

FINANCIAL REVIEW

Market Wrap - Street Talk

Xcoal cornerstones coal IPO

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The rubber is starting to hit the road on US-based Xcoal's strategy to take equity positions in Australian coal miners, with the US miner set to emerge with about 10 per cent of coal play Bounty Mining.

Xcoal kicked the tyres on more than a dozen of the Australian coal mines that have been sold over the past couple of years but was unable (or in some cases unwilling) to match the prices paid by rival bidders.

Xcoal boss Ernie Thrasher told The Australian Financial Review last month that he was going to change tack and seek offtake and equity investments in the local coal scene, and Bounty looms as the first in what is expected to be several deals.

Bounty is seeking to raise \$18 million through an IPO later this month which could see it start trading on the ASX by mid-June, under the plan being hatched by broker PAC Partners.

Funds raised from Xcoal and others will help Bounty revive the Cook Colliery mine it acquired late last year when Chinese-controlled Caledon Coal went into liquidation.

Sydney-based emerging companies fund Alium Capital is believed to be another investor.

Aside from its equity stake, Xcoal will also be an important offtake partner for Bounty, assuming its coal meets Xcoal's quality standards.

Coking coal pure-plays are hard to find on the ASX these days, with Australia's coking coal mines dominated by either diversified miners like BHP, Glencore and Anglo American, or private equity players like Pembroke Resources, AMCI and EMR Capital, which recently bought Rio's Kestrel mine.

Stanmore Coal, which sells semi-soft coking coal, is one of the few reference points for Bounty, which will mostly sell higher value hard coking coal.

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