

BOIKARABELO READY FOR ACTION

FIRST PRODUCTION IN 2015

Report by Lionel Williams

Energy-related resource development company Resource Generation Limited – which is Australian-based and dual-listed on the Australian and Johannesburg stock exchanges – has advanced its Boikarabelo mine project in South Africa to the stage where it aims to launch construction early in 2013, followed by production ramping up to 6Mtpa of saleable coal during 2015 and 18 to 20Mtpa within the following five years.

In short:

Australian resource development company Resource Generation Limited aims to launch its Boikarabelo mine project in South Africa early in 2013, reaching an output of 6Mtpa of saleable coal during 2015 and 18 to 20Mtpa within the following five years.

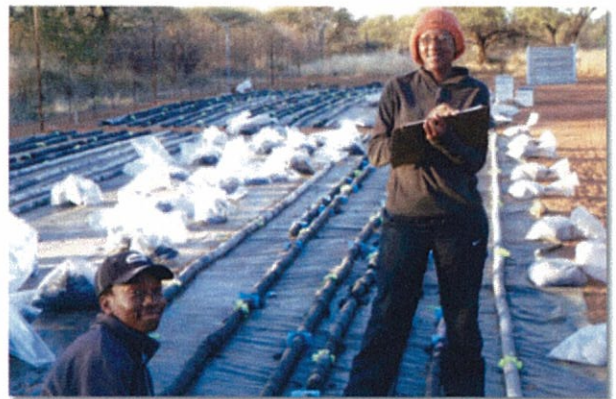
So says managing director Paul Jury, who points out that the company overcame its remaining major hurdle before finalising project finance for its open-cut coal mine when its BEE subsidiary Ledjadja Coal signed a 10-year rail haulage contract with Transnet Freight Rail (TFR) to transport up to 4Mt of coal in the first year, 5Mt in the second year and 6Mtpa thereafter.

"They will be transporting our coal from the Waterberg to the Witbank area for Eskom, and to the coast for export – out of either Richards Bay or Durban he tells *Mining Review Africa*.

"Our Boikarabelo mine tenements are only 36km by a dedicated rail link from the existing rail system that provides access to Eskom's Mpumalanga power stations, and to the ports of Maputo, Richards Bay and Durban for



Resource Generation managing director Paul Jury examines core on site at the company's Boikarabelo mine.



Workers lay out Boikarabelo core for analysis by the mine geological site office.

export shipments," says Jury. These three ports all have potential to expand their coal capacity, and a proposed new railway to Walvis Bay in Namibia, if constructed, would offer further access to export markets," he adds.

"Having previously secured the other major regulatory approvals, finalisation of this Transnet contract has enabled us to progress project finance with banks, which have confirmed they are keen to provide funding," Jury emphasises. "Once all debt and equity funding is in place, we will then be able to begin construction of the mine and infrastructure, and we expect to reach that milestone early in 2013. We have managed to reduce the required capital expenditure from US\$750 million to US\$630 by removing some capital items," he adds.

"Resource Generation was attracted to the Waterberg region because of the accessibility and quality of its coal. The Boikarabelo coal seam is between 20 and 30m below the surface, enabling low-cost, open-cut mining. The seam is between 120 and 130m thick, with zones of varying quality thermal and soft coking coal," Jury explains.

"We have defined 744Mt of reserves to a saleable and bankable status, and I must emphasise that this comes from only 35% of the tenement. We know that we have



a resource of about 6.5 billion tonnes of coal across the whole Boikarabelo tenement," he reveals.

"Our current estimate of life of mine at Boikarabelo is about 100 years, based on Stage 2 production, but I must repeat that this comes from only 35% of our tenement," he reiterates.

"Our exploration already confirms a consistent deposit with no material disturbances, so we expect to expand incrementally by upgrading existing infrastructure. A second mine does remain a possibility, but that would certainly only happen in the longer term," Jury insists.

The Phase I plan is to produce at a rate of about 14Mtpa run of mine (ROM) coal, which will give more than 6Mtpa of saleable coal, of which 3Mtpa will be export thermal coal and the other 3Mtpa domestic thermal coal. "We have a short ramp-up planned," says Jury, "aiming at 4Mtpa saleable in 2015, 5Mtpa in 2016 and 6Mtpa in 2017," he estimates.

In the next stage, production will be accelerated to the 20Mtpa-plus ROM capacity of the first shovel, and a second shovel will add more than another 20Mtpa ROM. This will push ROM output to between 40 and 50Mtpa, and saleable coal production to 18 to 20Mtpa by late 2019.

"The biggest cost in providing the plant and infrastructure required to reach this level of production will be the new coal preparation plant. This, together with all the other equipment and infrastructure to reach a capacity of 50Mtpa, will be in the region of US\$800 million," says Jury.

Turning to the contract situation, on the domestic front, Resource Generation has been discussing off-take with Eskom, who have displayed a strong interest and may take the company's middlings.

"They have successfully test-burnt our coal and identified two power stations for supply, and we are now at a very advanced stage with them," Jury reveals.

He adds that as far as export sales agreements are concerned, the company already has two significant export contracts in place with Indian companies.



Fat core drilling underway at Boikarabelo.



Clinging to the headgear, this worker steadies the emerging core.

"One is with India's third-largest power utility, Calcutta Electric Supply Corporation Limited (CESC). It is a 38-year contract for the provision of 1Mtpa for the first three years, 3Mtpa for years four to six, and then 4Mtpa from year seven to year 38. Of these amounts, 1Mtpa for years four to six, with a step up to 4Mtpa for years seven to 38, will be dependent on the company's Phase Two production plans materialising," Jury explains.

"Our second contract is with Bhushan Steel – a leading player in the international steel industry – which is expanding its operations into power generation. The contract is for 0.5Mtpa for 20 years, increasing to 1Mtpa, with a mutual option to raise this amount even further," he adds.

"We will be looking for more such contracts – but we are holding back for the moment. We have no reservations about securing some, but at this stage we just need to get the project construction started.

"With our reserve of 744Mt, which will last for several decades, we have no further exploration plans for the moment – our focus for the immediate future is on developing the mine," Jury insists.

Meanwhile, we will do some serious market and infrastructure research and planning and present those findings when the time is right. It's impossible at this stage to tell you what that presentation will reveal and recommend, but one is certain – it will confirm a future for Resource Generation into the next century," Jury concludes. □