

Fortune Minerals case study

Paving the path to production

Deloitte helps Fortune Minerals finance major coal mining project

Challenge—What did they need?

One of the most daunting tasks facing mineral resource development companies is securing financing for mine construction. This was the case for Fortune Minerals, a TSX-listed developer that needed to finance a world-class anthracite coal mining project. Wholly owned by Fortune Minerals, the Mount Klappan coal project presented a tremendous opportunity – both for the company and potential investors – but the challenges were significant. Looking forward, Fortune had a \$770 million development plan to fund and needed to generate a market for the more than three million tonnes of coal they expected to produce yearly. In short, they needed to access and attract investors qualified to deal with a project of that scope, and they needed an advisor with the appropriate international presence and industry relationships in key mining and financial centres.

Approach—How did we help them?

Fortune chose to partner with Deloitte to help pave the path to production. In response, Deloitte assembled a truly global engagement team, composed of corporate finance professionals specializing in mining. They drew on the diverse knowledge of practitioners—and their respective firms—in Vancouver, Beijing, Tokyo, Seoul, Moscow, Mumbai, Melbourne and Perth. Putting its joint experience and knowledge to work, the team:

- Leveraged Deloitte's global network to arrange direct discussions with tier-1 strategic investors
- Organized a road show for senior Fortune management to meet key investors
- Ran a structured process to assess options and evaluate offers based on structure, valuation, risk and overall returns to existing shareholders.

Integral to the process was understanding the complexities of cross-border transactions between North America and Asia, as well as managing the negotiations to complete a joint-venture agreement that would govern the relationship of these two parties for decades to come. The Deloitte approach was designed to put Deloitte's resources to work to find appropriate investors and maximize the overall value of the engagement.



Solution—What was the yield?

With Deloitte's help, Fortune Minerals announced a strategic partnership with POSCO, the world's third largest steel producer based on market value, and operator of the world's largest steel mill, Gwangyang Works in South Korea. POSCO will make an estimated investment of \$181 million for a 20% stake in Fortune's Mount Klappan coal project and will also become a key customer, taking 20% of all production in-kind. The transaction is transformative for Fortune, by not only financing the project, but guaranteeing 20% of their future market.

Core engagement team

Jeremy South, Partner (Beijing)
Douglas Beaton, Vice President & Director (Vancouver)
Cecilia Zhao, Senior Associate (Vancouver)

Additional engagement team members by country

Canada

Douglas Beaton
Cecilia Zhao
Doug McDonald, Partner
Kevin Becker, Vice President
Nina Wang, Senior Associate

China

Jeremy South, Partner
Ron Chao, Partner
Jack Chen, Associate Director

Korea

Tai In Song, Partner
Sang Hak Sim, Partner

Japan

Nobuyuki Nagata, Partner
Satoshi Yokota, Vice President
Shizuma Yokozawa, Vice President

Mumbai

Kalpana Jain, Senior Director
Rob Noronha, Senior Director

USA

Robert Ledford, Vice President

Australia

Omesh Motiwalla, Director

Russia

Yaroslav Gorodiskiy, Partner

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