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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 1205

Ms B M van Minnen (DA) to ask the Minister of Trade, Industry and Competition:

What progress has been made in the negotiations between the Seriti Holdings, Coalzar and the Industrial Development Corporation regarding the development of the New Largo Coal Fields? NW1510E

REPLY

The Industrial Development Corporation (IDC) CEO advises me that the acquisition transaction has been successfully executed and the project is currently in development, including a Bankable Feasibility Study is in the process of being finalised and negotiations are underway with all key stakeholders including Eskom. The IDC has concluded its negotiations with the parties and is now a 22.5% shareholder in New Largo Coal (Pty) Ltd (NLC).

By way of background, at the end of 2015, Anglo American plc announced it would be disposing of its coal assets as part of its restructuring and drive to reduce debt. Amongst the South African coal assets was New Largo Mine, which was at an advanced feasibility study stage at the time of disposal.

The IDC, CoalZar and with the Seriti Consortium agreed to co-bid for the purchase, with the purchase price and pre-implementation costs are being funded by shareholder loans. The purchase price was funded in proportion to shareholding. The IDC funding also included funding on behalf of Employee and Community Trusts and the bankable feasibility study review and completion. Seriti and Coalzar continue to fund the New Largo's operational costs.

The mine will be strategically developed to support Eskom's Kusile Power Station. Given New Largo Coal's proximity to Kusile, I am advised by the IDC that it is well positioned as a supplier,

and it is expected that Kusile will purchase approximately 70% of the company's coal production.

The IDC decided to participate in the transaction, since in its view it facilitates the creation of a significant black industrialist in the coal mining space and supports its strategy of increasing production of energy minerals that ensure security of energy supply. I am advised that the project is expected to create 1 100 direct jobs and 478 construction jobs.

The IDC's participation in the New Largo Coal project, brings the total value of approvals to black industrialists in the mining sector to R8,4 billion since 1 April 2015, supporting 29 deals (net) in the sector over the period. Total approvals to black industrialists across all sectors totals R25,2 billion since 1 April 2015.

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