Colonial Coal rises as strategic investor Rosseau Asset Managementl takes a position



Colonial Coal {TSX.V: CAD}

The share price has been rising as value investor Rosseau Asset Management have taken an initial position, and are adding to it, taking another 60,00 shares on the 22nd March.

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Colonial Coal look highly undervalued at the asset level, with around a 700 million tons of metallurgical (coking) coal resource located in B.C., Canada.

With Coking Coal prices at around CAD $280 per ton, and FOB costs of around CAD $140, the potential profit is massive at these prices, in an industry famed for high tonnage, low margin product. Infrastructure needs to be built of course, and that won't be cheap, but with such a large resource and low value attributed to coal in the ground, it looks as though this has attracted the attention of value investors, who can see the long term potential and value that the market currently is not giving.

People often confuse metallurgical coal, used in steel making, and thermal coal, which is lower quality and used in power stations. During the Obama presidency, coal was a dirty word, and met coal was often lumped in with thermal coal as people did not realise the difference, and I'm of the opinion that developers like Colonial suffered as a result of that confusion.

Now that Trump is more coal friendly, both thermal and met coal are rising in price, so finally quality coal companies, in good jurisdictions, with strong management that have experience of delivering deals, are now coming to the attention of investors looking for value.