

# Northland Resources: Operational Update for the Kaunisvaara Project

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LUXEMBOURG, LUXEMBOURG--(Marketwired - Nov 14, 2013) - [Northland Resources S.A. \(OSLO:NAUR\)\(FRANKFURT:NPK\)\(OMX:NAURo\)](#) (together with its subsidiaries "Northland", "NRSA" or the "Company") **publishes an operational update for the Kaunisvaara project, including production figures for the third quarter of 2013. Among other important milestones, the third Vertimill ("VTM") has been installed and is operational. The Company is also expecting to have completed the installment of the ship-loader and the unloading facilities at the Port of Narvik during the fourth quarter of 2013.**

Reference is made to the press release dated November 13, 2013 announcing that the third quarter result will be postponed until November 28, 2013.

The following is an operational update of the Kaunisvaara Project.

## Kaunisvaara Project

- The first process line is now complete and operational with the third VTM installed.
- The second process line is expected to be completed and operational at the end of Q3 2014. Metso recommenced their work on site in July.
- Civil works at Sahavaara stockpile, water purification building and Sahavaara conveyor foundations has recommenced.

## Kaunisvaara Production

In December, 2012, Northland produced its first iron ore concentrate in the process plant. During the three first quarters of 2013, the Company has continued to ramp up production and hot commissioning is now close to completion. The logistics chain has proven solid and the Company has successfully delivered ten shiploads of iron ore concentrate to end customers. Northland expects completion and hand over of the unloading station and ship loader in the Port of Narvik during the fourth quarter of 2013.

- At the end of September, Northland had produced a total of 589,000 dmt of iron ore concentrate with 69 percent Fe-grade.
- The Company plans to produce at least 1 million tonnes of iron ore concentrate in 2013 and to reach the production rate of 4.0 dmt/tpa during Q4 2014.

## Mine and process plant

- The first Kaunisvaara process line is in hot commissioning/production. Full design capacity from the first processing line is expected to be reached during Q4 2013.
- The third VTM has been installed and is operational.
- Northland is currently producing between 4,000 and 6,000 tonnes of iron ore concentrate per day.

- During the ongoing commissioning the quality of the iron ore concentrate produced meets the specification achieved during the test works and the project study, with the exception of moisture level, which has been higher than the targeted 6%.
- Limited access to the thickener in the process plant could lead to a production shortfall of 15 000-20 000 tonnes per month during November and December of 2013. However, actions have been taken to solve this.
- Five haul trucks (CAT 793), two wheel loaders (CAT 994), one hydraulic shovel (CAT 6060), 7 drill rigs (two CAT 980, two CAT D10, two Atlas Copco D65, and one Atlas Copco PV-271), are currently in production at the mine. Atlas Copco has delivered the second out of the three drill rigs (PV-271), and Pon Cat has delivered the second hydraulic shovel (CAT 6060) which will be operational during the fourth quarter of 2013. During the fourth quarter 2013, two additional haul trucks will be delivered, securing the required capacity for the planned production output.

### Production during third quarter

| Production report in tonnes '000 | 1Q   | 2Q   | 3Q   | YTD 9m |
|----------------------------------|------|------|------|--------|
| Mine                             |      |      |      |        |
| Ore to Concentrator WMT          | 682  | 942  | 914  | 2,538  |
| Ore to Concentrator DMT          | 648  | 895  | 869  | 2,411  |
| Average FE grade in %            | 18.4 | 18.9 | 23.1 | 20.6   |
|                                  |      |      | 0    |        |
| Concentrate Produced WMT         | 146  | 212  | 276  | 634    |
| Concentrate Produced DMT         | 135  | 197  | 256  | 589    |
| Average FE grade in %            | 69.8 | 69.4 | 69.1 | 69.4   |
|                                  |      |      | 0    |        |
| Port                             |      |      | 0    |        |
| Shipped Concentrate Weight WMT   | 54   | 168  | 318  | 540    |
| Shipped Concentrate Weight DMT   | 50   | 157  | 297  | 504    |
| Average FE grade in %            | 67.9 | 69.7 | 68.8 | 69.1   |

#### Summary:

The Fe grade during Q3 was lower than planned as mining positions have not been fully met due to the lower production rate compared to budget for the first three quarters.

During Q3, the process plant operated with only two VTM's. During the first two months of the quarter, there were large variations in Fe-grade for the incoming ore going through to the processing plant. This has affected production by periodically high circulating loads in the VTM circuits. The quality of the product has been consistently good except for the moisture level, which from time to time has been above 7%.

The mine has managed to minimize variations of Fe grade of the ore during September.

The third VTM was put into trial operation during the last week of Q3, 2013 which immediately resulted in a significantly higher production.

### Kaunisvaara marketing and sales

- Ten shipments totaling about 540,000 tonnes of iron ore concentrate had been shipped to end customers by the end of Q3, 2013.

### The logistics chain

- The logistics chain is in most aspects working in accordance with expectations and will be further enhanced in Q4, 2013, whereby the relatively high inventory level in Kaunisvaara will be reduced.
- Clifton operates the truck transportations with a current fleet of 16 trucks. Five more trucks will be brought into operation during Q4, 2013 and additionally five trucks during February 2014

- In order to reduce inventory in Kaunisvaara, Clifton is in the process of engaging external trucking capacity until all 90-ton trucks have been delivered
- The rented box cars were used until mid-October when the specially designed rail cars from Kiruna Wagon were taken into operation.
- At the end of Q3, 2013, 64 rail cars had been manufactured and a total of 100 rail cars are expected to have been delivered by the end of the year.

## **The Port**

- Narvik Ore Terminal is now operational. Final permit to use terminal rail tracks has been given. Intermediate permit has been given to use storage facilities and unloading facilities during commissioning. The terminal is operated by Grieg Logistics AS.
- Commissioning and take-over process from contractors will continue during Q4, 2013.
- The ship loader arrived at Narvik on September 4, 2013 and will become operational during the Q4, 2013.
- The unloading facilities have been completed during the month of October 2013.
- The upgrading of the Fagernes line, from Narvik station to Narvik Ore Terminal to handle 30 tonnes axle load is completed and in use. Minor reconstruction works by Norwegian national rail administration ("Jernbaneverket") still remains in 2014. The preliminary Norwegian state budget for 2014 was released in October, still to be decided by the Norwegian parliament later in 2013. Jernbaneverket has on November 5, 2013, requested advanced payments during 2014 from Northland to cover annual budgetary variations. This will, according to agreement, be repaid to Northland in 2020-2022.

## **Organization**

Northland Resources has completed the transition into becoming an operational Mining Company. Since mid-2012 the Company has been staffed in all functions required to produce high quality iron ore concentrate. During the Q4, 2012, the Company started operations in the mine and went into hot commissioning, producing iron ore concentrate. The period since, has been very intensive, but successful from an operational perspective. The mine and the process plant are currently in operation, producing iron ore concentrate 24/7 and the Company continues to hire staff.

On September 12, 2013 it was announced that Johan Dagertun will replace Eva Kaijser as CFO on November 15. Mr. Dagertun has held various positions in the Company since 2010. His current position in the Company is VP Business Development and Deputy COO. Due to the postponement of the third quarter result, Eva Kaijser will keep her position as CFO until the third quarter results has been published at the end of November.

By September 30, 2013, the total number of employees in the Company was 276.

## **Safety**

Lost Time Injury Frequency Rate ("LTIFR"), according to the Swedish standard was 4.65 from the end of September 2012 until end of September 2013 (4.64 for the previous period, i.e. end of June 2012 to June 2013). The corresponding number according to the international standard for the same period was 0.77 per 200,000 worked hours (0.80 for the previous period)

There was 1 lost time injury ("LTI") reported, both according to international and Swedish standards, during the third quarter, 2013 (in the previous quarter, there were no LTIs according to Swedish and international standards respectively). A total of 108 near hits were reported for the third quarter (previous quarter: 107 near hits).

In October, the LTIFR was 6.70 according to Swedish standard and 1.0 according to international standard. There were 2 LTI during October and 60 near hits.

## **Environment**

24 environmental incidents were recorded during the third quarter, typically minor oil spills, occurring within

the industrial area as a consequence of vehicle or mobile unit malfunctions. Routines are in place for collecting oil spills and managing contaminated material appropriately. In October there were 6 environmental incidents.

A number of actions have been taken in order to address complaints and mitigate the risk of dusting during transportation of the iron ore concentrate. In Kaunisvaara, truck tracks inside the area as well as the exit have been paved with asphalt in order to reduce the amount of concentrate that sticks to the truck wheels and is released during the transport to Pitkäjärvi. Wind breakers have also been installed to reduce the risk of concentrate being carried by the wind to surrounding areas. In Pitkäjärvi, Northland has started spraying the train wagons with a dust binding agent in order to further reduce the risk of dusting during train transports up to Narvik. Equipment to measure dusting has also been placed along the railroad to Narvik.

## **Permitting**

The environmental permitting process for the Extended Kaunisvaara Operations including the Sahavaara mine continues. A preliminary hearing was held by the Environmental Court September 16-19, 2013. At the meeting, a need for additional complementary information was identified. This is considered to be quite extensive work and the due date for submission of new material to the court is set to December 20, 2013. Consequently, the main court hearings will be postponed to first quarter of 2014.

An extended mine concession covering the Southern extension of the Tapuli pit is in the final stages of preparation.

## **Hannukainen and Pellivuoma DFS release**

Northland is currently focusing on its current and planned production from the Tapuli and Sahavaara deposit, in line with its business plan. Therefore the finalization of the Pellivuoma deposit DFS will not be published in the near term. The DFS report for Hannukainen is expected to be published during the first half of 2014.

**Northland** is a producer of iron ore concentrate, with a portfolio of production, development and exploration mines and projects in northern Sweden and Finland. The first construction phase of the Kaunisvaara project is complete and production ramp-up started in November 2012. The Company expects to produce high-grade, high-quality magnetite iron concentrate in Kaunisvaara, Sweden, where the Company expects to exploit two magnetite iron ore deposits, Tapuli and Sahavaara. Northland has entered into off-take contracts with three partners for the entire production from the Kaunisvaara project over the next seven to ten years. The Company is also preparing a Definitive Feasibility Study ("DFS") for its Hannukainen Iron Oxide Copper Gold ("IOCG") project in Kolari, northern Finland and for the Pellivuoma deposit, which is located 15 km from the Kaunisvaara processing plant.

## **Forward-Looking Information**

This announcement may include "forward-looking" information within the meaning of applicable securities laws. This forward-looking information can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. This forward-looking information includes all matters that are expectations concerning, among other things, Northland's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking information involves risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking information is not a guarantee of future performance and that Northland's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking information contained in this press release. In addition, even if Northland's results of operations, financial condition and liquidity, and the development of the industry in which Northland operates are consistent with the forward-looking information contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

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