FinnAust Mining plc is entering new territory and it will do so armed with high levels of geological information in order to hit the ground running.

Late last year FinnAust – the noted base metals explorer of which Western Areas Ltd is the 60% major shareholder – made the move to acquire the Pituffik ilmenite asset in Greenland through purchase of an initial 60% of project owner Bluejay Mining Ltd.

Based in London, FinnAust’s original interests had been the Hammaslahti copper, Kelkka nickel-copper and Outokumpu copper projects in Finland, while it also has an 80% interest in the Mitterberg copper project in Austria.

With both nickel and copper prices struggling at the moment, Pituffik offers FinnAust exposure to a potential near-term producing asset, according to new FinnAust managing director Rod McIllree.

“Potentially we can get something up in 2017, a minimum 10,000-50,000t marketing testing parcel is a pretty real scenario,” McIllree told Paydirt.

“What sets Pituffik apart is it is a low impurity product. There is an enormous amount of dirty ilmenite in the world but not much clean ilmenite to blend it with. We are not going to be doing millions of tonnes, but chugging away at 0.5-1.5 mtpa over 20-30 years is the current strategy, which is easy to achieve and profitable. It will be demand dependent and can be ramped up.”

McIllree has recently taken over as managing director of FinnAust, with Graham Marshall joining Dan Lougher as a non-executive director.

It was always part of Western Areas’ plan to loosen Lougher and Marshall up from FinnAust duties and the tie up with Bluejay seems a perfect fit.

“We are always looking for alternative corporate action for FinnAust and we have put the effort into looking at those VMS deposits in Finland where most of the work has been done. We had the view that to take the company forward we really needed to get some sort of different project,” Lougher said.

“We are still talking to people – Boliden – and a few other guys on potential JVs in Finland on the copper in the Outukumpu area because they are very active there now. During that process, we came across Rod and the mineral sands project he was basically developing and had it valued by SRK. It is different to base metals but you have to keep an open mind about these things. It is not Western Areas, it is FinnAust’s business and at the end of the day we are just a shareholder. We [FinnAust] are listed and Bluejay are not, so basically they are bringing in the equity of the project, the asset value into FinnAust.”

McIllree’s knowledge of Pituffik is extensive and his understanding of Greenland’s mining sector is equally impressive.

It was McIllree who founded rare earths and uranium hopeful Greenland Minerals and Energy Ltd, so tapping into the regulatory system during the EIA and exploitation permitting process at Pituffik (to start this year) won’t provide FinnAust with a headache.

“FinnAust shareholders can benefit from 10 years of our experience and 50 years of Danish geological experience in Greenland,” McIllree said.

The Bureau of Minerals and Petroleum took control of the minerals industry from Danish authorities in 1998, however, Greenland remains protected under Denmark’s military.

Therefore, Greenland is one of the safest countries in the world, with outstanding geology to match, McIllree said.

McIllree added mining and exploration could become easier as permafrost melting in the past 15-18 years has allowed for greater accessibility to regional areas.

Pituffik offers FinnAust exposure to a potential near-term producing mineral sands asset
“We have been working in Greenland for almost a decade and I can say that it is under appreciated in the minerals space. It does have its logistical challenges [81% of the country is ice capped] but it is more than compensated by being one of the safest countries in the world and the prospectivity is outstanding.”

Pituffik may well be one of the country’s best emerging mining prospects given the simplicity of the deposit.

“It is a pure ilmenite project and extremely high grade, with some samples up to 95% ilmenite. It is a deposit that can almost be direct shipped because of the very low impurities. There are no secondary processes, it is pretty straightforward which will give us the ability to get something up hopefully in 2017, subject to permitting, and we understand how to get that done,” McIIlree said.

Onshore and offshore sampling results are expected in Q1 before FinnAust can launch geological modelling and work programmes.

Following that, FinnAust plans to engage the Geological Survey of Greenland and Denmark (GEUS) to analyse technical work, while it hopes to expand its existing licences to include offshore areas before preparing samples to initiate off-take discussions.

Results received so far indicate there is potential for large volumes of ilmenite-bearing sediments about 1km from shore at depths in the vicinity of 30m which could be amenable to offshore dredging.

McIIlree said the company was focused on developing a boat-borne, campaign-based dredging operation straight from the sea floor.

– Mark Andrews

Muga takes potash hopeful to Highfield

A SX-listed Highfield Resources Ltd’s Muga project has been endorsed as potentially the highest margin potash producer in the world.

An independent report by Argus FMB, commissioned by the European project finance banking syndicate for Muga, revealed Highfield was likely to be the lowest cost potash producer with a total cash margin of 61% in 2015.

Based on 2015 calendar year prices and delivery to customers in Europe, Brazil and the US, Highfield rated the best of its competitors on the basis of a sales ratio of 75% into Europe and 25% into the US.

“We continue to believe we have the most compelling potash project globally and this is the first of our portfolio of five projects that all appear to exhibit similar characteristics,” Highfield managing director Anthony Hall said.

Muga is the company’s flagship, however, Hall has openly stated Vipasca could be the best project.

Nevertheless, Muga is the most advanced and the company completed an optimisation study late last year, which indicated a mine life of 47 years for the production of 1.08 mtpa granular K60 muriate of potash (MOP) expected.

A term sheet for €222 million in project finance has been signed with four commercial European banks, with pre-production capital costs of €267 million required to build Muga.

Cash costs of are estimated at €130/t, with North West Europe 2015 spot prices (October) fetching about €300/t.

Highfield has forecast production of 2 mtpa MOP by 2020, with Muga coming on stream in Q3 2017.