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Web Brief

South Wales Mining & Development Project

November 2010

Funding required: Up to £600,000

BFS Ref.: MV/300

Summary

Our clients offer an opportunity to invest in an unusual, but potentially highly lucrative project centred around the remediation & development of land located in the Valleys of South Wales.

The Project

The land that is at the centre of this project comprises 580 acres of what was previously a coal mining area situated on the edge of a Town in the Welsh Valleys. The land was purchased with the intention of constructing up to 1500 houses on it, taking up around 100 acres of the site. The rest is to be landscaped and made available for public amenities.

The salient points are:

1. In view of the previous mining activity the site has been deemed by the Coal Authority to be unsafe for entry. As a result they have fenced off the whole area and instigated weekly inspections. Thus, before construction of the proposed 1500 houses can take place, it will be necessary to "remediate" the entire area to make it safe for entry.
2. Planning permission is needed to carry out this remediation work. This planning will be applied for under the provisions of the Health & Safety Act and will be supported by the Coal Authority.
3. As a result of carrying out the many surveys and studies in preparation for the planning applications, it has come to light that it will be necessary to remove 2 million tons of "incidental" coal as part of the remediation process.
4. This coal is currently valued at c £90/ton, but the cost of removing it will only be c. £30/ton thus yielding a very substantial profit.
5. The original planning application was rejected in 2006. A new application was submitted in 2009. In 2010 our client was advised by the planning Directorate of the Welsh Assembly that the Environmental Statement in the new application was deemed to be inadequate.
6. Following consultation with various bodies including the Planning Directorate, the Coal Authority and the Local Council, our clients now have a clear view of exactly what is required to strengthen the Environmental Statement.
7. Recent information received indicates that the local Council are considering incorporating a remediation policy into the Local Development Plan. Once this is done planning formalities will have to be completed, but the process becomes a formality.
8. Once that planning is granted and the remediation work is completed a second planning application will be required for the property development phase. Post remediation however the land will be classified as a "brown Field" site, thereby simplifying the second phase planning application.

Due to the size and complexity of the remediation part of the project, considerable time and money has been spent in preparing planning applications. A large number of studies and surveys have been carried out, and quotations obtained from Contractors for carrying out the actual remediation work. To date the present investors have spent in the region of £5 million on this project (including original cost of purchasing the land).

In order to provide the detail needed for the Environmental Statement it will be necessary to carry out additional surveys and to include reports from engineers, architects and planners on subjects such as - Dust emission monitoring, water contamination tests etc. The problem our clients have is that this will



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cost a further £600,000 (spread over 6 months) and that level of additional funding is not available from the present investors. Thus our clients are seeking a source(s) of finance to fill this funding gap.

Financials

Currently around 85% of the coal consumed in the UK is imported. Thus there will be a considerable number of customers queuing up to purchase from this new (resurrected) source. The plan is to sell the first million tons to one or more customers at a total price that will cover all expenditure to date (including costs of extraction) and provide a profit. The second million tons will be placed in the hands of an Agent (already identified) for sale on the Spot Market.

Based on information supplied by the Coal Authority there are 17 seams of coal on the site and from which some 2 million tons of this coal will have to be removed as part of the remediation. This work will create c. 110 local jobs. When the costs of the remediation work is taken into account (based on quotes received) this equates to a cost for extraction of the coal of approximately £30/ton. Various sources have advised that this coal would fetch a price in excess of £90/ton at the present time. That price will probably go up in the next few years based on rising demand both from 5 new coal-fired Power Stations in the UK and from overseas e.g. India & China. The remediation process will also recover other minerals such as iron ore, net values as yet undetermined.

An additional "Bonus" for the project that recent discussions have raised the possibility of including, in the remediation planning application, provision for long term "deep" mining. It is estimated that there is sufficient coal to enable profitable extraction to take place over 20 years. This can apparently be included in the application at no additional cost. The management of MVL, with the help of the Coal Authority Library are looking into the feasibility of this new aspect. What it would do, is to provide MVL with yet another long term source of revenue and substantial profits.

The Investment Opportunity

As can be deduced from the above, the earnings potential of this project is substantial. The expectation is that the coal extraction will yield even greater profits in the first few years than those to be made in the medium term from the housing project. At this stage the deep mining opportunity can be looked on as a longer term possible bonus, although not for any short term investors.

The finance required is £600,000. This can be made available as a term loan with the option of converting to an equity share at a later stage. As regard timing, an initial injection of £250,000 is needed as soon as possible to allow the additional tests and surveys to be started at the earliest opportunity. The balance of £350,000 will be required approximately 4 - 6 months later. The target date for planning permission is 4th Quarter 2011. Extraction of the "incidental" coal should be completed by 2015.

Exit route

Revenue from the coal extraction during the initial remediation phase will be more than sufficient to cover repayment of loans or investment for those investors looking for an early exit. Thus it is anticipated that repayment could be made as early as 6 months from remediation commencing.

For further information please contact us on **0800 093 5240** or e-mail to enquiries@bufinserv.co.uk

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