



SMALL MINER'S BURNING DESIRE

Resource Generation's quixotic drive to build a major coal operation looks to be on track, so far. **Report: Damon Frith**

● Resource Generation is a stock few will have heard of but its ambition is reminiscent of Fortescue Metals Group in the late 1990s, when a company worth a few million dollars started talking big about becoming a new force in the global iron ore market.

While FMG went on to live up to its own expectations and develop iron ore mines in the Pilbara region of Western Australia, it's rare for a small-cap miner to develop and successfully mine a world-class asset.

Resource Generation's (RG) proposed \$US750 million plan to build the first stage of a major new coal operation in South Africa screams over-ambitious but after just four years of work, a surprising number of ticks can be placed against the development.

For starters, there is the resource. The coal seam on average is as thick as the Harbour Bridge in Sydney is high and there is only 10 metres of dirt sitting on top that has to be removed before mining begins.

There is more than 6 billion tonnes of coal in the deposit, or enough to fuel a major operation for at least 100 years.

The impediments to getting a mining operation off the ground in a country renowned for sovereign risk and bureaucratic roadblocks are huge but Resource Generation chief executive Paul

Jury reckons forgetting about cosyng up to ministers and power brokers and just working with the bureaucracy in good faith is an approach that works.

In four years, the group has secured rail transport, water contracts and life-of-mine development consent and has signed long-term contracts to supply coal to Indian firms Calcutta Electric Supply and Bhushan Steel.

Jury says he has never worked on a development in Australia where so much has been achieved in such a short time.

The next big hurdle is to get the money to build the mine. A consortium of banks is undertaking due diligence to provide a debt package likely to cover half the funding requirements, or about \$US350 million.

As many of the banks already have completed pre-due diligence, Jury hopes they can complete the process in October and sign off to allow him to go to the market for \$300 million to \$350 million of equity by the end of the year.

Again, that is an ambitious agenda but RG's largest shareholder, with 11 per cent, Calcutta Electric, has already indicated it will support an equity raising.

Jury says there are a number of institutions from Australia, England and Asia on the share register but hopes a capital raising will attract some of the larger entities.

Although RG is progressing steadily, mining projects are inherently risky.

Despite FMG's success in iron ore, it has still not achieved investment-grade status and Resource Generation has a tense six months ahead of it to get the funds in the bank to start building a mine. BYRON

