

Supply Chain (nonferrous):

Junior miner finding success in tapping Appalachia coal



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PITTSBURGH — A junior coal miner has been successfully obtaining permits in the Appalachian basin despite a regulatory environment that is heavily weighted against applicants, according to two company executives.

“Big mining companies try to permit very large tracts of land, which attracts every activist.., and it becomes a staging area. We are conservative in our approach and shoot for between 200 and 600 acres, and then work to extend the permit,” said Jason Walsh, president of Vancouver, British Columbia-based Thelon Capital Ltd.

“We manage to stay under the radar because an environmental impact (study) is not needed for a small parcel,” said William “Tony” Cousins, chief operating officer. Still, the price tag for each permit ranges between \$500,000 and \$1 million.

Thelon has been awarded eight permits, five of them currently active, pushing its reserves to nearly 15 million tons. Its assets include the Jellico coal project in northeast Tennessee, which Thelon acquired recently from Clear Fork Mining Co.

The company produces an array of coal, including the Blue Gem variety, which is used in the production of silicon metals, and has been increasing its foothold in profitable metallurgical coal. “The Appalachian coal has been hitting the export market hard and tightening up the overall supply,” Cousins said.

Thelon is developing a plan to mine metallurgical coal from the Rex seam in Tennessee, which is known for its steelmaking coal. Cousins sees metallurgical coal prices averaging between \$230 and \$250 per ton f.o.b. in 2012.

Thelon is even more bearish on coal used in silicon metal production. “There are only one or two seams in the U.S. that you can use to make silicon metal. Not only is it very high quality, prices have been \$250 per ton and the market has been stable for the last six months,” Walsh said. “We have been able to sell all that we can produce.”

He said the company has been pursuing an aggressive growth strategy. “We plan to (become) a 1-million-ton-per- year producer by the end of 2012 and a 2-million-ton-per- year producer by the end of 2013 by organically growing our own projects,” Walsh said.

The executives are aware that achieving such a goal will make its assets attractive. “Once you have done all the hard work, then you become attractive, and this is a competitive area,” Cousins said. “All the big guys have stepped in and tightened up the market, so for the junior miner to get in is tough.

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