


S. African backing for Resource Generation coalmine

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The investment sends a massive message that South Africa's sovereign wealth fund, Public Investment Corporation, sees a lot of value in the project. **Photo: Glenn Hunt**

Michael Hobbs

South Africa's \$148 billion sovereign wealth fund is backing the troubled thermal coal sector after emerging as the biggest shareholder in a massive coal project in the country.

The dual-listed coalminer Resource Generation raised \$52.2 million last week as part of a \$63 million entitlement offer launched in July, with South Africa's sovereign wealth fund, Public Investment Corporation, emerging as the coal company's largest shareholder.

The raising shortfall was also underpinned by Noble Group subsidiary Barsington and South African investment fund Altius subsidiary Shinto Torii.

The funds will be used to start major construction work at Resource Generation's Boikarabelo project which has a 6.4 billion-tonne thermal coal resource in South Africa's Waterberg coalfield. The shallow open-cut mine is being developed in two stages with the initial stage planned to produce 6 million tonnes a year of saleable coal from 2015. The second stage will ramp up to 25 million tonnes a year.

First production is expected in the second half of 2015.

Boikarabelo has signed multi-decade export offtake agreements in with with Noble and CESC, India's third largest power utility.

Resource Generation is expected to raise a further \$US244 million in debt and equity to finance the further development of Boikarabelo.

"It is the jewel in the ground regarding coal deposits on a global scale," said Resource Generation managing director Paul Jury.

"This sends a massive message that they see a lot of value in the project. Being who they are to me is a magnet and people will take a closer look at the mine."

Previously chief financial officer of Rio Tinto's Coal & Allied, Mr Jury was also formerly finance director of Coal Mines

Australia and executive chairman of Oceanic Coal Australia.

Australian-based thermal coal operations have slashed thousands of workers and a number of major projects ,including Glencore Xstrata's \$7 billion Wandoan project in Queensland, have been shelved.

Deutsche Bank has forecasted Newcastle thermal coal prices to average \$US83 a tonne in 2013 and \$US84 a tonne in 2014 as Chinese demand remains uncertain and the commodity remains in oversupply. Thermal coal was trading at nearly \$US200 a tonne in 2008.

Outgoing New Hope managing director Robert Neale said thermal coal was far from "dead and buried" in September when he announced he was stepping down from the role.

But he said it was unlikely a significant rebound in price will occur in the short term.

Resource Generation shares were trading more than 2 per cent down on Monday to 22.5¢ a share while the S&P/ASX 200 was trading in the black.

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