

Northern highlights

An Australian junior is tapping local knowledge as it upgrades its iron-ore resources in Sweden

The old open-pit mine at Kiruna

BY GARETH TREDWAY

THE Mineral Resources Information Office of the Geological Survey of Sweden (SGU) is well known within the global mining community as a world-class resource. Its library of drill cores from the country's mineral deposits would, if laid end to end, stretch from its location in Malå, northern Sweden, all the way to Gibraltar.

One of the latest companies to access the information, and compile a portfolio of projects, is Scandinavian Resources Ltd (SRL).

The company made an initial public offering (IPO) in April. One of the most interesting participants in the raising was OM Holdings Ltd (OMH). A producer and marketer of manganese and other metals from Australia and Southeast Asia, OMH also owns a 15% stake in Northern Iron, owner of the Sydvaranger iron-ore project in northern Norway.

Mining Journal recently visited Scandinavian's iron projects, and gained access to preliminary discussions the company is having with potential infrastructure partners.

Joining the tour was SRL's chairman, Damian Hicks, who has been travelling extensively around the region, including meeting the Swedish rail authority and a fund manager in Norway to discuss a possible listing in that country.

At the top of SRL's exploration targets in the region are the iron-ore assets in Kiruna, near Luossavaara-Kiirunavaara AB's (LKAB) Kiirunavaara mine, which produces 26Mt/y of pellet – Europe's largest such operation.

Olof Forslund, the firm's technical director, was also on the trip. Between 2003 and 2007 he was the regional manager of the Malå office for SGU. In fact he had only been retired for one week when SRL approached him. Mr Forslund has introduced a number of local, experienced, geologists and experts to look over the company's projects.

NARVIK'S ROLE

First stop on the tour, two short flights from Oslo, is the picturesque port town of Narvik, in northern Norway. The port played a key strategic role during World War II. A number of battles took place there, with over 50 ships

lying at the bottom of the fjord. The allied forces also had their first infantry victory here, and a monument still stands in commemoration.

LKAB has been shipping ore through the port for over a century, and is currently expanding capacity at the port from 16Mt/y to 25Mt/y.

The port is ice-free all year and can handle very large ships. The average ship has a capacity of 90,000t, but if required the port could handle 250,000-300,000dwt vessels. In comparison, ports on the east coast are located in the Bothnian Sea, which does freeze over and also cannot handle the larger ships.

TSX-listed Northland Resources SA recently released a feasibility study, and confirmed a decision to also ship ore out of Narvik (once production starts in 2013) rather than through the port of Kemi in Finland.

Mr Hicks arranged a meeting with the port director, Rune Arnøy, Narvik's mayor, Karen Kuvaas, and the head of a development group, Futurum.

The dignitaries thanked SRL for introducing the firm at such an early stage of the development, and for agreeing to keep the port informed on all its activities.

Mr Arnøy explained an ambitious project, called the Northern East West Freight Corridor, to link Narvik all the way to China using the Trans Siberian railway.

He also explained some of the details behind Northland's plan, including the use of temporary facilities at the container section of the port while the company built underground silo facilities and a berth in an undeveloped area nearby.

The port authorities are keen to grow the port, and as part of this will lobby railway parties to improve infrastructure on the existing line between Narvik and the mines in Kiruna.

Mr Arnøy said: "Our container terminal has all the necessary infrastructure and equipment to handle all types of ships, as we have a deep-water quay with no depth restrictions."

Mr Arnøy, who has been the director for over a decade, spoke of the bottlenecks on the 186km single-line railway to Kiruna in Sweden. He concluded: "We need double tracks."

In July, LKAB itself was very critical of the rail line after the failure of a signal substation halted traffic and the rail company indicated it would take six months for the faulty parts to be replaced.

"The ore railway is filled to breaking point with traffic.

There is no way to compensate by running more traffic to make up for the losses. We cannot operate more trains. The meeting places for trains are too few and too short, and the signal system is highly vulnerable," said Tage Sennland, LKAB planning manager.

KIRUNA NEARBY

The town of Kiruna is located directly adjacent to the Kirunavaara mine. So close are the buildings that faulting from the underground mine's hanging wall is expected to start affecting buildings from 2013. As a result, LKAB is planning a massive relocation that will result in the movement of a large portion of the residents and businesses.

SRL's assets in this area are less than 30km from the mine, and the company continues to discuss consolidation options with other exploration rights holders in the area. In June, a joint venture was negotiated with TSXV-listed Tasman Metals Ltd, which could see SRL earn 90% of the assets.

That deal gave the company an early resource base of 100Mt. Since the IPO, the company has increased its number of permits around Kiruna from 8 to 22, covering 548km² from an initial 322km².

The Swedish consultancy GeoVista has been commissioned to provide a JORC resource from the area by the end of June 2011, hopefully in the region of 250Mt. This will be done by confirming historical data with twin drilling (the first drilling by SRL on these projects) and other geological work. Interesting drilling targets will also be identified.

Mr Hicks said he would still like to complete more deals to boost the exploration targets.

The region itself is looking at a large production increase over the next several years, with LKAB's increases and production build from the two new players. LKAB is planning to increase production from about 28Mt/y to a possible 40Mt/y. Northland expects to reach 5Mt/y from 2014 under its feasibility plans, and Northern Iron forecasts production of 2.8Mt/y from 2012, according to a recent A\$75 million fund-raising document.

In the past month, Avalon Minerals Ltd has also released a bankable feasibility on its Viscaria copper-magnetite project, adjacent to Kiirunavaara.

SRL is still behind these other firms in terms of its development, but is leaving no stone unturned in its quest to catch up.