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Indian coal deal 'a sign of confidence'

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Resource Generation managing director Paul Jury said the signing of the company's first offtake contract from its \$550 million Boikarabelo thermal coal project in South Africa on Tuesday was "a real sign of confidence in us and the project".

India's Integrated Coal Mining (ICM) – part of \$US3 billion (\$3.25 billion) large industrial conglomerate RPG Group – has agreed to buy 1 million tonnes of coal a year for three years and 2 million tonnes for a further 17 years.

As part of the deal, ICM will also purchase a 10 per cent stake in ResGen for \$10.5 million in a placement conducted at 57.5¢ a share – a slight discount to the closing price of 60¢ before the deal was announced.

Mr Jury said ResGen had been in talks with ICM about the offtake agreement for several months and was pleased with the outcome.

"The two companies, ourselves and themselves, have a lot of compatibility," he told Resources Daily. "I would hope the relationship grows going forward."

Mr Jury said the coal would be priced based on a mix of international indices, now that there is no set annual benchmark price for thermal coal due to shifts in the pricing of the commodity.

He said ResGen was likely to sign further offtake deals for Boikarabelo, and is already in talks with South African utility Eskom about the possibility of domestic contracts.

It is expected to cost \$450 million to build the first stage of the mine, which could produce 3 million tonnes of export coal and 3 million tonnes of domestic coal. It would cost an additional \$100 million to build a 45 kilometre spur to the nearest railway line.

"Clearly it is a very large mine," Mr Jury said. "It has lots of potential."

ResGen hopes to secure a mining licence in the first half of next year and to obtain debt financing from a consortium of banks around the same time so that it can start construction and the mine can enter production in 2013.

Boikarabelo is located in the Waterberg coalfield near the Botswana border, and has a total inferred resource of 1.9 billion tonnes.

A bit like the Gunnedah Basin in NSW compared with the Hunter Valley, Waterberg is seen as the next frontier in South African coal, with the Witbank fields, dominated by the likes of BHP Billiton and Xstrata, running out.

Mr Jury is the former managing director of Resource Pacific, a Hunter Valley coalminer that was bought by Xstrata for \$1.1 billion.

The Australian Financial Review



ResGen's Paul Jury is also eyeing domestic contracts for the South African project. **Photo: Michel O'Sullivan**