

Mala maverick worth Scandinavian ticket

Richard Roberts, [2 November 2009](#)



Scandinavian Resources technical director Olof Forslund ... main man.

AUSTRALIAN-listed companies continue to be drawn to the freezing north, aka Nordic countries, and their promise of great rocks in relatively unexplored terrain. But what really drove Scandinavian Resources chairman Damian Hicks out of his comfortable West Perth office on a very long trip to the obscure Swedish town of Mala was a local legend. Hicks, son of Kalgoorlie chemist and one-time granite miner Bill Hicks, has pinned hopes for \$A6.5 million (potentially \$8.5 million) IPO Scandinavian Resources on technical director Olof Forslund, a Swedish geophysicist and lifelong resident of Mala, where the Swedish Government somewhat haphazardly located

its main geological survey office and archives. Forslund ran the office for years, most recently until the end of 2007 when he 'retired', and has an intimate knowledge of its contents.

He's travelled extensively to promote Sweden's exploration data, and prospectivity, since the government opened up the country to foreign mineral explorers and investors in the 1990s. The other pursuit that's put him on planes around the world is the successful development and application of geophysical instruments and radar technology. The firm he started, Mala Geoscience, is recognised as a global leader in the design and production of ground penetrating radar (GPR) systems and Forslund's expertise has been called upon by the US and South Korean military, and in the worldwide search for suitable nuclear waste repositories.

Hicks, who emphasises Forslund's only connection to a "listed" company is Scandinavian Resources, travelled to Mala, 950km north of Sweden's capital Stockholm, via Lycksele airport, a 45-minute drive from Mala and the closest air access point, two years ago to meet with the Swede.

"Basically the whole business is focused on Olof, no doubt about it," he said this week.

"What we've done is really package all the corporate support and resources behind him, and based the development of the company on Olof.

"We formed a relationship with Olof, who had just retired from the survey. It was an opportunity for him to stand on the other side of the counter and speak to his [former] staff about the drilling and other information he'd spent years overseeing. Basically in Sweden up until 1992 they had a limit on foreign ownership in mining ventures [of 49%] so no-one really

bothered going there because they were not going to spend all the money, take all the risks and end up with 49%.

"The Swedish Government did all the work – all the geophysics, all the geochemistry, the whole lot, and they built this fantastic data room of reports, and a magnificent core library with 8000km of core. Olof was in charge of this library: it was his job to manage the data. Then when Sweden decided it was probably a good idea to attract private investment from foreign companies his job was to promote Sweden to all these countries and companies."

Hicks said data from the 'library' was free and, presuming you knew what you were looking for, drill core could be readily produced from a warehouse (Hicks says it can take 10 minutes, such is the fastidiousness of the record keeping: perhaps think one of the new blockbuster Ikea stores).

"It's perfectly accessible to anyone," he said, "though it's in Swedish and you have to know what you're looking for, and know the prospectors, which Olof does. So through him we've been able to put this very highly prospective portfolio together at very low cost. We haven't bought anything; we haven't joint ventured anything, we've just generated it from Swedish geological survey data, and that's the key platform in the model – continuing to generate projects at low cost that we can either explore ourselves, farm out, sell, etc ... it's quite a unique scenario."

Key targets for Scandinavian Resources are its large landholding south of the vast Kiruna magnetite iron ore mine in Sweden's far north, and next door to the Rakkurijarvi magnetite-hosted copper-gold project of Rio Tinto and Anglo American; and a polymetallic target (Famnvatnet) across the Swedish border in Norway. Hicks believes a five-year mining permit recently awarded to Rio-Anglo near Kiruna is an encouraging development for others working in and around the giant state-owned Kiruna operation.

Assuming it's successful with this month's IPO and it lists as planned next month, Scandinavian Resources will join the likes of Dragon Mining, Avalon Minerals, Aura Energy, Northern Iron, Vulcan Resources and Golden Rim (via its interest in Royal Falcon Mining) mining and exploring in Sweden, Norway and Finland. Those companies had a combined market worth of about \$A420 million this week (buoyed by Norway iron ore miner Northern Iron's \$A262 million market cap).

Forslund, in Perth this week on his way to see Sydney and Melbourne investors with Hicks, said mineral exploration expenditure levels in Sweden had built to SEK500-600 million (\$A80-95 million) a year before the GFC hit. He believes other foreign-owned mines will get up in Sweden, maintaining it hasn't been that long since the geological survey data became a magnet for some overseas companies.

"To develop a mine takes 10 years," he said. "It hasn't been that long since the foreign companies came to Sweden. So it's too early to judge that more mines should have been opened due to this information, but for sure one [a Boliden project] is open."

Forslund said he had a "good chemistry" with his chairman, who is also running Forrestania (Western Australia) nickel explorer Hannans Reward, and was "right now ... what you would say very fit for doing [this job] for several years at least".

Hicks, for his part, is working on "transferring knowledge ... from the key man", but acknowledged this would take time.

Scandinavian Resources is trying for over-subscriptions to take its \$6.5 million IPO (32.5 million 20c shares) to \$8.5 million.

"I think the biggest lift for shareholders in Scandinavian Resources will be taking the iron prospect from purely a prospect to JORC resources in the first 12 months," Hicks said. "You can then ascribe a value [to the company] around which you can build the other exploration projects. So it's all subject to exploration success.

"With Hannans Reward ... we've just sold our iron project to Warwick Resources, which has been taken over by Atlas Iron, and that project is an excellent project ... it's 400km from the coast, 50m under cover, and that's worth now \$A15 million to Hannans Reward. In northern Sweden we've got plus-20km of strike [based on surface iron mineralisation] next to a rail line, 30km from an iron mining town, and to me that is a really good comparison of the prospectivity.

"Kiruna to me as an iron mine is like Mt Whaleback [in the Pilbara] and the Kiruna town is like Newman. You can't go to Newman and peg any prospective iron because as we all know it's completely covered by everyone and everything. At Kiruna we're the largest landholder in the Kiruna district above and beyond anyone else."

The company is thinking of a secondary listing in Oslo next year.

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