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Adani, Linc sign \$3b coal deal

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IN THE largest single investment by an Indian company in Australia, Adani Enterprises has bought Linc Energy's Queensland coal tenements in a deal worth up to \$3 billion.

Confirming the market's worst-kept secret, Linc announced Adani was buying its non-core coal tenements in the Galilee Basin. The deal provides \$500 million in cash, which was deposited in escrow yesterday, plus a \$2 a tonne royalty for the first 20 years of coal production.

The underground coal gasification company also announced that Adani had received approval from the Foreign Investment Review Board and an indicative approval for the transfer of the coal tenement from the Queensland government. The \$500 million will be released once the transfer is completed, which is imminent.

Linc's chief executive, Peter Bond, said some staff would remain at Galilee in the short term to help Adani start drilling but the handover would take place today.

The tenement has a resource base of 7.8 billion tonnes of coal. Annual capacity will be up to 60 million tonnes and Adani is expected to aim for 50 million tonnes.

"We are just about to hand over most of the keys," Mr Bond said. "We have worked tirelessly over many months to maximise the outcome of this first coal sale for our shareholders."

He said completion of the Galilee transaction would free Linc to focus on the sale of other coal tenements, with the Teresa tenement expected to be the next. Linc now will concentrate on its core gasification business.

Adani's coal will feed power plants it is building in India to meet rising energy demand. It has negoti-

ated with several thermal coalmine owners in Australia and elsewhere.

Mr Bond said the royalty agreement gave Linc flexibility to take cash now or to hold on to receive the full benefit of 20 years of cash flow.

"The transaction provides shareholders with a net present value of approximately \$1.5 billion, with the opportunity to earn over \$3 billion in revenue over the life of the royalty, which is undoubtedly a great result for the company," he said. Linc also had exclusive rights to negotiate with Adani on the joint development of proposed underground coal-gasification operations in the Galilee tenement.

Shares in Linc soared nearly 18 per cent two weeks ago after Adani announced it had raised \$US850 million (\$934 million) in an institutional share sale. The shares closed yesterday down 3c at \$1.59.



King coal ... Linc's chief executive, Peter Bond. Adani will pay a \$2 a tonne royalty for 20 years. Photo: Eddie Safarik