

Coal down below: how rich is his valley

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Once Eddie Obeid bought property in **Bylong** Valley, the area became popular, writes Anne Davies, Investigations Editor.

In late 2007 the family of the upper house MP and former minerals minister Eddie Obeid bought a large property for \$3.65 million in the **Bylong** Valley, a beautiful valley to the east of Mudgee renowned for its good cattle pastures.

Less than a year after the purchase of Cherrydale Park, the NSW Department of Primary Industry - the department responsible for managing the state's mineral deposits - called for expressions of interest to bid for a highly prospective coal exploration licence over the **Bylong** Valley.

A few months after the Obeid family trust company Locaway purchased Cherrydale Park, other Sydney investors noticed the beauty of **Bylong**. In July, one purchaser bought a property adjoining Cherrydale Park for \$600,000 and made an offer on another much larger property, Coggan Creek, putting down \$50,000 to secure an option to buy it.

When his option over Coggan Creek lapsed because he was unable to find investors, another Sydney investor emerged - a wealthy young man, Justin Kennedy Lewis, who knows the Obeid sons from childhood.

Mr Lewis told the Herald he was not aware of the coal in the valley when he bought Coggan Creek for \$2.42 million. "I have always wanted a proper working farm and - especially now I'm a new dad - was looking forward to getting rough and ready with my son."

Moses Obeid, Mr Obeid's eldest son, said he was surprised to find that Mr Lewis, whom he had known since his childhood in Hunters Hill, had bought 10 kilometres away.

He had bumped into Mr Lewis in January and Mr Lewis had told him: "I've just bought a country property, and I hear you guys have a farm up there too," he recounted to the Herald.

But the Obeid's country idyll and those others who fell in love with **Bylong** is about to be disrupted.

After a few hiccups in the tender process, in July 2009 an exploration licence for the Mount Penny region, the area that includes the Obeid and Lewis farms, was awarded to Cascade Coal - a company whose directors were familiar with the coal riches in the region.

Armed with the funds they received after selling Felix Resources's Moolarben mine 40 kilometres away, Cascade Coal is now in the throes of test-drilling the valley to decide where the richest seam of coal lies.

For landholders, this is both good and bad news. They are now facing the prospect of an open cut mine in the valley, with work starting as early as 2011. But they are also likely to see their land values increase, judging by the experience of landholders in the Liverpool Plains, whose land was similarly affected by coalmining.

Mining companies are able to force the acquisition of land for mines, but often have to pay handsome premiums. Contacted by the Herald, Mr Obeid said that his family had bought Cherrydale Park not for its proximity to coal but because he had fallen in love with "the magnificent property".

"The minute I walked in there I thought, this is where I want to retire. Not right away," Mr Obeid added hastily, as there has been speculation he is under pressure to leave Parliament before the next election.

The property, as Mr Obeid says, is "truly remarkable". Developed over 10 years by John Cherry, a tax adviser to the late Kerry Packer, it has several hectares of gardens with more than 2000 roses, an artificial lake and a compound of houses and cottages.

Asked whether he knew if there was coal under Cherrydale, Mr Obeid said: "I don't know if there is coal or there isn't. The whole valley has mining leases over it. Anglo has had one for years. When we bought we certainly weren't told of the mining lease, so I wasn't aware of it.

"I personally wish it would never happen," he said of the mine. However Mr Obeid said that as a former minerals minister, he realised there was little a landholder could do to prevent a mine owner compulsorily acquiring land.

At the time Mr Obeid bought, there was no exploration licence over the valley, although the general existence of coal in the valley was no secret.

A spokeswoman for the department confirmed that the plan to grant 11 new exploration licences was not made public until September 9, 2008. However, she said a geologist or any person who understood the test drilling data would have been able to look at information on the department's website and make an informed guess on where there was likely to be coal deposits before that date.

Mr Lewis bought just after tenders were called, although he did not settle on his land until late 2009 - after tenders were awarded - due to delays in finalising the sale of another property.

Meanwhile there have been other acquaintances of the Obeids who have taken an interest in the valley, although for other reasons.

Monaro Mining was one of the 60 companies which was invited by the Department of Primary Industry to tender for 11 areas, including Mount Penny, the exploration area in the **Bylong** Valley. Monaro was approached by a consultant and former Lehman Bros investment banker, Gardner Brook, and another consultant, Andrew Kaidbay, who offered to help with its bid.

Moses Obeid told the Herald he knew both men - Mr Kaidbay had approached the Obeid sons on an earlier occasion about financing one of their projects and had introduced Gardner Brook to Moses and one of his brothers. But the Obeids had no part in their mining transaction.

Mr Brook had been a specialist in putting mining deals together at Lehman, and Mr Kaidbay was a finance consultant, who currently works for Mark Bouris's Yellow Brick Road Securities. Together with the Monaro directors, they worked on the submissions and attempted to arrange a more substantial financial partner for Monaro's bids.

According to the Monaro directors, Mr Brook was confident that Monaro would be successful, and when documents were later tabled in the upper house they revealed that Monaro's bid was highly rated by the tender assessment team. "We felt like we had been touched on the shoulder by a fairy," one director told the Herald.

But soon after tenders were lodged, the Monaro bid began to unravel. There was a split on the board over the direction of the company, and the global financial crisis made finding partners with deep pockets difficult.

A company, Voope, was brought in as the finance partner, with a lawyer, Greg Skehan, from Colin Biggers and Paisley, as its sole director. In the end though, Monaro was unable to raise the funds that were required as upfront payments. In the case of Mount Penny, that was \$1 million upfront and four yearly payments.

Mr Brook wrote to the department relinquishing the licence for Mount Penny and two others on June 9 but kept three smaller ones. Monaro decided to walk away from its foray into coal, and Mr Brook and Mr Kaidbay ended up with the three smaller exploration licences, which they have since sold.

Mr Obeid made a personal explanation to Parliament last night accusing the Herald of having a vendetta against him because he had successfully sued the paper several years ago. He said he was simply doing his job as an MP representing the people who had contacted him over a dangerous bridge which he said was 65 kilometres from his family farm. "I make no apologies, that is what my job has been for 18 years."

Mr Obeid also said the Herald had published incorrect information about his pecuniary interest register. He said he had sold his house in Concord "ages ago".

The 2009 register, tabled in September last year, lists the Concord property and the house and land in Matrit, Lebanon. A supplementary filing for the current financial year, not yet tabled in Parliament, reveals he has sold the Concord property.

Mr Obeid said he would have difficulty listing the holdings of all his relatives because he had so many.