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# A Primer on Metallurgical Coal

O - M Partners Webinar

July 16, 2019



# Economic Classification of Coals

Thermal (Steam) Coal : Power Generation

Metallurgical (Met or Coking) Coal : Iron Ore to Pig Iron



## Metallurgical Coal

- Romans Smelted Iron in 200 A.D.
- Baked Low - (Ash, S, & P) Bituminous Coal
- Coke : Fuel / Reductant in Blast Furnaces
- Also Foundry Applications
- 10 - 15 % of World Coal Demand



## Iron Ore & Met Coal

- 1600 t Fe Ore + 450 t Coal = 1000 t Pig Iron
- Major World Producers : Australia, Canada, USA
- Coal Demand : Asia >> USA & Euro Steel
- Exports : Aus >> USA > Can = Mong = Rus
- Fe Ore Prices : + 5 Yr High (- Vale Brazil)



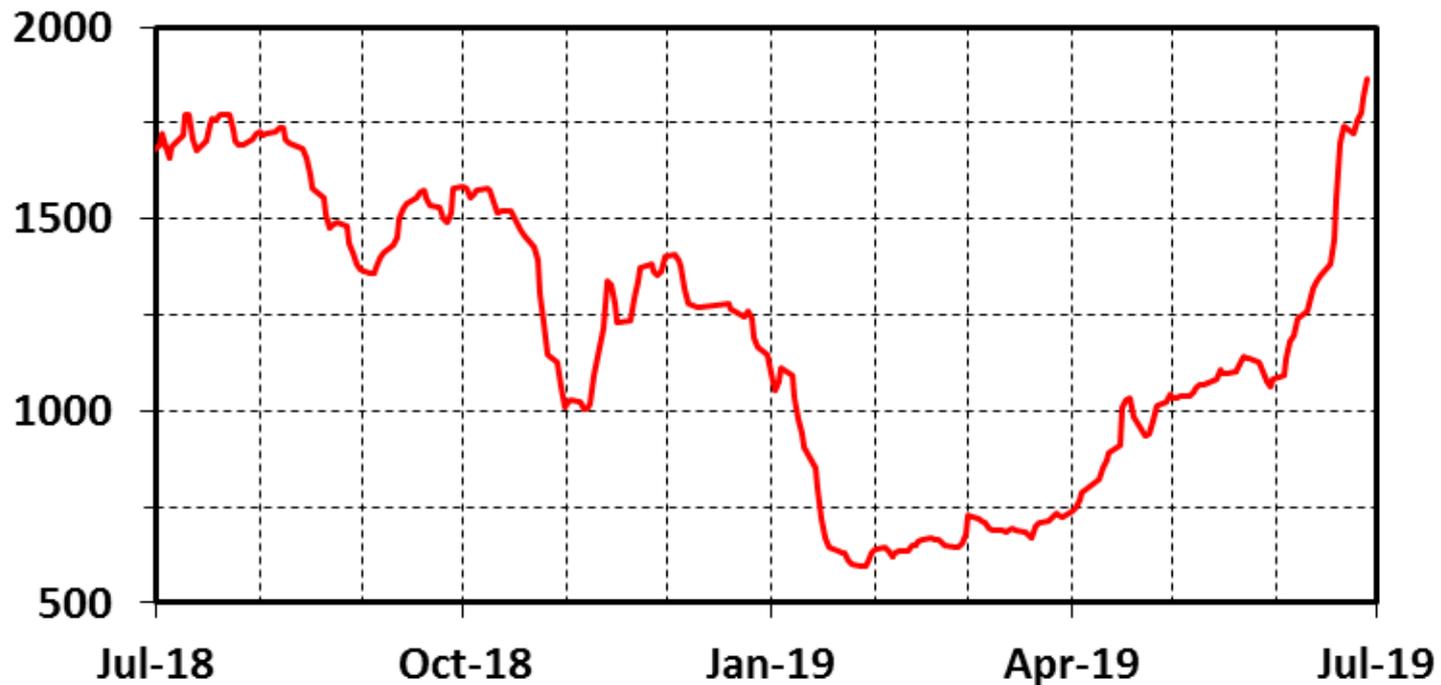
# Iron Ore: One - Year Spot Price





# Baltic Dry Index : 9 Yr Low to 8 Yr High

## Baltic Dry Index - 1 Year



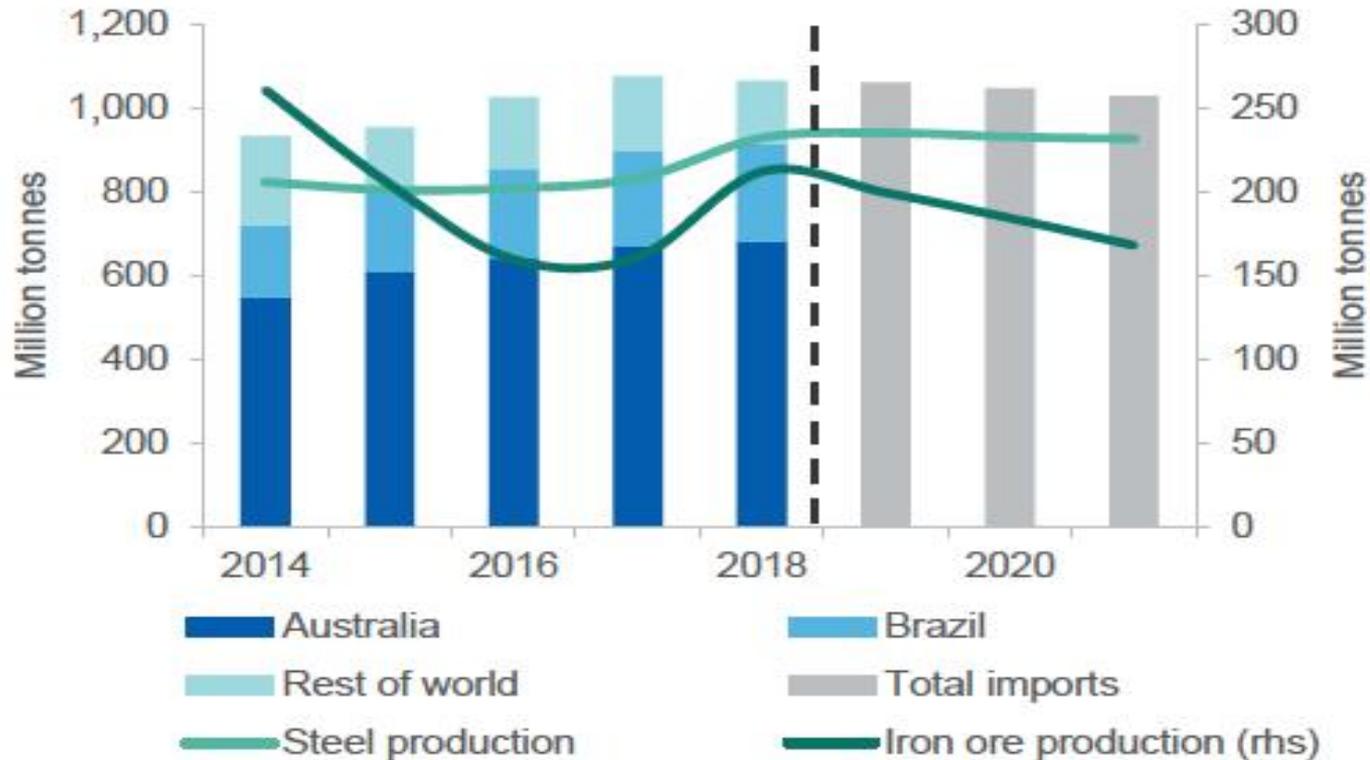


# Australia Coking Coal Spot Price (Platts)





# Chinese Iron Ore Production & Imports





## Future Supply - Demand & Prices

- Chinese Infrastructure Stimulus = Driver Now
- Short - Term (2019) :  $\geq \$ 200 / t$
- World Met Coal Supply Is Increasing
- Mid - Term (2020 - 2021) :  $\leq \$ 200 / t$
- Wild Cards : Queensland / Trade Tariffs
- **World Economic Health / Global Recession ?**



## Longer - Term Met Coal Fundamentals

- All About Asia
- China, Japan, Korea : Less Demand
- India Imports > China in 2021; = Market Driver
- SE Asia Emerging Markets : e.g., Vietnam
- Wild Cards : India Finances / Regulations
- **World Economic Health**



## Junior Met Coal Explorer / Developer

- Geology : Grade - Quality - Geometry
- Location : Developed Coalfield
- Infrastructure : Elec, Water, RR, Port
- High - Margin Deposit: Lowest Quartile of Peers
- Financing = Term Contract with Customer **or**
- Exit Strategy : Take - Out by Major Producer



# Monday Morning Musings from Mickey the Mercenary Geologist





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