

Beacon Hill Resources

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Beacon Hill Resources in marketing partnership with Vitol Coal for Minas Moatize output - UPDATE

--- Adds broker comment and share price ---

Beacon Hill Resources (LON:BHR) has entered into a marketing partnership with energy trader Vitol Group which will see the latter act as exclusive agent to market export coal produced by the group's Minas Moatize mine in Mozambique.

The deal does not affect the off-take agreement with Global Coke, which will continue to be offered up to 600,000 tonnes per annum of coking coal for the life of the mine, the company said in a statement.

In connection with the marketing agreement, Vitol will advance Beacon Hill a secured debt facility of up to US\$20 million in two tranches of US\$10 million.

The Vitol Group trades worldwide in excess of 25 million tonnes of coking and thermal coal and had turnover of US\$297 billion in 2011.

The marketing deal has been agreed between the respective wholly-owned subsidiaries BHR Coal Mauritius Ltd (BHRC) and Vitol Coal.

The initial term is four years, with Vitol having an option to extend for a further four years.

Beacon Hill will continue to market and sell coal produced by the Minas Moatize directly to the African domestic, non-seaborne market.

The agreement gives either party the right to terminate the agreement in the event of a change of control of Beacon Hill or the Minas Moatize mine, subject to a termination payment being paid by BHRC.

In connection with the coal marketing agreement, Vitol will advance to BHRC and BHR Mining Mauritius Ltd a secured loan of up to US\$20 million for capital expenditure, general corporate and working capital purposes.

The facility is repayable by December 31 2016 and the facility is subject to minimum amortization milestones. Vitol may require repayment of the loan if there is a change of control of Beacon Hill or the mine or if the marketing deal is terminated.

Beacon Hill chairman Justin Lewis said: "This strategic marketing partnership with Vitol provides Beacon Hill with direct access to one of the largest coal marketing and trading networks globally which is an important development for the group. Importantly, this milestone relationship provides Beacon Hill with an optimum route to market for our coal products, as well as enabling us to meet our existing commitments under our off-take agreement with Global Coke.

Share Information

Code: BHR
Listing: AIM, ASX
Sector: Mining
Website: www.bhrplc.com

Company Synopsis:

*Beacon Hill Resources Plc ('Beacon Hill' or 'the Company') is an AIM and ASX listed resources company, headquartered in Johannesburg, that is focussed on building and developing a portfolio of near term production projects in commodities relating to the steel production industry. *

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Bob Finch, Head of Coal at Vitol added: "This partnership with Beacon Hill has allowed us to have a presence in the Moatize Basin of Mozambique, which we consider to be one of the world's most significant undeveloped coking coal regions. Coal trading has become an increasingly important part of the Vitol group's trading portfolio and this partnership makes an important contribution to our growth."

Fairfax Securities commented that this relationship with Vitol should be viewed as a positive in growing the company's coal business.

In its Daily Market Report, the broker reminded investors that Beacon Hill is finalising the definitive feasibility study to expand production at Minas Moatize to 4 million tonnes per annum – of which 2 mtpa is targeted for the export market.

"The company have estimated capex of US\$150 million for the expansion and the debt facility from Vitol should be helpful in the process," Fairfax said.

At 11.05 am, Beacon Hill was trading up 1.2 per cent at 10.375 pence.

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