



C O M P A N Y
O V E R V I E W



*Atlantis Mining SA machinery
at Elandspruit and Kromdraai*

IPC Coal Blue Sky Thinking Goes Above and Beyond for Black Empowerment in South Africa

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The South African Mining Company has set itself apart in a congested industry over the past six years, all the while ensuring that it enriches the lives of others as well as its own development



Kromdraai opencast mining area

IPC Coal is differentiating itself in a competitive junior mining market through a combination of turnkey products and services, Blue Sky thinking and an unparalleled devotion to Black Empowerment, both internally and in the surrounding region.

Based in Durban, with its' operational centre in Witbank, Mpumalanga (within 30km of its' coal mines), IPC Coal's progressive history has been driven by a succession of strategic acquisitions and sales, enveloping an expert developmental process for collieries in the surrounding area which have seen large-scale profit enhancements in each individual case.

IPC Coal itself was founded in 2008 as a domestic marketing company for coal originating from Nucoal Mining and its flagship Woestalleen Colliery in Middelburg, Mpumalanga.

Chief Operating Officer at the time, Paul Erskine played a pivotal role in the success of that operation and now, in his role as Chairman of IPC Coal, he can reflect on the platform that Woestalleen provided.

"I was involved in 2005 with the Investors, where we purchased Woestalleen Colliery for around R65 Million before selling it on four years later for R650 Million, a 1,000 percent increase,"

Erskine explained. "We built Nucoal Mining from 65,000 tons a month production to eventually 350,000 tons per month, and IPC was responsible for all the local distribution of the coal to all the guilt-edged, top boiler companies."

Following the sale of the Woestalleen site in 2009 and a subsequent foray into a charity-driven bucket list adventure for Erskine, he then returned to open up the Elandspruit Colliery which was mined out by May 2013, as well as the neighbouring colliery in a joint venture with Nungu Colliery where 13 million tons of coal remains.

One Stop Shop

IPC Coal's journey stems from the 2004 Mining Rights Act in South Africa when Black Empowerment was brought in, subsequently breeding the junior mining sector, away from the major mining organizations on the continent.

To differentiate itself from the 18 or so other companies in the niche market though requires an entrepreneurial flair which Erskine was quick to pick up on and implement by making



Elandspruit Colliery Wash Plant

Key Personnel



Paul Erskine
Chairman

In July 2006 Paul Erskine negotiated the take over and management buy-out of Woestalleen Colliery for R65 million. He was appointed COO of Nucoal Mining.

Woestalleen Colliery was to become Nucoal Mining's flagship. Paul arranged with Frazer Alexander to set up Phases 2 and 3, which was the expansion of the washing plant at Woestalleen from 65,000T to 350,000T per month. He arranged R150 million worth of funding which completed the capital expenditure required to take Woestalleen to a 2.4 million Ton coal exported. He also negotiated the acquisition of Vuna Colliery / Zonnbloem Coal Reserve in 2006 which had 26 million tons of coal. He was instrumental in negotiating a 3 million ton / 5 year Eskom contract for middlings.

By 2009 the Woestalleen Colliery had more than 20 million tons of reserves and a fully operational 350,000T washing operation but lacked the export allocation for its 2.4 million tons of coal capacity. Paul approached Coal of Africa, a listed company on the AIM and JSE and by December 2009 Nucoal was successfully sold to Coal of Africa for R650 million.

Paul decided to do his "Bucket List" and most of his adventures can be seen on his website at www.paulerskine.co.za



Aerial view of the Elandspruit Nungu opencast area

IPC Coal a one stop shop coal provider. “We’ve gone further down the value chain where we take it from Prospecting Rights now, which is really at the Blue Sky level, and we undertake the drilling, geology, environmental studies and the final Mining Rights Application,” he said. “My job is to operate the mines and make sure we turn them around so that the Investors get a really good return.” This approach has fostered a strong reputation in the coal hub of Middelburg, with Investors attracted by the proposition of flexible entrance into the project, whether it’s from early development, Mining Rights stage,



Container kitchen sponsored by IPC Coal

or even through to the marketing phase.

Throughout the whole service provision though exists IPC Coal’s most prized assets, its sub-contractors.

Erskine continued: “Every single part of our business is sub-contracted out. Companies like Atlantis Mining who carry out all our mining operations have something like R250 million worth of equipment, so instead of learning the business that they have mastered, we rely on them and add value for each other.”

Atlantis Mining has subsequently mined more than 26 million tons of coal under Contracts that Erskine that has placed with them. This epitomizes the successful model which also incorporates a separate transport division, marketing, in-house sales operation, Social and Labour, Health and Safety and Engineering sub-Contractors, all of whom have worked alongside Erskine on a long term basis to foster

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– Paul Erskine, Chairman

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First blast at Kromdraai

“Once you unlock those Blue Sky standalone projects, that’s where the true value comes in”

– Paul Erskine

a mutually beneficial and trustworthy team.

Blue Sky thinking

IPC Coal’s expertise in the junior mining sector is to attain groups that are at a Mining Rights stage, to then structure the proposition, raise the money and to get the mine up and running within three months of signing the Contracts. By that point, the mine will have begun making a return on the investments put into it, completing the cycle.

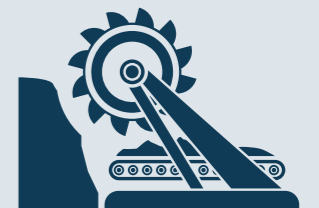
However, to separate itself from market competitors requires the ability to identify ‘out-of-the-box’ deals, as Erskine explained: “We look for opportunities where we know that there are washing plants and coal in the area, knowing we can put it together because of the people that we know.

“Some we take equity stakes in and raise funding for, but my main focus now is to look towards Blue Sky Prospecting Rights business because of the early entry and low value.

“The drilling, exploration process and environmental studies per mine only costs around R3 Million, so once you package those and validate everything and put it all together, you’ve spent a relatively low amount on a project which you can either sell for R15 per mineable in situ ton or mine them out.

“Once you unlock those Blue Sky standalone projects, that’s where the true value comes in, to complement my bread and butter business which still exists at the operating mines of Elandspruit and Kromdraai.”

*R3
million*



*Cost of drilling,
exploration process
and environmental
studies per mine*

*Removal of overburden
at Kromdraai*



“...in everything we do, we’re trying to pass on that expertise, to enrich people in our organisation”

– Paul Erskine

Domino effect

Having such a positive influence on Black Economic Empowerment through its’ core operations is one thing, but IPC Coal prides itself just as much on its own Corporate Social Responsibility influence through the Domino Foundation.

Instead of enriching a particular black individual or company, IPC decided to enrich an organization in the form of the Domino Foundation, which helps fund children’s homes, feeding programmes, literacy initiatives and life skill development.

“It is an incredibly ethically, well run, accountable foundation,” Erskine said. “I have also set up the Mbuyelo Jesu trust which holds 30 percent of IPC Coal’s shares so that the funds that run through it are given to the Domino Foundation, and we work very closely with them on a project by project basis.”

This footprint and foundation through

The Learners of Amaoti School outside Durban



Jonathan Erskine (CEO) receiving a Certificate of Appreciation from Amaoti School

everything the company does has bred exponential growth over the past six years, and Erskine is confident that it is initiatives such as this which fit into the same Black Empowerment ethos which helped develop the business from the beginning.

“I also run a programme where I take on ex-prisoners once they are released, to train them as either drivers or weighbridge operators, within one of our sub contracted companies, because everyone is redeemable and because others wouldn’t take a chance on them, their loyalty towards you is unquestionable.

Erskine concluded: “This is just another contribution that we make and in everything we do, we’re trying to pass on that expertise, to enrich people in our organization.

“As we expand, instead of sourcing human resources from outside, we find people from inside and move them up the chain, and that’s why it’s called ‘Domino’.” ■

Company Information

INDUSTRY

Junior Mining

HEADQUARTERS

Durban, South Africa

FOUNDED

2005

EMPLOYEES

24

REVENUE

R1.2 billion from 2011-2014

PRODUCTS / SERVICES

Coal, Cement





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