

Colonial Coal Jumps on Coal price and bid rumours

Colonial Coal (TSX.V: CAD)

The share price of Colonial Coal has risen sharply over the last month as there seems to be feeling in some quarters that the company might finally be on the radar of potential bidders, looking to secure a supply of coking coal for the future.

It has long been thought that Colonial could receive bids from either Chinese or Indian companies, but Japan and Korea are also potential sources, as well as the USA of course.

Colonial Coal	TSX.v : CAD
Stage	Exploration
Metals	Metallurgical coal
Market cap	C\$240 m @ C\$1.38
Location	British Columbia, Canada

FLATBED PROPERTY: GORDON CREEK DEPOSIT AREA

INITIAL DRILLING – SUMMER / AUTUMN 2017

Location: Proximal to supportive infrastructure such as existing Rail Line, Power, Provincial Highway, Tumbler Ridge townsite and to Currently and Recently Producing Coal Mines (with Rail Loadouts and Wash Plants) plus several other very Advanced, Permitted, Coal Projects

Target Type: Underground Mineable

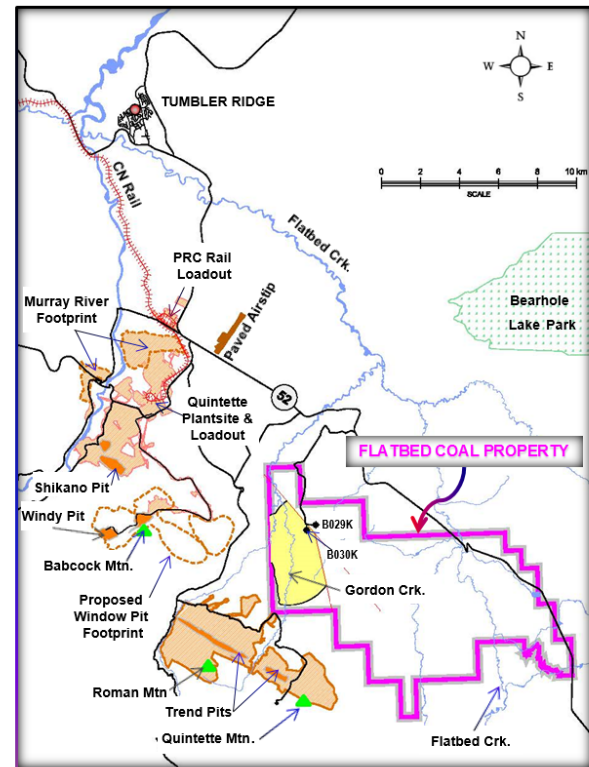
Coal Seams: Gates Formation (the same as all past and current producers in the Tumbler Ridge area)

No. of Seams: 8 (in descending order, Seams B, D, E, F1, F2, G, J, and K)

NI 43-101 Compliant Resources:
298 Million Tonnes of Inferred Resources

Coal Quality:

- Premium, Hard Coking Coal – Seams B to G
- Semi Soft Coking Coal – Seams J and K
- Capable of producing low ash, low sulphur and low phosphorus product coals
- Giesler Fluidities (max. ddpm) for Seams B, D and E range from 286 to 1140



Colonial Coal Flatbed map

Colonial Coal Jumps on High Coking Coal price and bid rumours

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It has long been thought that Colonial could receive bids from either Chinese or Indian companies, but Japan and Korea are also potential sources, as well as the USA of course.

One question being asked by shareholders and those interested in investing in the company is what would a bid value the shares at?

Currently CAD is valued at a mere 38 Canadian cents per tonne of resource in the ground! FOB costs to the port are around C\$130 – C\$150, so this normally low margin bulk commodity that is currently selling in China for over C\$400 has one heck of a margin...

Clearly capex needs to be taken into account, but even so, CAD looks so undervalued it's not true.

The graphics below illustrate perfectly the potential for share price appreciation and the creation of shareholder value, giving various price points that a bid might be received at per tonne of coal, and the resulting share price.

The investment thesis looks compelling at this low share price in my opinion, the world needs steelmaking coal, they are still building steel mills powered by coking coal in Asia currently, there is no substitute for coking coal at present.

CAD stock price at various resource valuations



Colonial Calculator					
Share Structure:					
	Shares out	183,368,051	fully diluted		
	Share Price	\$	1.45	CAD	
	Market Cap	\$	265,883,674	CAD	
Coal Resource:					
	Huguenot	278,000,000	measured		
		119,000,000	indicated		
	Huguenot total	397,000,000			
	Flatbed	298,000,000			
	TOTAL	695,000,000	tonnes		
Currently trading at			\$	0.38	CAD / tonne in the ground
Currently trading at			\$	0.301	USD / tonne in the ground
FX	1.2700				

Estimates:

	USD/tonne		CAD/share	
@ \$	0.25		\$	1.20
@ \$	0.30		\$	1.45
@ \$	0.50		\$	2.41
@ \$	0.75		\$	3.61
@ \$	1.00		\$	4.81
@ \$	1.25		\$	6.02
@ \$	1.50		\$	7.22
@ \$	1.75		\$	8.42
@ \$	2.00		\$	9.63

The Colonial Coal website can be accessed [HERE](#)

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Disclosure

The writer is a shareholder of Colonial Coal, bought in the market at the prevailing price on the day.

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