

# Fortune's FORTUNES

World-class deposit gets closer to reality thanks to established infrastructure

By Russell Noble

**E**nd of the line is a phrase usually associated with railroads and not necessarily mining, but for Fortune Minerals Limited (Fortune) of London, Ontario, those words describe the location of its Mount Klappan project and the “start” of something big for the company, and the coal mining industry in Canada.

With most of a railway road bed already in place, it's just a matter of time before a CN Rail line is extended an additional 150 kilometres to connect the proposed northwest British Columbia mine with CN's mainline at Prince George and the Ridley Terminals at the Port of Prince Rupert.

And, when that happens, the Mount Klappan coal mine will be en route to becoming one of the largest producers of

anthracite metallurgical coal in the world.

Like all mining operations, infrastructure is the key word, and fortunately for Fortune Minerals Limited, the Mount Klappan project is strategically located where all of the essential services are within a realistic distance of its front gate.

In fact, as just mentioned, a rail-

way right-of-way and subgrade cuts right through the company's 15,866 Ha property, and the BC Government is already extending the electrical grid into the area as part of its \$404-million Northwest

Transmission Line project.

Furthermore, the deep water shipping ports of Stewart and Prince Rupert are only 150 km and 330 kilometres away, respectively, and there's road access to the project already.

These are key ingredients to make a mine work, but none of them would matter if the Mount Klappan mine didn't contain something worth developing.

But it does, and as company President and C.E.O. Robin Goad describes: “the Mount Klappan Anthracite Coal Project is one of the world's premier metallurgical coal developments with Measured and Indicated Resources of 231 million tonnes and Inferred Resources of 359 million tonnes. Additionally, there is a historical Speculative Resource estimated at 2.2 billion tonnes that, although no longer NI 43-101 compliant, illustrates the world class potential of this project. The current 106



Map shows the location of Fortune Minerals' Mount Klappan mine site and its proximity to existing and planned services to mainland and offshore customers.





slope with interamp angles at 75 degrees. The in-pit strip ratio will be 6.6 bank cubic metres per tonne for run-of-mine coal, while the clean coal strip ratio will be 11.6 bank cubic metres per tonne.

Getting the coal out of the pit will require a fleet of 37, 177 tonne trucks, 3, 26 cubic metre waste shovels, 2, 17 cubic metre coal backhoes, 8, 171-251 millimetre rotary blasthole drills, 8, 580 horsepower dozers, and 3, 275 horsepower motor graders.

Once the coal is out of the pit, it will be processed to produce 3 million tonnes of clean coal per annum in two, 1.5 million tonne per annum wash plant modules using heavy media separation with screens and spirals as well as froth flotation.

Powering the mine will be handled by an 11.7 megawatt on-site diesel power plant to handle the 6.3 megawatt running load. However, now that the electrical

transmission line is being extended up Highway 37, the Company is also looking into a connection to the grid.

Keeping the mine running will require a workforce of 474 people: 290 in mining, 100 in maintenance, 32 in the plant, and 52 various other staff.

While quantity and production are important, Goad emphasizes that it's the type of coal at Mount Klappan that makes it even more valuable.

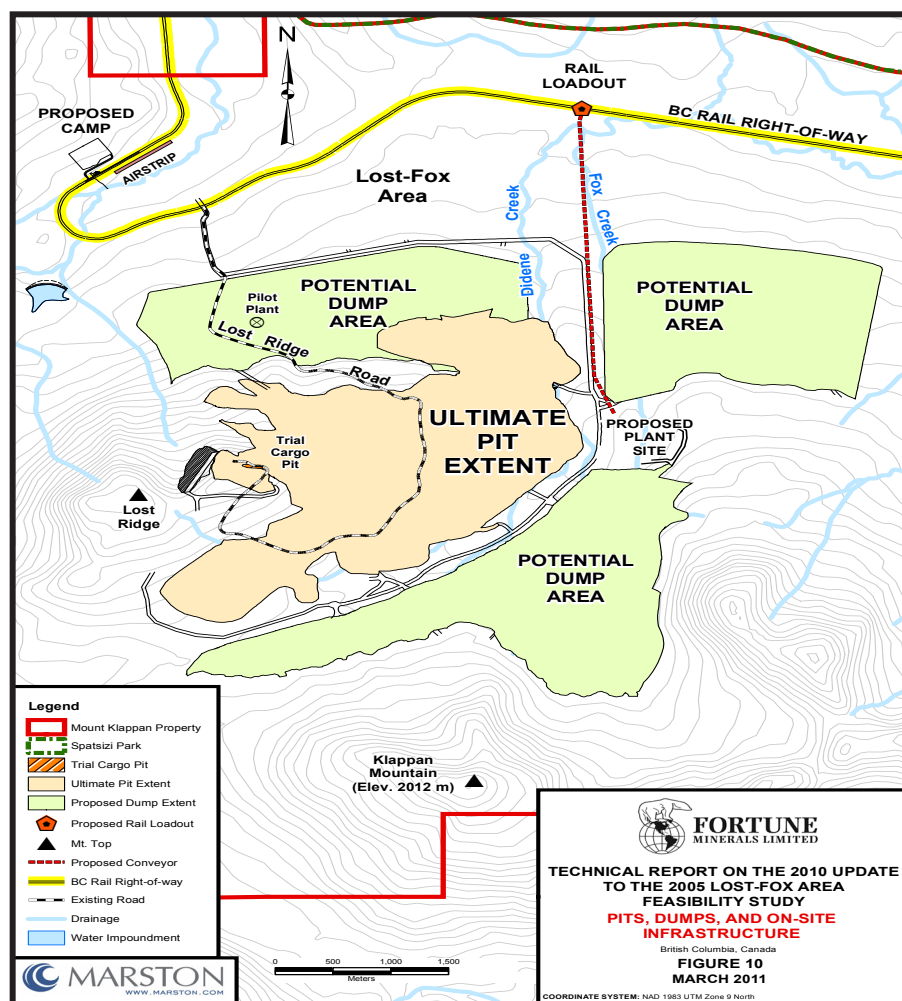
"Not only is it the only anthracite coal deposit currently recognized in Canada, but it's also one of the few remaining undeveloped sites in the world where this unique type of coal is found," says Goad.

"Anthracite is the highest quality coal, measured by carbon and energy content, and represents only one per cent of world coal reserves. It's used in the manufacture of steel as a premium ultra-low volatile

million in-situ tonnes of reserves will support 20 plus years of production from one of the project's four deposit areas. We have also engaged Marston to update the reserves and economics for Mount Klappan and expect the results mid-2012. The updated Marston study will incorporate the results of additional drilling and survey data that was conducted earlier by Fortune as well as updated coal price assumptions that are anticipated to materially impact the reserves for the proposed mine."

Located in those four areas (Lost Fox, Hobbit-Broach, Summit and Nass), Goad says there are 33 coal seams up to 11 metres in thickness to a depth of 380 metres, 14 of which are economic in the initial Lost Fox pit.

Designed for open pit mining, the Lost Fox pit will be 4.5 kilometres long by 1 – 2.6 kilometres wide, featuring 10 metre high benches and a 45 degree overall pit



Drawing shows the ultimate coal pit and surround land uses while photo above gives scale to the deposit.





Two major components making up the infrastructure of the Mount Klappan project are the ship and rail services that are either planned or already in place in B.C.



PCI coal, as a blend coal with hard coking coal to make metallurgical coke, and as a direct coke replacement or with pig iron in sintering plants. Anthracite reductants are also required for electric arc steel manufacturing and in tin, ferro-chrome, titanium and aluminum processing.”

World annual production of anthracite coal is approximately 565 million tonnes,

with China producing about 483 million tonnes per year of that total, or 85% of the world's supply, but notably has been a net importer since 2004.

Vietnam, the world's second largest producer at approximately 43 million tonnes per year, is curtailing exports in order to satisfy its own domestic steel requirements.

Because of these trends, and the growth of the global steel industry, Goad says there is a shortage of good quality metallurgical coals and it is exacerbated by the ever-increasing demand from emerging economies like China, Brazil, Russia and India.

“It's because of these demands that we are convinced that properties like our Mount Klappan project will become increasingly valuable and important to steel makers down the road,” said Goad.

Proof of this is already evident by Fortune Minerals' recent signing of a \$181-million agreement with POSCO Canada (POSCAN) for a 20% joint venture interest in the Mount Klappan project.

POSCAN is the Canadian subsidiary of South Korea's POSCO, the third largest producer of steel in the world, with production of 35.4 million tonnes in 2010 and sales totalling US\$ 67 billion.

Fortune has re-engaged Deloitte & Touche Corporate Finance Canada to help bring in an additional strategic partner to help finance the proposed mine and railroad extension. The focus of efforts for additional partners has again been on Asia where there is an insatiable appetite for metallurgical coal and other commodities to support their growth.

Robin Goad says he's extremely pleased to be in business with his South Korean investors, but he's even more pleased with what the Company's been able to accomplish since acquiring Mount Klappan from ConocoPhillips in 2002. **CMJ**



The Mount Klappen coal project is located in the foothills of the Rocky Mountains.