



Resgen signs coal haulage contract with Transnet

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JOHANNESBURG (miningweekly.com) - ASX- and JSE-listed Resource Generation's (Resgen's) black economic-empowerment subsidiary Ledjadja Coal has signed a ten-year, take-or-pay rail contract with Transnet Freight Rail (TFR) to haul up to six-million tons of coal a year.

Resgen stated that the contract assisted in it overcoming its remaining major hurdle before finalising funding for its Boikarabelo opencut coal mine in the Waterberg coalfields, in Limpopo.

"Crossing this bridge to finalise a contract with TFR will enable us to progress project finance with banks, which have confirmed they are keen to provide funding. Once all debt and equity funding is in place, we will be able to begin construction of the mine and

infrastructure," Resgen MD **Paul Jury** said.

Construction of Boikarabelo was expected to start in the last quarter of this year and production could start in late 2014.

Jury added that the company's agreement with TFR was a significant step towards opening up the Waterberg region, which had one of South Africa's largest remaining coal deposits.

He further said Resgen had to compromise to achieve a signed contract with TFR, particularly in agreeing to a condition for the allocation of capacity.

"We are confident, however, that Ledjadja Coal will be provided with its required allocation, as our studies show that sufficient rail capacity for our target production should be available once TFR has completed the minimal upgrade works that are required. We have indicated we are prepared to complete these works for TFR if there is a delay," Jury assured.

The initial term of the contract was for ten years with provision to extend for a further ten years.

The contract allowed for four-million tons in the first year, five-million tons in the second year and six-million tons a year thereafter.

Should State utility Eskom elect to contract directly with TFR, which it intended to do, for the proposed domestic purchases currently under negotiation, the take-or-pay quantities in the contract would reduce to export tonnage only.

The contract further specified an indicative tariff for the current year. The actual tariff would be determined yearly by negotiation.

Conditional to the contract was that Ledjadja Coal complete construction of the 36 km rail link to the existing rail network.

The contract was also conditional on TFR completing its processes to determine a fair, proportional and equitable allocation of rail capacity to all interested parties from the Waterberg.

If these were not completed by the end of December, the condition would be automatically waived and the above tonnage allocation would become firm.