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Surging demand for coal sees B.C. firm sign its first major export deal

ENERGY | Western Canadian Coal has a six-year contract with a major Korean steelmaker

BY SCOTT SIMPSON
VANCOUVER SUN

Booming global demand for coal gave B.C.'s junior mining industry another boost Thursday.

Western Canadian Coal announced its first major deal with an Asian buyer, a six-year purchase commitment from Korean steelmaking giant Posco that provides the Vancouver-based miner with a bedrock deal from which to grow its business.

Western will ship an average 500,000 tonnes per year over the life of the deal, from the Ridley Terminals facility at the Port of Prince Rupert.

Until now, Western's only shipments have been sample amounts from its Burnt River

property in northeast B.C., although the company has ambitions of shipping five million tonnes per year by 2010.

"It's our first long-term agreement," said Gary Livingstone, who joined Western in May as president and CEO. "It's part of our strategy to establish long-term relationships with some of the major and most successful steel companies in the world."

Posco, considered the world's most profitable steel producer, will take delivery at its Kwangyang and Pohang steel plants in South Korea.

Western is also shipping trial amounts of pulverized coal injection (PCI) coal to prospective buyers in Japan and China, and is in negotiations with a major

European producer for shipments of higher-priced metallurgical coal as well as PCI.

"Getting long-term commitments from major steel mills gives you that much more certainty with respect to your development plans," Livingstone said.

The 2005 price of the commodity won't be settled until some time in the new year, Livingstone said.

Like many coal buyers and sellers, Posco and Western are awaiting the outcome of negotiations between Australian mining companies and Japanese steelmakers.

Last year's negotiations proved a bonanza for established metallurgical coal miners such as Teck Cominco and its partners in the Fording Canadian Coal Trust, with 2004 contract prices up 20 per cent over the previous year.

The 2004 price, in the \$55 US per tonne range, had a galvanic effect on the industry, boosting

Teck's bottom line and drawing a flurry of investment interest to juniors looking to set up business in B.C.'s moribund northeastern coal fields.

Rumours about the 2005 price for hard coking coal, the top-priced metallurgical coal, suggest that things will be even hotter in 2005.

Earlier this week, Nippon Steel reportedly told Japanese media it has settled this year's negotiations with Australian mining giant BHP Billiton at an unprecedented \$125 a tonne — a one-year jump of 125 per cent.

Western and other juniors expect the price for PCI, a lower-grade metallurgical product, will get settled in January.

"It has been an incredible market," said Mark Fields, executive vice-president of Pine Valley Mining Corp.

Last September, Pine Valley became the first new company in

20 years to ship steelmaking coal from British Columbia.

"We're normally very boring. People in the coal industry have all been taken aback by it."

Coal producers aren't the only beneficiaries of heightened demand.

CN Rail is gaining coal transportation business along the northeast BC Rail line it took over last summer, and the Port of Prince Rupert's Ridley Terminal is getting new life as well.

"We are seeing strong grain volumes through Ridley as well," said CN spokesman Mark Hallman.

"We also see significant potential for Rupert in terms of the development of a container terminal going forward,

Annual capacity for coal tonnage at Ridley is at least 12 million tonnes — but the terminal has never done more than six million.

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Two B.C. coal projects tackled

FORT ST. JOHN — Two coal projects in northeastern B.C. are under development by Vancouver-based Western Canada Coal Corp.

“With the increase in energy prices, the coal industry worldwide has seen a surge this year,” said Western Canada Coal president David Fawcett.

The company has secured financing to advance the feasibility study of the Wolverine property near the Bullmoose mine outside Tumbler Ridge, Fawcett said.

“We’re looking at the development of a mining operation with a production of 1.5 million tonnes

per year,” he said.

Production of coking coal would be comparable to the Bullmoose mine operated by Teck Corp., Fawcett said, with a wash plant and load-out facility.

Wolverine is 23 km west of Tumbler Ridge, just off the B.C. Rail spur. Fawcett said the company is simultaneously developing the Brazion project southwest of Chetwynd.

The Wolverine development is expected to produce 200 permanent jobs. Western Canada Coal Corp. will update the municipality on the progress of the project at a meeting Thursday.

Canadian Press

The Sun
June 15/01

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November start-up for Dillon Mine
VANCOUVER — Western Canadian Coal Corp. says it will start commercial production in November at its Dillon Mine at Burnt River in northeastern British Columbia. Burnt River's pulverized coal injection product is a low-sulphur, low-ash and low-volatile material used in steel production as a replacement for high-priced coke. *The Sun Sept. 11/04*