

# Swedish hotspot put to the test in 2011

Following an eventful eight months on the ASX, diversified explorers Scandinavian Resources Ltd will be rolling out an extensive exploration campaign, focused on proving the potential of its strategic iron ore tenements in Sweden through its 100%-owned subsidiary Kiruna Iron AB.

Founding chairman Damian Hicks told **Paydirt** the company would spend most of the 2011 calendar year drilling the Kiruna magnetite project, with the ultimate goal to have a confirmed 500mt inferred resources statement and prove to the market the project's potential.

"2011 will see the company prove we have a good-sized deposit and better infrastructure. We have 10,000m of diamond drilling scheduled, and aim to generate a resource of 300-350mt by late July/early August. So by January 2012, we want to have a 500mt inferred resource, plus JORC-compliant exploration leads," Hicks said.

Scandinavian Resources' Kiruna tenements surround state-owned mining heavy-weight Luossavaara-Kiirunavaara AB's (LKAB) Kiirunavaara iron mine, the largest in Europe, which produces 26 mtpa of magnetite pellets.

Mining has occurred around the region for 100 years, and Hicks says the Kiirunavaara mine has a further 100 years of mine life left. However, the LKAB mining operations are so close to the town of Kiruna that underground activity is starting to affect the township's buildings, and a billion dollar relocation of selected sections of the Kiruna township is scheduled as soon as 2013, Hicks said. And with tenements within 30km of the mine, Hicks said Scandinavian Resources is in a prime location, and by the end of the year hopes to be receiving interest from either LKAB, or nearby Canadian iron ore developer Northland Resources Inc.

Hicks said that in 2013 LKAB would have to slow down production as it shifts the Kiruna township while maintaining sales – a factor that will put Scandinavian Resources in a good position to discuss corporate action and development with the Swedish iron giant and major shareholder OM Holdings Ltd.

However, despite the future potential of the Kiruna project, the challenge for the company has been the "education gap" between the Australian market and its Scandinavian offerings. However, Hicks believes this will change with time, and has no regrets listing on the ASX.

"The current group of managers have experience raising capital on the ASX so it was a natural place to get capital, but I think that future capital could come from ASX or Europe basically," Hicks said.



Executive chairman Damian Hicks

"Aussies are familiar with iron in different countries such as Congo, Brazil and Canada. There is a huge rush to Africa, and they have been very familiar with exploring in Africa. But I don't know of any Australian investors that have made an absolute fortune by investing in Sweden yet. And that's what it comes down to: show us that you can make us money. And there is no one we can point to that's listed on the ASX."

The "education gap" that Hicks refers to is linked to not having any direct comparison with ASX-listed peers in which investors can judge Scandinavian Resources' merits. It is in Canadian iron ore developer Northland Resources that Scandinavian Resources finds the best comparison.

The Canadian company has just finished a DFS and plans to truck its ore 150 km across Swe-

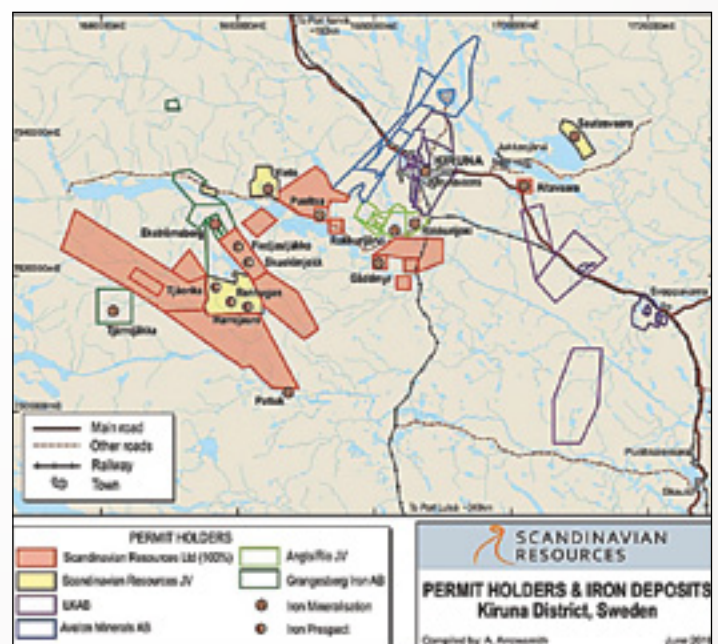
den to the government rail system that connects to the all-year operational port of Narvik, Norway; the same rail system adjacent to the Kiruna project that Scandinavian Resources will utilise when it gets to production stage down the track.

"On the TSX, local investors can say: 'Oh we have been on the Northlands Resources story for five years and its gone from a \$C20 million market cap up to \$C600. We get it; you don't have to explain it to us.' Whereas here in Australia, you have to take a bit of time explaining it. So should we go list on the TSX? No, I don't think so; I think the capital will come in due course."

One feather in Scandinavian Resources' cap is Olaf Forslund – co-founder and technical director – who was the head of the Sweden's Geological Survey's databases. It is a key strategy for Scandinavian Resources to locate economically viable projects, and get the most out of exploration, both at Kiruna and the company's other Swedish projects. From the recent acquisition of the Rakkuri iron project, the company also has ownership of Anglo American plc's past Swedish data.

Its early days for Scandinavian Resources, but with the project "incubating" strategy already producing the Kiruna project, it will be interesting to see if this hatches.

– Luke Sizer



The Kiruna iron project is in a world-class iron ore province as well as being in a strategic location surrounding the state's biggest iron mine, owned by LKAB