



COALSPUR

A REMARKABLE VISTA



A REMARKABLE VISTA


WRITTEN BY: **GAY SUTTON**
RESEARCH BY: **RICHARD HALFHIDE**

Over the next three years, Coalspur will start to bring North America's potentially largest export thermal coal mine into production. President and CEO Gill Winckler explains what makes this prospect so exciting

Like many mining companies, the formation of Coalspur was based on a passion for finding the next big discovery, and the lease holdings it has acquired in the coal rich region of Hinton, Alberta, seem to be living up to expectations. Listed on both the Australian and Canadian stock exchanges, Coalspur is scheduled to begin mine construction on the Vista Coal Project in 2013, and to bring its high quality, low sulphur thermal coal into production during 2015. Coalspur's wider portfolio of coal leases near Hinton contains a good pipeline of further undeveloped coal prospects which should ensure the company's long-term future in the region.

"Our priority at the current time is Vista," said president and CEO Gill Winckler, "which will have an ultimate production capacity of 12 million tonnes of coal per annum over a mine life of 28 years." This design is based on a feasibility study completed in January this year that demonstrated a marketable reserve of over 313 million tonnes of high grade export coal from a recoverable reserve of 566 million tonnes. "What that gives us is the potential for one of the largest undeveloped export-grade thermal coal projects in North America. We plan to develop the project in two phases which will enable us to adopt a graduated production profile to allow for the development of markets for our products. The two phases also provide us with the ability to efficiently and effectively obtain all the necessary regulatory approvals for the project."

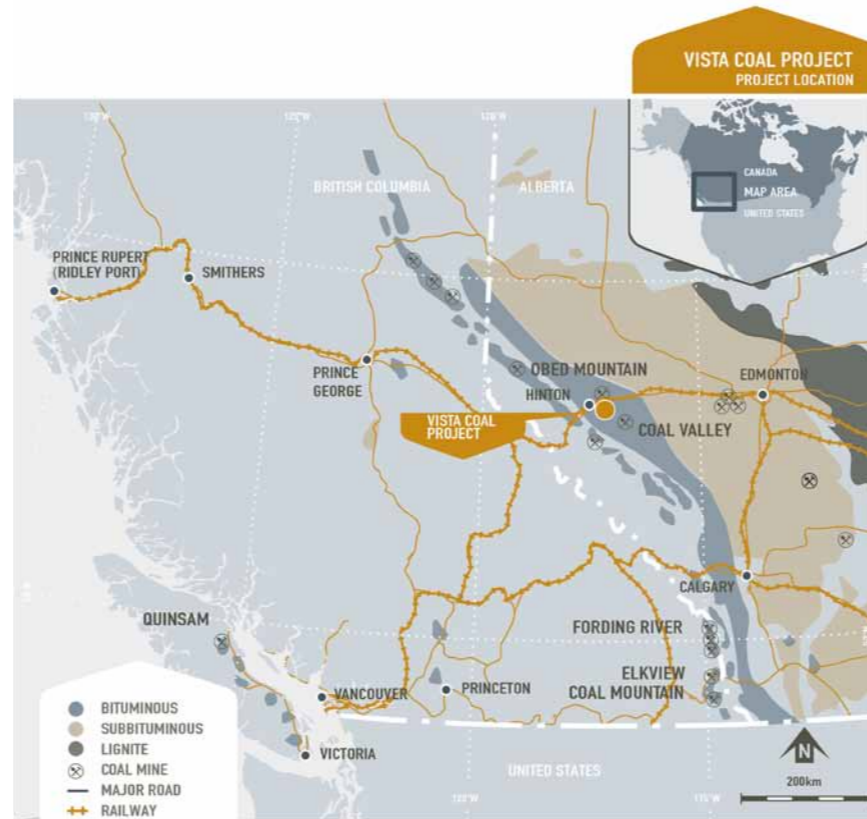
The economics of coal production are



The formation of Coalspur was based on a passion for finding the next big discovery



Vista will operate as an open cut mine



Map of Vista coal project



The financial prospects for Vista are very attractive

“THE GEOLOGY IS RELATIVELY STRAIGHTFORWARD, THE RESOURCE IS WELL UNDERSTOOD AND THE PROCESSING IS SIMPLE”

very straightforward, and relate directly to the quality and depth of the coal, the mining method, and the cost of logistics to transport the coal to its destination market. In all of these, Vista is very well placed as compared to other new thermal coal developments around the world. The coal seams at Vista start near the surface where mining is cheapest and they dip away gently at an average of 7° to the north east. “This

geological advantage allows us to operate Vista as an open cut mine. We will have an attractive strip ratio over the life of the mine and a very low strip ratio for the early years, which will contribute considerably towards making Vista a low cost operation,” she continued.

From the logistics perspective Vista is close to the Canadian rail network. CN (Canadian National Railway) runs directly

through Hinton on its way to the port of Prince Rupert on the west coast, and the company has signed a memorandum of understanding with CN to transport the coal 1,200 km to Ridley Terminals at Prince Rupert at very competitive prices.

Currently, Coalspur is planning to export 100 percent of its output to the major industrial regions of Japan, China and Korea, which are currently predominantly supplied from Australia and Indonesia. “An interesting point about this is that although you would not realise it from looking at a map, it’s a slightly shorter shipping distance to Japan from Ridley Terminals than it is from Newcastle, Australia.”

The financial prospects for Vista are therefore very persuasive, and

the current market conditions amply illustrate this. Coal prices have fallen by some 25 percent over the last nine months, forcing many of the major coal producers to cut back on production and marginal operators to cease production completely. Prices are fluctuating at around US\$87 to US\$92 a tonne.

Set against this the FOB cost for Vista—the cost of producing the coal and transporting it to port—is just C\$67 a tonne over the life of the mine, and will be even lower initially. “This is significantly better than most other new developments, so we’re very well positioned on the cost curve,” Winckler said. “Meanwhile, most analysts and industry specialists believe that prices have now bottomed out and



Phase one will bring the mine into operation during 2015

should slowly climb back to around US\$110 a tonne by 2015 when the mine is scheduled to commence production.”

The development of Vista over the next six years is being handled in two phases, with detailed engineering for the first phase currently in progress. The timeframe going forward is to gain final regulatory approval for phase one by the end of the first quarter next year and then go into construction.

Phase one, which will cost approximately C\$870 million, will bring the mine into operation during 2015, ramping up from a couple of million tonnes of coal in the first year to five million tonnes per annum by 2016. Phase two, costing a further C\$370 million, will be primarily funded from phase one cash flow, and will increase production to Vista’s ultimate design capacity of 12 million tonnes per annum by 2018.

“We have a very robust project,” Winckler said. “From a technical perspective, it is not complex: the geology is relatively straightforward, the resource

28 YEARS

Expected mine life of Vista

is well understood and the processing is simple.”

Looking to the future, Coalspur properties in the Hinton area have a good long-term pipeline of coal prospects. Close to Vista are two further resources at much earlier

stages of development. Vista Extension is a continuation of the Vista coal seam as it dips deeper, and this would require underground mining in the future. “We’ve completed a concept study on Vista Extension which estimates that it should be able to provide a further 3.8 million tonnes per annum over 28 years. Next year we will undertake further work on this area and begin examining how we can integrate Vista Extension with Vista.”

Vista South, located some 6 km south west of Vista, covers approximately 23,000 hectares and exploration has identified measured and indicated coal resources of 471 million tonnes. In the longer term, the company has two further lease holdings in the area that will become the focus of exploration further down the line.

“Once we’re operational with the first phase of Vista, we will have a workforce

“WE CONTINUALLY WORK ON BUILDING STRONG RELATIONSHIPS AND OPEN COMMUNICATION WITH LOCAL STAKEHOLDERS”

of about 500 people. Hinton is a very attractive town located near the Rockies and Jasper National Park, and it will be just a short commute to Vista.” Already home to some 10,000 people, Hinton can provide support services and infrastructure for the mine and its staff. The Hinton region has been associated with coal mining for over 100 years.

A little further afield lies the town of Edson which has 10,000 residents and is also within commuting distance. Meanwhile, the capital of Alberta, Edmonton, is a two and a half hour drive by four-lane highway. “We have many stakeholders in the Hinton region,” Winckler said, “and we are fully engaged with the local community and regulators to ensure that we are and always will be a socially responsible corporate citizen. We continually work on building strong relationships and open communication with local stakeholders, sharing project details and welcoming local input throughout the development and regulatory process.”

Winckler is confident that the attractiveness of the location, along with the nature of the work, should attract the best quality staff. “After all, it’s always exciting to be part of a new project and not many people have the opportunity to see something through from the outset,” she concluded. **BE**

For more information about
Coalspur visit:
www.coalspur.com

The geology is relatively
straightforward





COALSPUR

Suite 1000

550 11th Avenue SW

Calgary AB T2R 1M7

T +1 403 261 9971

www.coalspur.com

Produced by:

ACHIEVING BUSINESS EXCELLENCE ONLINE

BE Business Excellence

www.bus-ex.com