



HD Chinese steel giant increases stake in struggling WA iron ore mine

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The move increases the Chinese company's control over Karara.

Ansteel is the biggest iron ore producer in China and one of the country's largest steelmakers.

It will now have three directors on the five-member Karara board, including the chairman who will have the casting vote.

Ansteel vice-president and Karara chairman, Chen Ping, will take on the role of Karara managing director.

The Chinese steelmaker has also put in an additional US\$230 million to bolster Karara's working capital which will further dilute Gindalbie's stake to 38 per cent.

An additional \$150 million to \$200 million in capital spending is required this year for Karara and is expected to be provided by Ansteel.

Independent investment house Morningstar says it believes Karara is unlikely to be profitable and the consequences for Gindalbie and Ansteel could be "very serious".

In a research note, Morningstar analyst Gareth James says if Gindalbie is held accountable for Karara's \$2.5 billion debt, "the debt would far outweigh the company's capacity to pay".

The injection of additional funds from Ansteel is expected to shore up Karara and offset auditor warnings about Gindalbie's exposure to Karara's debt.

Gindalbie's major asset is its 48 per cent stake in Karara but the mine has been plagued with problems including production delays.

Its shares have fallen by 82 per cent since September 2012.

Morningstar says Gindalbie shares are an "extremely high-risk investment" and it is ceasing coverage of the stock.

Ansteel owns one third of Gindalbie.

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IPD Karara

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