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Kami Mine project looking good for Labrador West — except for that \$1B price tag

Mine announced in 2013 but shelved the next year when the price of iron ore collapsed

By Jacob Barker

A feasibility study for the Kami Mine paints a bright picture for its future, but there's a catch: it'll take \$1 billion in financing to get it up and running.

"Cheques?" Alderon CEO Tayfun Eldem asked, joking with the Labrador West Chamber of Commerce as he delivered a presentation about the mine.

The Kami Mine would operate on the Rose Deposit of iron ore in Labrador West. The mine was announced in 2013 but shelved the next year when the price of the commodity collapsed.

But with prices on the rise, the project is back on the table.



Tayfun Eldem, president and CEO of Alderon Iron Ore Co., presented the results of its feasibility study to the Labrador West Chamber of Commerce on Wednesday. (Jacob Barker/CBC)

"The market has changed and the reason for that is, really, China's drive to clean up its air pollution," Eldem said.

Because of this, iron ore from Labrador West and northern Québec is fetching a "handsome premium" at the moment, he said.

During his talk Eldem was flanked by his vice-president of Asia Pacific affairs, David Lee, along with Zhou Wei, the president of the Canadian division of Hebei Iron & Steel Group.

HBIS is China's largest steel producer and owns 25 per cent of the Kami project.

"It's about continuing to build the confidence in the project they've invested in, [and] they can't wait to get their hands on the product," Eldem said.

"They've been with us all along. They've been a partner with us for five years. They've been very patient."

Power and rail

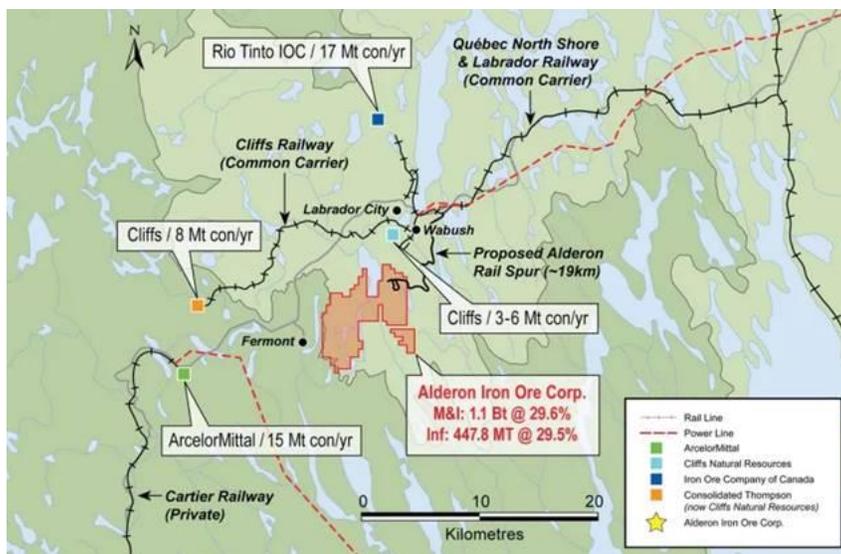
Eldem's presentation said the project is "shovel ready," but there are still details that need to be worked out. Eldem said there is a standing agreement with NL Hydro for 65 megawatts of power to operate, but work needs to be done on the grid to make that happen.

"With the industry in the towns, there isn't sufficient power for a newcomer like us, especially if Wabush Mines was to restart," Eldem said.

"That being said, we have a power purchase agreement with Newfoundland and Labrador Hydro, and that agreement clearly puts the onus on them to provide the power."

Labrador West MHA Graham Letto said the government has committed to provide the power for Alderon to use but the transmission capacity needs to be expanded.

"Whether it's from Churchill Falls or wherever, we certainly need more transmission capacity, and that means a third line," Letto said.



An agreement would also have to be worked out with the Iron Ore Company of Canada to get their product to port in Sept-Îles, Que., using the Quebec North Shore and Labrador Railway, which is owned by IOC.

"That railway is classified as a common-class railway. It means you have access to that railway, no-one can deny or turn you away if you have material to transport on that railway," Eldem said.

"What needs to happen is we need to sit down and negotiate a haulage agreement with them, but those agreements typically have a take-or-pay component. So until I have some clarity around when production is going to take place, I don't want to enter that agreement prematurely."