

Q&A

Montem Resources: Helping Meet Tomorrow's Demand for Steel

Peter Doyle, Managing Director and CEO, Montem Resources

Last year, Montem Resources (TSX: MR1) completed a definitive feasibility study on the Tent Mountain coking coal mine in Alberta. Please give a brief background to the project and explain why it is such an attractive prospect.

Tent Mountain is a hard coking coal mine in the Crowsnest Pass, at the border of Alberta and BC. The mine was idled in 1983, and we expect to be back in production in 2023. It is an open-cut mine that will be operated as a conventional truck-and-shovel operation producing approximately 1.1M tonnes of product coal annually for about 14 years.

This is an attractive project because it is the restart of an existing mine that already holds current mine permits in both Alberta and BC, with further permitting required to allow the return to active operations. The project has robust economics with a relatively modest start-up capital requirement. Access to rail and port is already secured and the project is close to transportation, power, and municipal infrastructure.



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With attractive economics, modest capital requirements, and selling a product which is in strong demand, we see Tent Mountain as the logical first step to building Montem's production base.

You recently completed a baseline environmental impact assessment (EIA) for the Tent Mountain mine, which took over two years. How have things progressed since then?

Montem has been actively preparing its submission to the Alberta Energy Regulator (AER) to recommence mining within the Alberta mine permit area. The AER just finalized the EIA terms of reference, allowing us to complete the application to restart the mine. Most of the work required to support the application has been done, and we will move rapidly to complete remaining reports for the EIA. We expect to lodge the EIA, mine licence applications and accompanying permit amendments later this year, begin construction in the summer of 2022, and have first coal sales in 2023.



Your other project in Alberta, Chinook Vicary, sits on Category 4 land. Explain the benefits of operating a coking coal mine on Category 4 land.

Under the existing Alberta Coal Development Policy, Category 4 land carries the least limitations and is the only land category where surface mining operations may be considered (subject to proper environmental protection and reclamation). In the Crowsnest Pass region, where Montem operates, Category 4 lands encompass areas where previous mining took place.

In terms of the commodity itself, hard coking coal, we know this is critical for the production of top-grade steel. However, with other technologies coming to the fore,

such as the use of hydrogen in blast furnaces, do you see these as having a place alongside the use of coking coal in the future?

Blast furnace steel production for conversion of iron ore accounts for about 70% of all steel production. This is proven, reliable and economic technology for steel and it depends on metallurgical coke from coal as a key input to the process.

We do expect, over the long term, efforts to displace carbon with hydrogen as the reductant will gain more feasibility. However, this technology is in its infancy and still has significant technological and economic hurdles to overcome. Hence, our expectation is that coking coal use in blast furnaces will remain the dominant technology for several decades while new technology is developed.

On a macro-economic scale, we see that China has banned imports of coking coal from Australia. So how does this pave the way for long-term exports of coal from Canada to China? Will this help shore up prices for the years ahead?

One major Canadian steelmaking coal exporter has publicly indicated it is achieving higher sales volumes and significantly higher pricing into China as a result of the import ban. Early in June, HCC prices were quoted delivered at Chinese ports at US\$275 per tonne (CFR), hence the net-back to Vancouver is over US\$250 per tonne (FOB).

Currently there is no sign of a change in the China-Australia dynamic on coal, hence the new trade patterns may stick around for a while, and that's good news for Canadian coal suppliers. If



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the Tent Mountain mine were operating at full capacity today and selling to China, we would be making over US\$125M per year (EBITDA).

Most market forecasts are for strong long-term pricing for hard coking coal, basis increasing steel consumption, and therefore increasing steelmaking raw materials. Not only is China the engine room for this increased steel demand, but the rapidly growing economies of India and Southeast Asia support strong pricing for steelmaking raw material – coking coal and iron ore.

It's also worth pointing out that hard coking coal is a relatively rare resource, with only a few countries having abundant supply. Australia, Canada, the U.S., and Russia dominate global seaborne supply, and new sources of supply are not easily identifiable.

What are the next steps for Montem as you look to get Tent Mountain into production once again, as well as the Chinook project?

For Tent Mountain, now that the AER has finalized the EIA terms of reference, we will move

rapidly to complete remaining environmental reports for the EIA. We expect to lodge the EIA, mine licence applications and accompanying permit amendments later this year.

At the Chinook project, we announced in March that Chinook Vicary coal quality results confirmed Tier 1 Hard Coking Coal. Our plan is to drill out remaining areas included in the February 2021 Chinook scoping study in the near term. This will be the subject of further structural interpretations and coal quality drilling as Montem advances the Chinook Project through to Pre-Feasibility Study.

For both Tent Mountain and Chinook projects, Montem is actively engaging with the indigenous peoples within whose traditional territories we operate. We are also increasing our engagement with local communities and other stakeholders to support the projects.

We aim to be in production at Tent Mountain in 2023, and ramping up to over 5M tonnes per year when Chinook comes online a few years later. **A**

