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Australian bauxite can fill China's void: Edison

Thursday, 3 September 2015

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A NUMBER of Australian bauxite juniors are well-placed to capitalise on recent structural changes in the aluminium industry resulting in increased Chinese demand, according to Edison Investment Research.

The aluminium industry has undergone significant change in recent times, with an expansion in Chinese production leading the charge, sourcing around 80% of its imported bauxite requirements from Indonesia.

But a government imposed-ban on Indonesian bauxite supply designed to stimulate the construction of facilities in the country, coupled with diminishing quality of Chinese resources and the perceived instability of Indian and Malaysian bauxite exports has left a hole in the market waiting to be filled.

Two other nations – Vietnam and Guinea- have vast bauxite potential but environmental objections and lack of investment set them back as viable supply options.

China currently demands 140 million tonnes per annum of bauxite, with requirements to import just over 50Mt, or 37.5%, of that amount – a figure expected to increase over a 20-40Mt per annum range by 2020 presuming the market share of imports remains steady.

Rio Tinto currently exports around 20Mtpa of bauxite from Queensland and the Northern Territory, and Edison nominated the major miner as one with the capability to fill some of China's void by expanding exports up to 50Mtpa.

However, Chinese refineries require diversity of supply, and Edison identified local juniors Australian Bauxite, Bauxite Resources, Canyon Resources, Metallica Minerals, Metro Mining and Queensland Bauxite as companies at various stages of development which could step up to meet the market's needs.

Leading the pack is Australian Bauxite, which became the first producing bauxite producer at its Bald Hill project in Tasmania this year, which is expected to produce 1.7-2Mt of bauxite per annum and around 500,000t in its first year.

Queensland Bauxite is next in line for production, with shipments from its South Johnston bauxite project in Queensland scheduled for the December quarter of this year subject to environmental approvals and the granting of a mining lease.

South Johnston has an indicated resource of 1.9Mt at 29.7 trihydrate available alumina and 1.9% reactive silica which represents less than 1% of the company's exploration target for the area.

Meanwhile in Western Australia, Bauxite Resources has completed a scoping study on its 100%-owned Fortuna resource, which outlined bauxite production of 3Mtpa over 12 years subject to further studies and approvals.

Metallica has a 56.7% interest in the Urquhart bauxite JV, just 5km southwest of Rio's Weipa bauxite operations in Queensland, where a mining lease is targeted late next year.

The project has an inferred resource of 7.5Mt at 51% aluminium oxide and 16.3% silicon dioxide, with trihydrate available alumina and reactive silica levels at 40.6% and 4.9% respectively.

Also in Queensland, Metro expects to be in production at its Bauxite Hills project by the September quarter of next year, and is planning a comprehensive exploration program of the region for the second half of 2015.

Bauxite Hills has proven and probable ore reserves measuring 48.2Mt at 50.2% aluminium oxide and 11.2% silicon dioxide. A prefeasibility study was completed at the project in February, outlining a projected life of 27 years at a proposed mining rate of 2Mtpa worth of direct shipping ore.

Finally, Canyon is earning up to 75% of and developing the Birson bauxite project in Cameroon.

A total of four plateau-style targets have been identified at Birsok, with 50% of the initial rock chip samples grading above 50% aluminium oxide and 2.6% silicon dioxide.

Looking forward, Australian Bauxite already has an offtake agreement in place with a preferred customer and Metro has a non-binding memorandum of understanding with one of China's largest aluminium companies.

According to Edison, given the quality and proximity of its product to China the emerging Australian junior bauxite sector will be an area to watch in the coming years.