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Donkin mine not likely to produce coal before 2014, says project manager

Published on May 21st, 2010
Staff ~ The Cape Breton Post

DONKIN — Federal environmental approvals will likely push back the production phase of Xstrata's Donkin coal mine to 2014.

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Val Istomin, Xstrata's project manager for Donkin coal, said it's part of the regulatory process the company must adhere to since switching its business model to

producing a coking coal for industrial uses.

“When we were not able to sell our raw Donkin coal directly to Nova Scotia Power, that’s when we had to change the project,” Istomin said in an interview with the Cape Breton Post, Friday.

In late 2009 the provincial power utility announced it wouldn’t buy unwashed Donkin coal due to its heavy mercury and sulphur content that’s incompatible with its existing environmental regulations set out by the provincial government.

Xstrata remains unsure whether the federal assessment process will include a lengthy federal comprehensive review of the project.

If that’s the case, Istomin said it could take two years to complete, followed by another 12 months of installing infrastructure, building facilities and buying equipment for the mine site.

“So we’re still targeting late 2013 or early 2014 for production commencement.”

The coking coal project includes building a coal washing plant on the Donkin site and the possibility of using a barge where coal will be loaded onto large ships off Donkin.

Istomin said studies are ongoing to determine whether transferring the coal into barges is feasible.

Another option still on the table is the use of a rail line from Donkin to the international coal pier in Sydney harbour.

Either option would likely trigger a comprehensive study, he said.

“We’re not locked into either process. We have to look at a whole range of factors and understand what is best for Xstrata and also the community and environment we work and operate in.”

Erdene Resource Development Corp., which holds a 25 per cent stake in the project, held its annual general meeting in Halifax Thursday.

Erdene CEO Peter Akerley told shareholders the Donkin mine represented “one of the most exciting mining industry developments eastern Canada has witnessed in many years with the potential to have a significant impact on the economy of Nova Scotia.”

“The passing of time only increases its value as the world’s largest high quality coal deposits are being rapidly depleted. We are impressed by the increased activity now underway under the management of Xstrata Coal Canada Ltd.,” Akerley continued.

Xstrata and Erdene expect to produce approximately 2.75 million tons of washed, export-grade coking coal per year. It will likely be sold to markets in Europe, South America, India and China.

International trading prices for coal have fluctuated over the last two years, but with recent prices of US \$200 per metric ton for coking coal, it remains a strong commodity on world markets.

“Coal prices today are better than what we call the long-term average over the last 10 to 20 years, but it’s not as high as it was 15 months ago,” Istomin said.



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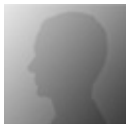
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bank.Check out the government money these guys get through the back door.



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