

Atrum Coal NL Anthracite Market Continues to Outperform

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Sydney, Australia (ABN Newswire) - [Atrum Coal NL](#) (ASX:ATU) is pleased to report progress at the Company's flagship Groundhog Anthracite Project, located in British Columbia, Canada ("Groundhog").

Highlights:

- Supply constraints reduce global anthracite supply by 27%
- High-grade anthracite currently priced between \$150/t-\$175/t, a 100% premium to hard coking coal
- Scoping study at Groundhog North Mining Complex identifies new mines
- Financing efforts continue to advance
- Bulk sample permit on track for H2, 2015.

Over the course of 2015, the Company has undertaken numerous in-house and external studies across the Groundhog North Mining Complex ("Complex"). These studies have identified multiple potential new mines for which the Company is completing Scoping Studies. These studies will complement the existing planned PFS underground mine at Groundhog North.

Atrum is anticipating a strong response from the market for the Groundhog premium, low-ash, lowvolatile anthracite, as global supply continues to slump. The Company has received strong responses in Brazil and North America from potential consumers of high-grade anthracite.

VP Business Development and Marketing, Peter Doyle, commented:

"Up until recently our pre-production marketing has focussed on the premium markets in Japan and Korea and interest from steel mills and traders is strong. As anthracite markets continue to be undersupplied, we have also investigated the readily accessible markets in Brazil, USA and Europe and received strong interest from existing anthracite users there. Anthracite prices are high, and recent discussions in Brazil and North America have yielded further encouraging results, with steel producers eager to see new participants to supply anthracite to their mills and iron pellet plants."

Concurrently, the Company has been progressing the equipment finance package with China Coal Technology and Engineering Group ("CCTEG") to minimise up-front development capital. Atrum is pleased to announce that it has formalised the binding MOU previously signed with CCTEG by entering into a general contract with CCTEG for the supply of equipment for Groundhog.

Anthracite Market Update

Unlike many current resource development projects, the expected margins at Groundhog are robust in the current market. Whilst hard coking coal prices remain subdued, high-grade anthracite is selling for between \$150/t-\$175/t in Japan and Europe, and demand for anthracite remains strong (refer to Figure 1 and Figure 2, in link below).

Anthracite production for export continues to decrease and whilst hard coking coal markets are in over supply, anthracite markets are undersupplied. Vietnam and Ukraine, once the largest exporters of high grade anthracite are quickly receding from the market with their combined exports anticipated to be only 2.7Mt in 2015, against supply of 20.8Mt in 2012, and 11.7Mt last year (refer Figure 2, in link below). The rapid decrease in anthracite exports appears unable to be supplied from other major exporters in Russia and South Africa, resulting in a tight supply and demand dynamic, creating a strong price environment. There appears to be little new supply available to fill the void.

Anthracite Utilisation and Groundhog Quality

Initial laboratory tests indicate that anthracite from Groundhog North is able to be developed into multiple anthracite products of varying qualities. The Groundhog North anthracite quality, and product specification has been developed from the results of testing of both trench and bore core samples (over 140 cored bores) over three years of exploration (2012-2014), as well as historical information and detailed analysis by coal quality specialists A&B Mylec Pty Ltd. Quality results are summarised in Table 1 (in link below).

Anthracites are categorised into three broad groups: Standard Grade (SG), High Grade (HG) and Ultra High Grade (UHG). Each of these grades has different chemical characteristics, with the highest ash and volatile matter applicable to SG and the lowest to UHG. Typically, SG anthracite is used in power generation, and HG and UHG are used in metallurgical applications.

The terms high grade anthracite and ultra-high grade anthracite are marketing terms which are applied to anthracite with volatile matter less than 7% (dmmf). The American Society for Testing and Materials (ASTM) classification for anthracite is volatile matter >2% <8% (dmmf) and fixed carbon >92% <98% (dmmf).

Both on a raw and beneficiated (product) basis, Groundhog anthracite fits the standard classification for anthracite, and due to its low ash (10% adb) is considered a premium product, and therefore accordingly termed "high grade" and "ultra-high grade". Atrium adopted utilisation of these marketing terms in 2012 (first used in ASX releases in October 2013), and has continued to use these terms to denote its products in the market.

Laboratory analysis shows Groundhog anthracite is positioned as a High to Ultra High Grade (HG to UHG) anthracite, with specifications in the ranges outlined in Table 2, in link below.

Of all coal types, UHG anthracite has the closest chemical properties to metallurgical coke, as a result of it undergoing transformation through intense heat and pressure deep in the earth's crust. Compression of the coal drives off the volatile matter, resulting in a speciality coal with inherently high fixed carbon, low volatile matter and low moisture - similar to metallurgical coke. UHG anthracite also has lower ash than typical metallurgical coke, where the mineral matter (ash) content is concentrated during the coking process. As such, HG and UHG anthracite is well suited for metallurgical markets as an unprocessed substitute for blast furnace coke.

Potential customers include steel mills and traders and various industrial users of anthracite that require different types of anthracitic products, from SG fines through to UHG lumps. HG and UHG anthracite is also used in the manufacture of specialty steels and alloys, in electric arc furnaces, for ore sintering, as a reductant and cathode paste, for water filtration, urea manufacture, plastics and industrial chemicals production and as an economic alternative to graphite.

Benchmarking Groundhog North Product

The charts in Figure 3 (in link below) compare Groundhog anthracite against a broad range of comparative anthracite and semi-anthracite products in the global market. Vietnamese anthracite is typically characterised by very low volatile matter (generally less than 4% ad) and occupies a distinct group in the VM and FC chart. South African anthracite brands tend to fall within a narrow VM band between 6% and 8% while Chinese and Russian brands cover a wide range of volatile matter contents. Groundhog anthracite is positioned at the lower end of the VM curve, slightly higher than the Vietnamese brands surveyed, and lower than the majority of all other brands.

Groundhog anthracite is positioned at the lower end of the ash curve and as Figure 4 shows, correspondingly at the top end of the ash-specific energy curve. (NB: the majority of brands surveyed have ash contents higher than 10%).

Groundhog North Mining Complex

During 2014, the Company completed additional drilling in Groundhog North to identify other potential mining domains that complement the proposed Groundhog North Underground Mine. Since then, the Company has completed a JORC Coal Resource Estimate for one new area (refer to ASX announcement 14 August 2015, "Resource Increase at Groundhog North").

Following the 2014 drilling program, a mine propensity study was also undertaken to ascertain the scale of potential mines at Groundhog North. The propensity study identified multiple possible mining opportunities across the Complex (refer Figure 5, in link below).

The geological setting of Groundhog North is a broad south-easterly plunging syncline, with parasitic folding on the synclinal limbs. Shallow dips are evident in the centre of the syncline, and generally dips steepen away from the syncline apex where some complex folding and overturned limbs can occur. Such folded areas have a linear trend which can be traced over large distances. The structural folding at the edge of the basin often results in thickened seams and brings the seams to surface.

Regional Drilling

In late 2014 the Company undertook broad exploration at Groundhog as announced in Q4 2014 (refer ASX announcement 16 October 2014 "Regional Drilling Success Supports Atrum Multi-Mine Strategy). Since the completion of this exploration, the new data procured has been included in the Company's geological models. Gordon Geotechniques Pty Ltd has recently completed a JORC Code 2012 compliant Coal Resource Statement for the area termed East of Skeena at Groundhog North.

Exploration at Groundhog has been continually conducted by Atrum since 2012, with the focus on:

- Surface mapping of outcrops
- Fully cored drilling using HQ and PQ sized holes to depths of 500m
- Bulk sampling via trenches of 20 tonnes of anthracite

More than 27,000m of drilling in 154 boreholes has now been carried out at Groundhog North by Atrum. The majority of these holes have been fully-cored.

Coal Resource Upgrade

Coal Resources identified during the 2014 exploration programme have been included in the broader Groundhog Anthracite Project geological models. Gordon Geotechniques completed a new JORC 2012 compliant Coal Resource Statement in August 2015 for the new mining domain within the Groundhog North Mining Complex.

The following considerations and parameters have been used in the JORC Coal Resource estimation:

- 200m offset from the Skeena River
- For surface mining at depths <100m, a 0.4m minimum mining thickness
- For underground mining at depths >100m, a minimum mining thickness of 1m
- For both surface and underground mining, a maximum 0.3m stone parting
- Measured resource extrapolated 500m from points of observation
- Indicated resource extrapolated 1,000m from points of observation
- Inferred resource extrapolated 2,000m from points of observation

Although there are up to 21 seams identified at Groundhog North, the Company has focussed on two key target seams - the Discovery B seam and the Duke E seam, due to their thickness (Discovery B seam typically 1.8m thick, while the underlying Duke E seam is typically 2.2m thick), relatively consistent structure, depth of cover, and overall quality.

The Discovery B and Duke E seams generally have raw ash of between 22% - 28%. Product yields derived from washplant simulations for the Discovery B and Duke E seams typically range between 50% - 60% when targeting a low-ash (10% ad) product. Sulphur for washed products typically range from 0.4% - 0.7%.

It should be highlighted that preliminary indications from the 2014 drilling are that the area East of the Skeena may be structurally less deformed than the surrounding area (refer Figure 10, in link below).

The seam correlation in the Groundhog North area has been completely reviewed using the services of both the Atrum geological team and a number of JORC accredited geologists from both Canada and overseas. This review of the seam correlation has allowed greater confidence in the distribution and nomenclature of the coal seams across the Groundhog North area. The correlation has focussed on not only the coal seams but also marker horizons in the interburden between the seams which have characteristic lithologies and geophysical log responses.

Anthracite quality testing from the regional drilling in 2014 has shown similar trends to anthracite quality areas from Groundhog North. All holes have been geophysically logged. Geostatistics has been carried out to determine broad coal quality (ash/RD regression analysis). Regional trends underpinned by the significant amount of testing west of the Skeena are considered sufficient to allow the classification of indicated and inferred resources (refer ASX announcement dated 14 August 2015, "Resource Increase at Groundhog

North"). Further drilling and coal quality testing may be required to bring the resource up to measured status.

Exploration and Development Activities

The production plan to extract anthracite from mines designed in the Groundhog North Mining Complex is based on initial saleable product limited to 250ktpa, under a small-scale mining permit. Production would be increased to approximately 1.0Mtpa once the Environmental Assessment process is successfully completed, which at this stage is anticipated to be in late 2017. Increased production of 3.5Mtpa and beyond thereafter is planned. Ongoing environmental studies and monitoring are required for the various permits and approvals and continue at Groundhog. These will support the preparation of an Environmental Assessment in 2016.

Upon receipt of the Bulk Sample Permit the Company plans to increase site activities. The Company has acquired suitable long term site accommodation, offices and workshops for up to 100 personnel to be utilised for the extraction of the bulk sample.

Adjacent and approximately 15km to the west of Groundhog, is the Panorama deposit, covering an area of approximately 450km². Exploration activities in this area have been limited to date. During the 1980's however, a major oil company released two separate NI 43-101 resource statements for several identified deposits at Panorama. The Company has undertaken significant desktop analysis of regional geology, field mapping and historical reports, and has designed an exploration and development program for Panorama. The Company has also been approached by two significant coal exploration, development and operations companies looking to form a joint venture for exploration activities at Panorama. Discussions are on-going with both parties with the Company analysing the potential for farm-in type investments at discreet projects, nominally Panorama North and Panorama South.

Engagement with First Nation Groups

The Complex is located within the asserted traditional territories of the Gitksan House (Geel) and of the Tahltan Nation. Since the commencement of exploration activities, the Company has been communicating with these First Nation groups, as well as other First Nation groups that may benefit from the proposed activities at the Complex. The Company intends to continue engaging in respectful and transparent communication with all relevant First Nation groups as development of the Complex and associated potential access routes continues. It is planned that operations at Groundhog will employ local First Nations and community-based personnel.

Infrastructure

Located approximately 200km from Groundhog, Stewart World Port (see Figure 11 below) has completed construction of the deep water wharf. With draft capability in excess of 25m, Cape size vessels will be able to berth at Stewart Port. This is an important step in the logistics chain for Groundhog, and significantly increases loading capacity at Stewart Port. Atrium has an MOU to export up to 5Mtpa of anthracite through Stewart World Port (Refer ASX Announcement 29 July 2013, "Port Capacity Secured").

Bulk Sample Permit

As noted in the recent Quarterly Activities Statement (refer to ASX Announcement 31 July 2015 "Quarterly Activities Report for the period ending 30 June 2015"), the Bulk Sample Permit is now expected to be awarded in H2 2015. A series of meetings with regulatory authorities in relation to the Bulk Sample Permit are currently in progress in Canada.

Award of the Bulk Sample Permit will enable the Company to meet its delivery timetable for trial samples to Japanese, Korean, North and South American steel makers. It remains the Company's intention to have first shipments assembled for sale to customers in 2016.

Financing

Atrium is pleased to announce that it has formalised the binding MOU previously signed with CCTEG by entering into a general contract with CCTEG for the supply of equipment for the Groundhog Project.

With the various studies completed to date highlighting the potential of the Complex, the Company is allowing pre-qualified participants access to relevant reports in order to make investment decisions. Steel

mills and trading conglomerates are anticipated to provide indicative financing proposals in H2 2015 for potential equity investment at project level into the Complex.

Correction

The Company's press release of 14 August 2015 "Resource Increase at Groundhog North" noted in Table 1 that Xstract Mining Consultants had undertaken anthracite quality work for the Company. This was an error. A & B Mylec Pty Ltd conducted the anthracite quality work. All other information in respect to Table 1 has been confirmed by Mr N Gordon of Gordon Geotechniques Pty Ltd. The Company apologises for the administration error which has now been corrected and appended to this release.

To view the tables and figures, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-ATU-733688.pdf>

About Atrum Coal NL:

[Atrum Coal NL](#) (ASX:ATU) is an emerging metallurgical coal explorer and developer.

The Company has a substantial coal position in British Columbia which, as a region boasts:

- Abundance of high quality PCI, coking and anthracite coals
- Well developed rail and port infrastructure with excess capacity
- Access to deep sea ports
- Competitive shipping distance to Asia
- Positive government stance on mining

The Company is building a quality portfolio of metallurgical coal assets suited to the Asian export market and the Board of Directors have a strong track record in identifying and developing world class coal assets in Australia and abroad.

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