

Montem Resources set to re-test ASX coal sentiment

[William McInnes](#) Nov 11 2018



Montem Resources' targeted offering is set to re-test investor sentiment towards coal miners.

Canadian coal miner Montem Resources will pursue an ASX listing later this year, shrugging off the [disappointment of the Coronado Resources float](#), and capitalising on high prices that underscore coal is "a fantastic place to be".

The company, which was only incorporated in December 2017, aims to explore and develop multiple coking coal mines from its existing asset base, the Chinook Properties.

"It's an early-stage thing. We offer the investor a speculative level investment with speculative level returns," said managing director and CEO Peter Doyle.

The Chinook Properties comprise six properties including the previously mined Tent Mountain, Chinook South, Chinook North and Vicary-Racehorse, and greenfield exploration areas Isola and Oldman.



Montem Resources CEO and managing director Peter Doyle. **Supplied**

"There's 220 square kilometres of leases in Albert and four of our assets have been mined before," said Mr Doyle. "Two of those were mined quite a long time ago and two of those in the 1970s and 1980s but they closed due to lack of market. [Since then] the assets have been passed from hand to hand. We bought them and we're bringing them to market now."

The company plans to issue up to 40 million shares at 50¢ a share in order to raise \$20 million, which will be used to conduct feasibility studies at Tent Mountain and conduct exploration activities across the Chinook Properties.

"The process is to deliver a bankable feasibility study. Tent Mountain is an exciting mine but it doesn't have an approval to reactivate the mine," Mr Doyle said. "It will be two years before we reactivate the mine from the IPO. To enable that, we need that feasibility study. We're active up on site at the moment and we're conscious we've set ourselves a timetable."

Coal sentiment

While the heavily scaled back Coronado Resources float was regarded by some as [a referendum on investor attitudes towards coal](#), others believed [the public response was more to do with company-specific](#) issues, rather than poor sentiment towards coal. Coronado raised \$774 million, offering shares at \$4 apiece and closed on Friday at \$3.41.

Mr Doyle said the coking coal market fundamentals were hard to ignore.

"It's a really interesting thing at the moment – the way public markets are looking at coal. But those that are eager to make money, recognise that the coal space is a fantastic place to be," he said.

"We're on a sustained bull run now. We've been up over \$US200 and they're incredible prices. We work off long-term average prices of \$US140, so up over \$US200 – for those in the market – the margins are there to make people very, very wealthy.

"The forecast is for that not to come off in the near term. The China domestic market is the real largest influencer on seaborne pricing and the discipline being shown by the Australian and US producers [means the market is] really tight on the supply side."

Macquarie is forecasting hard coking coal prices will continue to lift in the next few months and could hit \$US210 in March 2019. Morgan Stanley is forecasting the price of coking coal will soften through the next year but won't hit \$US140 before the end of 2019.

Mr Doyle said that for the time being, metallurgical coal demand was unlikely to soften.

"Blast furnace steel accounts for 75 per cent of global production and you can't make that without coking coal. It's a simple fact. You can't have the life we have without coking coal."

Investor reception

Mr Doyle said while the company did consider listing in Canada, Australia's familiarity with bulk commodity miners made it an obvious choice.

"The board is predominantly Australian, funded by Australian money which is more sophisticated in the way it looks at bulks. We did look at the TSX [Toronto Stock Exchange] venture exchange in late 2017 but the ability to raise seed capital wasn't there. [We came to Australia and raised \\$2.5 million in a week.](#)"

He said that the offer had been well received by investors despite the volatile market conditions.

"We're generating pretty good feedback and investment interest in the market. We're finding support in pockets of very knowledgeable coal investors who are familiar with us as managers. We're unusual because there's just not that many early stage coking coal ventures around.

"But it's a tough market at the moment. Investors are wary that while there's quite highly recognisable stories of people making ten times [their investment], it's also come with some underperforming stories as well. The investor is more informed."

The offer is being managed by RFC Ambrian and is set to close on November 21. The company is hoping to list on the ASX in early December.

<https://www.afr.com/markets/montem-resources-set-to-retest-asx-coal-sentiment-20181108-h17nrt>