

### African Minerals in funding talks with Chinese companies

African Minerals Ltd is in talks with several Chinese companies to raise \$5 billion in funding to explore the Tonkolli iron ore project in the West African nation of Sierra Leone, a top company official said on Thursday.

The London-listed explorer plans to ship the entire 10.5 billion ton iron ore deposits from the project to China.

"The iron ore mine will have an annual production capacity of 75 million tons in the next six years, and we need Chinese partners to finance development work at the mine," said Frank Timis, chairman of African Minerals.

"All iron ore will be shipped to China with big discounts, and at prices which are cheaper than the rates offered by the big three global miners - Vale, BHP Billiton and Rio Tinto. It will also help China become a price setter rather than a passive player," he said.

Timis said he has held talks with several Chinese companies on the financing, but did not reveal their names.

The project will need at least \$1 billion to boost the annual iron ore capacity to 45 million tons in the second stage, and another \$4 billion to raise it to 75 million tons eventually.

African Minerals already has a tie up with China Railway Material (CRM) and is expected to deliver 8 million tons of iron ore next year. In April it secured a deal to sell CRM a 12.5 percent stake for \$280 million, as well as an offtake agreement for future iron ore output.

African Minerals last year said it has defined magnetite iron ore reserves of 10.5 billion tons with 29 percent ore content and 8 million tons of hematite iron ore deposits. Timis said the reserves will increase to 14 billion tons over the next three months.

Vale SA, the world's largest iron ore producer by output, said on Tuesday that iron ore prices for the third quarter will go up according to the formula based on the average market price over the previous quarter. The increase could be in the range of 33 percent to \$158 per ton, according to Platts index.

"The cost of iron ore is only \$20 to \$25 per ton, but the big three miners are selling it at \$150 per ton. Chinese companies need to invest in the upstream sector to have better cost prices," Timis said.

Many Chinese companies have been stepping up investments in overseas iron ore assets to diversify supplies and cut reliance on the three top miners.

Buoyed by rich resources in Africa, Chinese companies are increasingly investing in projects or financing infrastructure for mining companies in return for mineral resources or offtake agreements.

China International Fund said last week that it had reached a \$2.7 billion financing agreement with Bellzone Mineral for the infrastructure needed to develop its Kalia iron ore project in Guinea.

*Source: China Daily*

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