
Local government to pay USD 391 million for 10pct stake in Newmont Mining

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Reuters reported that 3 local governments in Indonesia will pay USD 391 million for 10% stake in a local unit of Newmont Mining Corporation.

The official said that the decision should speed up the resolution of a divestment dispute between the government and the foreign owners of PT Newmont Nusa Tenggara, which runs the Batu Hijau copper and gold mine in Sumbawa Island.

Mr Andi Hadiano spokesman for the West Nusa Tenggara provincial government which is involved in the deal said that "We agree to pay for the 10% stake within a year. We have signed the sales purchase agreement today."

Mr Rubi Purnomo spokesman of Newmont said that "The foreign shareholders will also pay USD 38 million as a goodwill gesture to the local governments which will be used for community development after the payment for the stake is completed."

The value of the stake was in line with an arbitration court ruling at the end of March although the local governments had been trying to negotiate a lower price.

An arbitration court in late March ordered the foreign shareholders of PT Newmont Nusa Tenggara to sell part of their stake to local investors or to the government within 6 months, resolving a long running dispute over ownership. The government and Newmont reached an agreement to extend the deadline to complete the sale of 24% stakes sale to November 12th 2009 from an initial deadline in late September.

According to the terms of a 1986 contract, the unit's foreign investors must sell 51% of the shares in the unit to local investors. Newmont and Japan's Sumitomo Corporation own 45% and 35% respectively. A local mining group has already bought 20%. That means the foreign shareholders must still sell another 14% by November 12th 2009 and the remaining 7% by the end of 2010.

(Sourced from Reuters)

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