

Century aims for 10Mt/y iron output in 5 years

By: Matthew Hill

Published: 1st December 2011



TORONTO (miningweekly.com) – Century Iron Ore, the junior that concluded talks over a joint venture agreement this week with China's Minmetals and Wuhan Iron and Steel Company (Wisco) on its Canadian properties, hopes to be a 10-million-ton-a-year producer by around 2015 and could ultimately reach the 100-million-tons-yearly mark, CEO **Sandy Chim** said in an interview.

The company, which says it owns more iron-ore prospects in Canada than anyone else, aims to complete an initial resource statement at Duncan Lake in the first quarter of 2012, to be followed by a mid-year preliminary economic assessment of the project.

The plan is to then complete a bankable feasibility study around mid-2013, with construction lasting 18

months to two years after that, Chim told *Mining Weekly Online*.

"Duncan Lake could be a 10-million to 20-million-ton-a-year project, starting with 10-million. That's our target to shoot for," he said.

One analyst, who asked to remain anonymous, said this was a lofty plan, given the property's remote location in Northern Quebec.

"There's nothing there. That project will never ever get anywhere," he said.

However, in a presentation on Tuesday, Chim showed how Duncan Lake was 10 km south of a regional airport, and 50 km south of Radisson.

Another Vancouver-based analyst, who also asked *Mining Weekly Online* not to name him, said while 10-million tons a year of production by 2015 was "an aggressive target", it was not inconceivable.

He added Duncan Lake's remote location would "require greater infrastructure development and more substantial environmental hurdles to negotiate".

TSX-quoted Century as planning to build a 150 km slurry pipeline to transport concentrates from the project to James Bay, which would lower transport costs.

Chim estimates the operating cost would be \$1/t to \$1.25/t, compared with \$20/t to \$25/t for a rail alternative.

TSX-V-listed Augyva is the 49% owner of Duncan Lake, and Century has to invest C\$14-million to earn a 65% stake.

CHINESE SHAREHOLDERS

Century has the advantage of having two large Chinese companies as shareholders, with Wisco owning 25% of its stock, and Minmetals another 5%. The two investors also have the rights to 70% of Century's future production at Duncan Lake and its Sunny Lake and Attikamagen properties.

In addition, Wisco owns 40% of the properties at the project level.

While Century will benefit from the financial backing Wisco will provide – paying \$120-million for 40% of the three projects, Chim said the junior will also gain in other avenues.

“They have good technical capabilities as Wisco runs its own iron-ore mines in China,” he said in an interview.

Minmetals, on the other hand, has its own large laboratories in China that Century can benefit from using to test its exploration samples.

“It will help us expedite our programme by a lot,” said Chim.

Century aims to compile resource statements for Sunny Lake and Attikamagen in the third or fourth quarter next year. It then aims to conduct preliminary economic assessments on these projects.

LONG-TERM AMBITIONS

Chim said that Century aimed to initially produce 10-million tons yearly, which could rise to 20-million.

Following that, the company’s ambitions are far greater.

“There is a vision that 100-million tons is where I would like to position the company. Obviously, we’re not going to get there in a day or even five years,” he said, adding that the company could reach this level in 10 to 15 years, depending on how demand shapes up.

Chim’s a firm believer that the industrialisation and urbanisation of China will continue to grow demand for the steelmaking ingredient faster than miners can get the material out of the ground.

While admitting that the 100-million tons a year production mark may seem overly ambitious for a company that has not yet produced any, especially given that Canada’s total 2010 output was about one-third of that, he points to Australia’s Fortescue as an example of a company that grew rapidly to take advantage of soaring demand.

The company started in 2003, after taking over some lesser-quality “throwaway” iron prospects from Rio Tinto.

It produced 40-million tons in the 2011 fiscal year, and aims to boost this to 155-million tons yearly by 2014.

One route that Chim also sees to reaching 100-million tons, is through teaming up with other juniors in the Labrador Trough, which he calculates contains around 20-billion tons of National Instrument 43-101-compliant resources.

CONSOLIDATION

“There is space for the market to consolidate,” said Chim.

“Where the opportunity presents itself, Century would be very keen in looking at consolidation opportunities. This is a scale business – economies of scale mean a lot. It makes sense for the industry to put different projects together to become a more efficient operator.”

Currently, there are around 16 projects, either at the exploration stage or in development, in the east of Canada, stretching from Baffin Island in the North, to Labrador in the east.

Added together, companies have announced over \$15-billion of investments into these, said Chim.

Century closed at C\$2.05 a share on Wednesday, valuing the company at C\$194-million.