

# Halifax firm, partners to create new iron mine

November 18, 2011 - 6:46pm By ROGER TAYLOR Business Columnist

## Photos



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ROGER TAYLOR

A private Nova Scotia company, Grand River Ironsands Inc. of Halifax, has joined forces with South African miner Petmin Ltd. and Vancouver engineering company Cardero Resource Corp. to create a \$400-million iron sands mine and pig iron plant in Labrador.

The corporate trio will create a new Newfoundland and Labrador-registered company, North Atlantic Iron Corp., which will mine the iron sands of the Churchill River to make a refined pig iron product used in the steel-making process.

Grand River will maintain a 60 per cent stake in the newly formed company and, for its \$25-million investment, Petmin has a 40 per cent share. Cardero has an agreement with Grand River that will allow it to earn an unspecified equity stake in the new venture over time.

In an interview, Bradley Doig, business development director for Petmin, explained the money his company is putting into the project is being used to prepare a bankable feasibility study.

“We’re in sort of the second phase of our (three-stage) investment process and all the information that we’re receiving out of the process is confirming exactly what we anticipated would be there initially, which is very positive. So we’re very excited about it.”

The iron sands resource will be a low-cost feedstock for making a high-purity pig iron ingot. The pig iron plant will make the ingot, which will be transported by ship to markets in the United States and beyond.

The driving force behind the development of the iron sands has been the president of Grand River Ironsands, Francis MacKenzie, best known locally as a former leader of the Nova Scotia Liberal Party.

The chairman of Grand River Ironsands is also a well-known investor and businessman, David Hennigar. Hennigar’s Thornridge Holdings Ltd. is the majority shareholder of seafood company High Liner Foods.

MacKenzie says the iron sands project is highly efficient. There is no blasting, crushing or grinding necessary — “Mother Nature has taken care of that after thousands of years.”

North Atlantic Iron has an enormous resource claim of about 450 square kilometres, which means production could be increased or scaled back based on market conditions.

“The qualities that were anticipated are being confirmed by a drilling program,” says Doig.

“We are literally 20 kilometres from 6,000 megawatts of hydroelectric power (at Churchill Falls), which is the cleanest power you can get. We’re at a port, we have a supportive local community, and a commodity which we believe will continue to be in great demand. Put that all together and you’ll say: ‘What’s not to like about this project?’

“It doesn’t matter what the commodity price is, if you’re at the lowest or at the lower quartile of cost curve, you’re always going to be in business. And this is something that drives our business.”

The cash cost of producing pig iron from the iron sands project is about \$200 per tonne, says MacKenzie, and even with things like interest, amortization and depreciation included, the cost of producing iron from the Labrador mine is estimated by the developers to be about \$260 a tonne.

Doig says the average price for pig iron over the last six months has been about \$500 a tonne.

“If we’re making 500,000 tonnes, the first plant size, you’ll be making \$100 million a year. That’s a proper little business.”

The main focus will be the U.S. steel market, about a week away by ship, which currently consumes about seven million tonnes of pig iron annually.

North Atlantic Iron’s ingots are expected to be among the least expensive on the market and therefore are expected to have no problem breaking into the U.S. market.

The local Innu First Nations community will have a stake in the project through its five per cent equity position in Grand River Ironsands. MacKenzie says a royalty stream for the Innu will be negotiated before the mine goes into full production.

North Atlantic Iron hopes to start the first phase of production, about 500,000 tonnes annually, by 2015.

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*About the Author»*

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