

BN Friedland Loses in Rio Mongolian 'Chess Game': Corporate Canada
Apr 19 2012 9:51:55

By Christopher Donville and Liezel Hill

April 19 (Bloomberg) -- Twelve years after beginning his quest to build a copper mine in Mongolia's Gobi Desert, it's checkmate for Robert Friedland.

Ivanhoe Mines Ltd. said yesterday the billionaire investor resigned as chief executive officer, along with other top executives at the Vancouver-based company. It said Rio Tinto Group agreed to ensure funding of the \$6 billion Oyu Tolgoi project's construction. The accord means Rio is free to appoint Ivanhoe's management, cementing control of the company three months after increasing its stake to 51 percent.

"Friedland's lost the chess game with Rio," John Stephenson, a fund manager in Toronto who oversees about \$2.7 billion at First Asset Investment Management, said in an interview.

Oyu Tolgoi -- which means "turquoise hill" in Mongolian -- is just the latest of several chapters in the often controversial career of Friedland, who holds a 14 percent stake in Ivanhoe. A one-time mentor to Apple Inc. co-founder Steve Jobs, Friedland, 61, has raised funds for mines in North America and Asia since the mid-1980s and led the C\$4.3 billion (\$4.3 billion) sale of the Voisey's Bay nickel deposit in Canada in 1996. His next adventure may be developing mines in Africa.

Ivanhoe's involvement in Mongolia dates back to 2000 when it signed an option with BHP Billiton Ltd. to explore in the south of the country. That led Ivanhoe to buy the Oyu Tolgoi deposit. It bought BHP's remaining 2 percent copper-smelting royalty in 2003 for \$37 million.

Poison Pill

To raise the capital required to build the mine, Ivanhoe sold a 10 percent stake to London-based Rio in 2006. Rio agreed to help provide financing and went on to raise its shareholding.

The relationship between the two companies became fractious, culminating in a dispute over a shareholder rights plan, or poison pill, put in place by Ivanhoe to stop an unsolicited takeover.

In December, an arbitrator ruled in favor of Rio, effectively allowing the world's third-largest mining company to gain control of Oyu Tolgoi, which is scheduled to start production in the second half of this year.

While Rio increased its interest to a majority, until yesterday's announcement it wasn't clear where the funds to build the mine would come from. As negotiations to secure bank funding dragged on, Ivanhoe began talks to sell other assets to raise cash.

"Rio has basically stepped up to the plate and this is their project now," said Trey Reik, chief investment officer at Bristol Investment Partners LLC in Darien, Connecticut, which owns Ivanhoe shares. "Oyu Tolgoi is now essentially fully funded."

Bloomberg - Your definitive source

If you need help on the BLOOMBERG press the HELP key twice

Copyright (c) 2012, Bloomberg, L. P.

BN Friedland Loses in Rio Mongolian 'Chess Game': Corporate Canada
Apr 19 2012 9:51:55

Ivanplats IPO?

Friedland, who flies in his own Gulfstream IV jet and has a personal fortune estimated by Canadian Business magazine at C\$2.81 billion, may be shifting his focus to Africa with a planned initial public offering of shares in Ivanplats Ltd.

The company, which he controls, owns a copper deposit in the Democratic Republic of Congo and a South African platinum project. It may seek to raise as much as \$1 billion in an IPO as early as the second quarter, people with knowledge of the plan said in January.

"Robert is an incredible visionary," Ian Cockerill, an Ivanplats director and former CEO of Gold Fields Ltd., said in a telephone interview. "He sees a lot of things others don't see. That's why people sometimes think he's off his trolley."

Rio's Funding

Friedland, who lives in Singapore, wasn't immediately available for comment, according to an Ivanhoe spokesman who declined to be identified in line with company policy.

To be sure, Friedland's interest in Ivanhoe went up in value by about \$182 million yesterday after the stock jumped 15 percent following the announcement of the accord. Rio will provide an immediate credit facility of as much as \$1.5 billion to ensure construction at Oyu Tolgoi isn't interrupted and also will support the completion of a syndicated loan for as much as \$4 billion.

"If you look at the number of successes he's had over the years, it is quite something," Don Lindsay, CEO of Vancouver-based Teck Resources Ltd., Canada's largest diversified mining company, said in a February interview. "The odds of him being successful again are quite high."

Ivanhoe fell 1.9 percent to C\$13.15 at 9:48 a.m. in Toronto.

Friedland, born in Chicago, is the oldest of three children. Ilona, his Polish mother, endured forced labor during World War II, while his German father, Albert, survived Auschwitz, according to Canada's National Post newspaper.

'Mercurial, Dictatorial'

He attended Reed College in Portland, Oregon, where he obtained a bachelor's degree in political science. It was at Reed that Friedland befriended Jobs, with whom he shared an interest in Eastern religions and environmentalism, according to Walter Isaacson's 2011 biography of Jobs, "Steve Jobs" (Simon & Schuster, 656 pages, \$35).

Friedland taught Jobs about the "reality distortion field" -- a phrase later used by others to describe Jobs' powers of persuasion -- Isaacson quoted Daniel Kottke, Jobs' best friend at Reed, as saying.

Friedland "was charismatic and a bit of a con man and

Bloomberg - Your definitive source

If you need help on the BLOOMBERG press the HELP key twice

Copyright (c) 2012, Bloomberg, L. P.

BN Friedland Loses in Rio Mongolian 'Chess Game': Corporate Canada
Apr 19 2012 9:51:55

could bend situations to his very strong will," Kottke said in the book. "He was mercurial, sure of himself, a little dictatorial."

Friedland's first involvement in mining was in the early 1980s when he bought 10 percent of Galactic Resources Ltd., a gold miner, he said in a 2004 interview with Bloomberg Markets magazine.

Bidding War

His first multibillion-dollar transaction came in 1996 when, as co-chairman of Diamond Field Resources Inc., the owner of Voisey's Bay, he presided over a bidding war between Canadian miners Inco Ltd. and Falconbridge Ltd. Inco prevailed.

"He always used to say, if you had one person interested in a project you had a negotiation, if you had two you had an auction," Gordon Toll, a former deputy chairman of Ivanhoe, said in an interview. "He's good at taking it to the limit and getting the last squeak out of the pig."

Not all of Friedland's investments turned out as well as Diamond Fields. Galactic's mine near Summitville, Colorado, was blamed by the U.S. Environmental Protection Agency for contaminating the Alamosa River.

Friedland resigned as a director in 1990 and Galactic later filed for bankruptcy in 1992. He later made a \$20.7 million voluntary payment to help restore the river, while denying responsibility for the pollution. The episode earned him the nickname "Toxic Bob."

Myanmar Copper

Friedland invested in a copper mine in Myanmar in the 1990s, a move criticized by non-governmental organizations Canadian Friends of Burma and MiningWatch Canada. He cut his ties with the copper operation there in 2007, according to Ivanhoe.

In 2005, Friedland told an investor conference in Florida that developing part of Oyu Tolgoi was like making "T-shirts for five bucks and selling them for \$100," the Wall Street Journal reported in 2007. The comments probably delayed Ivanhoe's investment agreement with Mongolia, said Julian Dierkes, an associate professor at the University of British Columbia who has studied the country's mining laws.

"He's been much more circumspect since then," Dierkes said in an interview.

Friedland has expanded his interests beyond Oyu Tolgoi to include mining assets in Australia and Kazakhstan. Ivanhoe also holds a controlling stake in coal producer SouthGobi Resources Ltd., which last week it agreed to sell to Aluminum Corp. of China Ltd. Friedland also holds 16 percent of Ivanhoe Energy Inc., a Vancouver-based oil company.

Congo Mine

Bloomberg - Your definitive source

If you need help on the BLOOMBERG press the HELP key twice

Copyright (c) 2012, Bloomberg, L. P.

BN Friedland Loses in Rio Mongolian 'Chess Game': Corporate Canada
Apr 19 2012 9:51:55

"He never is doing just one thing at one time," Bristol Investment's Reik said. "We probably only know half the things he's working on."

Ivanplats controls the Kamo a copper project in Congo and Platreef, a project that sits on deposits of platinum, gold, copper and palladium in South Africa. Ivanplats filed documents to Congolese mining regulator to turn its exploration permits to mining permits, Mines Minister Martin Kabwelulu said in an interview on Feb. 28.

"He's now onto what can he promote next," Andrew Micheltore, CEO of China's Minmetals Resources Ltd., said last month in an interview. "I've heard him talk about Kamo a being bigger than Oyu Tolgoi, and you just go, yep, there he goes again."

For Related News and Information:

Ivanhoe news: IVN CN <Equity> CN <GO>

Top news about Vancouver: TOP VN <GO>

Bloomberg Industries base metals analysis: BI BMET <GO>

Mining M&A news: TNI MNG MNA <GO>

Top Canada news: TOPC<GO>

--With assistance from Michael J. Kavanagh in Kinshasa, Carli Cooke in Johannesburg, Steven Frank in Toronto and Jesse Riseborough in London. Editors: Simon Casey, Indranil Ghosh

To contact the reporters on this story:

Christopher Donville in Vancouver at +1-604-331-1310 or
cjdonville@bloomberg.net;

Liesel Hill in Toronto at +1-416-203-5727 or
lhill130@bloomberg.net

To contact the editor responsible for this story:

Simon Casey at +1-212-617-3143 or
scasey4@bloomberg.net

[TAGINFO]

*3575587SJ US <Equity>

3575587SJ US <Equity>

*IE CN <Equity>

IE CN <Equity>

*IVA AU <Equity>

IVA AU <Equity>

*IVN CN <Equity>

IVN CN <Equity>

*RIO LN <Equity>

RIO LN <Equity>

*SGQ CN <Equity>

SGQ CN <Equity>

3575587Z SJ <Equity>

NI BB

NI CACOL

Bloomberg - Your definitive source

If you need help on the BLOOMBERG press the HELP key twice

Copyright (c) 2012, Bloomberg, L. P.

BN Friedland Loses in Rio Mongolian 'Chess Game': Corporate Canada
Apr 19 2012 9:51:55

NI CHINA
NI CONGO
NI EXCLUSIVE
NI ORIGINAL
NI PGM
NI PREIPO
NI PREMNA
NI SAFRI
NI WNEWS

-0- Apr/19/2012 13:51 GMT