

Tigers Realm Coal Ltd

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Tigers Realm Coal Ltd closing in on low cost coking coal production in 2016



Tigers Realm Coal Ltd ([ASX:TIG](#)) aims to be producing coal from the Amaam Coking Coal Project located in eastern Russia by late Q4 2016.

Production is set to commence from Phase One of Project F, where the company have recently completed a feasibility study.

The capital cost of Phase One is estimated to be US\$6.6 million and site operating costs are estimated to be US\$25 per tonne free on board (FOB).

Following the completion of the successful feasibility study, the company launched a A\$23.3 million rights issue.

Funds raised will be mainly used for financing the development of initial coal mine production at Project F utilising existing infrastructure and mining fleet already mobilised to site.

Background

Tigers Realm aims to become a profitable coking coal producer by advancing the Amaam Coking Coal Project through resource delineation, feasibility studies and mine development.

Two tenements, Amaam and Amaam North, together comprise the Amaam Coking Coal Project. The two tenements are located within 35 kilometres of the Bering Sea coast in Chukotka Autonomous Okrug, far eastern Russia.

Tigers Realm has 80% ownership of Amaam and has recently signed a Heads of Agreement which will see its 80% ownership of Amaam North increase to 100%.

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In addition, the company owns 100% of the Beringovsky Port and Coal Terminal, located 35 kilometres to the north east of the Amaam North tenement.

Amaam Coking Coal Project

Amaam and Amaam North have combined JORC compliant coal resources of 632 million tonnes with the majority of these resources being of coking coal quality.

Project F within Amaam North has 110.6 million tonnes of coal resources, 16.1 million tonnes of which have already been classified as Product (Marketable) Reserves under JORC.

The recently completed Project F feasibility study supports development of a 20-year, 1 million tonne per annum low cost mining operation with potential to more than double output with open pit expansions and underground mining.

Project F

Tigers Realm recently completed an update to its November 2014 Feasibility Study for Project F located within Amaam North, based on a substantial increase in Coal resources defined since then. The key outcomes of the update to the feasibility study for Project F completed in April 2016 are as follows:

- A life-of-mine (LOM) average waste to product stripping ratio of 4.9:1;
- LOM marketable production of 18.9 million tonnes, comprising 13.4 million tonnes of semi-hard coking coal and 5.5 million tonnes of thermal coal;
- A 140% increase in marketable coal reserves;
- Initial capital for 1.0 million tonnes per annum production rate estimated at US\$99 million;
- LOM average operating cost estimated to be US\$41 per tonne FOB including state royalties; and
- Potential for a low cost start up to production through Project F Phase One.

Project F: Phase One

During the June quarter, the board approved the Project F Phase One feasibility study aimed at moving the project forward at a low initial capital cost of US\$6.6 million.

Phase One of Project F's development leverages off the mine fleet and infrastructure already at site, and targets near surface coal seams to produce unwashed thermal and coking coal products.

Site operating costs for Phase One are estimated to be US\$25 per tonne FOB.

The Phase One feasibility study estimates that approximately 3.8 million tonnes of sales can be achieved at a stripping ratio less than 3:1.

Production is expected to ramp up to a rate of 600,000 tonnes over 2 years.

Coal mining is to commence late in Q4 2016, with first sales in 2017.

Increasing ownership to 100%

At the end of June, Tiger's Realm signed two binding heads of agreements (HOAs) with its joint venture partner B.S. Chukchi Investments Limited.

The implementation of this HOA over Amaam North will increase the company's ownership to 100% from 80%, and reduce annual joint venture payments, compared to current royalties, on Amaam North (including Project F) coal revenues, including lower payments during the Project F start-up phase. This is subject to successfully funding Phase

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One capital requirement.

The new conditions described in the HOAs are to improve Amaam North Project's value and fundability, and simplify ongoing corporate and approval processes for the Amaam Project.

Infrastructure

Tigers Realm owns 100% of the Beringovsky Port and Coal Terminal located 35 kilometres to the north east of the Amaam North deposit and the proposed Project F mine.

The port is presently fully operational and under the terms of the sales agreement, the port will continue to ship up to 70,000 tonnes of coal annually for the nearby Nagornaya mine and volumes of general cargo.

The Beringovsky Port has historically handled over 700,000 tonnes of coal per year from the Nagornaya mine and the port will be progressively refurbished and expanded over time to at least 1 million tonnes per annum capacity.

The company will utilise its existing CAT mining fleet, which including a 70 tonne excavator, five 40 tonne trucks, two D10N bulldozers, a grader and other ancillary equipment.

Capital raising details

The company recently launched a 1 for 1 non-renounceable rights issue to raise up to A\$23.3 million.

Shares are priced at A\$0.026 and the offer is underwritten by three of the company's substantial shareholders.

The offer was successfully completed on 26 July, 2016.

The company raised A\$15.43 million and will place the remaining balance of A\$7.85 million to the underwriters pending appropriate approvals.

Proceeds raised under the offer will be used for but not limited to:

- Commencing Phase 1 of development and construction of Project F;
- General corporate purposes and working capital; and
- Undertaking of compliance works to ensure continued tenure of exploration and mining licences.

Analysis

The near term development of Phase One of Project F will be an important milestone and value catalyst for Tigers Realm as they look to become a significant supplier of coking coal.

Given the cost advantages, Project F has the potential to be one of the world's lowest cost coking coal producers.

Thanks to a low stripping ratio compared to competitors, short overland transport, and company owned infrastructure, site operating costs are expected to be between US\$39 and US\$45 per tonne FOB.

With hard coking coal prices ranging between US\$84 and US\$117 per tonne, this project has significant opportunity to generate strong cash flows for Tigers Realm.

Project F will be a low strip ratio open cut mine with a short road link to company owned infrastructure and coal port.

The Project F coal products have suitable properties for nearby Asian markets. Positive characteristics include very low sulphur and phosphorus content.

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The quality is similar to some well-known and utilised Queensland semi-hard coking coal produced from mines including Blackwater, Dawson, Cook and Poitrel.

One of the many advantages that Project F has is the substantial tonnage of low ash coal close to the surface that can be cheaply mined and sold unwashed.

This has enabled the company to pursue Phase One of the Project F development with a low capital investment.

This starter project will allow export sales of unwashed thermal and coking coal at a rate of up to 600,000 tonnes per annum.

While the company's core focus currently is on Project F at Amaam North, the large scale coking coal deposit, Amaam, remains an important medium to long term value driver for Tigers Realm.

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