

Indonesian miner on diverse buying spree

John Aglionby, Jakarta
April 04, 2007

INDONESIAN coalminer Bumi Resources has outlined an aggressive expansion and diversification agenda, two days after agreeing to sell 30 per cent of its two main assets to India's Tata Power for at least \$US1.3 billion.

Bumi, Asia's third-largest coal company, said it would increase output at its Kaltim Prima Coal and Arutmin mines from 53.5 million tonnes last year to 60 million tonnes this year and at least 90 million tonnes by 2009.

It also plans to invest \$US1 billion (\$1.3 billion) to bring on stream two copper and gold mines it bought from BHP Billiton and Rio Tinto on Sulawesi island in eastern Indonesia in 2005. BHP Billiton sold the mine in Gorontalo, north Sulawesi, for \$US2 million after spending \$US27 million on exploration there, and Rio Tinto sold its mine near Palu, in Central Sulawesi, for \$US800,000, after spending \$US8 million on it.

"They were - and still are - very good resources," said Michael Chambers, of CSLA, in Jakarta. "They weren't sold because they lacked potential."

Production at the two sites would begin in 2010 at the earliest, Bumi director Kenneth Farrell said.

Dileep Srivastava, Bumi's head of investor relations, said the group planned a domestic acquisition program.

That could begin with Bumi buying the 3 per cent stake a Newmont subsidiary has to divest from its Batu Hijau goldmine on Sumbawa island, also in eastern Indonesia. Overseas, the company hopes to develop an iron-ore asset in Mauritania and is exploring further co-operation with the Tata Group, after the latter agreed to buy 30 per cent of Arutmin and KPC.

"We want to diversify our current single-commodity revenue stream," Mr Bumi said.

"We would like to balance our risk profile as a diversified mine and energy company."

Bumi's shares have risen 47 per cent this year on rising coal prices, increasing demand for low-grade coal to fuel power projects, and also on the expectation of a divestment deal.