
Gremach in talks to sell stake in Mozambique coking coal project

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BL reported that Gremach Infrastructure which has struck coal in Mozambique is in advanced stage of talks with an Indian steel producer and 3 foreign mining and steel companies for 5% to 10% equity sale in its Mozambique mining arm, Osho Gremach.

Osho Gremach which owns 75% stake in the Mozambique coal mines in Moatize region, plans to start coal production from the mines by April 2009. Gremach expects to up by USD 50 million through equity dilution which will be utilized to buy mining equipment and start production at the Mozambique facility.

Mr Rishi Raj Agarwal vice CMD of Gremach without naming the Indian steel maker said that is in the race to pick up equity in the mining company it was a big steel maker in the private sector.

Mr Agarwal said that earlier Gremach was planning a bigger equity dilution to up by USD 100 million but as the Mozambique mine turned out to be an open cast one, it decided to whittle down the quantum of dilution. He said that “We expect to complete the process of equity dilution in the next three months.”

As per report, the company was granted 11 prospecting licenses in Mozambique last year covering over 13,500 hectares. Out of this it undertook drilling operations in two licenses where they have struck coking coal in depths of barely 1.5 meters. This region falls in Karoo basin that is recognized as a prime coal bearing area in Africa the basin starts from South Africa and travels up to Kenya covering parts of Mozambique, Zimbabwe, Swaziland, Malawi and Tanzania.

Mr Agarwal said that “Our licenses are very close to the existing Companhia Vale Do Rio Doce mines where hard prime coking coal has already been found. We estimate the 2 licenses to hold a reserve of 200 million tonnes of coal. The international price of coal is at present ruling at about USD 300 a tonnes.”

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