



THELON CAPITAL LTD.

An emerging producer in the coal industry

The People's Republic of China is the largest producer (and consumer) of coal in the world; however, it is the United States that hosts the world's largest recoverable coal reserves, followed by Russia, China, and India. The *International Energy Outlook* for 2010 (IEO2010), from the US Energy Information Administration (EIA), says that world coal consumption will increase by 56%, from 132 quadrillion Btu in 2007 to 206 quadrillion Btu in 2035, and coal's share of world energy consumption will grow from 27% in 2007 to 28% in 2035. This means coal is here to stay...and for a very long time.

International coal trade is predicted to grow by 47% from 21.2 quadrillion Btu in 2008 to 31.2 quadrillion Btu in 2035. The rise in the amount of coal traded primarily reflects the inability of some of the world's largest coal consumers, China and India, to meet their future coal demand with domestic production. Coal production in the US in 2010 grew by only 1% despite the 5% rise in total coal consumption and the EIA forecasts that coal production will remain flat in 2011.

The latest *BP Statistical Review*, published in London, in early June, shows that global growth in coal consumption continues to rise. Total global coal consumption growth in 2010 comes in at a staggering 7.60%. Among all fossil fuels, coal consumption grew the fastest in 2010.

With demand levels intact, any domestic company with the ability to produce coal today should do very well in the coming years. A junior coal company based out of Vancouver by the name of **Thelon Capital Ltd.** [THC-TSXV] is standing out, in our opinion, amongst their peers.

The company is actively acquiring and mining compliant coals in the Appalachian Coal Mining District of the US.

Thelon announced last December the exercise of their option to purchase Clear Fork Mining Co., whereby Thelon would acquire the Jellico Coal Project. The Jellico Coal Project consists of 6,350 acres of fee simple land in the Cambell and Claiborne counties in Tennessee. Current production is 25,000 tons/month and is expected to double over the next 12 months with additional tons coming under permit. There are approximately 3 million tons of coal under permit with an expected mine life of eight years. About a month ago, the company signed a second lease agreement to mine a second 600-acre section of its Jellico Coal Project. It is scheduled to start production in 2012. This mine site is projected to produce an average of 20,000 tons per month for approximately 7-10 years.



Coal mining operations under way at Thelon Capital's Jellico Coal Mine in Cambell and Claiborne counties, Tennessee, where current production is 25,000 tons/month. Photo courtesy Thelon Capital Ltd.

The Jellico Project has a current resource of 13 million tons of high-quality compliant thermal, metallurgical and silicon metal coals. The resource is not NI 43-101 compliant and the company is currently conducting a work program to confirm and expand the historic reserve and have a NI 43-101 report completed.

A second acquisition was announced earlier this year, with the company entering into an option to purchase a 100% interest in a private Tennessee mining company. The company is a 30-year old, privately held mining company currently producing 50,000 tons of coal per month from three permitted mines, with a fourth permit in place and planned to start producing shortly. They currently are supplying local industrial and utility markets, with plans to take advantage of the growing US export market.

Thelon has over 22,000,000 tons of recoverable coal, including 4.5 million tons of blue gem seam metallurgical coal under permit or lease. The company also employs over 100 people locally and has an estimated US \$24 million in operating mining equipment, wash plant, load out facility, and support infrastructure.

Thelon is led by Jason Walsh, President, who has 20 years of experience in finance and joined Thelon in 2003. Since that time, he has played an instrumental role in financing the company's acquisitions and building the company's portfolio of projects.

George W. Heard, BSc, MBA, P.Eng., the company's CEO, has over 35 years experience in the mining industry and has worked for BHP in various positions involving the devel-



opment and operation of three large tonnage surface coal mines in the US. As a mine manager, Heard participated in the successful development of a \$600MM coal mine joint venture between RTZ and BP.

Also noteworthy is William A. Cousins, COO, who was raised in Alabama in the Appalachian District. Cousins has extensive experience in owning and operating coal mines having worked in both underground and surface coal operations. He is currently owner/operator of an industrial maintenance company for the coal mining,

coke/by-products plants, heavy equipment, and steel industry.

Thelon expects to produce 65,000 tons per month by the end of 2011, and 95,000 tons per month by the end of 2012. They plan to use their cash flow to make further acquisitions of producing mines and for additional load out and processing facilities.

Now that global oil production is flat, and is no longer able to supply new industrial expansion, coal remains the cheap Btu and of course the preferred energy source of the developing world (non-OECD countries). The world is turning to coal for their energy needs and will continue to do so for years to come, in our opinion. ■

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