A view from the crow's nest

BY SANDRA ARGESE

A traditional coal region, Crowsnest Pass in Alberta, Canada features large volumes of open cut coking coal in a resource-friendly jurisdiction adjacent to rail infrastructure which leads to ports in Vancouver.

Seen by many as the 'next big thing' in prime coking coal development, the region has a number of miners seeking to take advantage.

Metallurgical coal development company Montem Resources is one such player, with an existing asset base in the region, named the Chinook Properties, central to its plans.

Adjacent to major open cut mines owned by Teck Resources, the second largest seaborne supplier of coking coal behind BHP, Montem has multiple properties covering 220sq km, including the four brownfield metallurgical coal projects that make up the Chinook Properties, containing an estimated 163 million tonnes of high-quality metallurgical coal.

Two of these projects – Tent Mountain and Vicary – are familiar to key coal consumers in north Asia, having sold hard coking coal to Japanese steel mills in the late 1970s and early 1980s, and the company has plans for three more.

Speaking to *National Mining Chronicle* following Montem Resources' lodge of a prospectus with Australian Securities and Investments Commission (ASIC) to raise up to $20 million and list on the Australian Securities Exchange (ASX) via initial public offering (IPO), Managing Director Peter Doyle said the prospective projects met a global shortage of new coking coal development.

"Australia, Canada and the USA are the three largest suppliers of seaborne coking coal, however, there is a limited number of coking coal projects available to investors in these markets," he said.

"Furthermore, the majority of new projects are controlled by major mining companies which are increasingly showing discipline in developing new supply."

One of several independent developers holding coking coal tenements in the Crowsnest Pass, Montem's Tent Mountain open cut mine is the most advanced of the Chinook Properties.

According to the company, Tent Mountain is expected to begin production within two years, with funds raised through the prospectus to be used to complete engineering studies and necessary permit amendments to allow the re-start of mining. The company has also said it would use the IPO funds to conduct additional exploration on brownfield Chinook Properties to provide information to support preliminary feasibility studies for two additional new open cut mines.

Montem Resources Chairman Dr Rob Yeates said the new mines at Crowsnest Pass carried potential to meet growing demand from steel producers.

"Crowsnest Pass has great infrastructure, with mainline rail to the coast and export ports, power, a skilled local workforce, a large township and more, which are just some of the reasons it's an up and coming source of good-quality coking coal finds," he said.

Confidence in the area is growing, with Gina Rinehart's Hancock Prospecting recently investing $68.9 million for a 19.9 per cent stake in Riversdale Resources, which is looking to develop its Grassy Mountain coal project in the region.

"It heightens awareness of the area and shows the prices people are prepared to pay," Dr Yeates said.

"It really is demonstrating the area's development potential."

THE DEMAND FOR COKING COAL

Capable of forming coke (coking coal), metallurgical coal is used primarily to produce metallurgical coke for steelmaking.

"Metallurgical coke is used primarily in blast furnace conversion of iron ore into pig iron before further processing into steel," Mr Doyle said. "It takes approximately 800kg of coking coal to produce one tonne of steel.

"Seaborne coking coal is used where the steel mills are capable of importing product by seagoing vessel, which includes major producers worldwide."

According to a recent earning report from major steel producer ArcelorMittal, China's steel consumption is poised to grow by one to two per cent in 2018 due to growth in the automotive, domestic appliances and machinery sectors, making the east Asian country a significant player in steel demand.

Dr Rob Yeates.

"China has been responsible for the big growth in steel production over the last 10 to 15 years, and now accounts for over 50 per cent of global production," Dr Yeates said.

"For example, when you visit Beijing, you can see there's steel in everything, from the buildings and expressways to the railways, cars and whitegoods."

Mr Doyle said with a general expectation in the market for continued long-term economic growth and with steel demand growing rapidly in India and South-East Asia, the demand for coking coal was likely to grow.

"Coking coal prices are again reaching toward historic highs, with forecasters continuing to expect robust pricing for hard coking coal as China and India continue to lift imports of this essential ingredient for their steelmaking," he said.

"Export coking coal prices are above US$200 (A$281) per tonne and have averaged around US$180 (A$253) per tonne over the past decade. Coking coal prices are driven by demand for new steel, with supply constraints creating periodic raised prices.

"Spot prices exceeded US$300 ($A422) per tonne as recently as late 2016 and it is readily conceivable these price spikes will occur again given continued strong demand and constrained supply for seaborne coking coal.

"The important implication is continued buoyant pricing will support small to moderate-sized new coking coal mine development over the long term, although pricing volatility is likely to discourage large existing suppliers from developing mega projects due to high capital intensity and potential to depress pricing with brief periods of oversupply.

"Canada should really be producing double, if not triple what it is currently producing, which is around 30 million tonnes for export. Canada is a great jurisdiction to be investing and mining in. I expect to see it moving towards a much larger overall export volume of coking coal, and we are aiming to be at the forefront of that growth." NMC

Peter Doyle.

Montem Resources' Tent Mountain open cut mine.