Juniors go with the flow

Hundreds of junior miners and explorers - the entrepreneurial lifeblood of the industry - were working hard to stand out in the crowd at this week’s Prospectors and Developers Association of Canada convention in Toronto. It is an annual PDAC ritual that’s become that much more difficult to pull off with financing so tight. As a consequence, exploration spending is expected to tumble this year, according to a report, while juniors scramble to adjust to stagnant prices.

That’s not to say the event is all doom and gloom. Even the beleaguered uranium industry has its share of bright lights, while small potash producers are finding an unlikely source of fresh capital.

Meanwhile, mining legend Robert Friedland made a rare public appearance at the event to tout the potential of his latest venture, delivering a bullish message with his trademark flair.
Friedland looks to burnish his image as mining legend

BY EUAN ROCHA AND ROD NICKEL
TORONTO, MARCH 5, 2013

Leave it to the irreverent Robert Friedland to brighten the mood of a mining conference in the throes of a deep, collective depression.

The outspoken financier, known for his talent for picking winners in a risky business, made a rare public appearance on Monday to trumpet his latest venture, Ivanplats Ltd.

It was a star turn by a man apparently unburdened by self-doubt or any lack of confidence in the industry’s resilience.

Friedland’s company, one of a handful of initial public offerings in the mining industry last year, owns South Africa’s Platreef, a project rich in platinum, palladium, gold, rhodium, nickel and copper.

Ivanplats owns the “largest mechanizable, ethical precious metal discovery in the world,” Friedland said at the Prospectors and Developers Association of Canada convention in Toronto, promising that the geological nature of the deposit would allow for more humane working conditions than those in rival South African mines.

“We’ve discovered something that is very good,” he said, “We’re quite confident that the nickel and copper values are double what we would need to recover, gold, platinum, rhodium and palladium at a negative cost.”

Friedland’s sheer enthusiasm seemed out of step with the predominant mood at this year’s PDAC, where talk has often focused on the dearth of financing for mining projects amid cost overruns, multi-billion dollar writedowns and stagnant metal prices.

Friedland sees a big opportunity for Ivanplats to fill a coming void in the market, with the majors hunkering down and shelving major projects after several ousted their CEOs.

“We’re in a world where all of the CEOs of major miners have had their heads cut off ... So these major mining companies are now being run by people who are inherently risk averse,” said Friedland. “That means there is going to be less metal around in five years.”

Friedland, who also gave the keynote address at the Canada-Southern Africa Chamber of Business on Tuesday, vowed that the industry would emerge from its funk, as the rise of mega-cities around the world drives metal demand.

“The whole planet Earth is going urban,” he said.

LIVING LEGEND

No matter how controversial his remarks, Friedland’s reputation alone wins him a ready audience.

Now 62, Friedland, made a name in 1996 by selling a then-undeveloped Canadian nickel-copper project called Voisey’s Bay for C$4.3 billion ($4.2 billion).

He solidified his near-legendary status within the mining industry with Ivanhoe Mines, a vehicle he used to promote and build the massive Oyu Tolgoi copper-gold mine in Mongolia. Last year, mining giant Rio Tinto acquired a majority interest in Ivanhoe, now called Turquoise Hill Resources.

That deal allowed Friedland to concentrate on Ivanplats, taking it public in 2012 in one of the most closely followed IPOs of the year. The partial offering, which raised about C$300 million, pegged the value of Ivanplats at over C$2.5 billion.

The Chicago-born billionaire is known almost as much for his showmanship as for his track record in spotting the potential of
some of the world’s biggest deposits.

In keeping with style, Friedland peppered his convention speech with jocular asides and digs at other mining companies.

“I remember Bre-X quite well,” said Friedland, referring to a multibillion-dollar mining scam during the 1990s. “It was a 100 million ounce deposit, but (Platreef) is much bigger than that and it has the distinct added advantage of being real.”

Friedland, who now lives in Singapore, said Platreef contains some 75 million to 100 million ounces of precious metals.

“ETHICAL PLATINUM”

He said Platreef was superior to some of Anglo American Plc’s costly, deep underground platinum mines, where critics say that extreme heat and a cramped environment make working conditions difficult.

“Anglo is like a man with one foot in a bucket of ice and another foot in a bucket of hot coals,” he said, suggesting the rival South African miner faces a dilemma in trying to sell platinum produced under such conditions. In addition to jewelry, platinum is used to make catalytic converters for cars.

“I remember Bre-X quite well. (Platreef) is much bigger than that and it has the distinct added advantage of being real.”

Robert Friedland

“If you’re the Toyota Motor Company, you can’t sell a yuppie a Prius in California based on this activity,” said Friedland. “You already have the concept of ethical diamonds ... similarly we now have the concept of ethical platinum, so this is going the way of the dodo bird.”

Friedland has promised that Ivanplats will shake up the mining sector, as the Platreef operation can be fully mechanized and would not require thousands of workers to work in inhospitable conditions deep underground.

The Platreef project is 90 percent owned by Ivanplats. A consortium of Japanese companies paid about $290 million to acquire the remaining 10 percent.

COPPER BONANZA

Friedland also praised Ivanplats’ Kama copper project in the Democratic Republic of Congo, which he believes could turn out to be the “richest copper discovery in the world.”

“This little puppy is only a couple of years old and it is quite a spirited little discovery, and it is definitely a candidate to surpass El Teniente,” he said, referring to Chilean miner Codleco’s massive underground copper mine.

Despite the attributes of Ivanplats’ projects and Friedland’s promotion skills, the company’s shares have not escaped the downdraft that has weighed on the mining sector this year. Ivanplats shares, which rose as high as C$5.45 early this year, have fallen back to C$4.09 a share.

Friedland said Ivanplats is now “scheming” on ways to push its share price higher, hinting that the company may explore a deal to sell a small stake in Kama copper - potentially boosting its valuation.

($1 = 1.0293 Canadian dollars)

Editing by Janet Guttsman and Nick Zieminski)
Undeveloped Canadian potash projects are drawing investment from new and unexpected source, as buyers of the crop nutrient in India cross over to the industry’s supply side.

The strong interest by Indian fertilizer companies in equity stakes and agreements to take a certain percentage of a supplier’s production is a welcome development for junior miners that are not getting the same attention from senior potash producers that they did a few years ago.

China, the world’s biggest potash consumer, is also exploring ways to secure supplies through juniors.

“This is a great opportunity for the buyer side because those guys consume huge amounts of product and they are prisoners of the big two distribution groups from Canada and Russia,” said Chief Executive Patricio Varas of Western Potash Corp, on the sidelines of the Prospectors & Developers Association of Canada mining convention in Toronto.

“They’re thinking, ‘we consume all this potash, why not own some?’” he said.

Three years ago, as forecasts grew of soaring demand for the crop nutrient potash, mining giant BHP Billiton Plc and German potash producer K+S AG bought juniors Athabasca and Potash One, respectively, and started construction on new mines.

But today, major mining companies are delaying or shelving their own projects as potash prices weaken, never mind kicking the tires on junior projects. BHP has yet to give final approval to its Saskatchewan project, while Vale SA has put its own Saskatchewan project on hold.

Junior potash companies, like senior producers, are facing investor doubts, given concerns that too much mining capacity for the nutrient is already in the works for the near term. Existing producers such as Potash Corp of Saskatchewan Inc, Mosaic Co and
Agrium Inc have expansions well underway.

Junior mining companies are typically involved in exploration and development but lack capital to build their projects.

In the longer term, however, demand for fertilizer looks strong as populations grow especially in China and India, straining food production. BHP viewed potash as such a strategic commodity to own that in 2010 it launched a $39 billion hostile bid for Potash Corp, which the Canadian government ultimately blocked.

The unfavorable winds leave the remaining juniors to dig up other means of funding their mines.

Karnalyte Resources Inc has found that even if mining majors aren't returning calls these days, companies that import potash into India are a lot more interested. In January, the Okotoks, Alberta, miner sold a 20 percent interest in its Wynyard, Saskatchewan, potash solution mine to India's Gujarat State Fertilizers & Chemicals Ltd, along with an off-take agreement for 350,000 tonnes a year.

A second potential partner - also a potash buyer - is close to making a similar commitment that would push the project closer to reality, with debt and equity raising the balance, said Ron Love, Karnalyte's chief financial officer, declining to offer further details.

“One of the big mantras they have in India is food self-sufficiency,” he said. “They want to set themselves up for the future and fertilizer is a big part of that.

Investing in new mines “allows them to avoid regular negotiations of contracts which are sometimes a little painful.”

India imports potash to boost yields of its crops of rice, cotton and wheat, since it produces none of the crop nutrient itself. Its buyers collectively negotiate supply contracts with marketing agencies Canpotex Ltd and Belarussian Potash Co, which represent the big producers in Canada and Russia/Belarus, respectively, and who use their clout to drive hard bargains.

Karnalyte’s project, called Wynyard Carnallite, also looks appealing for its relatively low cost, at C$600 million ($582 million), due to its small scale and use of less-conventional solution mining.

**OFF-TAKE AGREEMENTS**

Encanto Potash Corp is working toward signing an off-take agreement with a consortium led by India’s Rashtriya Chemicals and Fertilizers Ltd for its flagship Muskowekwan project in Saskatchewan, said Ross Moulton, vice-president of exploration.

The agreement is expected to commit 2 million tonnes a year of the project’s 2.8 million-tonne potential capacity, and should lead quickly to financing, he said.

“Our fear from Day 1 is that the big boys (of potash mining) would come in, buy us, and shut us down for pennies on the dollar,” Moulton said at Encanto’s booth at the mining convention.

Encanto is seeking government approval for Muskowekwan on environmental grounds and completion of a bankable feasibility study by the end of the year.

Western Potash Corp has struggled to attract capital because of the steep C$3.3-billion price tag on its Milestone project in Saskatchewan, according to analyst Andrea Rubakovic of Salman Partners. At the end of 2012, it had a cash balance of just C$5 million and in January it hired UBS Securities to help search for financing.

The price tag simply reflects the large size of the resource, said Western’s CEO Varas.

Western is in talks about investments with numerous parties, from hedge funds, to fertilizer companies in China and India, Varas said. Unlike its junior rivals, he said Western has turned down offers of off-take agreements from fertilizer makers as it looks for a comprehensive plan to build Milestone, he said.

China’s state-owned Sichuan Chemical Industry Holding (Group) Co signed an off-take agreement last autumn with Prospect Global Resources Inc, which is planning a potash mine in Arizona.

To be sure, big fertilizer producers aren’t completely ignoring juniors. Last spring, Norwegian nitrogen maker Yara International ASA bought a one-fifth stake in IC Potash Corp, which is developing a potash mine in New Mexico.

Several other Toronto-listed potash companies are taking another tack: developing projects that are closer to the buyers.

Verde Potash PLC hopes to start mining potash in 2015 in the Minas Gerais state of Brazil, one of the world’s agricultural powerhouses and one of its biggest potash importers. Rio Verde Minerals Development Corp and MBAC Fertilizer Corp are also eyeing potential Brazilian potash projects.

($1=$1.03 Canadian)

Editing by Frank McGurty and Bob Burgdorfer
Mining exploration spending set to fall after 3-year rally

BY ELIAN ROCHA
TORONTO, MARCH 3, 2013

A three-year surge in exploration spending in the mining industry is likely to come to a grinding halt this year after running up against lackluster metal prices and a sharp fall-off in financing for miners with early stage exploration projects.

That is the conclusion of a new report which warns that persistent uncertainty over global economic growth will crimp the spending flow, especially for early-stage, entrepreneurial explorers that are the industry’s lifeblood.

Stagnant metal prices coupled with multi-billion-dollar asset writedowns by some of the world’s largest precious and base metal miners have panicked investors.

Spending to find and outline new mineral deposits powered to a record $21.5 billion in 2012, according to an annual study by SNL Metals Economics Group, released on Sunday at the opening of the Prospectors and Developers Association of Canada convention - the industry’s largest annual gathering.

“We expect the pullback in junior budgets to be the main driver of an overall decline in industry spending in 2013,” said Jason Goulden, head of metals and mining research for SNL MEG.

Goulden declined to speculate on the size of the anticipated pullback. Still, he noted that juniors typically account for roughly 40 percent of global exploration spending annually.

Metal and mineral explorers, which depend heavily on equity financing to raise capital to fund their drill programs, flock to PDAC’s Toronto event each year in search of willing investors to fund their programs.

“This year stagnant metal prices coupled with many multi-billion dollar asset writedowns by some of the world’s largest precious and base metal miners have panicked investors. And many are now shunning the sector entirely.

“A lot of investors are just shying completely away from the resource sector and the appetite for risk is almost non-existent at this point,” said Daryl Hodges, chief executive of Jennings Capital, an independent Canadian investment dealer.

TOUGH YEAR AHEAD

The study, issued in partnership with PDAC, notes that juniors that own really exceptional projects will be able to finance sizable exploration programs, while those with smaller or earlier-stage assets will struggle to attract investment.

The SNL MEG World Exploration Trends report does not bode very well for companies such as Boart Longyear Ltd and Major Drilling Group International Inc - the world’s largest metal and mineral exploration drilling companies.

Trends report does not bode very well for companies such as Boart Longyear Ltd and Major Drilling Group International Inc - the world’s largest metal and mineral exploration drilling companies.

Goulden said he expected the coming decline in exploration spending to result in lower drilling activity for all metals.

“That said, we do expect gold and copper to continue to account for the largest share of overall exploration spending, so drilling targeting these commodities should hold up better than some others,” he said.

STRONG RUN

Exploration spending rose steadily between 2002 and 2008, on the back of rising demand from emerging economies and a surge in metal prices. The extended boom came to an abrupt end in late 2008 and early 2009, as the impact of the U.S. housing market collapse and financial crisis rippled across the globe.

Since bottoming in 2009, spending has bounced back strongly, as despite pullbacks in recent months metal prices over the last two years have remained well above historical levels.

The SNL MEG study, which focuses on non-ferrous exploration, found that spend-

We expect the pullback in junior budgets to be the main driver of an overall decline in industry spending in 2013.

Jason Goulden
SNL MEG

ing reached an all-time high of $20.5 billion in 2012. Including estimates for budgets it could not obtain, the group estimates that spending jumped to $21.5 billion in the year, up from about $18.2 billion a year ago.

The study pegs iron ore exploration spending in 2012 at $2.9 billion, up from about $1.8 billion, a year earlier. The SNL MEG report is based on information collected from about 3,500 mining and exploration companies worldwide.

Exploration allocations for all regions increased to record highs in 2012, according to the report, led in dollar terms, by the largest increases in Latin America and Africa. Latin America remained the most popular exploration destination, attracting 25 percent of global spending in 2012”.

Editing by Frank McGurty and Ed Davies

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After Fukushima fallout, future brightens for uranium juniors

BY ROD NICKEL
TORONTO, MARCH 5, 2013

After two years of mostly falling stock prices in the uranium sector, triggered by the Fukushima-Daiichi nuclear meltdown in Japan, junior miners have become attractive acquisition targets as investors eye more bullish conditions ahead.

The tsunami-triggered meltdown led to reactors being shut in Japan and Germany, and uranium prices tumbled as demand shrank. Uranium is now around $42 a pound, well off the 2011 high of nearly $73, according to producer Cameco Corp.

Some of the uranium sector’s dominant players, including Cameco and Anglo-Australian miner BHP Billiton PLC, added to the gloom by shelving projects.

Still, the uranium sector, well represented at this week’s Prospects & Developers Association Canadian mining convention in Toronto, has seen a dozen deals in the last two years, as depressed valuations create buying opportunities, said Rob Chang, an analyst at Cantor Fitzgerald.

That is more than double that in the previous three-year period.

Chang singled out several small com-
panies as attractive investments, including Uranium Participation Corporation, Kival- liq Energy Corp, Energy Fuels Inc and Uranerz Energy Corp.

“Uranium is an area of focus as it is one of the few commodities with a price that is not above its long-term average,” Chang wrote to clients recently. Uranium also has “an excellent supply and demand backdrop.”

Positive factors for uranium prices and demand include the scheduled end, later this year, of a 20-year-old program that Cameco says converted an estimated 24 million pounds a year of highly enriched uranium from Russian warheads into fuel for reactors.

And at the same time, construction continues on 64 new reactors worldwide that will sharpen demand. Cameco expects a net 91 net new reactors by 2022, pushing consumption up nearly one third to 220 million pounds per year.

DEFT DEALMAKING

Among recent deals, Rio Tinto PLC’s takeover of Hathor Exploration last year prompted rival Denison Mines Corp to buy up Fission Energy Corp to gain control of nearby projects, said Fission Chief Executive Dev Randhawa.

The uranium junior mining sector is unique for its steady M&A despite challenging conditions across the broader mining industry, Randhawa said.

A move in January by Russia’s state uranium company ARMZ to take Uranium One Inc private is also a sign that the market has likely reached bottom, he said.

Investors have also shown they’re still willing at times to plow money into exploration.

"Uranium is an area of focus as it is one of the few commodities with a price that is not above its long-term average.

Cantor Fitzgerald’s Rob Chang

Shares of tiny Alpha Minerals Inc jumped sharply after it announced encouraging drill results in November and February at its Patterson Lake South property in Saskatchewan’s Athabasca Basin, one of the world’s richest uranium areas.

The company, which partners with Fission Energy in the project, also says it’s talking with many types of potential investors, including some uranium mining majors.

“We’ve definitely got their attention,” said Chief Executive Ben Ainsworth. “I can’t say we’ve got any hot offers on the table at the moment. It would be a bit early.”

Alpha’s shares, now worth around C$3.08, are up seven-fold since the first set of drilling results in November.

IN-HOUSE FUNDS

To be sure, many junior uranium miners are still struggling to find capital as some of mining’s biggest names cut costs and write down investments.

When Canadian uranium company U308 Corp needed to raise cash, it leaned on two of its directors for most of a C$3.2 million private placement that will tide it over for most of the year. “It is rough, so it’s important for insiders to step up,” said CEO Richard Spencer.

U308 stock is down 9 percent so far in 2013, following drops of 36 percent and 66 percent in each of the previous two years. Cameco is worth around C$21.36 per share, or at less than half its value about a month before the 2011 Japan earthquake.

“(Potential investors) look at the down-draft that there’s been in the industry and say, ‘we’re fine with the fundamentals. It will rebound but it’s the timing of the rebound that we’re going to watch,’” Spencer said, predicting more deals as junior miners forced to band together to survive.

With Russia’s ARMZ taking Canada’s Uranium One Inc private, the space for a new mid-tier producer is wide open, he said.

That could spell opportunity for U.S. companies either producing, or about to start producing small volumes of uranium, like Uranium Energy Corp and Ur-Energy Inc.

Since the Japan earthquake, Ur-Energy has steered its first uranium mine at Lost Creek, Wyoming toward first production, expected in the second half of 2013, and struck a deal to acquire uranium producer Pathfinder Mines Corp.

Fukushima “didn’t shut the nuclear industry down,” said Rich Boberg, director of public relations and human resources for Ur-Energy. “They’re still building plants.”

A savvy investor might want to get in soon, said Doris Meyer, chief financial officer of European Uranium Resources Ltd, which hopes to build a mine in Slovakia.

“The market hasn’t turned, but people ahead of the market think it will,” she said at the mining convention. “If you wait until it starts turning, it’s too late.”

($1=$1.03 Canadian)

Reporting by Rod Nickel in Toronto; Editing by Frank McGurty, Janet Guttman and Leslie Gevirtz
Red Moon drills for potash in Canada’s Newfoundland

By Rod Nickel
Toronto, March 5, 2013

Thousands of kilometers from Canada’s potash-producing belt, Red Moon Potash Inc is drilling for the prized crop nutrient in Newfoundland, an Atlantic island known for fishing, remote vistas and the Gaelic-tinged accent of its inhabitants.

While mining majors and juniors have scoured the globe for commercial deposits of the nutrient that boosts crop yields, Red Moon found its ore almost by accident.

Its parent, Vulcan Minerals Inc, started drilling for oil on the island known as The Rock in 2004 and discovered potash early on.

“We didn’t get distracted by it (as) we were fully engaged in petroleum exploration,” said Patrick Laracy, president of both Red Moon and Vulcan, on the sidelines of the Prospectors & Developers Association of Canada (PDAC) mining convention in Toronto.

Potash prices spiked to record levels in 2008 and, while they have since pulled back sharply, investors see a bullish future for the nutrient as a booming global population strains the food supply. Potash is a key nutrient to boost production of crops like corn, wheat, rice and cotton.

Vulcan spun out Red Moon to allow it to focus on potash in 2011, and Red Moon went public last year. Red Moon is now raising C$6 million ($5.8 million) to conduct a full drilling program that will determine if it has a commercial potash deposit, with Vulcan likely providing much of the funds.

The western province of Saskatchewan is the world’s richest potash source, with mines operated by Potash Corporation of Saskatchewan, Mosaic Co and Agrium Inc. But the landlocked province is far from port, and requires producers to ship their output by rail, mostly to the West Coast, before it’s loaded on to ships.

Rail wouldn’t be an issue in western Newfoundland, where Red Moon’s discovery hole is four kilometers from a deep-water port. A second port is 20 kilometers away.

“The competitive advantage is the access to the ocean,” Laracy said.

Potash Corp is currently expanding its mine in the neighboring province of New Brunswick. Now the only potash mine in Atlantic Canada, it is located in the Maritimes Basin, the same geological formation as Red Moon’s deposit.

Potash Corp uses its New Brunswick mine to take advantage of a relatively short shipping distance to Brazil, a major importer. A Red Moon mine would also offer short links to South America, Europe and Africa, Laracy said.

The fact that Red Moon shares the basin with a producing potash mine gives Laracy hope that its deposit may also prove to be commercial. Early drilling results revealed high-grade potash, just below the level Potash Corp is mining in New Brunswick.

The biggest challenge is funding any eventual mine, since Red Moon currently has just C$650,000 in cash. Other more advanced potash projects in Saskatchewan, Brazil and Africa are already tapping investors.

Newfoundland - one half of the province of Newfoundland and Labrador - is fondly known for its distinct, friendly culture. The island has the most eastern point in North America.

The province currently has about a dozen producing mines, operated by companies such as Iron Ore Co of Canada, Vale SA, Labrador Iron Mines Holdings Inc and Anaconda Mining Inc.

($1≈$1.03 Canadian)

Editing by Frank McGurty and Nick Zieminski
Oceanic Iron’s shipborne strategy sets it apart

BY ALLISON MARTELL
TORONTO, MARCH 5, 2013

For the dozens of junior miners with properties along the iron belt of Eastern Canada, rail is the key to unlocking the potential of their remote assets. Oceanic Iron Ore Corp is one of the few exceptions.

Oceanic’s Hopes Advance project is near Quebec’s northern coast, more than 1,500 kilometers (938 miles) north of Montreal, and the TSX Venture-listed company plans to build a port, not a rail line, to transport its iron ore to market.

That self-sufficiency is a big advantage, the company says. Several juniors operating in the so-called Labrador Trough - a geological formation sprawling across north-eastern Quebec’s border with the province of Newfoundland and Labrador - were counting on Canadian National Railway Co building a line to transport their ore to a St. Lawrence River port hundreds of kilometers to the south. CNR mothballed the plan in February.

“All the infrastructure that we need will be owned and controlled by us, and the timeline to execution and construction is owned and controlled by us,” Oceanic Chief Executive Steven Dean, a former president of Teck Resources Ltd, said on the sidelines of the Prospectors and Developers Association of Canada conference in Toronto.

Yet Oceanic can’t escape the challenge of lining up financing, the main goal of hundreds of junior miners attending the huge conference. In 2013, with iron ore prices depressed and financing tight, that challenge is tougher than ever.

Oceanic’s stock is down more than 50 percent over the last 12 months, and with a market capitalization of about C$33 million ($32 million), equity financing isn’t an option, said President Alan Gorman.

As of Dec. 31, the company had C$3.4 million in cash, and C$4.2 million in receivables, mostly exploration tax credits. It is working on a feasibility study, and Gorman said it has about six months before shortage of funds could slow its progress.

“The most desirable situation would be to have a strategic partner fully engaged in the near term,” he said. “The reality is, that will probably take a little longer than the next few months, but we do have some discussions in progress.”

Gorman said Oceanic has signed about half a dozen confidentiality agreements with potential investors, mostly Asian steel manufacturers and miners.

Volatile iron ore prices have battered stocks associated with the Labrador Trough. The price of iron, used to make steel, is driven by growth in China, the world’s biggest producer and consumer of steel. Iron ore prices plunged in the fall on weak Chinese demand, and more recently, China’s push to cool its property sector is clouding the outlook.

Several Asian steelmakers have invested in the Labrador Trough, but others are selling out. Rio Tinto, for instance, has hired bankers to sell its stake in Iron Ore Co of Canada, the country’s largest producer, sources said last week.

Oceanic’s pre-feasibility study, completed in the fall, calls for a 26-km pipeline to carry concentrate to port. It would ship year-round to Europe and Asia, through sea ice in the winter. Initial capital expenditure would amount to $2.85 billion.

The company says its cash costs, including transport to the coast, would total C$30 per tonne. Its head grade is 32.2 percent, but it would ship 66.5 percent iron ore concentrate.

Analysts that cover the company are generally positive. Thomson Reuters I/B/E/S shows one “strong buy,” two “buy” and one “hold” rating on the stock, with a mean price target of 66 Canadian cents, more than three times Monday’s closing price.

($1=1.03 Canadian)

Editing by Janet Guttsman; and Peter Galloway

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