

Scandinavian Resources Limited



Iron ore know-how and interest from the onset

Scandinavian Resources Limited has the makings of an excellent Swedish operator

Calling all investors, analysts and discerning market-watchers; we've stumbled upon something extra exciting. As IRJ goes to press, Scandinavian Resources Limited (ASX: SCR), the Swedish company backed by top Aussie capital providers with an advancing flagship iron ore project in Sweden's resource haven, Kiruna, readies to announce its first JORC resource for what is undisputedly a highly-anticipated project.

The company, run by two of the immediate past heads of the Geological Survey of Sweden's Mineral Resources Information Office, possesses standout comprehensive knowledge of Sweden and its exploration history and the right team to unearth the nation's best opportunities for projects, then aggressively chase them. It has spent months carrying out a lot of drilling—on top of excellent pre-existing geological data and the ideal team to piece together project potential—and sizing up some serious options for future export, exemplary success from nearby peer companies, and now embarking on its scoping study. On the eve of delivering these first measurable results to market, in the words of chairman Damian Hicks, "We won't be slowing down."

The right components for project success

Sweden's geological data is conveniently housed in one central hub, and when Scandinavian's founders came together in 2007, one member, founding technical director Olof Forslund, was tasked with looking after what is clearly an overwhelming treasure trove of knowledge.

"That includes not only hard copy reports, but also diamond core, and there's a lot of information there. Olof was responsible for promoting Sweden around the world as the place to be doing exploration, so it's really been about that relationship from the beginning; having a local expert who's highly competent, really well-known and is a great person," Hicks recalls.

"We based [the company] around that relationship, and over time we have used both publically available data and private data to put together a pipeline of different projects in precious metals, base metals and iron. We raised some capital on the ASX and it's been onwards and upwards."

Without question, Sweden's role as an exploration destination is well-celebrated, not least because it is politically secure, strongly English-speaking, equipped with highly competent individuals and comes complete with more than 1,000 years of mining history. Hicks emphasises that additionally, despite meeting all of the vital criteria above, it is also an excellent place for discovery opportunities, with a government keen to embrace exploration and

make spends on infrastructure.

"When you tick those boxes, the sovereign risk in Norway and Sweden is very low, and that is one of the risks you really need to look at in exploration. It's hard enough to find an economic deposit, let alone go through development and mining," he says.

"If you can reduce some of these risks—great technical people and country risk—it does make a difference."

However Scandinavian, he stresses, is also very much a Swedish company, listed on the ASX. It is not to be confused with the spate of Western Australian vehicles taking to Scandinavian ground for projects—it is founded, managed and focused entirely in Sweden. With this in mind, he explains, the team's incubator business model is quite simply to follow the strategies applied in the Pilbara by the likes of mid-cap iron companies Atlas and FMG, aggregating all of the projects that the majors considered too small or non-core. Doing so gives a company the scale it needs, later enabling development leading onto production.

"We're talking about the Kiruna district—Europe's number one iron district—and we're talking about doing the same thing within 50 kilometres of Europe's largest iron mine, owned by the Swedish government company LKAB," he explains.

"We've aggregated a lot of old government iron deposits, considered to small individually, by bringing them together and doing more exploration. By doing that you find you're able to put together enough tonnes at great grades to put together development and mining options."

There is a distinct advantage to putting this approach into practise in Sweden: infrastructure. Whether it's rail, road, or port, infrastructure is government-owned—not held exclusively by a major, akin to the majors whose rail hold in the Pilbara is so significant—and there is a tendering process in place for those who need facilities.

"For example at our Rakkurijärvi, project, which we think may be one of the first projects to potentially come onstream, the power line goes over the top, the road is 500 metres away and the rail is about 750 metres away. And the project is about 500 kilometres from town solely funded for iron mining," Hicks says.

"If you compare that to some of the logistical challenges and infrastructure challenges faced by magnetite companies in the Mid West in Western Australia, they may have similar deposits and grades but they just don't have the benefits of this infrastructure already operational at their front door—modern, up to date and ready for use."

Mining major neighbour LKAB (Luossavaara-Kiirunavaara Aktiebolag), has publically stated that it wants to increase to 40 million to 50 million tonnes per annum (pelletized production), and peer miner Northland Resources is also looking into future logistics. Demand is clearly strong, and improving on the existing rail (and capacities for transporting product to the deepwater port of Narvik) makes economic sense for the miners and Swedish government alike.

An essential Swedish iron ore miner

Drilling undertaken to date shows that deposits within Scandinavian's Kiruna iron project have very similar geometry, widths and grade to others in the district, making them comparable to those further down the development track and enabling the team to follow the footsteps of neighbouring peers.

"Over the last six months we've been working to bring all of those old deposits up to JORC standard, and rather than drip out results by the metre we've tried to package them up and put them in our first JORC resource update," Hicks says.

"We've been aiming for between 200 and 250 million tonnes at 30 per cent iron."

Northlands, like Scandinavian, is working on producing a magnetite concentrate, and at just 150 kilometres away,

on the Sweden-Finland border, it provides a good predictive template for the company to continue on towards setting up a similar operation; trucking product to Kiruna, and using the railway to move it to Narvik.

"They're our closest peer, although they're more advanced, and they're showing that it can be done. The deposits we're putting together are similar to theirs and that gives us encouragement," Hicks says.

"Their market cap is about \$600 million listed on the TSX, and our undiluted market cap today is at about \$30 million. If we execute the strategy right there's good growth potential."

Talk of a future twin-track rail line is rife—demand certainly stems from Northlands and Scandinavian, and Hicks says that LKAB also has the capacity to double production, which in times of high iron prices offers great increased revenue for the government.

"They have a real incentive to build that second track; it's the only thing limiting the amount they earn. It's not the deposit or the processing facilities or the port, just the railway line," he says.

"The challenge no doubt for us is to work out a solution for processing, which means turning the rock into a magnetite concentrate, and the capital expenditure required to get to that point."

Confident that the drilling undertaken will back up plans (roughly 12,500 to 13,000 metres of diamond drilling in the last six months, of an intended 40,000 to 50,000 metres within a year) Scandinavian has set to work on its scoping study. Hicks says that within another six months the team will have a definite plan of how future production of five million tonnes per annum of magnetite concentrate will play out, and the associated CAPEX and OPEX involved. Importantly, the Kiruna project is not Scandinavian's only asset either. In line with its incubator model, its other projects are in the pipeline too, and the team's continued success at Kiruna serves to prove its approach is working.

"The first milestone will be that JORC resource at the end of July, and that's likely to be followed with another JORC resource around November/December," Hicks says.

Peer companies continue to release good numbers, again providing healthy indications for Scandinavian's progress to come. Without question, its team operating in their native country, with a seemingly insurmountable backlog of experience and data to draw on, know how to propel its Kiruna project towards production goals. When miners and government are both set to gain, great infrastructure, security and workforces are in residence, and a wealth of untapped opportunities lie ahead, it surely can't get much more ideal. With this first JORC resource statement, Scandinavian's story really begins—and it will prove to be nothing less than captivating.

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