

# Oceanic Eyes Leverage to Global Iron Ore Demand

**MINERALS** | Q&A with Oceanic Iron Ore (V.FEO) Chairman, CEO and Director, Steven Dean

BY STOCKHOUSE EDITORIAL

## Q+A

### How was Oceanic Iron Ore formed?

**SD:** The Company was formed at the end of 2010 to develop the Ungava Bay Property. The Property consists of three project areas, Hopes Advance, Roberts Lake and Morgan Lake, which cover over 300 km of iron formation in close proximity to the coast.

The management team was put in place in Q1 2011 and at the outset decided to focus on the fast track development of the Hopes Advance project.

### Can you discuss the rapid development of Oceanic?

**SD:** Our strategy was to ensure we technically advance the Hopes Advance project as extensively and as quickly as possible to support our eventual discussions with potential strategic and off-take partners.

In a little over 2 years, we have signed an LOI with the local Inuit community, established an initial 43-101 compliant Resource, delivered a Preliminary Economic Assessment, increased our resources TO 1.58BN tonnes M&I plus 0.269BN tonnes inferred and most recently

published a Pre-Feasibility study for Hopes Advance Bay outlining an NPV of \$5.6BN. Proven and probable reserves for Hopes Advance are approximately 1.36 BN tonnes Fe and extensive metallurgical test work, including completion of an extensive bench scale and pilot plant program confirm the quality and process flow sheet of the ore.

The rate of fast-tracking of the project is a testament to the quality and depth of our management team.

### Can you elaborate on your team?

**SD:** We were very fortunate to be able to attract a best-in-class management team. The individuals I approached saw what I saw in the opportunity and quality of the asset.

Our President, Alan Gorman,

has 30 years of operations and technical experience with mining companies and projects, both in Canada and internationally. He's been involved with, led or managed large projects and mining operations for both intermediate and senior mining companies, and has extensive experience operating in northern and Arctic environments.

Most recently, Alan was Executive Vice President of Operations for Goldbrook Ventures Inc. Prior to his tenure at Goldbrook, he was Vice President of Operations for Jien Canada Mining Ltd's Nunavik Nickel Project, as well as Operations Manager for Baffinland Iron Mines Corp.

Our CFO, Irfan Shariff, is a senior finance executive with broad finance and corporate experience including most

recently at Citigroup in London, UK, where he spent nearly eight years working in the mergers and acquisitions group.

Our Director of Exploration, Eddy Canova, has over 25 years' experience in the mineral exploration industry in Canada, Venezuela, Mexico, and West Africa and four years' experience in mineral production in Venezuela.

### After your career as President of Teck Cominco, what in particular about this project attracted you enough to commit your team to oceanic?

**SD:** Size, scale and quality of the asset are critically important when evaluating any project. However what really caught my attention with the Hopes Advance project was its location. I know of no other multi-billion tonne Iron



deposit in the world located on the coast, with the first-class technical characteristics of the Hopes Advance project.

The project's location means Oceanic has no requirement for rail transportation in order to get it on a ship to the world's markets. Rail transportation can often account for \$15 - \$20 per tonne or 30%-40% of a project's operating costs. Our product will be put directly on to a ship at our project site which is why our operating costs are projected to be the lowest compared to any of our development stage peers and in the lowest quartile globally at \$30 per tonne.

Low costs, combined with scale and a high quality product are unique and desirable qualities that have wide appeal amongst steel companies globally.

### What are you seeing and hearing globally on the iron ore market and its supply & demand?

**SD:** China accounts for the majority of the demand for iron ore produced today. Much of China's domestic production is typically low grade and very high cost so Chinese steel mills are turning increasingly to cheaper and higher grade imports from countries

like Australia and Brazil and Canada to satisfy their supply requirements as the country continues to develop.

This reliance on imports is only going to increase over time. The issue they have today is that the majority of their supply comes from the Big 3 producers Vale, Rio Tinto and BHP billion. As a central government directive, China is looking to increase their direct access and ownership of iron ore resources internationally so they can have stable supply and participate in the value end of the steel supply chain, owning equity in some of their supply also gives the Chinese some leverage in their price and supply negotiations with the Big Three. By far the majority of profits in the steel business globally are made in the supply of the raw materials iron and coal. China wants to participate in those returns by marrying their off take requirements to support the development of new iron resources as a part owner and provider of finance.

### Is there any recent evidence of the movement by the Chinese to invest directly in iron ore projects in countries like Canada?

**SD:** Wisco (Wuhan Iron &



Steel Corp.), China's fourth-largest steelmaker by output, said a couple of weeks ago it plans to achieve 100% self-sufficiency in 3 - 5 years and abandon its heavy reliance on the Big 3. Steel companies typically invest capital in smaller owners of iron ore resources, and enter into an off-take agreement to purchase a portion of their mine's production.

Wisco already have one investment in Canada and we suspect they will make more. Hebei Iron & Steel is an example of another example of a Chinese steel mill invested in Canada. Arcelor Mittal and Tata are two Euro/Indian steel companies with significant investment here.

### How great is the downside price risk here in your opinion?

**SD:** With respect to the iron ore price, China's cumulative steel consumption per capita remains well behind the developed world and steel production in China is not expected to

peak until 2030. Significant urbanization will continue and that should support the price of iron ore for years to come. Furthermore, the high marginal cost per tonne of domestic supply in excess of \$100/tonne in China will also support the price over the medium to long term.

As a low cost producer, Oceanic has a better ability to manage through iron ore price volatility than most of its peers. This is very appealing to a potential strategic partner.

### We understand Frank Giustra is one of your largest shareholders. How much does he own and did he participate in the most recent private placement?

**SD:** Frank is our single largest shareholder. He bought over half of the 21,875,000 shares offered in our most recent \$3,500,000 private placement which took his stake to 20,345,000 shares representing just over 10% of Oceanic. Frank has been active in market since and today owns over 12%

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of our outstanding shares and continues to be a strong supporter of the company.

### What is the team's marketing plan following the recently released PFS?

**SD:** We have been extremely busy marketing our PFS since it was released this past September attending a number of bank sponsored and industry conferences, trade shows and retail investor events all around the world.

We've marketed in China, the UK and Europe, all over North America and will be attending PDAC in Toronto and Mines & Money in Hong Kong in March followed by Haywood and RBC Iron Ore Investment Conferences in April.

Oceanic Iron Ore is a relatively new story and as yet unfamiliar to many in the investment world. It's important we market frequently in order to educate analysts, institutions and private investors alike.

### Why should an Investor be interested in Oceanic Iron Ore?

**SD:** Quite simply, in my opinion Oceanic Iron Ore offers more leverage to China economic growth and the global recovery than you'll find anywhere. Our shares trade at a fraction of the valuation of many of our peers yet our project is equal to or better across almost every comparable metric.

The next key catalyst for value will be when we secure our strategic partner. Our market cap is approximately \$35 million yet the pre-tax Net

Present Value of our project is over \$5.6 billion. That's what I call leverage to value, and once we secure our strategic partner, this value gap will start to close. Our peers with strategic partners trade at 3-5 times our valuation. That's the opportunity.

For more information about Oceanic Iron Ore visit [www.oceanicironore.com](http://www.oceanicironore.com)

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