

**HD** Japan trading **firm** Sojitz in talks to buy undeveloped Australia **coal** mine

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\* Examining 3 assets near Minerva as development targets

\* Says its **coal** assets are still profitable at current prices

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\* Sees **coal** market improving from 2016-2017

By Yuka Obayashi

TOKYO, June 27 (Reuters) - Japan's Sojitz Corp is in talks with a **coal** mine developer in Australia to buy an undeveloped asset as the mid-sized trading house looks to replace its Minerva mine whose life is due to end in 2019, a **company** official said.

"We are negotiating with a **company** which is conducting exploration at a **coal** concession near Minerva to buy the asset," Masaaki Bito, general manager of the **coal** department at Sojitz, told Reuters on Thursday. He declined to give details.

Sojitz may be in a good position to snare a bargain as a slide in **coal** prices to near five-year lows has forced miners, led by BHP Billiton Ltd and Glencore, to cancel **coal** projects, shut mines and sack thousands of workers.

A proposed \$10 **billion** Australian **coal** port expansion near the Great Barrier Reef was shelved last week by its sponsors, who pointed to a lack of demand for the extra capacity.

"It's not a bad time to develop mines," Bito said.

"Compared to two years ago, it's much easier and cheaper to secure equipment and hire engineers for exploration."

While its rival Japanese trading houses opted for minority stakes in **coal** mines, Sojitz in 2010 was the first trading **firm** to become an operator in **coal** mine.

Sojitz's Minerva mine in Queensland state annually produces 3 **million** tonnes of thermal **coal**. The **company's** **equity** production of **coal** is expected to reach 8 **million** tonnes by March next year and 10 **million** tonnes a couple of years later, Bito said.

Its **coal** trading volume will hit 30 **million** tonnes within 2-3 years from 22 **million** tonnes in the last business year, he said.

The new **coal** asset should be able to benefit from Minerva, the executive said.

"What we are aiming at is an asset which can generate synergy from the existing operation... something near Minerva where the current infrastructure and staff can be used," Bito said.

"We want to make good use of our expertise and human resources we've got from Minerva. A new mine with similar size to Minerva will be ideal," Bito said.

**COAL** ASSETS PROFITABLE

Sojitz is also looking at two other assets near Minerva - another undeveloped **coal** concession and the Athena exploration area in which the **company** owns a 45 percent **stake** - for development.

"We want to make a decision as soon as possible," Bito said.

The price of **coal** at Australia's Newcastle Port , an Asian benchmark, was \$71.83 a tonne in the week to June 20, levels last seen in late 2009 and down sharply compared to \$136.30 a tonne in January 2011.

Despite the slumping prices, Sojitz, which holds a **stake** in four **coal** mines in Australia and three in Indonesia, is still making profits from its **coal** assets, Bito said.

He expects the market to improve from 2016-2017 due to growing **coal** demand from thermal power plants in **China**, South Korea and Japan as well as from emerging countries such as Vietnam and Myanmar.

Sojitz does not rule out the possibility of buying developed mines, but has no plan to acquire any **mining** firms, Bito said. The **company** wants to add fresh assets with majority stakes in Australia but will stay a minority shareholder in Indonesia's mines, Bito said. (Editing by Muralikumar Anantharaman)

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