

Price, demand signal blue sky ahead, says Cuesta Coal

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RESOURCES

STABILITY in the coal price and a pick-up in demand for commodities from China and India are expected to deliver a better year for the junior explorers, the head of Cuesta Coal says.

Managing director of the Queensland-based thermal coal company, Matthew Crawford, is expecting a change in sentiment after a tough year.

Cuesta's share price is close to

half of its issue price of 30c when it floated last May, which Mr Crawford put down to unfortunate timing.

"For a young company we kicked a lot of goals last year but the sentiment towards coal was pretty bad in 2012," he said yesterday. "There was just a drying up of capital markets for the junior end of town last year, but we're slowly starting to see some renewed investor interest, and hopefully that continues."

Prices for thermal coal slumped more than 30 per cent

last year, falling from more than \$US120 a tonne at the start of 2012 to about \$US80 last month.

America's shale gas industry also ramped up production, quickly creating an oversupply of energy and dampening demand. But Mr Crawford said the price had returned to healthier levels in October and November, while coal imports in China surged as the northern hemisphere winter approached.

"China in November had record imports and the long-term outlook for energy consumption

out of China and India is still huge," he said.

Cuesta recently announced it was paying for \$18.2 million for the Orion Coal Project, located 14km from Rio Tinto's Blair Athol Mine in Queensland's Bowen Basin, which was recently closed. Cuesta plans to consolidate Orion with its Moorlands deposit — a priority in early 2013.

Cuesta said open pit mining and low strip ratios in the Moorlands deposit would mean lower start-up capital costs. "It's quite a substantial thermal coal deposit

... and we can sell that coal into China through our major investors," he said.

Mr Crawford said with coal assets reasonably priced, more acquisitions could be on the cards for Cuesta and its major shareholder Beijing Guoli.

"It's a good time to make acquisitions because there are reasonably priced coal assets available and we can do that with our major investor. They're definitely keen and we talk a lot about consolidation and acquisition opportunities," he said.