



Coal Outlook

Vol 35 / No 48 / November 28, 2011 pp. 4-5.

Suppliers

Thelon project aims to market 1 million st/year to industrial, utility markets

A Canadian company is employing an Alabama investor's knowledge of the Appalachian coalfields to grow production along the eastern border of Tennessee and Kentucky, target-marketing utility and industrial customers.

Meanwhile, the Vancouver, British Columbia-based company, Thelon Capital, has been courting potential investors in major European cities like London, Zurich and Munich, according to Thelon CFO William "Tony" Cousins, the investor who has previous experience with coal mining in Alabama.

Thelon's Jellico project, through its operating entity Clear Fork Mining, is in the process of acquiring the Kentucky-based Mountainside Coal, Cousins said in a recent interview.

The US Mine Safety and Health Administration lists active Mountainside surface mines as the Dowis Chapel Job and Round Mountain in Whitley County, Kentucky; Hubbs Creek Surface Mine in Knox County, Kentucky; the White Oak Job in Campbell County, Tennessee; the new Flag Ridge Job and the Mountainside Wash Plant in Knox County; and the Mountainside Shipping and Processing Plant in Campbell County.

Mountainside also has three surface mines in the process of starting up: Hatfield Gap, Jellico Creek and White Oak, all in the planning/permitting stages, Cousins said.

At White Oak, Cousins said, there also is a permit for an underground mine, "but you don't want to have an underground mining operating while you're operating a strip mine."

Thelon Capital President Jason Walsh said on the company's website that the aim is to "build the company into a premier producer in the coal industry" with the "objective of becoming a million ton a year producer of High Quality Thermal, Metallurgical and Specialty coals by 2012."

"We've already put up quite a bit of money," Cousins said. "I'm looking at management right now and trying to get together a management team."

Thelon wants to complete the acquisition by mid- December, he said.

"Actually, we have about \$30 million of our financing now and we are hunting for about \$10, \$11, \$12 [million] more," Cousins said. "We're speaking with some people out of Toronto." Walsh, meanwhile, is

“speaking to quite a few people” in London, Munich and Zurich who are potential investors. “He’s making the rounds.”

Cousins added, “I personally own 25% of it; I put \$4 million of my own money into it.”

Among a six-man management team heavy with coal mining experience, Cousins has the most specific experience to CAPP coal mining, according to the company biography.

Having worked in both underground and surface coal operations, Cousins is currently owner/operator of an industrial maintenance company for coal mining, coke and byproducts industries, heavy equipment and steel industry.

He is Clear Fork’s managing director.

Clear Fork targeting three markets

He said that Clear Fork is targeting three specific markets:

- For thermal coal, contracts are in place with East Kentucky Power Cooperative, a Bowater paper mill and Miller Brewing.
- For industrial steam coal, Clear Fork is marketing concrete manufacturers. That coal, Cousins said, is “a lesser quality coal ... with a real high ash content.”
- For industrial stoker customers, Clear Fork is marketing the Blue Gem seam coal, used in silicon metals market.

The Blue Gem coal can be used by met coal customers, Cousins said, “but it’s a higher quality coal than [typical] met coal, and we can get more money for it” by selling it to computer chip manufacturers. “It’s not as volatile in price as met coal is.”

Cousins added, “At this time, I would rather have a market that’s not quite so volatile” as the met coal markets.

Blue Gem industrial stoker fetches \$175/st on the rail “all the way to \$250” trucked to the customer, he said. In the steam coal market, the average price is \$85-\$90/st at the railcar, with high-ash, low-quality coal fetching \$73/st.

As for Thelon’s production goal for Clear Fork, Cousins said, “At a million tons a year, which is what we want to get to, we have enough coal at that rate to last us 10 years.”

He added, “We should be able to put out 3,000 to 5,000 tons a day without a problem.” And when Flag Ridge comes online, mining should produce 75,000- 80,000 st/month, he said.

On Clear Fork’s rail and processing facilities, Cousins said, “We just leased another rail [spur] from Norfolk Southern.” So the company now has facilities to load 45 cars at one time, with a “donkey engine” used to move coal on 8,000 feet of track to load a unit train. Right now, Clear Fork can load 30 cars a day. With the ability to shuttle coal to the waiting unit train, Clear Fork’s costs are reduced by \$4/st, Cousins said.

Clear Fork also has a 250-tons/hour capacity wash plant, Cousins said, noting that “200 tons an hour is a really good number.” At the rail facility, we have a stoker crusher and blending station ... We’re constantly out leasing property.”

— Steve Hooks