

## New Age vision for Colombian coal

Angie Tomlinson, [18 August 2011](#)



Gary Fietz on the rail line running through New Age Exploration's Cesar concession.

AN Australian coal junior in Colombia is a novel concept. The majors of Xstrata, Anglo, BHP, Vale, Glencore and Drummond have been there for some years with massive opencut mines, but it's taken some time for smaller companies to jump on board.

Australian minnow New Age Exploration now has both feet firmly in Colombia with a string of acquisitions. One foot is

planted in the large thermal coal deposits of the Cesar Basin and the other in the lesser-known Subachoque Syncline with its smaller deposits of coking coal. New Age won't be out there on its own though. Owen Hegarty is about to list Tiger's Realm Coal on the Australian Securities Exchange with a Colombian coking coal asset in its arsenal. Whether these two will start a quick flow of juniors as has been seen in Indonesia and Mongolia's coal scene only time will tell.

While juniors may be thin on the ground in Colombia they are positioned to benefit from the big infrastructure plans of the majors. Cesar Basin rail expansion is already underway and there has been talk of expanding the meagre rail infrastructure that will enable more coal out of the states of Boyacá and Cundinamarca, near the Subachoque Syncline.

Any expansion will benefit New Age's two-pronged attack to bring its smaller coking coal assets quickly to production for cash flow before moving onto what it hopes will be the company maker in its potentially large thermal coal longwall mines.

The first target is the Terranova hard coking coal mine, acquired only last week. The mine offers New Age the opportunity to become a coking coal producer, albeit a relatively small one, within 12 months. Currently being worked as a manual mine producing 25,000 tonnes per annum, New Age plan to mechanise part of the mine to bring production up to 300,000tpa.

"This is a relatively small project but none the less one we consider very exciting. We have a clear path to get this asset into production within 12 months. It has a limited life (ends October 2014) but with coking coal being a very high value commodity, we expect to make very attractive margins at today's price," New Age managing director Gary Fietz said.

"It isn't the largest project in the world but for a company of our size it is very material and it is just the first step for us in the Subachoque Syncline, as we have two other adjacent concessions – so the capital we spend at Terranova won't be wasted."

*"It's an analogy of what we are doing in Cesar. MPX is showing the market what can be done, which I don't think many Australian investors understand because they don't watch the Brazilians."*

Terranova is expected to cost the company \$A10-20 million to mechanise. While the feasibility study and mine plan are still in the works, the idea is to use a continuous miner to drive a new 5-degree incline, starting in coal from the surface, for 600m to access coal at the back of the concession. Operating costs are expected to be \$A80-120/t FOB, taking into account trucking costs of \$40-48/t.

New Age will have the choice of three ports from which to export, one on the Pacific and two on the Atlantic. While the Pacific is much closer, costs to both sides of the country are similar due to mountain ranges that must be passed to get to the Pacific.

Most Colombian coal is shipped on the Atlantic bound for the southern states of North America, parts of South America, especially Brazil, and into Europe and the UK. A small amount is exported over the Pacific into Asia via the Panama Canal. The widening and deepening of the canal, due to be completed in 2013, may open up more exports into Asia.

New Age has two other concessions in the Subachoque Syncline, which it plans to move on in a similar fashion post Terranova. "There are challenges with the infrastructure in the coking coal areas and that is why our strategy is let's do one or two or three 0.5-1 million tonne coking coal mines because the current infrastructure does not currently support large production from one mine. It will in future when the rail projects are developed, but today that is not the case."

While New Age works to bring Terranova into production, it will simultaneously drill (starting in Q4 2011) its other Subachoque tenements and those further north in the Cesar Basin. The company aims to have JORC resources by early 2012. Looking further down the track it will undertake a feasibility study in 2012 and complete infill drilling. Construction in Cesar is slated for 2013-2014, subject to financing.

Cesar's infrastructure is a different kettle of fish to Subachoque. The operating FENOCO rail line, owned by major producers in the area, already runs through one of New Age's concessions and very close to another. The line is in the process of being double tracked and should be completed in the next few years. New Age has already started talks with FENOCO and rates its chances of getting some capacity.



BBB engineers on site at New Age's Terranova project.

New Age is closely watching major Brazilian energy company MPX, which potentially has resources of up to 4 billion tons in the Cerrejón Basin in the neighboring state of La Guajira, and plans a 35 million tonne per annum underground mine with multiple longwalls commencing in 2015 and ramping up production until 2020.

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New Age's Cesar tenements have a combined JORC conceptual exploration target of 250Mt-1Bt. With those tonnages, together with the geology, New Age expects to support a large longwall mining operation.

New Age achievements in Colombia to date have largely been made possible by its local partner Aurora Energy. A Colombian mining equipment supply company with links to Europe, Aurora has been operating in the country for 25 years with an extensive network of mining clients. "We have been able to walk into Colombia and directly meet tens if not hundreds of concession holders. It's their network and ability to provide access to opportunities that is really important for us," Fietz said.

Aurora is a joint venture between a Colombian mining equipment supplier (Polminera) and UK-based geological consultancy FWS Consultants – run by experienced underground coal geologist Dr Rick Smith. Smith has been working in Colombia for more than five years and has contacts with European equipment suppliers and contractors, including BBB, which has experience in similar ground conditions to Colombia in the UK and Eastern Europe.

New Age also brings its own credentials. Fietz has 22 years' experience with BHP Billiton, including global vice president of its iron ore business development. Vice president of business development Donald Garner, originally a geologist like Fietz, also has considerable experience in project evaluation and development in a range of commodities and countries. Now with a portfolio of projects built up, New Age will slow down on the acquisition front for a time while it concentrates on exploring and developing its projects. With \$3 million cash at the end of March, clearly New Age will have to look for funding in the medium term and is currently reviewing its funding alternatives with strategic investors.

"Our intention was to build a good quality portfolio of projects and then move those projects into development and production. I think immediately we concentrate on the delivery of what we have and as we grow, we will look at more acquisitions," he said.

The biggest challenge New Age faces is mechanising its mines – not from a technology point of view but from a cultural and skill-set standpoint. "There are a lot more opportunities in Colombia, certainly in the coal sector, than there is in most parts of the world mainly because the Colombian mining culture has primarily been one of manual mining, in the coking coal sector at least. The opportunity there is to bring mechanised mining to target coal previously not accessed," he said. "The mine owners, because certain coal is not accessible to them, aren't putting a lot of value on it, so access to opportunities at very good value is present if you have the right relationships and contacts."

Fietz said to date New Age has had positive experiences with the government and the mines department. "Colombia is a place a lot of people have some misplaced anxiety about. It certainly has had a difficult past and I think we all have to acknowledge that, however, it is now ranked as number three by the Fraser Institute and two by World Bank as the country to invest in for South America. That's certainly our experience in country, the security situation and doing business there has been very good," Fietz said.

Within three years Fietz envisages New Age producing 2-3Mtpa of coking and thermal coal. "We believe we have the local partner and the skills and capability and relationships and support from contractors to be able to do it."

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