
Rio Tinto may double stake in Ivanhoe - Report

Tuesday, 20 Oct, 2009

The Globe and Mail reported that Rio Tinto PLC will soon double its stake in Ivanhoe Mines Limited which will receive USD 388 million from the latest investment from the British Australian mining giant and use it to develop a giant copper project.

The companies announced that Rio Tinto will own 19.7% of the Vancouver headquartered Ivanhoe after buying an additional 46.3 million shares at USD 8.38 each. That transaction is expected to close within 10 business days.

Under a 2006 agreement, the 2 mining companies are developing the Oyu Tolgoi copper and gold mining complex in southern Mongolia. Prior to its latest investment, Rio Tinto owned about 9.9% of Ivanhoe Mines. Rio's funds will be used to help build and commission the open pit mine at Oyu Tolgoi and to advance development of an underground mine. Receipt of the funds will increase Ivanhoe's consolidated cash position to approximately USD 725 million.

Tuesday's announcement comes a week after the Mongolian government signed a long awaited deal with Rio Tinto and Ivanhoe Mines to develop the USD 4 billion gold and copper mine. The agreement on the Oyu Tolgoi has been renegotiated repeatedly after opponents complained it shortchanged Mongolia. Parliament had to repeal a windfall profits tax in August before the companies agreed to go ahead.

Mongolia will own 34% of the mine and receive a USD 250 million advance payment against royalties and taxes under the agreement signed by its ministers for finance, mining and the environment and executives of Rio and Ivanhoe.

(Sourced from Theglobeandmail.com)

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