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Handini's underwater debut on ASX

23 October 08 by Rebecca Lawson

Handini Resources Ltd has followed the downward trend of the overall market, debuting on the local bourse at an 8 per cent discount to its issue price.

The company remained steady at 46 cents all day with 1000 shares traded.

The listing follows a drawn out initial public offer process, with the company closing the IPO last week after first opening it in February this year.

Under the IPO, Handini raised \$3.4 million through a placement deal with Singapore-based Visa Comtrade (Asia) Ltd, which has also signed an off-take agreement.

Shares in the placement were priced at 50 cents each.

Below is Handini's announcement:

Perth-based thermal coal producer, Handini Resource Limited (ASX: HDI, "Handini Resources"), is set to list on the Australian Securities Exchange (ASX) today (23 October 2008) after securing an Off-take Agreement with Visa Comtrade (ASIA) Limited ("VCL"), a member of India's Visa Group of companies, and successfully completing a A\$3.4 million capital raising to VCL.

Under the Off-take Agreement, VCL - which is a Singapore-based company trading in industrial raw material and products - has agreed to purchase a total of 14.4 million tonnes of coal from Handini's advanced coal project in Sumatra, Indonesia and to subscribe for up to A\$10 million worth of Shares in three tranches tied to the attainment of various delivery milestones under the coal purchase arrangements.

The first tranche, comprising 6.8 million Shares at A\$0.50 each to raise A\$3.4 million, has been completed, enabling Handini Resources to proceed with its ASX listing. On completion of the issue of these Tranche 1 shares, the Company will be taken to have assigned the rights to forward purchase 4.8 million tonnes of coal to VCL.

Subscription for the second and third tranches will occur after 500,000 and 1 million tonnes of coal respectively have been shipped to VCL. The issue price of the shares will be the lesser of \$0.50 each and the average closing price of the shares on the ASX prior to the date that the Directors decide to issue the shares. In total, Handini Resources will deliver 14.4 million tonnes in three tranches, with VCL investing a total of A\$10 million in the Company.

Handini Resources' ASX listing brings to the public arena a unique, advanced coal asset in Jambi Province in Sumatra, Indonesia which was acquired by coal entrepreneur Mrs Ibu Rtna

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Handini's private company, BRN, four years ago and developed privately as a niche thermal coal export operation.

Handini Resources acquired the operation through a transaction completed earlier this year with NTC, which holds a 30-year Concession over the mine under a Coal Contract of Work with the Indonesian Government. The Muara Bungo Concession, which covers an area of 28.6km², has JORC Code compliant Proved Ore Reserves of 22.9 million tonnes and Probable Ore Reserves of 1.1 million tonnes, as well as Measured Resources of 31.7 million tonnes and Indicated Resources of 5.2 million tonnes.

Mining commenced in March 2006 with 1.4 million tonnes of coal produced up until December 2007. The Company is planning to double production from the current rate of 1.2Mtpa to 2.4Mtpa within a period of two years.

The proceeds of a A\$3.4 million first tranche raising, which closed on the 16 October, 2008, together with the Company's existing cash resources, will predominantly be used to fund the infrastructure upgrades required to facilitate the expansion as well as a mine-mouth power plant feasibility study and general working capital requirements.

Handini Resource's Chairman, Antony Goldfinch said the listing provided investors in Australia with the opportunity to gain exposure the Indonesian Coal market, via a unique Indonesian business success story.

"Mining operations have only commenced ramping up to significant production rates since April last year, with production prior to this having been conducted on a small scale," Mr Goldfinch said. "As such, much of the coal deposit remains relatively untouched by modern mining operations, with the geology of the deposit enabling flexible mining operations using track and excavator methods. This results in the operation remaining flexible with regard to mine planning options."

"This venture brings together an entrepreneurial Indonesian business success story with international capital and Australian mining technology and skills," he continued. "With coal prices forecast to rise further on the track of increased demand, we are confident that Handini Resources is well positioned to capitalize on the opportunities presented."

The Indonesian coal market remains unconstrained by bottlenecks affecting Pacific market competitors and is expected to export 224 million tonnes of thermal coal in 2008, with demand remaining strong despite unfavourable market conditions.

Mr Goldfinch said the Company was delighted to have forged a long-term relationship with VCL via the off-take arrangements and associated subscription arrangements which would see the Indian group become one of Handini Resources' top 20 shareholders. The majority shareholders holding more than 60% of the Company comprise the Handini family.

"We are very pleased to have secured this agreement for a future off-take contract with VCL, which confirms their long term support for the Company and their recognition of the value and potential of Handini's Indonesian projects and other assets," Mr Goldfinch said.