

## Coal price dip prompts miner's Indonesian venture



**Company: Handini Resources Ltd**  
**Proposed ASX code: HDI**  
**Proposed listing date: November-December**  
**Shares on offer: 20 million**  
**Capital to be raised: \$35 million**  
**Issue price: 50c**

SENTIMENT towards the coal sector has come off the boil with the Newcastle spot price, a key benchmark for prices in the Australasian region, falling from a high of \$192.50 per tonne to a current price of \$140.

However, these prices are still historically high, twice the average price recorded in 2003-04.

In an attempt to take advantage of these high prices, wise-owl.com analyst Imran Valibhoy says junior miners such as Handini Resources (HDI) are looking to successfully raise funds to pursue tenements which, in this case, are located in Indonesia.

In January 2008, Handini entered an agreement to purchase a company, China Time International Ltd, which was granted a 30-year coal concession under a coal contract of work with the Indonesian Government.

The concession has, according to the JORC code, proven reserves of 22.9 million tonnes, probable reserves of 1.1 million tonnes, measured resources of 31.7 million tonnes, and indicated resources of 5.2 million tonnes.

"Unlike other IPOs that we have come across, this company has already begun mining with 1.4 million tonnes of coal produced up to December 2007," Valibhoy says.

With the funds raised, it will look to double its production to 2.4 million tonnes within a period of

two years.

"Going by the prices available on the spot market, together with the production profile of the company, this offer would be viewed as fairly valued, considering the market capitalisation of approximately \$113 million," Valibhoy says.

In addition, a memorandum of understanding (MOU) has been signed with Indonesian partners to form a joint venture.

This joint venture will explore for coal within an area of about 3000ha in Kalimantan, and for nickel within an area of more than 11,000ha in Sulawesi, Indonesia.

"These activities, if successful, should provide greater potential upside for the company," Valibhoy says.

As with junior miners, there are a number of risks associated with such an investment, such as delays and cost overruns in the project, together with unsuccessful drilling tests at the tenement areas.

