



China switches track in hunt for West African iron ore

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Chinese official said that his country wanted half its iron ore imports to come from firms with Chinese involvement in five to 10 years, investors bet West Africa would benefit. Nearly three years on, many have been disappointed.

But executives and analysts said that China, the world's largest consumer of iron ore is tying up supply of the steel making commodity in the region, as forecast but through sales deals and associated infrastructure rather than acquisitions.

Iron ore explorers in the region are out of favour with traditional, Western investors. Firms like Bellzone, Sundance and West African Minerals have seen shares fall about 70% this year as in some cases, operational issues added to price and confidence woes.

China has also been more cautious, smarting from multibillion dollar projects like CITIC Pacific's Sino Iron that have yet to ship ore and investments that soured.

The type of Chinese firms looking to invest in West African iron ore is changing, with much of the interest coming from railway and construction firms whose role is critical in a region with little or no infrastructure and import companies, rather than heavyweight mining state owned enterprises.

Mr Guocheng Pan CEO at iron ore miner China Hanking Holdings said that "The big SOEs entered the overseas market earlier. None of them have been successful. They have been left with a bad taste. Those (West African) projects will go ahead, it's just a matter of time."

Mr Hunter Hillcoat analyst at Investec said that "One year, two years, five years means nothing to most Chinese firms. They may still be very much heading towards building up capacity out of West Africa but they'll do it in their own time."

West Africa has yet to meet expectations it could be the region's equivalent of Australia's Pilbara. But at stake are dozens of smaller mining projects in Cameroon, Republic of Congo, Gabon, Guinea, Liberia and Sierra Leone looking to produce at least 115 million tonnes a year of iron ore.

Source - Reuters.com

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