

Iron Ore & Base Metals

Premium-quality iron ore in high demand

The Labrador Trough, an extensive belt of mineralization running through the provinces of Québec and Newfoundland & Labrador, has been producing iron ore since the 1930s. Roughly 500 km south, the port of Sept-Îles – Canada’s largest iron ore export port – ships product for steel production around the world, of which Czhina accounted for 49.2% in 2017.

Although the price of regular-grade iron ore has slumped since 2015, higher-grade iron ore concentrate of 65% Fe and above, with a lower content of alumina, is attracting a price premium, as China looks to reduce its carbon emissions. Tayfun Eldem, president and CEO of Alderon Iron Ore, explained: “China continues to drive the iron ore market, but in recent years, its influence has shifted towards product quality, rather than being solely volume-based, due to the country’s strict policies to curb air pollution.”

Alderon’s advanced-stage, premium-quality Kami Iron Ore project is fully permitted to commence construction. The project will contribute approximately C\$7.6 billion to workers and businesses across Canada during its lifecycle, according to Eldem. The Québec

government’s acquisition of Cliffs Natural Resources has opened up its ore-handling facilities into a multi-user arrangement, which has had implications in terms of access and capital rationalization. “Projects that mine bulk commodities are first and foremost infrastructure projects, and having access to good rail and port infrastructure is critical,” stated Eldem.

While the general market may not yet be fully aware of the different markets for the varying grades of iron ore, the mining investment community has taken note, exemplified by Altius Mineral’s becoming a shareholder in Champion Iron and investing C\$10 million in a convertible debenture to help restart the Bloom Lake mine. Chad Wells, Altius Minerals’ vice president, explained the investment: “Champion Iron is going to play a significant role in the bifurcation story of iron ore, as they are producing a significantly high grade with low impurities,” he responded.

Tata Steel Minerals Canada (TSMC) is the Montréal-based mining arm of the Tata Steel Group, one of the world’s largest steel producers with over 77,000 employees globally. TSMC is developing iron ore deposits

in Québec and Newfoundland & Labrador, and started with a small, direct shipping ore (DSO) operation from a section of its deposit that could be extracted directly from the ground, crushed, and screened. The sinter fines and pellet fines are then shipped to customers. PK Ghose, TSMC’s CEO and MD, commented on how their product has been widely accepted across both Europe and China: “Over the last three years, we have extracted 6 to 7 million tons, with the majority shipped to China and later Tata Steel’s European steel making facilities.”

In 2017, TSMC signed a memorandum of understanding with Société du Plan Nord and Québec Iron Ore for the development and enhancement of the infrastructure facilities at Pointe-Noire in Sept-Îles via the limited partnership Société Ferroviaire et Portuaire de Pointe-Noire (SFPPN). The collaboration will facilitate the development of the Pointe Noire infrastructure to match the anticipated ore delivery needs of its partners. One of TSMC’s partners is New Millennium Iron (NML), which completed a pre-feasibility study in 2016 for its Taconite project, NuTac. Dean Journeaux, director of NML, provided details of the grade at Taconite: “Its concentrate grade is 67% Fe, with very low alumina and other deleterious elements, which commands a premium in the market,” he said.

JUNIORS RESTRUCTURE TO FOCUS ON BASE METAL EXPLORATION

After selling its gold assets in northern Québec to the newly formed Québec Precious Metals Corporation (QPM), Sphinx Resources chose to focus on zinc in southwestern Québec. Its Calumet-Sud discovery in the Pontiac regional county municipality, in collaboration with SOQUEM, has extensive zinc mineralization on the surface of the ground and rock, according to director Normand Champigny.

Normand also divulged Sphinx’ relationship with Osisko to explore for zinc in the Grenville geological province, characterized by the presence of zinc-rich dolomitic marble. Champigny compared the geology in the region to that of Australia, where half

the world’s zinc has been produced, and explained its benefits: “One advantage of this rock is that it is basic, meaning that there is no acid mine-drainage. Additionally, it is soft and can be used to sell non-zinc material as a fertilizer.”

Another base metal-focused company working in the Grenville geological province is Kintavar, established in March 2017 as part of a transaction between GéoMéga Resources and a private company, and financed to the tune of C\$10 million. Kintavar’s Mitchi property is a stratiform copper-type deposit (SSC), with mineralization from-surface, which means it can be mined as an open-pit and is thus more cost-effective. Kiril Mugerma, Kintavar’s CEO, revealed that results from trenching activities in 2017 did not fit into a traditional skarn model, and shared similar characteristics to sedimentary deposits from the DRC. Despite a decrease in the copper price in 2018 due in part to the tariff war between the US and China,

Mugerma sees strong fundamentals for copper moving forward: “It is now a good time for investors to look at the copper market. The macro picture suggests that the price will increase significantly, as major copper discoveries are rare, but demand is increasing,” he advised.

Galway Metals is one of two spin-off companies from the sale of Galway Resources for US\$340 million in December 2012. In addition to its gold-focused Clarence property, its Estrades property in the northern Abitibi region of western Québec has five metals – gold, silver, zinc, copper and lead. The overall metal content at Estrades has risen by 32%, with tonnes increasing by 47%, according to Louis Morin, CEO of Galway Metals, who elaborated on the features of the resource: “Crossing the Estrades property are two under-explored rhyolite units in which volcanogenic massive sulfide ore deposits are found, usually in clusters,” he said.

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Contact: Karole Gagnon, Land Coordinator
info@soquem.qc.ca www.soquem.qc.ca

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