struction and the development of lighter, longer-lasting substances.

In spite of all these bad omens, the CAC remains *somewhat* optimistic. Oil prices aren't expected to remain low in the long term, the association says, and the growing demand for thermal coal is expected to continue, which could start price levels returning to normal.

The Northern Miner Magazine has once again asked Canada's coal mining companies to compile annual roundups on their operations. These submissions appear on the following pages. Although we received reports from seven of the 11 companies in Canada, three of the largest (Manalta Coal, Westar and Luscar Ltd.) chose not to contribute. As Manalta said in a letter: "We have reviewed our 1986 submission and note that very little has changed in terms of our mining activity or general outlook. For this reason, we believe a similar submission this year would be of limited value to your readers." □

For an overview of the Canadain coal industry, see our Nov., 1986, issue.

1987 COAL REPORT

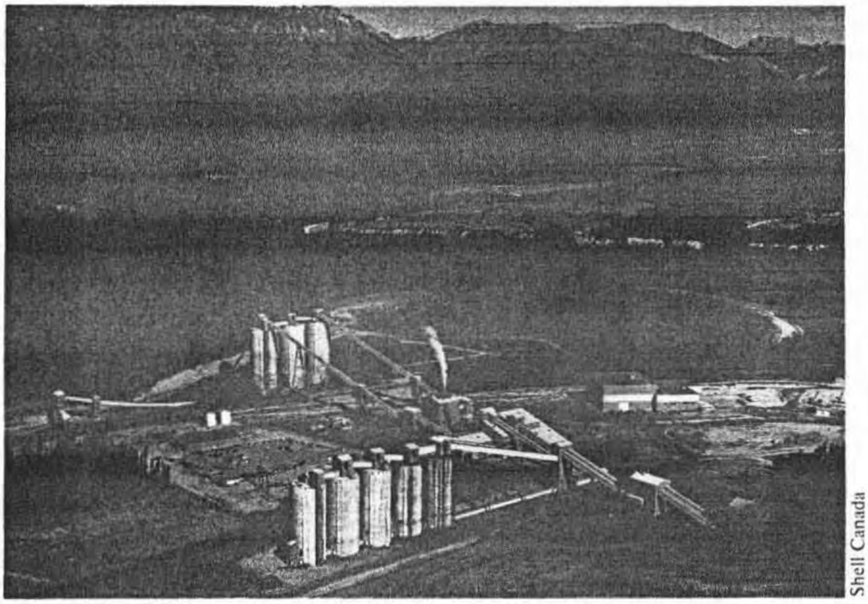
CROWS NEST

Crows Nest Resources, a wholly-owned subsidiary of Shell Canada, operates the Line Creek mine in the Elk Valley area of southeastern British Columbia. The company also holds extensive coal rights in Alberta and British Columbia which at year-end totalled some 162,000 ha.

At the Line Creek mine, production of both thermal and metallurgical coal continued throughout the year. Production in 1986 totalled 1.7 million tonnes of clean thermal and met coal while sales totalled 1.9 million tonnes. The bulk of sales was to long-term-contract customers in Japan and South Korea, with smaller quantities supplied to other customers in the Pacific Rim, Brazil and Europe.

Markets continued to be oversupplied which, coupled with movements in the international exchange rates for the Australian and South African currencies, placed considerable pressure on Canadian producers. In addition the appreciation of the Japanese yen against the U.S. dollar has reduced expectations for steel production in Japan. All these factors resulted in continuing under-utilization of capacity at Line Creek; and some reductions in manpower were necessary at mid-year. The mine continued its efforts to improve productivity, and very positive results were obtained. These efforts will continue in 1987. It is expected that coal markets will continue to be difficult in the coming year.

At the Telkwa project, near Smithers, B.C., approval in principle for this thermal coal mine was received from the government of B.C. This approval was in response to a Stage-Two application made in 1985. No further development is planned until coal markets improve.



Shell Canada

Crows Nest Resources' Line Creek mine in southern B.C.

OBED

Last year represented the second full year of operation of the Obed mine, which started producing in the fall of 1984. The open-pit mine is 24 km northeast of Hinton, Alta., and is a joint venture operated by Obed Mountain Coal Co., a wholly-owned subsidiary of Unocal Canada. It is designed to produce three million tonnes per year of high-volatile bituminous C thermal coal. There are some 96 million tonnes of recoverable, clean coal in the Obed coal lease blocks.

Overburden is removed by a Page 757 walking dragline equipped with a 57-cu-m bucket and 91.5-m boom. A unique feature of the mine is the "Easi Miner," a continuous coal-loading machine which has an average loading rate of 1,500 tonnes per hour. It is possible to use the machine because of the very flat-lying nature and consistency of the Obed seams. The average dip is just over 1½%.

The run-of-mine coal is processed by gravity separation in coarse and fine Batac jigs and is thermally dried in rotating kilns. Neither of these systems has been previously adopted commercially in western Canada.

In 1986 the mine produced and shipped about 800,000 tonnes of coal. There are 100 workers, all of whom are salaried. Cross-training practices have been adopted; and during 1986 the mine concentrated on reducing costs to ensure Obed could continue to market in the prevailing price-competitive environment.

The mine supplied markets in France, Japan, Hong Kong and the U.S. (Florida and California) last year. Also, blended coal was sold to Korea.

The general outlook for 1987 is one of continued oversupply of thermal coal in the Pacific Rim and Europe. Obed will continue to try to be price-competitive and will market coal both as a thermal coal on its own and in any western Canadian blends which meet the needs of customers.