

Coalspur Mines Limited Pre-Feasibility Confirms Technical And Economic Viability And Strong Cash Margins Expected From Vista Coal Project

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Perth, Australia (ABN Newswire) - [Coalspur Mines Limited](#) (ASX: CPL) (PINK:CSPZF) ('Coalspur' or 'Company') is pleased to announce the completion of the Pre Feasibility Study ('PFS') on the Company's flagship Vista Coal Project ('VCP'). The PFS was undertaken by Wardrop, a Tetra Tech company ('Wardrop'), one of North America's leading coal industry engineering consulting firms. The PFS defined a 31 year mine life producing approximately 9.0 million tonnes per annum ('Mtpa') of saleable coal from the processing of approximately 18.0Mtpa of run of mine ('ROM') coal.

Commenting on the completion of the PFS, Managing Director and CEO, Gene Wusaty said 'The PFS is a landmark study as it is the first comprehensive study to assess the potential of the consolidated Project area. Production of 9.0Mtpa saleable coal over a 31 year mine life has exceeded our expectations and confirmed that the VCP is now a strategic world scale project. The VCP has the potential to create one of the largest first world export thermal coal developments with existing modern rail and port infrastructure and will elevate Coalspur into the top echelon of global export thermal coal developers'.

Mr Wusaty further commented on the exceptional results of the PFS by saying 'The VCP is located in a known coal producing region near the town of Hinton, in one of the World's best mining jurisdictions. Low infrastructure costs to first production of only C\$327 million highlight the importance of the Project's location and access to underutilised rail facilities that lead to an underutilised world class port. We have all the fundamentals in place to supply much needed energy resources in the medium term to the ever expanding Asian Pacific economies establishing Canada as a strategic alternative supplier of export thermal coal for the long term'.

Coalspur will continue to refine the PFS ahead of the commencement of the Bankable Feasibility Study which is expected to begin in the first quarter of 2011. Furthermore it should be noted that the VCP provides a base from which to develop other coal resources in the area, notably the Vista South Coal Project ('VSP'), and other surrounding and contiguous properties.

Pre-Feasibility Key Results

Large Scale, Long Life Project: Approximately 18.0Mtpa run-of-mine operation producing 9.0Mtpa of export (8.0Mtpa) and domestic (1.0Mtpa) thermal coal for 31 years was defined as being technically and economically feasible on the Company's VCP. Upon development this will be the largest export thermal focused coal operation in North America and will rank in the top tier of export thermal coal mines globally.

Strategic Coal Reserve Base: 260Mt Marketable Coal Reserve defined from a 522Mt Recoverable Coal Reserve makes the VCP a globally significant, strategic export thermal coal asset.

Strong and Competitive Economics: The VCP has the potential to achieve cash costs of ~C\$51/t over the first 10 years and ~C\$56.5/t over the first 20 years which places the Project as one of the most competitive new export thermal coal developments globally. Utilising forecast coal prices from Wood Mackenzie and an exchange rate of 0.92 Canadian dollar to 1 US dollar results in predicted strong EBITDA cashflows of C\$361 million per annum ('Mpa') in the first 10 years of operations and C\$375Mpa over the 31 year mine life.

World Class Rail and Port Infrastructure: A mine location that provides ready access to underutilised world class coal logistics infrastructure is a key competitive advantage of the VCP. The Project is adjacent to the main line of CN Rail with significant spare capacity to transport coal to the Ridley Island Coal Terminal which is a deepwater, capesize port and capacity to ship significantly greater coal tonnages.

Details of the key results from the PFS are summarised in Table 2 (see link at the bottom of the release)

which shows production metrics split into the first three decades of operations. The outline of the final reserve boundary and pit limit is given in Figure 2 and Figure 3 (see link at the bottom of the release) respectively below; note the utilisation of the total strike length and lowest strip ratios but not the total down dip extension of the resource. Future studies will be conducted into potential mining methods that may be able to recover the remaining resources in the VCP.

The development of the mine is planned to be completed in two phases to enable the Company to use an existing mine permit which covers the eastern half of the VCP. The existing mine permit provides for the first phase construction of a 4.2Mtpa operation. In addition to improving initial development timelines, this phased approach will reduce the upfront capital required before achieving significant operating cashflows. The Company anticipates building some of the core infrastructure required to meet the projected additional production from the second phase in the first phase of construction. The PFS schedule shows the second phase production beginning two years after the initial first phase such that full production capacity of 9.0Mtpa is achieved in the fourth year of operation. The PFS first phase development schedule is based on the existing mine permit enabling the project to secure all other regulatory requirements.

First Phase: Coalspur has initiated permitting discussions with the respective regulatory government authorities with respect to development of the first phase to 4.2Mtpa saleable production as per the existing permit that was acquired with the purchase of the New Coal Leases in July 2010. The first module of the process plant, a single ROM crusher and a coal dryer are constructed with a design throughput of 1,100tph enabling the production of 4.2Mtpa saleable coal as per the existing mine permit by the end of year 2. Development of conveyors and rail load out facility will be built to support 18.0Mtpa ROM and 9.0Mtpa clean. Mining equipment will be added to enable the mining of 8.4Mtpa ROM coal. The first phase will allow the Company to utilise the initial cash flows earned from Phase 1 to pay for a significant portion of the development in second phase. The first phase manpower will reach approximately 400.

Second Phase: Ramp up of production will start in year 3 and full capacity will be achieved by end of year 4. Development will be funded primarily from first phase cash flows and will entail the addition of a second 1,100tph process plant module, coal dryer module, raw coal crusher and the addition of further mining equipment over the ramp up period to achieve nameplate capacity at the mine and processing plant. At full capacity there will be 8.0Mtpa of export coal production and 1.0Mtpa of domestic coal production. During the later years of production manpower levels will reach 900.

Operating Costs

The total operating cost per clean coal tonne produced in the first 20 years of the mine plan will be lower than the life of mine costs due to low strip ratios and shorter haul distances. Nonetheless, operating cash costs stay competitive over the full 31 year mine life. The Company will study potential possibilities of lowering the haul distances in the final years of the mine plan to attempt to lower the operating costs over the final 10-15 years of the total 31 year mine life. The cash operating costs (excluding royalties) for various operating periods are summarised in Table 3 (see link at the bottom of the release).

The Alberta royalty system is comprised of a two tiered system with the first tier being a mine mouth royalty payable on 1% of mine mouth revenues from commencement of production. The second tier is a 13% royalty payable on mine mouth revenues less allowable operating expenses which is only payable after the capital expenditure has been repaid.

Capital Costs

Development costs to first production total C\$580.9 million but includes construction of infrastructure such as conveyors, coal loadout, tailings area and ancillary buildings for full capacity. Additional development costs of C\$348.2 million to reach 9.0Mtpa full capacity includes ROM coal handling equipment, a second process plant module and additional mining equipment which is purchased during the ramp up of production to full capacity which is achieved in year 4 of production. The Company will be investigating leasing options for the mining equipment fleet and/or contract mining options as is relatively common in the region.

Coal Reserves and Resources

The Coal Resource estimate has been based on considerable drilling and exploration activities undertaken by Coalspur in 2010 and also by Manalta Coal and Esso Resources in the 1980's and 1990's and prepared by respected Canadian independent technical consultants. The results are reported in accordance with the JORC Code (2004) and National Instrument 43-101 ('NI 43-101').

Coal quality characteristics have been taken from the Company's independent coal quality study which confirmed the product specification shown in Table 7 (see link at the bottom of the release). The Company is

currently completing a bulk sampling program that is supplying coal for the generation of process stream products from a pilot plant wash program. Results from this testing (combustion, moisture modelling, coal handling) will be used in the 2011 feasibility washplant design.

Mining Method

The VCP is similar to other Alberta foothills multi-seam coal mines and can be mined using a combination of dragline and large truck and shovel methods. At the 18.0Mtpa ROM coal production rate used in the PFS a large scale dragline, truck/shovel combination mining approach was chosen.

At the full 18.0Mtpa ROM production rate, mine operations manpower (excluding process plant and G&A manpower) estimates are over 800 in the later years of operations. Manpower includes mine operations, mine maintenance, technical and senior management staff. The manning levels are based on the mine operating on two 12 hour shifts per day, 7 days per week. The mine is scheduled to operate 365 days per year with allowances for potential weather delays. The hourly manpower levels vary annually depending on the required equipment hours.

The relatively flat dipping coal seams are conducive to large dragline and truck/shovel mining. The major equipment over the life of the mine includes two 72m³ capacity draglines, 56m³ electric cable shovels, 220 and 360 tonne haul trucks and 311mm blast-hole drills. Mine support and mine maintenance fleets have also been scheduled. The mining approach is with conceptual 15m benches along the strike of the coal. In the first 20 years of production, waste dumps are located within an average 4.5km one-way haul distance with backfilling of the pit used where possible to reduce haul distances, and the average coal haul is within 5.0km. Opportunities will exist in future studies of optimizing haul distances to decrease operating costs.

The mine plan includes three mineable coal zones; Val d'Or, McLeod and McPherson. The ROM coal is trucked to a breaker station from the mine site from where it will be conveyed to the coal process plant where it will undergo beneficiation to meet the final product specification. The mine maintenance and mine administration facilities are also located near the coal processing plant.

Coal Processing and Handling

ROM raw coal will be fed continuously into two identical crusher modules by end dump haul trucks. The minus 400 millimetre ('mm') raw coal will be crushed through a series of two roll crushers to a top size of 80mm. The 80mm top size raw coal will be transported via a 2,700 metre ('m') overland conveyor belt to the preparation plant site situated 160m higher in elevation than the ROM facility.

A raw coal stockpile area which will have a live capacity of 80,000 metric tonnes ('mt') is located at the Plant site. This facility ensures the name plate plant feed rate and scheduled operating hours are achieved reliably. The plant is designed for an average of 55% yield on export quality coal utilising 7,400 actual operating hours and consists of two identical 1,100 raw coal metric tonnes per hour ('mtph') modules.

Each Plant module consists of three cleaning circuits. The 80 x 3mm raw coal reports to a single 1,400mm diameter heavy media cyclone. The 3 x 0.7mm raw coal reports to one 3.6m diameter Teeter Bed Separator. The 0.7 x 0.2mm raw coal reports to a bank of Spirals.

The 50 x 0.2mm products streams are mechanically dewatered and recombined onto a conveyor belt prior to be delivered to the dryer facility. The 80 x 50mm clean coal product passes through a roll crusher and combines with the 50 x 25mm clean coal. The relatively low moisture content of this 50 x 25mm product allows this stream to bypasses the thermal dryers.

The 80 x 0.2mm refuse streams are combined and conveyed to a storage bin before being loaded onto haul trucks and backhauled to disposal sites in the mine. The 0.20 x 0mm fine refuse stream is thickened and pumped to a tailings pond located 5,000m away. Clarified water is reclaimed from the pond and returned to the Plant for reuse.

Two identical thermal dryers are required to reduce the surface moisture of the clean coal product prior to transportation by rail to the port. A clean coal storage area is located adjacent to the thermal dryers. It has a capacity of 75,000mt and allows for effective management of the preparation plant and train load out facilities. The combined dried clean coal is transported to the train load out facility 8km away via an overland conveyor belt. A road to the project will be constructed next to the overland conveyor from the highway to the plant site area for access to the project. This product reports to an enclosed storage building with a live capacity of 30,000mt.

The product is directed to the train load out tipple via 3 underground belt feeders. The product is loaded onto continuously moving rail cars. The capacity of the train load out facility is 4,000mtph. The load out facility includes a 7km rail spur line adjacent to the main CN rail line and is designed to handle up to 176 cars with a

potential train capacity of 20,000mt. The expected direct loading time is approximately 5 hours.

Freight & Export

The export product will be railed to Ridley Island Terminals in Prince Rupert, British Columbia approximately 1,000km from the minesite where it will be loaded onto vessels up to cape size class for export to customers. The return cycle time for CN Rail from the Project to Prince Rupert is approximately 5 days. The vessel sailing time to Japan from Prince Rupert is approximately 11 days.

Marketing

Coal from the nearby Coal Valley coal mine has been sold to Japanese customers since the early 1990's.

Wood Mackenzie has forecast a coal price of US\$95/t in Year 1. This increases gradually to US\$105/t by Year 10 and then US\$111/t from Year 17 onwards. The forecast exchange rate is 0.92 Canadian dollars to 1 US dollar.

For the complete Coalspur Mines announcement including all tables and figures, please refer to the following link:

<http://www.abnnewswire.net/media/en/docs/64803-ASX-CPL-520369.pdf>

About Coalspur Mines Limited:

Coalspur Mines Limited (ASX:CPL) (PINK:CSPZF) is a coal exploration and development company based in Perth, Western Australia. The Company is listed on the Australian Securities Exchange.

The Company's Hinton Coal Project ('Project') is located in in the eastern foothills of the Rocky Mountains in Alberta, Canada. The Project is a large scale, open pit potential, thermal coal project located adjacent to the main line of the CN Rail which currently contains a JORC and NI 43-101 Coal Resource of approximately 339 million tonnes of low sulphur, high volatile, bituminous C thermal coal.

Contact:

Gene Wusaty
Managing Director & CEO
Coalspur Mines Limited
Tel: +1-403-975-7901
<http://www.coalspur.com>

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