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HD **Bauxite junior times it right**

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Its **mining** plan coincides with a supply gap in **China**

Australian Bauxite Limited (ABZ) THINGS have been getting interesting in the bauxite market.

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Recent figures show imports by **China** — the world's biggest importer of the stuff — have fallen another 30 per cent month-on-month to 1.58 **million** tonnes.

Normally, **China** pulls in up to eight **million** tonnes a month. The fall-off is a result of the January shutdown in exports by Indonesia under its plan to get more value-add from its resources, as is happening to nickel **ore** exports.

Ahead of the January start to the ban, the **Chinese alumina**-aluminium producers had accumulated massive stockpiles of bauxite thinking they could ride out the Indonesian ban, on the basis that it would be wound back before long.

It has proven to be flawed strategy because the Indonesians, surprise surprise, have stuck to their guns. What's more, in their haste to build that 10 to 12-month supply buffer before the ban took effect, the **Chinese** actually bought a lot of rubbish material.

Now they are finding they have to draw down on that buffer faster than was the plan because it is low-grade stuff. That is creating a little bit of panic behaviour.

That there are signs of panic in the marketplace is reflected in the step-up in spot imports from places like Guinea in west Africa, at a massive price of $US90 a tonne, or near enough to double what pre-ban costs were.

One of the **Chinese** operators also bought a dormant bauxite-**alumina** project in Jamaica in an effort to offset the impact of the ban. But a look at the globe of the world shows Jamaica is not exactly next door to **China**.

All that augurs well for the Australian suppliers to fill the void in **China**. It is something Rio Tinto is planning, up at Gove in the Northern Territory, now that it has given up on producing high-cost **alumina** from the operation.

But the leverage — and today's interest — is to be found in Australian Bauxite, a junior that joined the lists in 2009 with what has proved to have been a well-timed plan to develop a bauxite export industry in the eastern states.

It has identified an initial resource base of more than 115 **million** tonnes of bauxite from projects in NSW, Queensland and Tasmania, the latter slotted to be the first to production.

It hasn't pushed the button just yet and won't until elevated bauxite prices of $US60 a tonne are confirmed for the long run, and the exchange rate doesn't do anything silly. But trends to date appear to be in line with what ABZ was expecting, possibly a little better than predicted.

So the next couple of months will be very closely watched, particularly as ABZ is negotiating with an unnamed Chinese group.

The new group has apparently offered a soft financing arrangement — and the take-up of a smallish equity position in the company — to get the first of Tassie projects up and running, with an offtake agreement part of the package.

Followers of the stock will know that ABZ last year announced a joint-venture proposal with the Chinese aluminium group Xinfa. It did not proceed, which is a good thing because Xinfa wanted 70 per cent of the project.

Bauxite prices north of $US60 a tonne is good news for ABZ's plans. After costs of about $US30 a tonne, and say $US20 a tonne for shipping to China, an operating margin of about $US10 a tonne could be had.

The Bald Hill deposit near Campbell Town in Tassie's northern midlands is first cab of the rank, with a second mine at Fingal Rail, 11km to the north, planned to come on stream six to nine months later. The plan is for annual production from each operation of about 500,000 tonnes. Ideally, the one million tonne-a-year run rate could be achieved by the third quarter of next year.

A possible third mine — at the recent DL-130 discovery beneath a hardwood plantation to the west of Launceston and established by the since imploded Gunns — could follow a year later, at which point the ABZ could be looking at annual output of some 2 million tonnes a year.

Thanks to existing port and road/rail access, initial start-up costs in Tassie have been put at a knock down price of $12m. Further out, the Queensland and NSW projects come into the frame.

The company's share was trading at 21c a share yesterday for a market capitalisation of $26m, with a deal with Chinese interests in the works.

Tangiers Petroleum (TPT) RED-BLOODED types were lining up last night to take a placement of shares in Tangiers Petroleum.

Tangiers is the Perth-based Moroccan oil explorer which has had more than its fair share of dramas in recent times with an aborted takeover bid and the leadership changes that followed.

But all that is history. The focus now is on the main event — the drilling of the TAO 1 exploration offshore Morocco's Atlantic coast, due next month. That's what those red-blooded types were doing last night in a $3m-$5m placement at about 16c a share.

Tangiers has a 25 per cent interest in the offshore block that is home to the well and is up for one-third of its cost after the 50 per cent partner and operator, Portugal's Galp Energia, has spent an initial $US33m of the estimated $US75m total cost. The remaining 25 per cent is held by Morocco's national oil company which is free-carried in the well.Tangiers last traded at 21c a share. Analysts at BBY, which has helped raise money in the past for Tangiers, noted that its "probability''-based valuation on the stock was 82c a share.

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