Colonial Coal benefit from Canadian interest rate cut – CEO David Austin.

Colonial Coal {TSX.V: CAD} CEO and President David Austin shared his delight as the sudden and surprise rate cut by the Canadian Central Bank.

"*This rate cut, with the subsequent fall in the Canadian dollar versus the US dollar is very positive for Canadian coal juniors such as Colonial*" beamed a happy David Austin as the news was announced.

I caught up with **David Austin, CEO and President of Colonial Coal {TSX.v: CAD}** for an update on the company whilst visiting Vancouver for the 2015 Cambridge House Mining Show.

Our discussion began by focusing on the recent events and trends in the metallurgical (coking) coal sector, and David expressed the view that, in his opinion, a price base is being built, and there is evidence of some price firming away from the lows of a few months ago.

For a company such as Colonial, that is clearly good news, as at the lows there was barely no margin of profit, once all costs of FOB were taken into consideration.

Whilst the gentle price increase itself is good news, the even better news is the fall in value of the Canadian dollar versus the US dollar, of some 24% from parity. This equates to a 24% price INCREASE for Canadian coking coal producers, giving them a clear financial edge over their US competitors, burdened by a strong US dollar.

The news of the .25% interest rate cut added a further decline of 2% the Canadian loonie ($) v US$, so, as of today, the current coking coal (premium quality) price of $118 in the USA is equivalent to $146.32 in Canadian $! This is a very healthy margin for a coking coal company whose costs are in Canadian and whose revenue is in US dollars.

A principal reason for the firming of the coking coal price is the reduction of supply in the market, due to many mainly US based mines cutting back or ceasing production.

Anglo American Chief Mark Cutifani said at the end of last year that he expects metallurgical coalmines will be mothballed *"at a rate of one every two or three weeks around the world until enough supply has fallen out of the beleaguered sector to drive a price recovery."*

The market is in oversupply and "*If the price is not north of $US150, you've got stress right across the industry*" Mr. Cutifani concluded.

These words are reassuring to Canadian coal companies such as Colonial, as the price is currently within a whisker of that $150 target in their own currency.

An example of how things have changed in the industry is illustrated by **Walter Energy, {NYSE: WLT}** founded by Colonial CEO Austin, who, four years ago bought out **Western Canadian Coal** for $3.2billion, and now has a total market cap of just $74 million!

Walter have ceased their Peace River operation, which was in production, and one wonders why, when the current exchange rate is so favourable to Canadian operations rather than US ones?

David Austin is not idly sitting on his hands, and is carefully watching for any licences that may be surrendered or become available in the region!