

## MEDIA COVERAGE



### **Australia's Resource Generation seals rail deal for S African coal exports**

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By Mike Cooper

Australia-listed coal explorer Resource Generation said Wednesday its black economic empowerment subsidiary, Ledjadja Coal had agreed a 10-year take-or-pay haulage contract for its thermal coal exports with South African railway company Transnet Freight Rail.

Transnet is to haul 6 million mt/year of coal exports from Resource Generation's \$750 million proposed Boikarabelo open-cut mine in the Waterberg region of South Africa during the contract period that can be extended by another 10 years.

"Our agreement with TFR is a significant step towards opening up the Waterberg region, which has one of South Africa's largest remaining coal deposits," Managing Director Paul Jury said in a statement to the Australian Securities Exchange.

With its coal transport contract in place, Resource Generation said it can proceed to raise bank finance for its Boikarabelo project and start construction later this year.

Analysts at Royal Bank of Canada Capital Markets said in a report to clients Wednesday that the take-or-pay contract with Transnet was a significant contract for Resource Generation.

"With all regulatory approvals in place, this haulage agreement was the key remaining hurdle," RBCCM analysts led by Chris Drew said in the report.

#### WATERBERG RAIL ALLOCATION PROCESS

Jury said Ledjadja Coal had agreed to some compromises with Transnet in order to obtain its allocation for rail capacity, including agreeing to complete a 36 km rail link to the existing Transnet rail network.

The contract with Transnet is conditional on the rail operator completing its process to allocate rail capacity to all Waterberg region coal producers, although this condition is automatically waived if Transnet fails to complete this process by the end of December.

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Jury said he was confident that Ledjadja Coal would receive all of its required allocation for coal export capacity because its studies had shown that sufficient rail capacity would be available from Transnet to meet the company's 6 million mt/year production target.

Resource Generation's tonnage in its rail contract would be exclusively for the export market as South African power utility Eskom has decided to sign a separate rail contract with Transnet for domestic thermal coal from the Boikarabelo project, the Australia-listed company said in its statement.

Eskom had carried a test burn of Resource Generation's Boikarabelo thermal coal with satisfactory results and has identified two of its power stations in South Africa's Mpumalanga province as potential customers for this coal, the company said in a separate presentation.

Resource Generation has secured long-term contracts with two Indian companies for its export thermal coal.

Indian utility CESC is a customer under a 38-year supply contract, and Bhushan Steel has a 20-year supply contract with Resource Generation, the company said in its May presentation.