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Avalon defrosts Swedish copper mine

Wednesday, 22 August 2012

WHILE some say the grass is greener on the other side, in the case of mining in Australia versus mining in Europe, sometimes the grass just needs to be covered in snow. Brooke Showers explores the perks to mining in Sweden.

As explorer Avalon Minerals has realised of late, there are many advantages to operating a mining project in the Scandinavian region of Europe.

Especially if the project already contains a copper resource inventory and is situated close to existing infrastructure.

The Viscaria copper project is located 1300km north of Stockholm and chilled for more than a decade, due to low copper prices, before Avalon picked it up from Phelps Dodge in 2008.

Viscaria has three copper deposits and a regional exploration ground including iron resources where Avalon aims to revive mining by 2016.

Northern Sweden is becoming an increasingly attractive option among Australian Securities Exchange-listed companies, with Perth-based Talga Gold assessing graphite projects in the same part of Scandinavia and Drake Resources expanding its footprint in Norway after securing rights over two copper-zinc mines.

One of the reasons for the trend is Sweden has very good infrastructure, and a history of iron ore mining spanning 120 years, so public access to roads, rail and the port at Narvik's export hub on the coast is a bonus.

Generating power and implementing infrastructure can be costly in underdeveloped areas, and the maturity of Sweden's mining industry is emerging as a drawcard for many investors and explorers.

The rail line in the region is open to everyone compared to the gridlocked ownership surrounding key rail and ports in Australia.

Power costs are also low priced at 3c per kilowatt which is handy when three months of the year near the Arctic Circle experiences 24-7 black skies, placing increased reliance on industrial spotlights.

Swapping sticky summers for cooler climates, investors are also escaping the Minerals Resource Rent Tax and state mining royalties, by setting up shop in Europe.

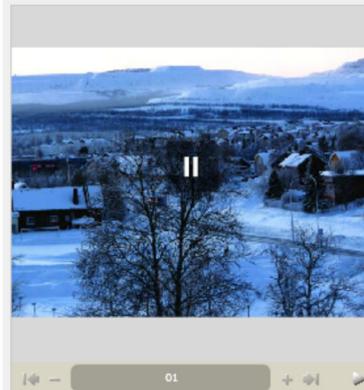
Avalon managing director Jeremy Read said another aspect many people weren't quick to realise was Sweden sits in the top 10, in terms of a mining-friendly destination according to the Fraser Institute, which ranks investment in Sweden in seventh place compared to WA in spot 12.

"From a company tax perspective, in Sweden, businesses pay 23.6% tax which is lower than Australia," Read said.

Avalon is focused on exploration activity at Viscaria's prematurely retired deposits, to enhance the project's net present value which stands at \$A100 million based on current resource estimates, with a major drill program


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slated to kick off in November.

"That's what we concentrate on, putting our money into is relatively low-risk activities with high probability of success to create significant amounts of value," Read said.

"As an absolute minimum we want to deliver five times the money on return within two to three years.

"The way we want to do that is focus on growing our mineral resources, double high grade copper which is already 2% plus copper."

At Viscaria, the A Zone pit historically produced 12.5 million tonnes at 2.3% copper.

Avalon is confident of re-opening the A Zone mine and expanding on the resource of 21.6Mt at 1.5% copper, by adding 2.5Mt at 2% equating to a further \$40-\$50 million in NPV.

The B Zone contains 19.7Mt at 0.8% copper and the D Zone holds 11Mt at 0.6% copper and 24% iron.

By extending drilling to 135m deep, Avalon anticipated it could add an extra \$60 million in value and by extending along strike, the value could increase by another \$100 million.

"There has been no significant copper exploration here for 20 years and there's lots of indications of good copper targets," Read said.

"Our exploration strategy is to understand what controls the high grade copper."

Read said when the previous owner mined Viscaria, it did vast amounts of short space drilling, chasing the high grade copper but failed to look at it in a bigger sense and examine the grades.

"If we define this 2.5Mt at 2.5% copper underground, with this drill program over the winter, that's a real game changer, because that in itself will double our copper production," Read said.

One of the best times for exploration in Sweden is in winter when the place freezes over and people and machines move around more easily causing less environmental damage.

A Zone is tipped to produce 500,000 tonnes per annum grading 1.3% copper and D Zone is expected to produce 1MT grading 0.5% copper and 25% iron for 5000t copper in concentrate and 252,000t of iron concentrate.

The company is two thirds through a scoping study to determine the value of open pit and underground mines to extract copper from A Zone and copper and iron from D Zone.

With D Zone's iron concentrate grading 72% attracting interest from metal traders looking to blend, and Europe's largest iron ore producer LKAB and its pelletiser plant right next door, Avalon is not short of iron off-take options.

Avalon is based in Brisbane and is in the process of setting up another office in the regional centre for northern Sweden; Lulea located on the gulf some 300km away from Viscaria.

If businesses want to get work done with the government, contractors or mining and environmental departments, Lulea is the place to be.

With the drilling program expected to be wrapped up by this time next year, Avalon wants to demonstrate the viability of the project by moving towards a bankable feasibility study in the first half of 2014 and obtain finance and permits to develop the project by the end of 2014.

Allowing 18 months for construction, first production at the revamped site could be in early 2016, although attracting qualified staff to the Arctic Circle could prove to be a challenge.

Read admitted filling labour requirements for the project could be a concern, however, was less of an issue when compared to developing a project in Australia.

"Accessibility to qualified staff is better than WA, the job market is a different dynamic, it's not as expensive for good quality people, but it is still relatively tight," Read said.

"But we are right next to town, which its prime purpose for being there is mining.

"The other advantage of operating in Sweden is you can draw from people right across the European Union."

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