

Mining "Black Gold" *at the Arctos Anthracite Project*

By Tony Matos

In the world of coal mining, anthracite is also known as "black gold". Representing only about one percent of world coal reserves, the high energy and carbon content of anthracite makes it ideal for use in many steelmaking technologies and as a reductant in metals processing. These unique properties also make anthracite the most versatile coal, with other uses in carbon filters for water purification, heating and cooking briquettes, and for gasification to make synthetic fuels, urea fertilizers and plastics.

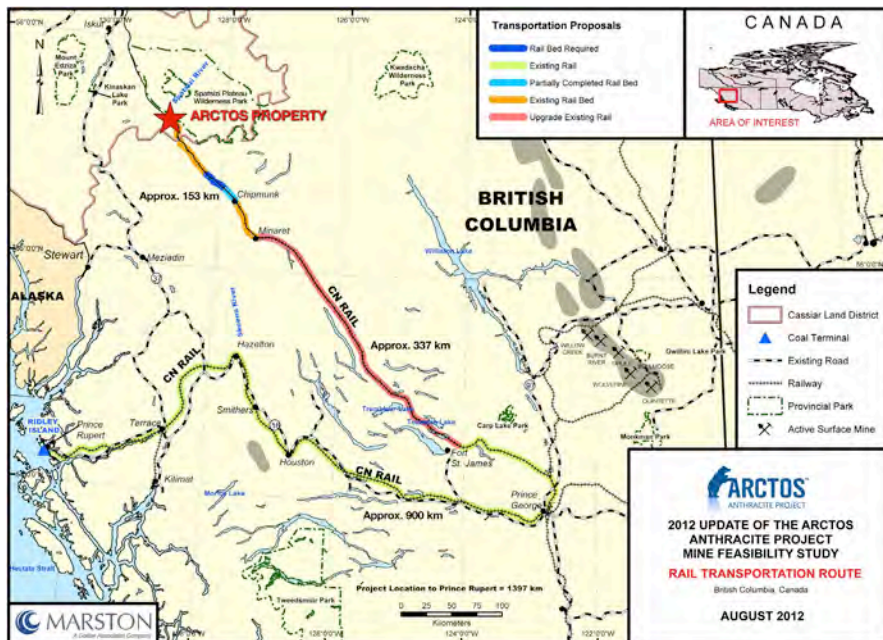
Lending credence to the moniker is the concentration of supply—most of the world's production is located in China, which has been a net importer of anthracite since 2004. Vietnam, the second largest producer, has a stated policy objective of reducing anthracite exports to only five per cent of its production by 2015.

Located in northwest British Columbia, Fortune Minerals' Arctos Anthracite Project is the only known significant deposit of anthracite in Canada. The project has four deposit areas, containing Measured and Indicated Resources of 231 million tonnes and Inferred Resources of 359 million tonnes.

On October 15, 2012, Fortune announced an updated Definitive Feasibility Study on the Lost Fox deposit area. While focused on only a fraction of the total resource,

the mine is expected to produce a premium pulverized coal injection product for more than two decades at the initial production rate of 3Mtpa. The study included a 14 per cent increase in Product Reserves and demonstrated an updated FOB cash cost of C\$127.61/tonne that would place Arctos among the lowest cost Canadian metallurgical coal producers.

Due to the scale of the project, Fortune engaged Deloitte & Touche Corporate Finance Canada as its financial advisor to identify potential strategic partners to help finance development of the project. POSCO Canada Ltd. (POSCAN) was secured as an initial joint venture partner, resulting in an international collaboration with the fourth largest steel company in the world. POSCAN will cover 20 per cent of all operating and capital costs in exchange for a 20 per cent stake in Arctos, and based on current capital cost estimates this would result in a contribution of \$188 million, \$30 million of which has already been paid to permit and advance the project to a construction decision. The partnership has validated Arctos as one of the world's premier metallurgical coal development projects and supports the ongoing effort with Deloitte to attract a second stage strategic partner to complete project financing.



Approximately \$100 million worth of engineering, feasibility and environmental work has already been completed at Arctos.

The capital cost for the Arctos development is estimated at C\$788.6 million, which includes C\$330.4 million for the upgrade and extension of the railway to the mine site along the existing railway road bed. Fortune is collaborating with the Canadian National Railway (CN) on this railway initiative, as well as the B.C. Government. The railway provides a simple and scalable transportation solution for the project and access to the Ridley Coal Terminal, at the Port of Prince Rupert for the export of coal from the mine. This port is an ice-free, deep water port, capable of handling full Capesize vessels and is 30 hours closer to Asia than the Port of Vancouver.

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work has already been completed at Arctos. The project is currently in the permitting stage and the development plan is being designed to minimize impacts on the environment. The wash plant designed by Taggart Global will recycle 95 per cent of the process water used in the plant. Fortune

is also working to ensure the project has a positive impact on the nearby communities by providing employment, contracting opportunities and support for community events.

At Fortune's other significant project, the NICO gold-cobalt-bismuth copper project in the NWT, 75 per cent of the people working at the camp since 2007 have been First Nations people from the North. The firm's proactive aboriginal relations approach has led to recent acknowledgement from the Canadian Council for Aboriginal Business for its involvement in the Progressive Aboriginal Relations (PAR) program at the Committed Level. The PAR program is the first and only corporate responsibility program in the world with an emphasis on aboriginal relations.

In the end, with India's steel capacity expected to triple by 2020, and China's use of metallurgical coal to more than double by 2016, Fortune's Arctos Anthracite Project is a veritable "black gold" mine that will be needed for steel making and metals processing essential to the development and urbanization of emerging economies. **M**

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