

Sunday, September 4, 2016 at 12:05AM

Sterling weakness boosts plan for coal extraction near Longtown

by Duncan Bick

THE BREXIT vote has had a "positive effect" on the economics of an on-hold major coal project.



Australian company New Age Exploration (NAE), based in Melbourne, has a licence to explore the Lochinvar coalfield, which straddles the England/Scotland border between Longtown and Canonbie. It would be mined for coking coal, used to make steel, which supporters say would have huge economic spin-offs for the local area and could create more than 1,000 jobs.

The project was put on hold because the market price for this commodity fell dramatically.

In 2011 coking coal sold at about \$300 a tonne but in 2015 that price fell to about \$90 per tonne.

Earlier this year prices hit a record low of \$73 per tonne but the market has since rallied following a new fiscal stimulus in China and disruptions to the global supply of the commodity.

It is now worth more than \$110 per tonne.

Gary Fietz, NAE's managing director, told in-Cumbria this meant a working mine would now make a profit but pointed out that a lot of investment was still needed.

"Recently there has been a significant improvement in the price of coking coal which is very encouraging for the Lochinvar project," he said.

"Also, the softer pound following Brexit means lower operating costs in US dollar terms for the Lochinvar project which has a positive effect on the project's economics.

"If the Lochinvar project was in production today it would now be generating a good operating profit due to these recent improvements in coal prices and exchange rates.

"We need to remember, however, that the project requires an estimated \$284m of capital investment to build and investors need to see a return on this large investment for the project to attract investment.

"While NAE is very encouraged by the recent improvements in coking coal prices and by exchange rate movements which are favourable for the project, we feel that some further and sustained improvement in coking coal prices is still necessary before it becomes possible to attract funding required to re-start exploration and development work on the project."

Problems in the steel industry have also had an impact on plans because coal which would have gone to British mills will now have to be shipped to mainland Europe.

"The freight costs to European steel mills is slightly higher than delivery to UK mills from Lochinvar, which results in a slight reduction in realised prices expected for Lochinvar coal, although this is a relatively minor decrease when compared to the significant recent increases in global coking coal prices," Mr Fietz said.

"NAE remains confident that the medium and long term outlook for coking coal remains strong and that the Lochinvar project is extremely well positioned to take advantage of the next market upturn which now appears to have recently commenced."

He added that the firm was maintaining the Lochinvar mining licences and continued to have a community liaison representative, Stuart Campbell, on site who can be contacted by emailing stuartcampbell@nae.net.au.

Source: <http://www.in-cumbria.com/Sterling-weakness-boosts-plan-for-coal-extraction-near-Longtown-97578772-75a7-462e-a312-e08a949a0b29-ds>