

Resgen goes for it in the Waterberg

Brendan Ryan | Wed, 14 Jul 2010 11:31

[miningmx.com] -- AUSTRALIAN junior Resource Generation (Resgen) has hugely ambitious plans for development of its Waterberg coal project. However, everything depends on resolving the logistics of railing the coal out of the region.

ASX-listed Resgen started trading on the JSE on Wednesday after going for a dual-listing in South Africa. This was part of the preparations required to raise R4.5bn to build the first phase of the mine, as well as R2.5bn for rail and associated infrastructure.

The financing strategy is to source the funds by raising 40% in equity and the balance of 60% through debt.

Plans are to build a mine that will initially produce 6 million tonnes (mt) of coal annually, of which 3mt will be export quality and the balance domestic quality coal intended for sale to Eskom.

Production is anticipated to start in January 2013. The second stage of the mine – scheduled for 2018 - would increase output to 40mt of annual run-of-mine (ROM) production, which would translate into sales volumes of about 20mt/year.

All of this product will have to be railed out of the Waterberg, because the coal to be sold to Eskom is intended for the utility's power stations in the Witbank/Middelburg region.

Current capacity on the line from Lephalale in the Waterberg to Witbank is just 4mt/year. Exxaro Resources – which dominates the Waterberg and is at present the only coal group in production there – has been negotiating with Transnet over increasing this capacity for more than five years.

Present state of play is that Transnet is carrying out a feasibility study this year, looking at increasing that capacity to 10mt/year following completion of a joint technical study with Exxaro.

Exxaro business growth general manager Ernst Venter said in November 2009 he believed “a total of about 30mt/year of coal could be exported from the Waterberg within 15 to 25 years, of which Exxaro would look to provide between 20mt/year and 25mt/year”.

That would seem to leave little scope for Resgen to muscle in, but MD Paul Jury remains optimistic about future developments.

He told Miningmx: “We have more than 30 years’ experience in this business, and we have successfully brought larger mines than this into production.

“The logistical problems faced by South Africa in terms of railways and ports are not unique to the country.

“We also come from a background where we are used to putting up our own investment funds to get the necessary infrastructure.”

Jury said Resgen had “opened a dialogue” with Transnet over provision of the required infrastructure through a private-public partnership, but declined to provide details at this stage.

Jury added that Resgen was also looking at the possibility of exporting coal via a potential Trans-Kalahari Railway (TKR) link, from the Waterberg through Botswana to one of the Namibian ports.

That proposal has been around for more than a decade and has been actively promoted by TSX-listed CIC Energy, which is developing the Mmamabula coal mine on the Botswana limb of the Waterberg coal field.

According to CIC Energy, “during 2010 the governments of Botswana and Namibia are working together on a feasibility study on the TKR project.

“Also, discussions are under way with coal producers in the region and other parties interested in participating as joint venture partners in the preparation of a bankable feasibility study for the TKR project.”

Jury said Resgen was spending A\$500,000 (about R6m) to carry out its own aerial survey looking for the best route for a TKR line.

“That is being done on our own initiative and is separate from what CIC Energy is doing, because we want to be able to make our own independent assessment.”

Jury added that Resgen was looking at all three east coast coal export ports - Durban, Richards Bay and Maputo – as part of the study on how it would export coal out of South Africa.

He said the mining right application for Resgen’s Boikarabelo project had been lodged in February.

“The reason we got involved is because this Waterberg project is a world class asset, situated in a country with huge future domestic demand for coal.

“The coal seam is massive and it’s shallow, which means very low mining costs. It’s been a long time since I have seen anything like this.”