



Bauxite shortage

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PURE SPECULATION



IN fact, shortages of bauxite may actually result in lower global alumina output. Capital Economics in London says the Indonesian bauxite export ban and falling Chinese stocks should make prices rise this year. Indonesia, before its ban on export of unprocessed minerals, accounted for 20 per cent of bauxite on the world market, with China's alumina refineries depending on that country for 70 per cent of their bauxite needs. New suppliers — Australia, Malaysia and producers in West Africa — have stepped in but they are higher-cost producers.

Capital said alumina remains resilient due to robust growth in aluminium demand. The research company is expecting the alumina price to rise from the present \$US354 a tonne to \$US375 a tonne by the end of 2015. Significantly higher prices are unlikely as there is ample scope for bauxite miners to lift output. Even with that caveat, local bauxite plays are probably feeling reasonably confident when it comes to laying out an economic case.

On Thursday, **Metallica Minerals (MLM)** reported it has high grade, direct-shipping bauxite on Cape York that can be mined without significant processing. The deposit is located just south of the bauxite exporting port of Weipa. Also planning to produce direct-shipping ore near Weipa is **Metro Mining (MMI)**.

In a research note out last week, Morgans described this junior — last traded at 3.9c and with a market cap of just \$11.26 million — as an “undiscovered bauxite beauty”. The analysts believe the pre-feasibility study released in mid-February supported a simple, low

capital cost development that would see the company “exploit compelling bauxite market dynamics”. No doubt about their enthusiasm, is there?

As described by Morgans, the planned project involves simple open pit mining, barging down the Skardon River and the loading the bauxite into bulk carriers. The note quotes an industry view that, while there are many deposits of bauxite around the world, very few of them offer sufficient investment return, quick regulatory approval and ready access to infrastructure, thus ruling out many potential large scale projects.

Also worth keeping an eye on is **Australian Bauxite (ABX)**, which has begun developing its Bald Hill mine in Tasmania and stockpiling ore. Pnina Feldman's **Queensland Bauxite (QBL)** is planning to ship out through Mourilyan in northern Queensland, potential new business for a port that serves mainly the sugar and molasses industry. In the meantime, QBL has had to extend its shareholder entitlement offer.

Also engaged on port (and rail) studies is **Bauxite Resources (BAU)**, which has its projects in Western Australia's Darling Range.

And, a little farther flung, **Canyon Resources (CAY)** has reached the first stage in negotiating access to a railway line in Cameroon. The track lies just 10km

from the Birsok deposit and runs right down to the large port at Douala.



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Analysts expect alumina prices to rise this year thanks to Indonesia's bauxite export ban and falling Chinese stocks