

Coal seam a diamond in the rough for Vancouver company Goldsource

Find can provide 10 to 20 per cent of Saskatchewan's power needs

BY CASSANDRA KYLE, CANWEST NEWS SERVICE DECEMBER 19, 2009

When Goldsource Mines Inc. first set its eyes on the Hudson Bay area of east-central Saskatchewan, the company had its heart set on finding diamonds.

Instead, Goldsource discovered a major coal resource that, on average, is as thick as a seven-storey building is tall and is large enough to provide 10 to 20 per cent of the province's power needs.

"To me, it's an energy source, and whether it's in the form of electricity through power generation or in the form of petroleum products generated through the gasification of coal, the numbers are very, very large," said company president Scott Drever.

The development of the Vancouver-based company's Border coal project is still in the very early stages -- only 10 per cent of the site has been explored -- but preliminary figures show Goldsource may have found a resource that's not as pretty as a diamond but could be an economic gem in its own right.

"From a long-term perspective, this is an energy source for Saskatchewan that didn't exist two years ago until our discovery," Drever said.

An initial resource estimate for the Border project of around 170 million tonnes of coal could power a 300-megawatt power plant for 50 years or a 600-megawatt plant for 30 years. The site has an estimated worth of \$1.7 billion to \$3.4 billion, Drever said.

The tonnage at the site, if converted to petroleum products through a gasification process, is exciting for the company as well, he said.

"If you do the math on what we have right now, we've probably got something in the order of the equivalent of 400 to 500 million barrels of oil," Drever added.

In addition to work on a resource estimate for Border, the company is moving ahead with a scope study in 2010 to determine the best environmental and economic use for the coal resource.

"What we want to do is build a resource base that's sufficiently large to support the kind of production development that you would expect," Drever said, adding options for the coal also include exporting it out of province.

Drever said he has met with Saskatchewan government ministers, along with SaskPower, to discuss options for the deposit.

"I've had a number of conversations -- they're very preliminary, obviously -- and we really need to get a decent handle on what the resource base or the reserve base might be there before we can pick a direction in which we might want to go," he said.

Energy and Resources Minister Bill Boyd said the Border discovery holds huge potential for the province, which is already the third-largest producer of coal in Canada. Saskatchewan generates about 55 per cent of its power from coal, he added.

"Goldsource's recent discovery would appear to be a very, very significant resource of sub-bituminous coal, which is a pretty good grade of coal, better than anything we have in the province at this point in time," Boyd said.

"It looks very, very positive. They're assessing that resource ... and I'm sure there's going to be pretty significant investor interest in this area."

The minister said the province looks at all types of resource development "as potentially very positive." Companies looking to develop resources in Saskatchewan, however, must meet environmental criteria. "People expect these projects to be sustainable, to be ... handled in an environmentally responsible fashion," Boyd said.