Sydney-based Pembroke Resources.

MZI secured a \$US110 million debt and equity package this month with involvement from [Resource Capital Funds](#) and RMB Australia Holdings, edging the mineral sands explorer one step closer to production.

[Resource Capital Funds](#) initially provided \$3 million in equity to MZI last July and has bolstered its involvement with the additional \$US58 million this month.

The private equity group invests exclusively in the resources industry, and its \$US2 billion sixth fund has also invested in WA-based companies Wolf Minerals, Mirabela Nickel, Nyota Minerals, Phoenix Gold and Ascot Resources.

However, the private deals are not limited to the resources sector.

In September, Malaysian private equity firm [Navis Capital Partners](#) reacquired a majority stake in Dome Coffees Australia in a deal estimated at \$50 million.

Navis, an active player in the state's private equity space, originally bought out Archer Capital's interest in Dome for \$20 million in 2003 through its third Navis Asia Fund, and subsequently sold its stake to Wyllie Group-owned Viburnum and Dome management.

Another recent deal is Banksia Capital's October purchase of a minority stake in Perth-based IT specialist Logic Communications for an undisclosed amount.

The backing from the industry is not only coming from institutional private equity, with family owned companies such as New Zealand's Todd Corporation announcing last week that it would back a \$4.7 million placement by Flinders Mines.