

HD Report: Japanese firms plan sale of stake in Australian coal project

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Japan-based Itochu Corp . and Sumitomo Corp . plan to sell a combined 45% stake in an Australian coal project owned by Glencore Plc , a move signaling that investors are limiting their exposure to Australian assets following a sharp decline in coal prices, Dow Jones Newswires reported July 22, citing two people familiar with the matter.

The two Japanese firms own 45% in the NCA coal project, which includes the Newlands and Collinsville coal mines in Queensland, and access to a berth at the Abbot Point coal port. The mines can produce up to 17 million tonnes of thermal and metallurgical coal, although production has not been at peak levels due to loss-control measures adopted by mine managers amid a low pricing environment.

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Glencore plans to stop underground mining at Newlands in 2015, reducing the annual production by 2.5 million tonnes. The company in 2013 canceled a mining contract with Leighton Holdings Ltd ., which used to manage the Collinsville mine.

Itochu has hired JP Morgan to advise on the sale of its 35% stake. Rothschild will advise Sumitomo for the sale of its 10% interest, according to the sources. Itochu and Sumitomo are expecting to close the deal before the end of 2014.

Thermal coal prices at the port of Newcastle in Australia, considered an Asian benchmark, declined from its peak of \$190/tonne in 2008 to \$70/tonne currently, squeezed by slowing Chinese demand and global coal oversupply.

U.S. coal producer Peabody Energy Corp . recently agreed to sell its Wilkie Creek coal mine in Australia for \$70 million, taking a massive cut from an earlier valuation of \$500 million.

CO itohc : Itochu Corporation | leiho : CIMIC Group Ltd. | march : Glencore PLC | sumtom : Sumitomo Corp | hocht : Hochtief AG | ocisa : ACS Actividades de Construcciones y Servicios SA

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