

ADVERTISING FEATURE

## AFR Fast Global



**Douglas Thompson** (above) is incoming Coronado Global Resources chief executive.

# A smorgasbord of growth opportunities

For incoming Coronado Global Resources chief executive Douglas Thompson, perpetuating the metallurgical (coking) coal producer's stunning shareholder returns is about balancing acquisitions with internal growth initiatives.

In 2022, Coronado demonstrated its "fast grower" status with total shareholder returns of 110 per cent, as well as dividends equating to a mouth-watering 49 per cent yield.

Since listing on the ASX in 2018, Coronado has returned \$US1.5 billion (\$2.27 billion) to shareholders in dividends.

A mere decade ago, Coronado produced only 500,000 tonnes a year from its now-idled Greenbrier project in West Virginia, US.

In contrast, in calendar year 2023 Coronado expects to produce around 17 million saleable tonnes from its US and Queensland operations, cementing the Curragh mine in Queensland's Bowen Basin – the company's largest "met" coal acquisition – for \$700 million.

Coronado's assets are split between Queensland and the US, which hedges the company against geography-specific problems such as wet weather. In 2018, the company acquired the Curragh mine in Queensland's Bowen Basin – the company's largest "met" coal acquisition – for \$700 million.

The company's US output is derived from its Logan complex in West Virginia and its Buchanan complex in Virginia. The underground Buchanan mine is one of the lowest-operating-cost met coal mines in the US.

Thompson refers to a "smorgasbord of growth opportunities" underpinned by buoyant demand from steel makers.

"Customers want our product. They have been buying our coal for years and want surety of supply," he says.

Thompson says several low-risk, low-capital investments will underpin the company's quest to boost output to 20.5 million tonnes by 2025.

In the US, Coronado has been undertaking a "debottlenecking" process at Buchanan, including creating additional raw coal storage space and hoisting capabilities to get product to the surface.

At Curragh, the company is pursuing an underground extension at Curragh North.

With an estimated start-up capital of \$US85 million to \$US100 million, this project is cheaper than the alternative of developing new open-cut pits. It also leverages the company's US underground mining expertise.

Thompson says these initiatives mean the company has its future in its own hands, rather than relying solely on acquisitions.

Still, with a \$US498 million cash kitty as of the end of March, Coronado has not exactly renounced its acquisitive DNA. The company is evaluating various acquisition opportunities in both Australia and the US, which are natural fits for the company's existing assets and operations, Thompson says. "If nothing eventuates, any excess capital will be returned to shareholders."

In 2022, Coronado generated record revenue of \$US3.6 billion and record net income of \$US772 million. This was despite inclement Queensland weather that reduced saleable volumes.

At its recent AGM, the company reaffirmed guidance of saleable production between 16.8

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million and 17.2 million tonnes in this calendar year, at a cash cost of between \$84 and \$87 per tonne.

Thompson says the mid- to long-term demand outlook for met coal remains buoyant despite a recent price retraction. Wood Mackenzie forecasts global steel output to grow from 1.8 billion tonnes in 2022 to 2.2 billion tonnes in 2050.

While thermal coal is on the nose with institutional investors, met coal sits comfortably within the renewables revolution. According to the World Steel Association, an average electric vehicle requires 900 kilograms of steel, which takes 690 kilograms of met coal to make.

Meanwhile, export coal demand is forecast to surge from 327 million tonnes in 2022 to 548 million tonnes by 2040, with Australia expected to fulfil 62 per cent of seaborne supply. The

company says while prices may remain "volatile" in the short term, it expects them to remain above the long-term average of \$US191 a tonne.

"Unless steel-making technology changes – and we don't see that happening in the near future – we see a huge undersupply, and that plays out for structural support for pricing longer term," Thompson says.

He adds that demand will be most evident for the higher-quality coals supplied by the likes of Coronado, as steel makers attempt to reduce their emissions.

Coronado's strategy to reduce its own scope one and scope two greenhouse gas emissions by 30 per cent by 2030 is on target, with sustainable projects in place to meet its goals.

In July 2022, Coronado commissioned its first ventilation air methane (VAM) regenerative thermal oxidation unit at Buchanan. The VAM project converts fugitive methane gas emissions to carbon dioxide, significantly reducing the mine's carbon footprint.

From July to December 2022, more than 70,000 tonnes of CO<sub>2</sub> equivalent emissions were removed from the Buchanan mine. Additional VAM systems are expected to be installed in the future.

At Curragh, the company is progressing a gas pilot project targeting the capture and use of waste mine coal gas as a diesel substitute for the operating fleets. Drilling works have started and it is expected that five to six trucks will be on gas in the first half of 2024. "Coronado is committed to being a sustainable miner and these carbon reduction projects are important for our long-term future," Thompson says.



**Coronado Global Resources is a leading international producer of high-quality Metallurgical Coal, which is an essential element in the production of steel.**

Our coals, transformed in the steelmaking process, support the manufacture of everyday steel-based products, including renewable energy infrastructure, that enrich lives around the world.



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