

# Forbes Coal Announces Definitive Agreement With Rio Tinto to Acquire Two High Quality Anthracite Coal Assets in South Africa

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- Expected increase in annual production capacity to 2.5 million tonnes

- Acquisition fully underwritten by Investec Bank

TORONTO, ONTARIO -- (Marketwire) -- 09/24/12 -- [Forbes & Manhattan Coal Corp.](#) (TSX: FMC)(JSE: FMC) ("Forbes Coal" or the "Company") and [Rio Tinto PLC](#) ("Rio Tinto") are pleased to announce that they have entered into a definitive agreement where Forbes Coal will acquire 100% ownership of the shares and shareholder claims of Riversdale Mining Limited in Riversdale Holdings (Proprietary) Limited ("RHPL").

Forbes Coal will as a result acquire RHPL's 74% interest in the Zululand Anthracite Colliery ("ZAC"), a current producing anthracite mine, and RHPL's 74% interest in the Riversdale Anthracite Colliery ("RAC"), an undeveloped anthracite resource. The balance of 26% of each of ZAC and RAC is owned by Black Economic Empowerment Partners. Both properties are located in the Kwa-Zulu Natal province of South Africa and are located approximately 230 kilometres from Forbes Coal's Aviemore operations.

The base consideration payable by Forbes Coal for the transaction is estimated to be ZAR 440 million (\$52.3 million CAD), via a structured deal with a fixed payment of ZAR 315 million (\$37.5 million CAD) payable on closing, and two additional variable payments each estimated to be ZAR 62.5 million (\$7.4 million CAD). The first variable payment will be based on saleable production levels for the twelve months ending June 30, 2013 and the second variable payment is based on saleable production levels for the twelve months ending June 30, 2014. In addition to these payments, Forbes Coal will also pay an annual revenue share of 10% on incremental revenue above ZAR 850 million (\$102 million CAD), to be adjusted for CPI, until June 30, 2025.

## ZAC Asset Highlights

The ZAC asset is thought to be one of last, large-scale producers of high-quality anthracite product in South Africa. Some of the key features of ZAC include:

- High quality anthracite production;
- Historic average run of mine production of 700,000 tonnes of coal per annum over the last five years;
- Historic EBITDA of \$10 million to \$15 million per year over the last four years;
- Combined yield of approximately 75% on run of mine production;
- Rail siding 10 kilometres from plant owned and operated by ZAC; and
- 150,000 tonnes per annum of Quattro allocation at Richard's Bay Coal Terminal ("RBCT").

## Fully Funded by Investec Bank (SA)

The financing of the acquisition will come from a fully guaranteed ZAR 396 million (\$47 million CAD) debt facility and cash on hand. The debt facility is being underwritten by Investec Bank, a South African based financial institution, and is available to be drawn on closing, which is expected to occur in May 2013. Forbes Coal will review its optimal capital structure prior to drawdown of any of the debt facility in order to source the most effective cost of capital for the Company. However, there is no requirement to make any payments for ZAC until the title has transferred from Rio Tinto to Forbes Coal following, in addition to other conditions, Section 11 consent from the South African Government. It is also anticipated that a portion of the variable payments will be funded through the free cash flow generated from the acquired property.

## Acquisition Rationale

**CONSOLIDATION** - Delivery on Forbes Coal's growth strategy and consistent with strategy of consolidation in Kwa-Zulu Natal region

**SCALABILITY** - Scales Forbes Coal's annual production capacity to an estimated 2.5 million tonnes

**QUALITY**- ZAC increases Forbes Coal's portfolio of high quality coal products and greater access to metallurgical coal market

**MARKETING** - Solid domestic and export offtake agreements in place

**SYNERGIES** - Potential synergies with Avimore in terms of blending product

**LOGISTICS** - Siding and blending facility at ZAC a strategic asset

**DIVERSIFICATION** - Forbes Coal will have six shafts under its control, diversifying production risk

**COST SAVING** - Potential overhead savings for both Forbes Coal Dundee and ZAC operations

**UPSIDE** - RAC is expected to provide additional exploration and production upside

### **Expected Synergies**

In addition to these benefits, the Company anticipates a number of synergies which could increase its consolidated EBITDA by a further \$5 million. With proximity to the Avimore property, optimization of transportation and inventory management is expected. As well, increased production volumes should allow the company to negotiate preferential port and rail rates. Cost savings may also be experienced as general overhead costs can be minimized. The Company also sees opportunity to expand capacity at ZAC processing facilities to support organic growth with relatively low capital injection.

### **Forbes Coal Pro-Forma**

On a pro-forma basis, following the acquisition of the ZAC property, the new Forbes Coal is expected to have the following characteristics:

- Estimated total production capacity of up to 2.5 million tonnes (1.3 million tonnes Bituminous and 1.2 million tonnes Anthracite), a total production increase of 39%;
- An 80% increase in rail siding facilities;
- Potential EBITDA of \$32-47 million, which represents up to a 114% increase from consolidated EBITDA of \$22 million for Forbes Coal for the twelve months ended February 28, 2012; and
- A shift in the Company's production profile, currently at a ratio of 30% metallurgic/70% bituminous, to an anticipated ratio of around 50% metallurgic/50% bituminous increasing the amount of high-margin anthracite product being sold.

Stephan Theron, President and CEO of Forbes Coal, commented on the acquisition: "The acquisition of ZAC significantly accelerates Forbes Coal's goal of becoming a 3-4 million tonne producer. Our original timeframe was to complete this within the next 18 months and with the acquisition we expect to be producing almost 2.5 million tonnes in less than a year's time. We also recognize that there is a shortage of mid-tier, premier quality producers in the coal market in South Africa and this acquisition is likely to provide the Company with both short and long term positive benefits. ZAC is known as a premium high quality anthracite producer and increases Forbes Coal's exposure to the high margin metallurgical coal market."

### **Conference Call**

Forbes Coal will be holding an investor conference call to discuss the details of the acquisition. The call details are as follows:

Date: Tuesday, September 25, 2012  
Time: 9:00am (ET)  
Pass code: 4709890

For Local and International, call: +1-416-340-2217  
North America Toll Free, call: +1-866-696-5910  
Global Toll Free, call: (Access Code)+800-8989-6336

To dial using the Global Toll Free Line, use your country's access code found in the document [here](#). Global Toll Free is not available in South Africa; please dial in using the Local/International number.

A live webcast of the conference call will also be available on the Forbes Coal website at [www.forbescoal.com](http://www.forbescoal.com) and a recording will be posted to the website shortly after the call is completed.

## **About Forbes Coal**

Forbes Coal is a growing coal producer in southern Africa. It holds a majority interest in two operating mines through its 100% interest in Forbes Coal (Pty) Ltd., a South African company ("Forbes Coal Dundee") which has a 70% interest in Zinoju Coal (Pty) Ltd. ("Zinoju"). Zinoju holds a 100% interest in the Magdalena bituminous mine and the Aviemore anthracite mine in South Africa (collectively, "the Forbes Coal Dundee Properties"). The mines have a substantial resource base and each mine has a projected life span in excess of 20 years. Forbes Coal is in the process of increasing production at both mines using existing infrastructure and capacity. The Company has in-place transportation infrastructure allowing its coal to reach both export corridors and the growing domestic coal market. Forbes Coal has a strong balance sheet and an experienced coal-focused management team.

Please refer to the Company's NI 43-101 compliant technical report on the Slater Properties dated March 1, 2011 entitled "Technical Report on Slater Coal and Subsidiaries, KwaZulu-Natal Province, South Africa", available on the SEDAR profile of the Company at [www.sedar.com](http://www.sedar.com). Additional information is available at [www.forbescoal.com](http://www.forbescoal.com).

## **Cautionary Notes:**

*Johan Odendaal, B.Sc.(Geol.), B.Sc.(Hons)(Min. Econ.), M.Sc. (Min. Eng.), a director of Minxcon and an independent Qualified Person, as defined in National Instrument 43-101 has reviewed and approved the scientific and technical information contained in this release.*

*The ability of the Company to increase production amounts has not been the subject of a feasibility study and there is no certainty that the proposed expansion will be economically feasible.*

*This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the anticipated production results with respect to the Forbes Coal Dundee Properties, future financial or operating performance of the Company and its projects, statements regarding the anticipated improvements in logistical support and anticipated improvements in sales, statements made with respect to prospects for the business of the Company, requirements for additional capital, government regulation of the mineral exploration industry, environmental risks, acquisition of mining licences, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive, foreign operations, political and social uncertainties; a history of operating losses; delay or failure to receive board or regulatory approvals; timing and availability of external financing on acceptable terms; not realizing on the potential benefits of the proposed transaction; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of mineral products; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and, delays in obtaining governmental approvals or required financing or in the completion of activities. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

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