

Resgen sticks to revised target for coal project

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RESOURCE Generation (Resgen), which is developing a coal project on the Waterberg coalfield near the Botswana border, maintained its revised target of first production in early 2014, provided it secured contracts with Transnet and Eskom, MD Paul Jury said yesterday.

Sydney- and Johannesburg-listed Resgen has signed a memorandum of understanding with Transnet to transport 6-million tons of saleable coal, which will be split between coal for the export market and feedstock for Eskom's power plants in the Witbank area, he said.

"We are waiting on Transnet to countersign that document. We don't have it yet but we expect it shortly," Mr Jury said. "Having put that in place, moving to a contract with Transnet we hope is only a couple of months away. That contract is a condition precedent to our funding. We made significant progress there and hope it continues in a positive way," he said.

Signing an offtake agreement with Eskom for about 3-million tons of coal a year, combined with the Transnet contract, will clear the way for finalisation of project finance with banks, which have completed initial due-diligence studies into the project and are waiting to bid for the final funding.

The project will cost \$750m, which includes the cost of a 40MW power plant intended to cut the mine's reliance on Eskom and to feed power into the grid. The Boikarabelo coal project has a probable reserve of 745-million tons and it is a shallow deposit, meaning it will be quick, cheap and relatively easy to mine.

Resgen is close to concluding a water-use licence with the Department of Water Affairs and concluding the process to secure approvals under the National Environmental Management Act that will allow it to mine. "To some of the people who are thinking it might take a long time before it (the mine) will become a reality we want you to understand it's much closer than you think in terms of delivery timelines," Mr Jury said.

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