

Coal miner Exxaro says investment in green minerals 'more urgent'

By [Nelson Banya](#)

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Local coal miner Exxaro Resources' diversification into green energy minerals has become more urgent as geopolitical tensions, inflation and high borrowing costs slow investment in the critical metals, chief executive Nombasa Tsengwa said on Thursday, 18 August.



Source: Mke Hutchings/Reuters

Exxaro has announced plans to acquire manganese, copper and bauxite assets - key minerals in the transition to clean energy - as part of its shift from coal, widely considered the most polluting fossil fuel.

Investment in minerals which support clean energy technologies has become "more urgent" given the projected supply deficits in the long-term, Tsengwa said during a results call.

The Russia-Ukraine war has heightened geopolitical tensions and compounded global inflation, resulting in higher borrowing costs and political instability that was delaying investments in these critical minerals, she said.

Investment needed to support energy transition

"The bottom line is that the world needs significant investments to be made in these minerals to support the much-needed energy transition. Failure to make investments today in preparation for the expected growth in demand for these minerals will threaten the long-term energy situation," Tsengwa said.

Exxaro has said it would look at South Africa, the world's largest producer of manganese, for acquisition targets.

Declining supply in China, the largest producer and market of bauxite, also creates an opportunity for new investments to fill the output gap.

"The current manganese and bauxite pricing environment is supportive of entry through acquisitions. The long-term fundamentals of these three chosen commodities remain attractive and we're focused on pursuing acquisitions," Tsengwa said.

Exxaro expects the targeted non-coal mineral assets to generate the equivalent of 30% of its 2021 coal earnings of R10.7bn from 2026.



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Increase in half-year profit

On Thursday, Exxaro reported a 26% rise in half-year profit driven by higher coal prices, although South Africa's rail capacity problems limited its ability to take advantage of strong European demand.

Coal demand in Europe started surging late in 2021 amid a switch from expensive natural gas to coal, and intensified after Russia's invasion of Ukraine in February, ahead of a ban on Russian coal, which came into effect this month.

Europe's share of Exxaro's exports grew five-fold during the second half of 2021 to 32% in the first half of 2022.

South Africa's coal sales to Europe rose eight-fold during the first half of 2022 compared with last year, leading exporter Thungela Resources said on Monday.

However, South African coal miners' capacity to export has been limited by deteriorating rail infrastructure. State-owned Transnet's rail network has been crippled by poor maintenance, a lack of locomotives and copper cable theft, which have diminished its capacity to haul minerals to port.

Despite the higher export prices, Exxaro exported 2.5 million tonnes of coal in the first half, down from 4.1 million tonnes a year earlier.

However, the average export price rose to \$262 per tonne from \$117, resulting in a 48% jump in revenue to R22.3bn.

Exxaro's headline earnings per share - the main profit measure for South African companies - rose to R34.26 from R27.22. It declared an interim dividend of R15.93, returning \$334.09m to shareholders.

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