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Century Iron Mines Corporation announces joint venture agreements with Chinese companies

PITTSBURGH (Asian Metal) 21 Dec 11 – Toronto-based Century Iron Mines Corporation announced this week its execution of joint venture agreements with China's Wuhan Iron & Steel Company (WISCO) and China MinMetals for two of four early-stage properties. Century Iron is Canada's largest holder of iron ore land claims, with interest spanning from Quebec to Newfoundland and Labrador. The Company is currently discussing long-term abilities for increasing Canada's iron ore production almost three-fold, which may be more feasible than some analysts have previously indicated.

Despite declining demand for commodities in the West in recent years, Canada's resource sectors are flourishing with help from Chinese investments. Iron ore in Canada has experienced a recent resurgence as many corporations secure investment for new projects with major global companies, including ArcelorMittal and Rio Tinto. The list of companies developing projects in the same region includes Baffinland Iron Mines Corporation, Adriana Resources, Cliffs Natural Resources/Consolidated Thompson, and others. WISCO, China's third-largest steel producer, bought stake in Canada-based Consolidated Thompson in 2009 and also agreed this year to buy interest in Canadian enterprises Adriana Resources and Quebec's Century Iron Mines, at 20% and 25%, respectively.

"At one point after WWII, Canada was a major producer [of iron ore]. Now, with Australia and Brazil having an easier time finding direct-shipping ore, [Canada] probably cannot catch up to [the output of] Australia and Brazil," Bob Leshchyshen, Vice President of Corporate Development & Investor Relations at Century Iron, reported to Asian Metal. "[Century Iron] is looking at 100Mt/y [over the long-term]."

Canada is approximated to have produced around 38Mt of iron ore last year, just one-third of the Company's long-term output goal.

"Estimating when [Century Iron goes] into production, it would do 10Mt for the first year and build up to 20 million tons. The difference in [the Duncan Lake property], and what is unique, is that it is not in the Labrador Trough; it is only about 150km from James Bay," stated Leshchyshen.

Though the Duncan Lake location is more remote than the Company's other prospects, lying in north-western area of Quebec, it is also situated near the Robert-Bourassa hydroelectric power plant. Its distance from the plant, which is the tenth largest in the world, could significantly reduce operating costs.

The other properties lie near Newfoundland and Labrador, along with prospects of other major companies, including ones partially-owned by ArcelorMittal and Rio Tinto.

“[James Bay] is deep enough that the majority of the bay is not frozen during winter, just the coast. [The Duncan Lake project] will require some icebreakers, but not to have them follow the ship to the Atlantic Ocean,” Leshchyshen remarked.

He also mentioned that the Quebec government is planning on funding billions of dollars over the next 25 years in deeper water ports, citing a particular location 50km north of Century Iron’s Duncan Lake location, where a potential study may be conducted to ascertain the feasibility of building such a port.

“If by that time we are in production, which would be 2015, [Century Iron] would not have to build its own port,” Leshchyshen added. “[The iron ore] would have to be sent about 50km further than where [the Duncan Lake property] would have its port, for a total of about 200km, but that is still a very reasonable distance.”

While some have criticized Century Iron as having lofty goals, it is not entirely unfeasible that, over the next 15-20 years, Century Iron will be able to produce the desired 100Mt/yr of the ferrous ingredient, especially with Chinese investors taking an interest in the resource-rich nation.

“The investments that [the Chinese] have made [in Canadian iron ore] are in the tens-of-millions, but there will be a slowdown in growth,” Leshchyshen remarked. “The chances of China maintaining an eight-percent [GDP] growth per year, well, that probably will not happen. If the growth slows to below five-percent per year, then there will be serious concerns. Still, China will continue to need the material. Rio Tinto and ArcelorMittal have predicted that Chinese steel-making capacity will increase again by 500 million tons over the next 15-year period; not as quickly as the last ten years, but the growth will still be major.”

Leshchyshen also noted that many domestic mines in China remain underground and therefore increase the costliness of the material. Chinese producers are also having a harder time reaching higher-grade product.

“There will still be quite a bit of need for imported iron ore. That is why Australia and Brazil are the two main suppliers,” Leshchyshen remarked. “Canada is hoping to become the third major supplier, over time, to China. China is vertically-integrating into Canada so that they can be independent of Rio Tinto.”

China’s 12th Five-Year Plan, which aims to increase foreign imports while diversifying sources, states China’s interest in acquiring offshore production assets to ease price controls created by China’s three largest suppliers – Vale, Rio Tinto, and BHP Billiton. Canada, with abundant resources, is a viable option not only for Chinese consumers but for international buyers. Currently, there are 16 projects in east Canada alone in either the exploration or development stages. With Chinese investment in offshore production planning to heat up over the next four years, Century Iron might very well begin production with an upper-hand in the North American iron ore export market.

Shares of Century Iron Mines Corporation (TSE:FER) rose CAD0.02 Tuesday to end at CAD1.94 per share at market close.