

# Despite China slowdown, Australia miners bet on Africa

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## \* W. and Central Africa to be "the next Pilbara"

\* China's drive to diversify iron ore sources to support Africa

\* Increased African transparency to draw more foreign investment

By Rebekah Kebede

PERTH, Aug 31 (Reuters) - Australian miners are betting that Africa will be the next frontier for iron ore, as they look beyond a fall this week in the price of the steel-making ingredient to its lowest level in nearly three years, battered by cooling Chinese demand.

African countries could eventually rival Pilbara, Australia's main iron ore mining region and producer of about half of the world's seaborne iron ore supply, mining executives gathered at a meeting in Perth said on Friday.

The demand downturn caused by China's slowing growth was a blip, Australian explorers and miners said, and as China seeks to diversify its iron ore supply, unexplored resources in Africa promise better value for shareholders' money.

"Africa is going to ride the same story that BHP and Rio and Hancock have ridden in the last 40 years in Australia," John Welborn, the managing director of Equatorial Resources, which is developing two iron ore projects in the Republic of Congo, told Reuters.

Top miners BHP Billiton, Rio Tinto, and the privately-held Hancock Prospecting are some of Australia's largest producers of iron ore.

The comments come against a backdrop of fears that Australia's decade-long resource boom may be fading, following sharp price falls in key commodities, such as iron ore and coal, combined with delays to some projects proposed by miners including BHP Billiton.

## "NEW PILBARA"

If all the projects in the pipeline in West and Central Africa were to come online, the region could export just as much as Australia currently does - 500 million tonnes - by the end of the decade, Welborn said.

Not all the proposed projects are likely to be developed in that timeline, he acknowledged, however. Project developers in the region must grapple with inadequate infrastructure and power supply, and face several political and

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But as costs rise in Australia, where the iron ore deposits of the Pilbara are well-trodden territory, Africa is emerging as "the new Pilbara", Welborn added.

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The countries of West and Central Africa, such as Guinea, Cameroon, the Republic of Congo, and Gabon offer new frontiers for explorers and miners.

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"You can walk into countries in Africa that have never been explored, we know in West Australia there are a lot of areas that have already been explored," said Peter Turner, the managing director of Nemex Resources, which is developing the Telimele resource in Guinea.

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"I would prefer to take my shareholders' money and spend it in Africa because I do think there is bigger upside than perhaps in Australia."

Guilio Casello, managing director of Sundance Resources, said he was not concerned about the slowdown in Chinese commodities demand, which has spurred several Australian companies to shelve major resource projects.

"What's happening at the moment in the iron ore price is a short term dip...in the end, China wants this project," said Casello, whose firm is developing a \$4.7 billion mine on the Congo-Cameroon border that will supply China with 35 million tonnes of iron ore each year.

This compares with Australia's No. 3 iron ore miner Fortescue Metals, which is producing at a rate of 55 million tonnes a year.

But there are some naysayers.

Although miners such as Brazil's Vale and China's Minmetals, are flocking to Africa, attracted by the resources and low operating costs, others, such as BHP Billiton, worry about how fast resource development will proceed, hobbled by a lack of power and infrastructure and political and regulatory hurdles.

For instance, Rio Tinto's development of the Simandou iron ore deposit in Guinea was held up after a change in government led to a revision of terms.

The Simandou mine, scheduled to begin producing 95 million tonnes per year from 2015, will be the largest iron ore mine and infrastructure project developed in Africa, the company says.

But others say the continent offers a better investment climate after becoming more transparent in recent years.

"Most countries are getting a bit more transparent," said Bert de Waele, a principal consultant at mining consulting firm SRK Consulting, which has operations across the continent.

"You can get everything online - you go to the ministry of mines in Burkina Faso, you can get everything in French and in English, which tells you exactly what to do."

The situation contrasts with former years when investors had to plead with individual ministers for permits and bribery was not unheard of, he said.