



Scandinavian reaches \$7m Rakkuri deal

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Scandinavian Resources has reached a \$7 million cash and scrip deal with Anglo American and Rio Tinto to acquire 100 per cent of the Rakkuri Project in Sweden.

Scandinavian Resources said that the acquisition complements its subsidiary Kiruna Iron AB's strategy of striving to become a producer of premium quality iron products in Sweden.

"This is a major milestone for Kiruna Iron AB," said Kiruna Iron AB director Olof Forslund.

He said that the company was confident the size of the iron project would increase in size with additional exploration to start soon.

Mr Forslund said the project also had significant underdeveloped copper-gold mineralisation.

Scandinavian has entered into a \$2.5 million loan agreement to fund exploration activities and working capital.

See company statement below:

Scandinavian Resources Ltd (ASX:SCR) through its wholly owned subsidiary Kiruna Iron AB has reached agreement with Anglo American Exploration BV (Anglo American) and Rio Tinto Mining & Exploration Ltd (Rio Tinto) to acquire 100% of the Rakkuri Project, located less than 3km from the 2Bt Kirunavaara iron mine owned by LKAB. The acquisition complements Kiruna Iron AB's strategy of striving to become a producer of premium quality iron products in the Kiruna District, northern Sweden.

The Rakkuri Project is located very close to the Kirunavaara iron mine (owned by LKAB) which has been producing iron continuously for 100 years, the Kiruna town, modern rail infrastructure and Kiruna Iron AB's Puoltsa iron prospect. The project contains an exploitation concession

application for the mining of copper-gold which will be amended by Kiruna Iron AB to include iron upon completion of exploration drilling.

The Kiruna Iron AB strategy is to aggregate sufficient iron projects through acquisition and joint venture to consider iron mining scenarios. The majority of the Company's iron portfolio has had minimal exploration since the 1970's. The expectation is that exploration drilling scheduled to commence late December 2010 and continue throughout the European winter will identify substantial additional iron tonnes. Kiruna Iron AB has a corporate goal of establishing 500Mt of iron resources within the medium term.

Kiruna Iron AB's projects are located within 30km of the modern town of Kiruna and an open access railway that leads to a deep water port at Narvik. Company management recently visited the Port of Narvik and were welcomed by the Port Captain, Mr Rune Arnoy and the Mayor of Narvik, Ms Karen Kuvaas. Following completion of proposed capital works, the Port will have the capacity to handle substantial additional throughput. Management also met recently with the Swedish Rail Authority at which time it was confirmed that the rail infrastructure is 'open' access; unlike the rail infrastructure in the Pilbara region of Western Australia. Options are being assessed to increase the capacity of the railway network to allow for multi-user access (i.e. LKAB, Northland Resources and potentially Kiruna Iron AB).

Kiruna Iron AB director Mr Olof Forslund said, "This is a major milestone for Kiruna Iron AB. The Rakkuri Project is well known in Sweden as a copper-gold project discovered by Anglo American and Rio Tinto. The mineralisation is hosted in magnetite; typical of an IOCG deposit and district such as Kiruna. We've now assessed the available data and we're quite confident that this iron project will increase in size with additional exploration drilling due to start soon. The project also has significant undeveloped copper-gold mineralisation.

We're going to continue consultation with Kiruna stakeholder groups to explain our iron exploration, development and mining strategy and how our plans will be tailored to ensure positive outcomes are achieved for the Kiruna Community."

Mr Forslund continued, "We are also very excited about having the exclusive license to utilise Anglo American's exploration database for Sweden and to have an open line of communication with Anglo to make the most of the information. I am very aware of how active Anglo American has been in exploring Sweden for the last 10 years so there is a huge amount of highly valuable data to work through. They have always completed high quality work but they are also looking for world-class deposits. There may be deposits lying somewhere in the data that would represent significant value for shareholders of

Scandinavian Resources."

The table below summarises Kiruna Iron AB's exposure to iron tonnes within 30km of a modern mining town (Kiruna, Sweden) and rail infrastructure that leads to the deep water port (Narvik, Norway):

Scandinavian Resources Ltd currently represents a low cost entry into the Scandinavian iron sector. The table below summarises Scandinavian, Australian, African and Canadian iron companies and their stages of development.

The table below compares characteristics of the three iron focussed resource companies in northern Scandinavia (excluding LKAB): LKAB transport 16Mt/yr of pellets to Narvik and 10Mt/yr to Luleå; Northland Resources propose transporting 6Mt/yr of magnetite concentrate to Narvik; Northern Iron ship from a port located very close to its operations.

Consideration for both Agreements

The combined purchase price for the two separate Agreements, the Rakkuri Project and the Anglo American Data Agreement is US\$7m with each Agreement having an NSR of 1.5%. US\$1 million has been paid (1st payment), US\$3 million (2nd payment) will be paid before the end of November 2010 and US\$3 million (3rd payment) will be paid within twelve months. The 3rd payment may at Scandinavian Resources Ltd's election be paid half in shares and half in cash or all in cash.

Scandinavian Resources Ltd has entered into a loan agreement to fund exploration activities and working capital. The AUD2.5 million loan can be drawn down by Scandinavian Resources as and when required, interest is payable at the rate of 12.5% per annum. The loan and interest must be repaid on or before 15 December 2011 (thirteen months) and the lender has been provided with a first mortgage over 100% of the assets of Scandinavian Resources Ltd. The lender may at its election, at any time, convert the amount drawn down into fully paid ASX tradable shares in SCR at the rate of 3 shares for every one AUD drawn down. As a fee, the lender will be issued with 1 million options in SCR exercisable at AUD0.20 per option exercisable at any time on or before 31 October 2011. Each option will, if exercised, convert into a fully paid ASX tradable share in SCR. Scandinavian Resources Ltd and Kiruna Iron AB will use this bridging finance to introduce the rapidly progressing Kiruna Iron Project to the global iron investment community prior to assessing future funding options.

Notes

(1) ASX has granted a waiver in relation to the reporting of non-JORC compliant foreign estimates. Waiver disclosures in accordance with 'ASX companies update 11/07' are contained in ASX release dated 28 June

2010.

(2) Includes attributed tonnes assuming Scandinavian Resources Ltd meets earn-in commitments in accordance with the Tasman Metals Ltd joint venture.

(3) The prospects which comprise the exploration target have been subjected to diamond drill testing, ground geophysics and interpretation by the Geological Survey of Sweden reviewed by Mrs Amanda Arrowsmith and Mr Thomas Lindholm. The potential quantity and grade of the exploration targets is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

(4) JORC Resources of 66.4 Mt & Historical foreign estimates of 31.5 Mt.

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