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Alderon ready to start construction on Kami Mine pending financing

CEO says conditions are right to move forward

By Thom Barker

For Tayfun Eldem, President and CEO of Alderon Iron Ore Corp., bringing the company's new Kami Iron Ore Project into production in Labrador west is personal.

"This is not just a project for me that's being developed, it's a project that's being developed in an area I have very fond memories of and a fairly strong personal attachment to and that is also a strong factor in driving me forward," he said, noting his only child was born in Labrador City.

The Kami Project has been on hold since iron ore prices tanked in 2014-15, but with an uptick in prices and increasing demand for high-grade iron ore, particularly in China, Eldem said his company is on track to move forward sooner rather than later.

"Our objective is to commence construction in early 2020, if not sooner," he told The Aurora. "It's highly contingent on financing, but the way we've structured our financing efforts, the way we've re-structured our plans to regroup the project team and re-initiate development and ultimately start construction, that sees us going into Q1 2020."

For mining projects that may seem like a tight timeline, but Eldem pointed out the company is re-starting from a fairly advanced stage.

"When we put the project on hold, we had advanced it to a point where we were released from environmental assessment, so we're fully permitted, we have the mining and surface leases in hand," he explained. "Ultimately we're green-lighted to start construction."

Furthermore, he said, the company has completed over half the engineering, has key infrastructure agreements in place and has pre-sold 100 per cent of the estimated 517.2 million tonnes of ore.

Alderon has been developing the Kami Project on a property just south of Wabush for nearly a decade and now Eldem believes conditions are coming around to where securing the needed financing is possible.

"The market has stabilized, but there's a new phenomenon where the higher-grade products are fetching a large premium," he said.

At 65.2 per cent iron content, Kami is top-grade and Alderon is now positioned to take advantage of that phenomena. A recently-released updated feasibility study has Eldem confident the money will follow.

"When you look at the feasibility study, which obviously confirms the robust economics of the project, that then sets the way for financing," he said. "The investment community has pretty much turned away from iron ore and bulk commodities in the last two to three years, but what has happened is, I think, they're starting to come back realizing there's an opportunity."

“Are they ready to jump with both feet in the way they did back in 2010-2011? Not yet, but I think there is a growing appreciation for projects like Kami.”

Earlier this month, Alderon and representatives of the provincial government, including Premier Dwight Ball, were in China on a trade mission that involved discussions with Alderon’s Chinese Partner HBIS, which owns 25 per cent of Kami and thus far has invested some \$180 million in the project.

“The outcome of these discussions at this stage was that (HBIS) Chairman Yu Yong, articulated his company’s commitment to the Kami project, so in other words, re-affirmed their support for the project and their continued interest to develop it,” Eldem said.

“In response, NL Premier Ball expressed that the province is essentially open for business, that they support HBIS’s presence as a foreign investor and that they were willing to work and facilitate the advancement of the project.”

In addition to those high-level meetings, Alderon and HBIS also rolled up their sleeves and got down to work on some details.

“The other discussions that we had offline, one-on-one with HBIS, were all around how to structure the financing and it’s too early for me to comment on what that looks like,” he said.

While Eldem is not ready to comment on specifics, he said the company is considering all options, up to and including selling.

“My job is to maximize shareholder value,” he said. “If that comes by way of us potentially selling some of the project to somebody else, so be it, we’re open to that.”

The current version of Alderon’s economic assessment indicates Newfoundland and Labrador will realize a \$5 billion benefit over the 26-year life of the project, \$2.2 billion in direct and indirect employment income and \$2.3 billion in taxes.