Cracow deal subject to Lion's share

Newcrest Mining is close to offloading its 70 per cent stake in Queensland's Cracow goldmine to Beadell Resources for close to $200 million.

The stake is held in a joint-venture partnership with Lion Selection Group, which has a pre-emptive right over Newcrest's majority interest in the mine. Therefore, the agreement between Beadell and Newcrest is subject to Lion not exercising that right.

Beadall is thought to be planning to seek to raise equity to fund the purchase through Merrill Lynch and Morgan Stanley, although Newcrest itself may play a role of joint underwriter alongside these banks.

If Lion did seek to exercise, questions have been raised over how it could fund any potential buy-out. It has said previously that it will not issue equity to do so, meaning it would need to sell some assets or find the funds in a different way. Lion is understood to have about $100 million in cash and has the opportunity to find another $30 million from the sale of its 5.4 per cent stake in nickel explorer Albidon.

To complicate matters, Lion is also subject to a hostile takeover from Indophil.

Selling Cracow will make Newcrest an even cleaner takeover target in its own right.

Meanwhile, Rio Tinto and BHP Billiton shareholders have probably got another seven or eight months before the competition issues are nutted out by an endless team of lawyers, so it's not surprising a few restless types are coming up with conspiracy theories.

Some Rio shareholders would have you believe that Chinalco-Alcoa didn't just stumble on the logic of buying a $US15 billion ($16.5 billion) blocking stake in Rio but was pointed in the right direction by Rio's advisers. This would be impossible to prove but it hasn't stopped people joining the dots.

If it were the case, there are a few tough questions that could be asked about whether the strategy was in shareholders' best interests, namely creating value.

The conspiracy theorists suggest JPMorgan Cazenove is running around London claiming credit for the idea of Chinalco buying its 12 per cent Rio stake. You may recall that JPMorgan Cazenove and Lehman Brothers advised on Chinalco's February raid.

The twist is that Rio director David Mayhew is also the chairman of JPMorgan Cazenove, an overlap that's frequently been pointed out since suggestions of a deal between the two resources giants surfaced.

Mayhew sits on a special board committee headed by Rio chairman Paul Skinner to advise on the company's defence.

This talk is a total turnaround from the earlier view, which was that no one – with the obvious exception of Chinalco, Alcoa, their advisers and investors being tapped for stock – was aware of the raid.

One example that's given as evidence of this view is that on the Thursday night, while Chinalco was buying its stake, Rio chief executive Tom Albanese was enjoying a night out as a guest of Morgan Stanley (a Rio adviser) at the Great Britons Awards at London's Guildhall.

Of course another version of this could be that he was aware of it but there was little he could do.

On the Wednesday, brokers in the Rio camp claim they had picked up on talk Lehman Brothers was sounding out its shareholders for an unnamed party.

In a deal of this scale and significance, anything's possible.

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