

STEEL

Many irons in the fire

The Industrial Development Corp (IDC) has no plans to sell its stakes in Kumba Iron Ore and ArcelorMittal SA (Amsa) despite planning other investments in greenfields iron ore projects and steel mills.

With steel mills around the world, including those in SA, trying to ride out weak demand, and iron ore prices coming off their peaks, this might seem like a good time to exit those holdings and use the cash for other ventures.

But the parastatal financier's mining and manufacturing executive, Abel Malinga, says the IDC takes the same view on Kumba as any other shareholders and intends to hold on. For Amsa, whose share price has halved in the past two years, there are other reasons for keeping it. "It is not monetary, but there are other advantages," he says.

Many private-sector companies are showing willingness to invest in new and expansion iron ore projects in the Northern Cape, Limpopo and Mpumalanga, with a view to making profits when prices recover, rather than for strategic reasons.

Malinga says the IDC will make a series of investments in steelmaking, both to ensure that steel fabricators can buy directly (without markups) from mills and to serve the future infrastructure needs of the African continent.

Its plans, which have been aired for some time, include "mini mills" in Gauteng and the Eastern Cape that will make steel from scrap and a 2,5 Mt/year steel mill, either in Middelburg, which is close to the customer base in Gauteng, or Limpopo, where the resources are found.

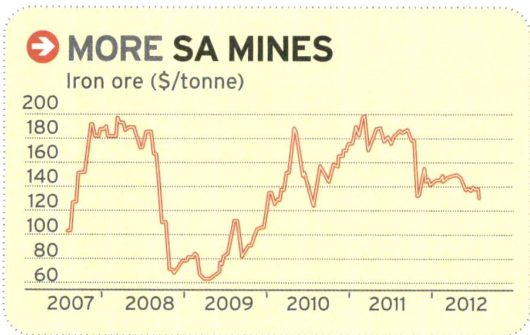
For a 2,5 Mt/year mill, about 4 Mt/year of iron ore would be needed. This is probably going to come from Phalaborwa, where the IDC is testing new technology to extract the impurities from magnetite so it can be used in steelmaking.

It is also looking at technology to use locally mined steam coal as a reductant rather than expensive imported coking

coal. SA does not have the metallurgical coal quality needed for steel manufacture and the IDC is keen to use local inputs.

Asked whether the IDC would be interested in financing any of the several small magnetite iron ore projects being planned by junior miners, Malinga says there's no certainty that these will materialise, given logistical challenges.

Apart from the IDC, others are looking for new iron ore sources in SA.



SOURCE: I-NET BRIDGE

When the Thabazimbi mine reaches the end of its life in 2015, Amsa will be looking for 2,5 Mt/year of iron ore to replace it, CEO Nonkululeko Nyembezi-Heita said last week.

The company spent about R200m in the first half of this year on iron ore exploration in SA, mostly on a project in the Northern Cape which could produce up to 3 Mt/year. There is also another early-stage project, in partnership with Kumba, at Zandriverspoort.

Kumba is also planning further expansions once its Kolomela project in the Northern Cape is completed. It intends to produce another 16,7 Mt/year from its Northern Cape projects by 2019, and sees another 9,4 Mt potential from its Limpopo projects, Phoenix and Zandriverspoort.

While the Northern Cape is well supplied with rail — Transnet Freight Rail is laying on 60 Mt/year of capacity and there are plans to raise this

to 83 Mt/year by 2019 — projects in other areas are hamstrung by limited transport to the domestic and export markets.

Kumba's outgoing CEO, Chris Griffith, says the ultimate size of Zandriverspoort depends on whether there is rail capacity. If there is, the project could produce as much as 10 Mt/year.

Junior miners looking at iron ore projects in SA include Midwinter Resources, with a magnetite deposit in Limpopo called the Northern Lights project, and Bushveld Minerals, with the Mokopane magnetite iron ore deposit in Limpopo. Aquila Resources is exploring four potential haematite projects near Thabazimbi, Ferrum Crescent has the Moonlight project close to the Botswana border, and Ferrex owns the Malelane iron ore project in Mpumalanga. But these are all small projects in comparison to the size and quality of Kumba's Sishen mine.

Charlotte Mathews



Jeremy Glyn

Abel Malinga
Amsa's not about the money