

HD IFC upbeat on Simandou outlook

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First production at Rio Tinto's African **iron ore** venture, Simandou, could coincide with an improved **iron ore** market later this decade, according to the World Bank's International Finance Corporation and commodities analysts. The troubled project took a major step forward in May with the signing of an investment agreement between the Guinean government, Rio, **Chinalco** and the IFC, which has a **stake** of 4.6 per cent in the project. In Melbourne on Monday, IFC principal investment officer Stephan Vermaak said the gloomy outlook for **iron** had not dimmed enthusiasm for Simandou, due to begin production in 2018.

"Maybe there is going to be an over-supply of **iron ore** for the next three or four years, but in the five or 10-year horizon, new mines have to be developed and the new mines are in Africa," he told the International **Mining** and Resources Conference. "We just have to make sure that when the next boom is there, that we are there. We see it as a long-term play, for Africa to be developed these projects must be done." Mr Vermaak's comments echoed those of ANZ commodities analyst Mark Pervan, who said the **iron ore** market should be more balanced in about five years. "We still see supply being ahead of demand for the next two or three years and that is going to keep prices down, but what we do see

later in the decade is for that to balance out," he said. There has been speculation that Simandou will struggle to meet its 2018 production target. Mr Vermaak said the 2018 target was still in place, but that the timing could be affected by market forces like any other **mining** project. "This is a commercial project that has to be developed, you cannot go and do that if it commercially doesn't make sense, so at this stage nothing is being pushed out, but at the end of the day it is dictated by the commercial realities of the world we live in," he said. Rio will spend about \$US5 **billion** on the **mining** project, while the 650-kilometre railway for the project will be built by an external group that is yet to be selected.

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CO almcpr : Aluminium Corporation of China Limited | ifc : International Finance Corporation

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RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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