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Canada calling the juniors

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ALL the iron ore in the world amounts to nothing without access to rail and ports to get the steelmaking raw material to market. It is a harsh truth that the once high-flying Pilbara iron ore juniors know all too well.

MAMBA MINERALS (MAB)

Despite the strong rally in iron ore prices since last September's low, the market values of the iron ore hopefuls have been left to flounder.

No production, and no near-term prospect of production because of infrastructure shortcomings, and the capital drought for new projects means they are likely to continue to flounder.

And just to rub salt into their wounds, the Pilbara iron ore king Rio Tinto wasted no time yesterday crowing that the Australian Competition Tribunal had decided that its Hamersley and Robe iron ore railway lines in the Pilbara did not have to be opened up to others, cementing the log jam for the juniors between their Pilbara iron deposits and the seaborne market in the stuff.

It is for all those reasons that a bunch of juniors reckon Africa is the go. Good luck to them.

Others reckon South America holds more promise for an aspirational iron ore producer than does the Pilbara. And those involved over there have been kicking some goals.

Then there is a newer set that reckons a first-world destination like Canada is the go.

Throw in the presence of an established industry with open access regimes covering rail and multi-user ports, and the availability of cheap hydro-electric power, and it is a wonder that there has not been a flood of Aussie iron ore juniors prepared to swap the heat and red dust of the Pilbara for the freezing cold of Canada, most notably the Labrador Trough iron ore province which straddles northeast Quebec and western Labrador.

Rio has long been there with its Iron Ore Company of Canada operations, the country's biggest. But Rio's grip on the province, or, more to the point, its infrastructure, is nothing like that it shares in the Pilbara with BHP Billiton and Fortescue.

So the province shapes up as a happy hunting ground for Aussie juniors compared with the Pilbara.

As mentioned by a colleague last month, one ASX junior that has already made its way over there is Mamba Minerals (MAB). The update today is that drilling is about due to start at its Snelgrove Lake project, 200km north of Labrador City.

It's early days but the entry of some big swinging mining-type investors on to its share register in recent months suggests there are high hopes being held for Mamba's initial $6.5 million drilling program (under its option deal on the property with Canada's Altius Resources).

The program is all about confirming the seriously big-tonnage magnetite potential of Snelgrove, as well as determining the potential for higher grade (direct shipping) hematite material.

Shares in Mamba have moved higher in recent months in anticipation, though yesterday they were down 3c to 46c each.

ANTIPA MINERALS (AZY)

THERE has long been a suspicion that the proterozoic rocks of Western Australia's remote Paterson province have more multi-million-ounce gold deposits to give up other than Newcrest's old flagship, the 26 million ounce Telfer mine, still Australia's third-biggest gold producer with a by-product of copper to boot.

But they aren't going to be uncovered without exploration taking place. And as it is, the province remains remarkably under-explored, certainly when it comes to the application of the sort of geewhiz remote sensing techniques that the science of geophysics has made available in more recent years.

That adds up to the province having a certain appeal for tech-savvy juniors prepared to have a shot at finding that "company-making" deposit in this country, rather than taking the more fashionable route of spending exploration dollars in the wilds of Africa, Latin America or some other exotic location.

One such player is Perth-based explorer Antipa Minerals (AZY).

Last year it got the pulses racing when assay results confirmed it was on to something very interesting at its Calibre gold/copper discovery, part of its broader Citadel project area in the Paterson and 100km or so north of Newcrest's Telfer operation, itself 485km by road southeast of Port Hedland.

(The earlier 26 million ounce reference to Telfer was the all-up position when the mine first started 36 years ago.

Newcrest last week stated the total resource now stands at about 20 million ounces, most of it within the Main Dome open-cut operation where the resource grade has been estimated at 0.63g of gold a tonne and 0.08 per cent copper.)

So the old girl keeps on giving, making it all more interesting that the Paterson province has yet to yield another one anything like it. Anyway, Antipa's reported assays for the first two deep holes at Calibre got the punters thinking that, just maybe, the company is on to something special. The key intersection was 75.7m grading 0.73g of gold a tonne and 0.42 per cent copper, 1.35g/tonne silver and 0.04 per cent tungsten, all within a broader envelope of mineralisation.

The reported grade was Telfer-like and has been enough to see Antipa shares get a move on, rising as they have from 4c a share back in December to the 13c on offer late yesterday. That gives the explorer a market capitalisation of $20m. It was holding cash of $2.28m at December 31 which comfortable covers the $1m cost of the next drilling campaign at Calibre, kicking off next month. The program will be closely watched.

Antipa shares closed yesterday 3c higher at 13c.

THE GREAT DILUTION

WHILE Antipa has cash on hand to fund the next round of drilling, it is obviously going to have to top up the cash kitty at some point. Thanks to the interest in Calibre, that should not be a problem. Funds for juniors with a sniff of something exciting can still get equity funding from investors interested in high leverage exploration plays as distinct from the complete boredom of chasing yield through buying banking stocks.

But Antipa's luxury is not shared by all the junior explorers, far from it. It was a point highlighted last week by the illuminating Steve Letwin, chief executive of the $3 billion Canadian gold producer Iamgold.

He told question time at the Melbourne Mining Club luncheon on Thursday that there were more than 200 junior companies in Vancouver with less than $100,000 in cash, and that he had no idea where they expected to get funding. The good news in all that was that it feeds into an expectation that gold prices have to stay strong to offset declining grades in the global industry, falling discovery rates and so on.

More to the point, his comment rang alarm bells here. If the most entrepreneurial explorers in the world -- yep, it is the Canadians -- can't replenish their cash, what chance do their Aussie battler counterparts have? Not much, sad to say. So stand by for the great dilution, one where junior after junior goes through a last-resort equity raising which necessarily will have massive dilutionary effects for existing shareholders.

So it is best to jump ship well ahead of such events, making the reading of the cashflow reports that accompanied the recent December quarter activities reports from the juniors compulsory reading.

Be prepared for a shock. Many words can be written in glowing terms up front in the activities report about exploration projects. But flip to the cashflow reports and there will be example after example of cash-on-hand being at critically low levels, levels where cash would not cover a quarter of administration costs let alone what is meant to be the main undertaking of exploration and evaluation. It's why the compliance arm of the ASX is flat chat asking a bunch of juniors what their plans are to . . . err . . . dig themselves out of the hole.