

HD **Ex-Gloucester CEO lines up \$200m to buy Asia-Pacific coal assets**

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WC 408 words

PD 7 May 2014

ET 12:14

SN Reuters News

SC LBA

LA English

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MELBOURNE, May 7 (Reuters) - The former boss of Australia's Gloucester Coal has lined up \$200 million from a private equity firm to buy metallurgical coal projects in Australia, New Zealand and Indonesia, taking advantage of weak valuations in the sector.

The team at newly set up Pembroke Resources is looking to snap up small, potentially highly profitable projects that are undeveloped, under construction or producing, at a time when small miners are unable to raise capital on the market.

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"It's my perfect scenario: where equity markets are in the doldrums and it's all over as far as they're concerned, whereas in reality for metallurgical coal, I think the outlook is quite strong," Pembroke Chief Executive Barry Tudor told Reuters.

Tudor and other former executives of Gloucester Coal, which was taken over two years ago by China's Yanzhou Coal, set up Pembroke with backing from Denham Capital, which is making its first Australia mining investment.

They are taking a contrarian view at a time when the price for metallurgical coal used in steel-making has dropped to one-third the record high of around \$300 a tonne hit in 2009, saying the price is still healthy relative to its historical average.

The opportunity lies in snapping up coal resources with characteristics useful to particular steel mills and which are too small to attract the majors, who are busy trying to slash costs following an expansion binge when prices were high.

"There's still an evenly weighted demand and supply for coking coal and it's still very much in demand. There isn't really an effective substitute," Tudor said.

Pembroke Resources is not interested in thermal coal used in power stations, even though there are plenty of assets available, because thermal coal, in contrast with metallurgical coal, has to be produced in big volumes to make money.

"You don't need to be a big player as far as volume goes in metallurgical coal to be a very, very profitable producer," Tudor said.

His team has a shortlist of assets they are targeting but has not entered talks yet to acquire any. They would be in a position to acquire an undeveloped asset within months, he said, adding that the company will not need debt for any acquisitions. (Editing by Sunil Nair)

RF Released: 2014-5-7T03:14:24.000Z

CO cenim : Gloucester Coal Ltd | denhc : Denham Capital Management LP | yankua : Yankuang (Group) Corp | yaptyl : Yancoal Australia Limited | ynzmn : Yanzhou Coal Mining Co Ltd

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