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Billionaire Gupta gathers mining assets with an eye to the future

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Resources GFG aims to be a vertically integrated steel producer.

British billionaire Sanjeev Gupta has been steadily accumulating iron ore deposits for the future. It's a lesson in the ups and downs of mining cycles and the need for deep pockets.

The Wilgerup deposit on South Australia's Eyre Peninsula was one of two picked up last month by Mr Gupta's SIMEC Mining for a steal. No payment is required upfront but if Mr Gupta ends up developing the project into a mine to feed into the Whyalla steelworks and his ambitious global plans, he will pay a total of \$10 million in royalty payments for Wilgerup, and a second asset, the Kimba Gap Project, to ASX-listed mining junior Centrex Metals.

Less than a decade ago, when iron ore prices were booming, big Chinese steel makers were brimming with enthusiasm in readiness for planned production of 1.6 million tonnes annually from Wilgerup, 30 kilometres from the town of Lock in a region known more for wheat farms.

The 10th largest Chinese steel maker, Baotou, owned an 8 per cent stake in Centrex and in 2009 Shenyang Orient Iron & Steel Group signed a forward sales deal to take most of the proposed production for five years.

But the dream fizzled out. Iron ore prices tumbled and it was too much strain for a small company with big backers to finance from scratch. Centrex managing director Ben Hammond, who took the top job in 2013, wants to look forward not backward. A global company like the Gupta Family Group, comprising Liberty House and SIMEC, with annual revenues of \$US10 billion (\$13 billion), has the financial firepower required.

"They are the natural developer of the assets," Mr Hammond said. If GFG doesn't begin mining from the two South Australian deposits in the next 10 years, the two assets will be sent back to the stable of Centrex, which is now concentrating on a phosphate project in north-west Queensland.

Mr Gupta, the executive chairman of GFG, has been in the spotlight as the saviour of the Whyalla steelworks and a town of 22,000 people after acquiring the former Arrium assets, which included electric arc mini-mills in Sydney, Melbourne and Newcastle. Open pit mining operations near Whyalla in the Middleback Ranges also came as part of the package. But he has also been busy putting a downpayment on the future in recent months.

GFG last week became the new owner of the Tahmoor coking coal mine, about 75 kilometres south-west of Sydney, after buying it from global giant Glencore. It produces 2 million tonnes a year, with the coking coal an important feedstock for steel-making in blast furnaces. Mr Gupta said it would "de-risk an important feed for the Whyalla steelworks". It is also part of the broader plans by GFG to be a vertically integrated producer owning all parts of the production chain under its "GreenSteel" strategy. That also encompasses being an energy producer - both for the Whyalla steelworks and the broader electricity grid.

GFG's SIMEC Mining entity has also been active in the Middleback Ranges near Whyalla, having been granted extra mining leases for a future Iron Sultan mine to feed 600,000 tonnes of haematite iron ore into the steelworks, while a proposed Iron Warrior mine nearby aims to produce up to 1.5 million tonnes of iron ore for export.

Centrex chairman David Klingberg is cheering Mr Gupta on from the sidelines, and said GFG was a natural owner of the iron-ore deposits that Centrex had given up, because they slotted into the future global plans for the GFG business rather than relying on sales in the open market.

"The new owners have a need for iron ore to keep their business running," he said. GFG's arrival on the scene was a major fillip for the Iron Triangle region encompassing Whyalla, Port Pirie and Port Augusta.

"The whole area will get a real boost in confidence," Mr Klingberg said.

The Whyalla operations had an existing port facility, which had been a stumbling block for Centrex and its Chinese investors at the height of the iron ore boom who had wrestled with ways of financing a new port.

Lowering energy costs is also important to GFG. The company acquired a majority stake in battery storage and clean energy company ZEN Energy in September 2017 to advance its energy plans in Australia and deliver cheaper power to the Whyalla steelworks.

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