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Coal junior looks to consolidate smaller Appalachian mines

By: Matthew Hill

Published: 20th October 2011



TORONTO (miningweekly.com) – Thelon, the TSX V-quoted coal junior with coal assets in the Appalachian district, believes the area to be “ripe for consolidation” and aims to take advantage of this to more than double production of the fuel to around two-million tons yearly by late 2013, president **Jason Walsh** said on Wednesday.

“There are a lot of smaller mom and pop operations that are borderline economic the way that they are run. If they can be consolidated into a larger operation they can be a lot more profitable,” he told *Mining Weekly Online*.

Vancouver-based Thelon in February agreed to buy a privately owned coal miner for \$35-million, plus a further \$7-million for the targets bonds. Walsh said the company hoped to wrap the deal up next month.

With the acquisition closed, Thelon aims to lift production at the mines it bought from 55 000 t/month currently to 75 000 t/month in the first quarter of 2012, and up to 85 000 t/month by the third quarter of next year. That would bring Thelon’s production rate to slightly more than one-million tons yearly from four-to-five mines.

Walsh said he was confident that US thermal coal prices would not fall further, after having shed around 5% in the general commodities rout.

“It actually wouldn’t surprise me if they were to strengthen a bit,” he said in a telephone interview.

Thelon currently sells its thermal coal, which accounts for 70% of its total output, for around \$90/t.

He pointed out that the company was not reliant on Chinese or Indian export markets, which have shown weakness recently, and that Thelon “can sell every ton we produce in 50-mile radius of our operations”.

Prices for metallurgical coal, on the other hand, might be “a little rocky over the next few months”.

On Wednesday, consultancy Wood MacKenzie predicted coking coal prices, used to make steel, would fall along with demand.

The US has the biggest coal resources globally, and generates around half of its electricity from burning the fuel.

Shares in Thelon surged nearly 8% on Thursday to trade at C\$0.28 apiece by late afternoon, valuing the company at C\$11.8-million.

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Tel: +27(0)11 622 3744 | Fax +27(0)11 622 9350
| newsdesk@miningweekly.com
http://www.miningweekly.com