



Century Iron

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Labrador in line to meet China's lust for steel: Century Iron Mines conference

A need for steel has yanked iron ore out of a protracted slump inflicted upon the entire commodity complex, causing emerging jurisdictions like Labrador and West Africa to compete for attention with big producers in places like Brazil and Australia.

No other country craves steel's core ingredient like China, an observation made repeatedly clear to a conference hosted by Century Iron Mines (TSE:FER) in Toronto last week that featured big names in the Chinese steel industry as well as former Newfoundland premier Brian Tobin.

The link between Newfoundland, which along with Quebec hosts the 1,600 kilometre-long Labrador Trough, and China's accelerated development wasn't lost on the audience. Labrador's business-friendly climate and growing infrastructure put it squarely in the race to supply China with iron ore, as companies around the world build mines to cash in on prices that, currently, are at the second-highest level on record.

The price of iron ore has jumped roughly 20% from 2013 lows in May, due largely to Chinese imports that hit a record 75 million tonnes last month, a feat that begs defiance of skepticism that China is not keeping up its rabid pace of growth. London, UK-based mining analytics and strategy firm CRU Strategies predicts China won't reach its per capita steel consumption peak until 2020.

"I don't think there is another China," said CRU president & CEO Phil Newman, who presented at the Century Iron conference. "China is pretty unique in terms of what impact it's had on commodities markets."

With China's urbanization ratio far from the levels of OECD nations, it's likely that its iron ore demand will persist decades into the future. Newman believes the world's steel production will grow steadily, even if it is less China-centric into the next decade, as aspirational economies like Vietnam and Indonesia build their would-be empires city by city.

While mega producers like Vale (NYSE:VALE), which this year expects to produce 302 million tonnes of iron ore, dominate a highly-consolidated industry with stiff barriers to entry, Century Iron's president and CEO Sandy Chim is confident that there is room for his company to join the mix. Its most advanced property, Joyce Lake, is in the northern reaches of the Labrador Trough.

"We're a small producer at the start, so we're not going to be worrying about capacity constraints," Chim told the conference.

Century Iron has nearly 20 billion tonnes of resources, most of which are at the Full Moon project about 40 kilometres northwest of Joyce Lake, which has just shy of 16 million tonnes of resources and won't be in production until 2016. That means the road ahead is a long one.

But when the time comes to ship, and if all routes lead to China, Century Iron is blessed with partners who simultaneously provide the company with a major Chinese connection and Fortune 500 backing. Wuhan Iron and Steel Company, or WISCO, the third-largest steel producer in China, has a 40% interest in three Century projects as well as a 60% off-take agreement. Minmetals has a 5% equity stake in Century and a potential off-take agreement for 10% of

Price: C\$0.48

Market Cap: C\$44.97M

1 Year Share Price Graph



Share Information

Code: FER

Listing: TSX

Sector: General Mining

Website: www.centuryiron.com

Company Synopsis:

Century Iron Mines Corporation is a mining company with mineral exploration and development activities focused on iron ore. Listed on the TSX - stock symbol FER, it has iron ore rich mining properties in Western Quebec south of James Bay and in the well-known Labrador trough that spans North-Eastern Quebec and Western Newfoundland and Labrador.

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production.

BHP Billiton (NYSE:BHP), Rio Tinto (NYSE:RIO) (LON:RIO) (ASX:RIO) and Vale control more than half the world's iron exports, but CRU's Newman believes persistence will pay off for the juniors in the Trough, home to one of the world's largest undeveloped iron ore resources. Of the 46 projects in Canada, four-fifths are in exploration stages.

"You need to bring something new to the table, whether that's a particularly high quality of material, a route to market or a strong, stable JV," Newman said.

Mining talk invariably leads to money chatter. China, looking out for its interests, is doing its part to alleviate capital constraints in Labrador. Aside from WISCO and Minmetals, the Asian powerhouse's presence in Labrador wouldn't be complete without its largest steelmaker, Hebei Iron and Steel Group, which bought a 25% stake in Alderon Iron Ore's (TSE:ADV) Kami mine in April.

Tobin, whose history in Labrador extends beyond the realm of politics to when he was chairman of Consolidated Thompson Iron Mines before it was taken over by Cliffs Natural Resources (NYSE:CLF) two-and-a-half years ago, waxed nostalgic about the struggles to raise funds, even though he and his team eventually scraped together enough money to build the Bloom Lake mine, but not without the help of a WISCO infusion.

"It was about having a team that was indomitable in their view of what was possible even in harsh conditions in a northern climate, a team who understood that the underlying asset was rock solid and folks who looked at the lay of the land around the world and said, 'Does iron ore ... have a future?'" Tobin said.

For speakers at the conference, that question, years later, can be answered with an emphatic "yes." And in the future Tobin alludes to, the wild fluctuations of last year's prices will disappear, Jionghui Wang, assistant president of Minmetals, told the crowd.

"Urbanization requires demand for resources," said Wang. "Iron ore prices in the long-run will remain stable."

Even if the IMF's forecast of 7% to 8% GDP growth is half of the peak reached in 1984, China's incremental output is still significant and that could only be a positive sign for burgeoning iron ore producers. Tobin, for one, believes iron ore miners are undervalued.

"My belief is that, given time, these iron ore equities will recover," Tobin said. "If you're a patient investor looking for solid returns, it's certainly one of the areas you'll want to reflect upon."

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