COAL

Growth Ambition

Coal junior aiming to up production to 10Mt, list on JSE

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Mbuyelo Group intends to increase coal production across all its mines to ten-million tons over the next three to five years, from the current production of about six-million tons a year in total.

The privately owned mining, logistics, contracting, property and farming enterprise group's coal mining subsidiary, Mbuyelo Coal, is also planning to list on the JSE in the "near future". The company's flagship project is the Manungu colliery, in Delmas, Mpumalanga.

During a visit to the mine last month, Mbuyelo Coal COO **Hentie Hoffmann** informed *Mining Weekly* that Manungu, which has 250-million tons of mineable coal reserves, produces about 1.6-million tons of coal a year which is sold to State-owned power utility Eskom, with which it has a 15-year supply contract. The mine is expected to produce three-million tons by 2018, which has already been contracted to be sold to Eskom.

Manungu is an opencast mine with a life span of at least 30 years that uses traditional truck-and-shovel mining methods from a single 750-m-long pit. Surface services provider Trollope Mining Services is the mine's contractor and mining services and construction company Fraser Alexander operates the crushing plant. The two companies employ most of the 458 employees at the mine, with 25 being directly employed by Mbuyelo Coal.

Although the Mbuyelo mining right covers 5 000 ha, the mine currently operates on only 600 ha, which provides it with "significant expansion opportunities" and mine life extension opportunities, "if market conditions are favourable enough".

The company is expanding the Manungu boxcut by 200 m to 950 m, which it plans to complete by the end of next month. "This will provide us with more flexibility and space to operate," said Hoffmann.

The company also owns the Vlakvarkfontein colliery, in Delmas. Hoffmann remarked that it was previously a joint venture (JV) operation between Mbuyelo and South Africa-focused coal miner Continental Coal; however, the company bought Continental's shares in the project in September 2015 to own the mine outright.

The mine produces 1.2-million tons of coal a year, which it sells to Eskom. Vlakvarkfontein is a 100 ha opencast mine that uses truck-and-shovel mining methods, with 3.5 years of mining life remaining. The mine has been in production since May 2010. Trollope also operates the mine, as well as its crushing and screening plant. The mine employs 136 people, of whom 17 are directly employed by Mbuyelo Coal.

Burgeoning Project Portfolio

The company's 50:50 JV with local coal miner Muhanga Mines – Welgemeend colliery – is located in the Chief Albert Luthuli local municipality, in Mpumalanga. Hoffmann commented that the 2 500 ha mine was producing 140 000 t/m of coal and was expected to produce 1.6-million tons a year. Welgemeend employs 600 people, of whom 60 are directly employed by Mbuyelo Coal.

It is currently an opencast mine using truck-and-shovel mining methods. However, the company intends to start construction of a shallow, 90 m underground section at the mine in the first quarter of 2017 and bring it into production by July next year.

Picture by Senior Chief Photographer Duane Daws

HENTIE HOFFMANN
Mbuyelo Coal is expanding the Manungu colliery's boxcut by 200 m to 950 m, which it plans to complete by the end of next month

Hoffmann explained the establishment of the underground section at the mine would not necessarily increase output, but would instead balance the operation to ensure that underground deposits were not left to be mined towards only the end of the life-of-mine (LoM). The opencast section of the mine will remain in operation and produce about 80% of the colliery's coal, while the underground section will produce the remaining 20%.

Muhanga is responsible for conducting mining operations at the colliery. Welgemeend came on stream in June 2015 and has an expected life span of 15 years. However, Hoffmann said the company was undertaking exploration work on land adjacent to the mine to establish if it would be suitable to potentially extend the project's life span.

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"Commodity markets range from neutral to significantly oversupplied. Significant overcapacity exists, depressing prices," he said.

Baxter added that commodity pricing outlook risks remained on the downside and that the global mining industry was under significant pressure.

He noted that, in 2015/16, the top 40 mining companies experienced commodity prices that continued to fall, as demand slowed and oversupply emerged in some commodities.

Revenues fell by 21% to \$539-billion, operational costs fell to \$419-billion and impairments doubled to \$53-billion.

"Mining companies focused on cost cutting, productivity improvement, capital discipline and adjustment [in that period]," he said.

Baxter further highlighted that South African mining sector costs had risen at a fast pace, while global companies had generally reduced costs.

"South Africa faces the same challenges as global mining markets but, at a global level, companies have managed to cut their costs. The top 40 mining companies were able to cut costs by \$80-billion. In South Africa, there is lots of pressure on domestic costs," Baxter said. He pointed out that global and local focus areas included consolidation, capital discipline, reducing cost pressures, improving productivity and innovation drives.