

Railway transport will be key to Resgen's success in Waterberg coal

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A NEW pure coal play on the JSE, Australia's Resource Generation (Resgen), has secured a temporary solution to rail 6-million tons a year of thermal coal to customers once it has built a mine.

It is working on a longer-term plan that will cost it at least R2,5bn and may entail a public-private partnership with Transnet as it increases production.

Resgen CE Paul Jury declined to be drawn on details yesterday, but it is un-

derstood the short-term solution will tide the company over until it reaches a more favourable agreement with Transnet, which could take some time.

Resgen, which started its low-key secondary listing on the JSE yesterday, aims to raise a scaled-down R4,5bn in debt and equity towards building a 6-million tons a year coal mine in the Waterberg, close to the Botswana border. The initial price tag was R6bn.

Resgen will produce 3-million tons of coal a year for sale to Eskom from 2013 and another 3-million tons for the export

market, with strong interest from India and China.

A second phase will lift production to 40-million tons a year by 2018.

It has probable saleable reserves of 600-million tons and indicated resources of 570-million tons. Inferred resources are 1,7-billion tons.

"We are not trying to tackle this in any small way," Mr Jury said.

A mining right is expected in the first quarter of next year, at the same time as financing is expected to be finalised.

The main bottleneck in its long-term

plans is transport to get its coal to Eskom power plants in the Witbank area and to the coast, either Richards Bay or Matola in Mozambique. The R2,5bn for rail will be a separate capital raising exercise.

Resgen has spoken to Transnet and Exxaro Resources, the largest coal producer on the Waterberg coal fields, and the dominant railway user. "We're in discussions with Transnet, taking them solutions, rather than waiting for them to find solutions," Mr Jury said.

Resgen is spending R4m on a survey of a proposed railway line from eastern

Botswana to the Atlantic coast. CIC Energy had floated the idea as a way to export coal from its Mmamabula project in Botswana because of transport constraints through SA.

However, it is more likely Resgen will first exhaust all avenues to hook up to the main South African coal export route. Mr Jury said the company will contribute at least R2,5bn — very possibly more — towards developing rail and associated infrastructure.

It appears to be pushing for a public-private partnership, which may entail

Resgen building a rail spur and buying locomotives and wagons, which will be used by Transnet to move coal from the Waterberg for all who mine there, but making the service available to Resgen on demand and at a reduced fee.

Resgen has held talks with Eskom in the past two years about securing an offtake agreement. The contract price for Eskom is well below export parity prices. "You generally have to suck in your breath and think of the clouds for a few minutes," Mr Jury said.

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