

## SA coal assets being sold at a premium

By Deborah Spicer

Recent coal transactions in South Africa may have taken place at a premium so as to get an additional Richards Bay Coal Terminal (RBCT) allocation.

This is the view of Venmyn Deloitte associate director Chris de Vries, who watches mineral transactions in the sub-region so as to better advise sellers and buyers of mineral assets on the values that they should use in their transactions.

“Export capacity constraints at RBCT may have played a role in recent transactions,” he says, referring to South Africa’s largest coal export terminal, with a design capacity of 91Mtpa, as well as the limited-capacity rail line that supplies the port terminal.

South Africa and Southern Africa, in general, has limited export infrastructure. RBCT has known limitations that the coal industry frequently complains act as a brake to its growth. The Waterberg, in South Africa, and Botswana’s Mmamabula Coalfield, meanwhile, are often described as being landlocked due to the lack of rail infrastructure, while Mozambique’s logistical challenges have been blamed for write-offs of assets and decisions to exit the country.

“Significant investment is required in rail and port infrastructure in Southern Africa,” notes De Vries. “Public Private Partnerships and inter-governmental co-operation is needed to open up and enlarge coal export corridors.”

Interest from coal majors in various South African coal assets in 2014 was considerable and the prices paid for these assets were beyond what has traditionally been seen among corporate financiers.

The debate is still out as to whether the prices that were paid are a sign of confidence in South Africa’s coal assets or whether they are an indication of the present desperation by coal companies to increase their export allocations.

Contact Chris de Vries on +27 11 517 4205 to discuss coal asset valuations.

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