

Century Iron sees “huge” taconite potential for Sunny Lake prospect, PEA ahead

12:22 pm by [Deborah Sterescu](#)

[Century Iron](#) Mines (TSE:FER) is a Canadian iron ore explorer with properties in Quebec, Newfoundland and Labrador, boasting NI 43-101 compliant resources approaching 1 billion tonnes, and having "huge potential" to capitalize on its assets, said founder, chairman and CEO Sandy Chim.



The company has various interests in three separate iron ore exploration projects known as Duncan Lake, Attikamagen and Sunny Lake. Iron ore is the ore used to make steel.

In addition to these iron properties, [Century Iron](#) is backed by two Chinese strategic partners through financing and off-take agreements: MinMetals and WISCO International Resources, a unit of Wuhan Iron & Steel, also known as China's third-largest steel producer.

WISCO has agreed to come up with debt financing for 70 percent of capital

expenditures required to achieve production, and to purchase 60 percent of total iron ore production, 40 percent of which will be acquired through a joint venture interest, with the remaining 20 percent through an off-take deal at market prices.

In consideration, WISCO has a 25 percent stake in Century, and has inked a joint venture for a 40 percent interest in all of Century's three major projects, for an additional \$120 million.

MinMetals, meanwhile, has purchased a five percent equity stake in Century for around \$12 million, and entered into an off-take agreement to purchase 10 percent of the company's iron ore production from the Duncan Lake project, at market prices.

Support from these two massive Chinese conglomerates, which are ranked among the Forbes Global 500 and are two of China's largest mining companies, must mean [Century Iron](#) has the goods to back itself up. In 2010, the WISCO group produced 36 million tonnes of crude steel, ranking as the fourth-largest steel mill in China and the fifth-largest in the world.

Sunny Lake

The Sunny Lake property, located in the Schefferville area in Quebec, has taken up a large amount of the company's focus lately, with Century recently reporting results from two promising targets at the site.

The "outstanding property", as described by Chim, was acquired in 2009 by staking, and hosts 494 mineral claims, covering around 24,000 hectares. The project, which is 100 percent owned by Century, consists of two separate areas - Lac Le Fer and Rainy Lake - with both areas being at an early stage of exploration and having no defined resources.

[Century Iron](#) is studying both the direct shipping ore (DSO) and taconite project potential, with the company having started drilling in the summer of last year. Taconite is a variety of iron formation, which is an iron-bearing sedimentary rock, while direct shipping ore refers to iron ore that can be shipped directly to a steel furnace.

Just last week, new assay results from Lac Le Fer that tested the DSO target were unveiled. The company tested the target, named Prospect 3, with one short hole at the end of the exploration program.

Hole LLFP3-11-004 intersected 45 metres of 62.67% total iron, with the hole ending in mineralization at 54 metres, meaning it can be expanded further.

The DSO target was defined by recent magnetic and ground gravity data, together with the compilation of previous mapping by the Iron Ore Company of Canada, [Century Iron](#) said. The hole tested a gravity anomaly 1,200 metres long and 400 metres wide.

Drilling is scheduled to resume in May of this year with a more powerful reverse circulation drill rig to complete hole LLFP3-11-004, and drill additional holes to test the full extent of the gravity anomaly, said Chim.

DSO mines are typically rarer than the magnetite-bearing banded iron formations, but are considerably cheaper to mine and process as they require less beneficiation due to the higher iron content. Export-grade DSO ores are generally in the 62 to 64 percent iron range.

Better still, there is a newly-discovered and bigger taconite iron target at Sunny Lake on the Rainy Lake part of the property, now known as the Full Moon prospect. The company drilled 6,300 metres spread across 31 diamond drill holes at Rainy Lake in 2011.

Highlights included 318.2 metres of taconite iron mineralization from 5.4 metres depth grading 29.5% total iron in hole RL-11-0401.

Drill hole RL-11-0004 also intersected 272.4 metres of taconite iron mineralization from 13.0 metres depth grading 30.4% total iron, while hole RL-11-0402 returned 264.8 metres of taconite iron mineralization from 10.4 metres depth grading 31.0% total iron.

The new discovery zone has been tested by 31 diamond drill holes over a strike length of 6.5 kilometres, and a horizontal width of up to 2.8 kilometres.

[Century Iron](#) said the vertical thickness of the new zone increases to the east from 50 metres to a whopping 340 metres, and remains open along strike.

What makes this taconite discovery unusual and "special", said Chim, is the fact that its thickness is two to four times the size of the iron thickness in the typical Sokoman Iron Formation in the Labrador Trough of 80 to 120 metres. This makes the potential value of the taconite much higher.

"So far, from over 6,000 metres, drilling gives us a good understanding of the initial 5 sections covering some 7 kilometres of strike. The grades and the geometry are looking very good," Chim explained.

Preliminary metallurgical tests are in progress, and drilling at the Sunny Lake project will resume this spring.

Taconite Potential

Taconite has been mined in North America for a number of decades as its constancy of ore characteristics on a very large scale has been an important source of iron supply for the US steel market for many years.

The finer grain size of taconite requires less energy costs for grinding compared with other coarser grain iron ores, and is used for making iron ore pellets - demand for which is expected to grow faster than any other iron product in the seaborne market, said [Century Iron's](#) CEO.

The seaborne trade in iron ore, that is, iron ore to be shipped to other countries, is dominated by Australia and Brazil.

Chim said that Cliffs Natural Resources ([NYSE:CLF](#)), the largest iron ore producer in North America, has been mining taconite for the last 60 years in the US with great success, but this hasn't been the case in Canada, despite having a large amount of the resource.

Chim told [Proactiveinvestors](#) that taconite is generally misunderstood by the markets and is "very undervalued", as most understand that coarse grain is good for making an immediate product.

However, Canada stands to benefit from taconite mining, as energy costs are lower in the country. Iron pellets are made from finely ground, highly concentrated iron ore, mixed with additives, as iron concentrate is washed and then ground further.

Typically dry Australia produced 475 million tonnes of iron ore in 2011, mostly DSO, according to CRU International, of which just two percent was comprised of iron pellets.

North America produced 88 million tonnes of total iron ore in 2011, with 79 percent made up of pellets - most of it hailing from the US. North America is projected to produce 97 million tonnes of iron ore in 2012.

"With the proximity to Schefferville and the existing operating infrastructure, Full Moon Project has the potential to be one of the first taconite projects in operation," added Chim.

"There is a huge potential for us to capitalize - iron is all about scale, and scale requires large capital commitment."

[Century Iron](#) is planning around 50,000 metres of overall drilling at Sunny Lake this year, with a NI 43-101 compliant resource and preliminary economic assessment (PEA) expected for the Full Moon prospect later in 2012.

Sunny Lake, however, is one of the least advanced of all of [Century Iron's](#) projects, meaning there is much more to look forward to this year.

Duncan Lake

Duncan Lake, in which Century holds a 51 percent interest with an option to increase to 65 percent under a joint venture with [Augyva Mining Resources](#), is moving into the PEA stage already, with the company now building an updated resource. A total of six banded iron formations have been identified so far along a 25 kilometre belt at the project. Notable results from last year included 132.4 metres of 31.3% iron in hole DUN-11-244.

The Duncan Lake project, which consists of 99 mining claims covering 4,615 hectares, is located in the western part of the Greenstone Belt in the La Grande area in Quebec, Canada, and lies 10 kilometres south of the LG2 regional airport, and approximately 120 kilometres east of James Bay.

[Century Iron](#) is set to complete another 5,000 metres of PEA drilling at Duncan Lake this year, with an updated resource calculation expected in the second quarter, followed by a PEA in the third quarter.

Earlier this month, the company said the phase two drill program at the site has improved confidence in the continuity of magnetite dominant zones, and showed that strike length extends for 2.5 kilometres in zone 3, 1.0 kilometre in zone 4, and for 1.0 kilometre in zone 6.

The current resource estimate on the project based on the 2008-09 program indicated roughly 850 million tonnes of NI 43-101 compliant iron ore grading 24.5% iron. Given tests to date, Century expects the final

product from Duncan Lake to be iron concentrates and pellets, with 65.69% iron grade and low levels of impurities, it said.

Attikamagen

Meanwhile, the Attikamagen project, for which Century has an option to acquire up to a 60% interest under an agreement with [Champion Minerals \(TSE:CHM\)](#), is located 20 kilometres northeast of Schefferville, straddling the boundary between Quebec and Newfoundland and Labrador.

A winter drilling program at Attikamagen last year targeted DSO potential at Joyce Lake, and taconite potential at Hayot Lake.

Reverse circulation drilling at Joyce Lake intersected 139 metres grading 52.8% total iron in hole JOY-11-06, while hole JOY-11-07 returned 91.0 metres of 52.5% total iron, including 42.0 metres of 65.3% iron. The company said that while still at an early stage, results indicated that the Joyce Lake iron formation has the potential to become a DSO deposit.

At Hayot Lake, hole HAY-11-10 intersected 108.2 metres grading 33.2% total iron.

The company is continuing drilling, and anticipates a resource calculation at Attikamagen by the third quarter of 2012..

Asset Development

Aside from Century's main three projects, late last year, it acquired four iron ore properties in Newfoundland from Altius Minerals (TSE:ALS), where it is planning around \$5 million worth of exploration this year. Chim said that Century would consider a potential partnering transaction for the asset, if it can find the right party.

The new assets, located in the Labrador Trough region of western Labrador, are expected to be in the resource drilling stage by the end of the year, said Chim.

Chim himself has extensive network experience and expertise in the international iron ore industry, having served with public companies listed in London, Hong Kong, China, and Australia. He is the chairman of [Augyva Mining Resources](#), and is also a non-executive director of Prosperity Mineral Holdings, as well as an independent non-executive director of [Sage Gold](#).

Being an investor in the iron ore sector, he was one of the early major shareholders of [Consolidated Thompson](#), which in January 2011 agreed to be acquired by US-based Cliffs Natural Resources in a C\$4.9 billion deal designed to boost Cliffs' sales to China, the biggest buyer of iron ore.

Earlier this week, [Century Iron](#) appointed engineer Hubert Vallée as senior vice president of logistics, mine development and operations, in an effort to bolster the company's team.

His initial duties will focus on building the logistics solutions for the company's Labrador Trough and Duncan Lake projects.

CEO Chim said that with the help of the company's strong strategic partners, it is moving all three of its main projects simultaneously at the same speed, with the "prime value opportunity" being the taconite potential, and the biggest value jump in Century expected from this development.

Chim is not the only one who is bullish on the prospects of [Century Iron](#). Just yesterday, independent equity research firm eResearch initiated coverage of [Century Iron](#) with a "Speculative Buy" rating and a \$3 target price.

In the research note, eResearch's analyst Yuri Belinsky said: "[Century Iron](#) is benefiting from the interest of Chinese steel companies in diversifying their iron ore supplies. Two Chinese giants, WISCO and Minmetals, have made a combined \$73 million investment. A further \$120 million is expected to come from WISCO shortly for exploration investment."

[Century Iron](#) is currently changing hands at around \$2.04. Its stock is up more than 8.5 percent so far in 2012.