

Kepeco Buys Bylong Coal Mine For A\$403 Million From Anglo American

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SEOUL -(Dow Jones)- State-run Korea Electric Power Corp. (015760.SE) said Monday it has reached an agreement to buy the Bylong coal mine from Anglo American PLC (AAL.LN) for A\$403 million (\$340 million) as part of the U.K. company's efforts to sell off five coal assets in Australia.

The deal doubles the Korean company's coal self-sufficiency ratio and propels it into supplier status.

Kepeco will wholly own the Bylong mine in New South Wales, which has total indicated and inferred resources of 420 million metric tons of low-ash thermal coal used for power generation, extractable via open-cut and underground mines, the Korean utility firm said in a statement.

"Our coal self-sufficiency ratio will rise to 24% from 12%," it added.

The company said it plans to start producing at Bylong in 2016, and eventually achieve a coal output of 7.5 million tons a year.

A Kepeco official said that the company was among 70 bidders, including Posco (005490.SE) and Cockatoo Coal Ltd. (COK.AU), for the five assets Anglo American is putting up for sale.

Kepeco said a final contract is likely after Anglo American receives approval for the sale from both its board and the Australian government's foreign investment review committee, expected in the fourth quarter of this year.

Separately, Posco, Korea's largest steel producer by sales, said it and Australia's Cockatoo will jointly buy 100% of Anglo American's smaller Sutton Forest asset.

A spokesman for Anglo American declined to comment.

Greg Germon, head of investor relations at Cockatoo Coal, wasn't immediately available for comment.

State-owned Korean energy companies, including Kepeco, invested a combined \$4.5 billion last year in overseas resources companies and energy development projects, bringing total spending over the past 10 years to \$9.48 billion, as part of their efforts to secure stable supply of energy sources.

Posco said in a statement that it has agreed to pay A\$50 million for a 70% stake in Sutton Forest, while Cockatoo will buy the remainder. It didn't specify the total value of the deal. Kepeco said in its statement that the deal was worth A\$72 million overall.

Sutton Forest is a smaller asset, with an inferred 115 million tons of coal resources, but is attractive because it could produce both metallurgical coal, used in steel making, and thermal coal.

Both are relatively close to railways leading to export terminals on the coast--Sutton Forest is near Port Kembla and Bylong is within reach of the port of Newcastle.

Separately, Cockatoo has won a bid to buy a 51% stake in Ownaview and two other mines from Anglo for a combined A\$105 million, Kepco said. The remaining 49% of the three mines is owned by Mitsui & Co. (8031.TO).

Kepco said it will allow Cockatoo to run Bylong and also give the Australian company an option to buy 30% of the mine at an advantageous price in three years.

In return, Kepco said it will take over the 51% stake in Ownaview from Cockatoo.

Anglo American is selling the assets because they don't form part of its growth plans in the short-to-medium term. The company's existing Australian coal mining operations aren't affected by its decision to sell exploration projects.

Goldman Sachs JBWere is advising Anglo American on the sales process.

Kepco is invested in Cockatoo Coal with a 3.3% stake, and its other Australian investments include a minority interest in the Moorlaben thermal coal mine operated by China's Yanzhou Coal Mining Co. (1171.HK).