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Fortune Minerals ceo aims for 2016 start-up of Canadian met coal project

By Stacy Irish

Canadian diversified resource company Fortune Minerals aims to start production at its Arctos Anthracite metallurgical coal mine in 2016, president and ceo Robin Goad told Steel First.

Anthracite is the most desirable, most versatile coal and has diverse market applications, according to Goad.

The Arctos project in British Columbia is a joint venture between Fortune, which owns 80%, and Posco Canada, which owns 20%. However, Goad said: "We expect [to] have an additional partner in place prior to mine construction."

Posco Canada acquired its stake in 2011. It is responsible for funding 20% of the capital and operating costs for the project, and will receive 20% of the coal once production starts.

It is expected to make total cash payments to Fortune and contributions to the joint venture of C$181 million ($184.6 million).

Robin Goad, president and ceo, Fortune Minerals

Arctos timeline

"While conservative, this timeline is dependent on permitting and project financing," Goad said.

"We expect to have the project financing, pursuant to the Deloitte & Touche strategic partner process that is continuing, and […] Fortune Minerals is now in discussions [about this] with potential partners," he added.

"We expect that financing will be in place well in advance of construction and the placement of long-lead equipment orders," he said.

The company plans to ramp up production from 1.5 million tpy to 3 million tpy during the first year of production.

"The updated feasibility study, being prepared by Golder Associates, will include a sensitivity [variable] contemplating an increase in production to 4 million tpy from an expansion funded by cashflow," Goad said.

Anthracite met coal

Fortune aims to sell its anthracite metallurgical coal to international consumers in the pulverized coal injection (PCI) and sinter markets, once production starts at Arctos Anthracite in 2016.

"We are targeting the premium PCI and sinter market for the steel industry, primarily," Goad told Steel First.

"We also have the ability to adjust the product profile to produce some premium products for the ferro-alloys processing industry and electric arc [furnace] steel manufacturing," he added.

"However, mine start-up [will be] a simple PCI/sinter operation because it is a large [and] growing market, with diverse customers around the world and declining exports from the traditional anthracite suppliers in China and Vietnam," he said.

"Posco will take product as an in-kind [benefit], as will any new joint partner," Goad said.

"Additional product will be sold globally [on the] spot [market] and under long-term contracts, depending on volumes and the terms and conditions of the buyers, as well as [the] general conditions that [hold true] at the time," he added.

Coking coal prices

Global hard coking coal prices will recover at the end of 2012, returning to more than $200 per tonne, Goad forecast.

He expects pulverised coal injection (PCI) prices to recover to $150-175 per tonne.

"Metallurgical coal is currently in a short-term oversupply, due to the downturn in the global economy and a slower growth rate in Asia," he said.

"We believe that European and North American markets are showing signs of recovery, and there will be additional economic stimulus in China. This activity will contribute to a stronger market and increased prices at the end of 2012 and into 2013," he added.

"Global urbanisation continues to support growth in China and other emerging economies. This trend has a long way to go, and vast amounts of steel made from metallurgical coal and iron ore will be required," he said.

"There is also a longer-term global shortage of good-quality metallurgical coal that is estimated to lead to a [shortfall] of about 500 million tpy over the next decade," he added.

Goad said the marginal cost of production is currently $130-150 per tonne, with current prices causing producers to idle their mines and to temporarily defer new production.

Prices in 2015 and beyond will be much higher because of the shortage of supply, he concluded.