



# Britain's new age of coking coal

The Lochinvar deposit could turn around the ailing industry

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## New Age Exploration (NAE)

MELBOURNE tiddler New Age Exploration has set out to do its bit in reviving Britain's coal industry, or more specifically its coking coal industry. Margaret Thatcher and Arthur Scargill would be pleased.

While recent memory suggests it was the 1984-85 miners' strike, in which the Iron Lady took on Scargill's National Union of Mineworkers, that killed off Britain's coal industry, the truth is that it has been in severe decline since the late 1940s.

So much so that following the closure of the last of the coking mines earlier this year, the also trimmed down British steel industry is now totally reliant on imports.

Thermal coal for power generation is on the nose in Britain from global warming concerns and is not an industry that seems to have much upside there.

Coking coal is a different story. Its higher value — it recently climbed back over \$US150 a tonne in seaborne markets — reflects its much tighter supply compared with its thermal coal cousin.

What's more, in the eyes of the British public, coking coal mining is seen as a job creator in parts of the country where jobs are in desperately short supply. And fun-

nily enough, coalmining of any description is seen as being a more environmentally friendly practice than the new boy on the block — the coal-seam gas extraction industry with its controversial hydraulic fracturing techniques.

Operating on the basis that there is a good community and government appetite for new coalmines, and that coking coal opportunities in Britain must remain because of the new higher-priced environment, New Age went looking. It came across the virginal Lochinvar deposit that straddles the English-Scottish border, not far from the runaway wedding village of Gretna Green.

Partly drilled up years ago by the now defunct National Coal Board, Lochinvar has been overlooked until New Age came along. It secured a licence over the deposit from the Coal Authority, which replaced the NCB, for the princely price of \$20,000 and did some of its own drilling to confirm the potential indicated by the NCB's original work.

It has been money well spent as New Age's independent mining consultancy Palaris recently estimated an initial stock exchange compliant inferred resource estimate for Lochinvar of 112 million tonnes of coking coal in three seams on the Scottish side of the licence area where the coal seams are shallower.

Because New Age last traded at 5.5c for a market capitalisation of \$14.2 million, and because it was holding about \$4m in cash at last count, it is safe to assume that there could be a lot of interest in the company-making potential of Lochinvar. New Age's peers with similar-sized coking coal resources in places such as Canada, the US and Indonesia trade in a \$45m-\$90m range.

New Age has some work to do before the market is going to award it the same sort of valu-

ation metrics that its peers command. But there is little doubt that Lochinvar has the potential to become the first significant underground coalmine development in Britain in the past 30 years or so.

New Age hasn't said so, but it would seem that a \$200m development producing 1-3 million tonnes of coking coal annually would be what its early scoping of a development would be considering.

Because of easy access to infrastructure and low labour costs, Lochinvar could probably produce its coking coal at a competitive \$US70 a tonne, or thereabouts.

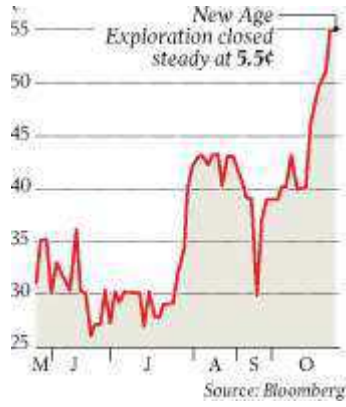
As mentioned earlier, seaborne coking coal prices have recovered to more than \$US150 a tonne. That is for the top-quality stuff from Australia. Lochinvar would probably fetch about 80 per cent of the premium price. But Lochinvar coal won't have to travel more than 20,000km (rail and ship) to be fed in to a blast furnace like Australian coal does.

It will have to be loaded on to the open-access railway network, but even assuming about \$US15 a tonne for freight, Lochinvar coal does look to have the potential to generate nice margins at current coking coal prices.

Part of the attractiveness of the Lochinvar opportunity is the lower-cost base, as well as the more attractive fiscal regime. An underground miner over there earns about \$US52,000 annually compared with the \$US88,000-\$US153,000 on offer in the Queensland and NSW coalfields.

Then there is the lower corporate tax rate (20 per cent from April 2015 versus 30 per cent) and lower royalties (18 pence a tonne compared with Australia's 7-15 per cent slug on the value of the coal).





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