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Experts

Money Talks: Who's a top pick in a sector that's firing up right now – coal?

5 hours ago | [Angela East](#)

Money Talks is Stockhead's regular drill down into what stocks investors are looking at right now. We'll tap our extensive list of experts to see what's hot, their top picks and what they're looking out for. Today, we hear from Warwick Grigor, executive chairman and managing director of Sydney-based private investment bank Far East Capital.

What's hot right now?

The coal sector is one that Grigor sees as firing up at the moment.

"Because the more the greenies try and put coal out of business and the fewer mines that are coming on stream, the more money that is going to be made by existing operating mines," he told Stockhead.

"The world would stop turning if you shut down coal-fired power stations overnight. It's going to be probably a 40- or 50-year transition before you're going to see the eradication of coal mining and coal-fired power stations.

"And you're never going to shut it out totally because there are reasons of practicality and economics which will persist.

"So if you're lucky enough to have an operating coal mine now, you're guaranteed very high profit margins as far as the eye can see."

And it's not just thermal coal that will benefit; coking coal is looking pretty attractive too.

"Coking coal unfortunately is tarred by the same brush [as thermal coal] in some people's

eyes,” Grigor explained.

“If you’re going to continue making steel, and the Chinese seem to like steel, you’re going to need coking coal.

“But by the same token you’re going to find that social pressures are going to slow down, delay or prevent the opening of new coking coal mines. So coking coal is going to be very profitable as well.”

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Top picks

One of Grigor’s picks is **Pacific American Coal (ASX:PAK)**, which has a small market cap of just \$6.3m at its current share price of 4c.

Grigor said there is a “complete disconnect” between what the market is pricing the company at and the value of its Canadian assets.

“It’s in the order of 250-300 million tonnes of coking coal in British Columbia, in an established coalfield region, and 67 per cent of that coal is high value coking coal,” he noted.

Grigor owns a 14 per cent stake in Pacific American Coal.

PAK Pacific American

Mkt Price

\$0.04

0.00 0

10:06 am

High

-

Low

-

Open

-

Prev. Close

\$0.04

Volume

0

Turnover

\$0[1 mth](#) [3 mths](#) [1 yr](#) [2 yrs](#) [5 yrs](#) [10 yrs](#)[Click for other stocks](#)[PAK](#)Share prices and news by [StockNessMonster](#)

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Another of his picks is **Allegiance Coal (ASX:AHQ)**, which has a market cap of around \$41m at a share price of 8.3c.

This is one stock our experts have mentioned before — [read *Money Talks: MineLife founder Gavin Wendt's top gold, coal and lithium picks.*](#)

Allegiance also has a coking coal project in mining friendly British Columbia.

“They’ve done a significant deal with a major Japanese coal trading company and that’s further down the development path,” Grigor said.

“It’s not in development yet, but it’s getting close to that point and I think it’s good quality, sensible management.”

AHQ Allegiance Coal Ltd

Mkt Price
\$0.083
0.00 0
9:59 am

High
-
Low
-

Open
-
Prev. Close
\$0.083

Volume
0
Turnover
\$0

[1 mth](#) [3 mths](#) [1 yr](#) [2 yrs](#) [5 yrs](#) [10 yrs](#)

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Lastly, Grigor sees potential in junior producer **Stanmore Coal (ASX:SMR)**, which picked up Vale's closed Isaac Plains mine in Queensland in 2015 for a measly \$1 and is making good money from it.

"They're making money and they've got a seat at the table, and not many more companies are going to get seats at that table," Grigor said.

Stanmore produces both thermal and coking coal and has a market cap of over \$350m at a share price of \$1.38.

SMR Stanmore Coal Ltd

Mkt Price

\$1.385**+0.005** +0.4%

11:05 am

High

\$1.40

Low

\$1.385

Open

\$1.395

Prev. Close

\$1.38

Volume

28,082

Turnover

\$39,096[1 mth](#) [3 mths](#) [1 yr](#) [2 yrs](#) [5 yrs](#) [10 yrs](#)[Click for other stocks](#)[SMR](#)Share prices and news by [StockNessMonster](#)

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Warwick Grigor started his career in mining with a position in the finance department of Hamersley Iron. From there he moved to Jackson, Graham, Moore and Partners to become Australia's first specialist gold mining analyst.

Having established Jacksons as a leading gold research stockbroker, Grigor left to be the founding research partner at Pembroke Securities and then the senior gold analyst at County NatWest Securities, for five years. He retired from County and founded Far East Capital in 1991.

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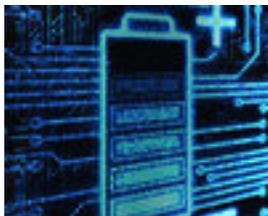
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