

Simandou may drive Australian iron ore volumes higher



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The former BHP iron ore executive leading a new iron ore project in Guinea's [Simandou](https://www.afr.com/world/asia/china-africa-iron-ore-dream-takes-step-nearer-20230118-p5cdln) [<https://www.afr.com/world/asia/china-africa-iron-ore-dream-takes-step-nearer-20230118-p5cdln>] mountains says the emerging province is “no enemy” to Australian miners and may perversely help to bring more low-grade Australian ore into the market.

Simandou is one of several African iron ore projects that could add to a wave of supply bound for the market this decade, as the big incumbents in Australia and Brazil push ahead with their own volume growth despite

the fact they believe Simandou is a “near certainty” to come to fruition after decades of delay.

Hugh Bresser worked on BHP’s Australian iron ore growth projects in 2004 and 2005 and is now trying to bring Guinea’s Simandou North iron ore project into development.



Former BHP executive Hugh Bresser is working up an iron ore project near Guinea’s Simandou mountains.

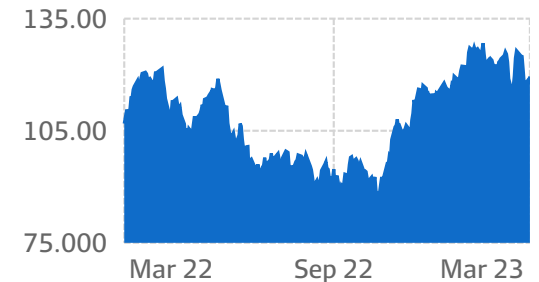
His ASX-listed company Arrow Minerals is working on tenements that share a border with those owned by the China-backed Winning Consortium Simandou and lie about 100 kilometres north of where Rio Tinto’s Simandou consortium plans to build mines.

Mr Bresser spent about six weeks in Guinea before Christmas and said he observed

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pylons being installed as part of a bridge for the 550-kilometre railway that will carry Simandou ore to port.

“This is a major undertaking by the Guinea government to open up their country and to get Simandou into reality. It has been languishing for quite some time,” he said.

But Mr Bresser rejected the notion that Simandou would harm Australia’s iron ore industry, saying that steel makers may actually need more low-grade ore from Western Australia’s Pilbara region to blend with the high iron content of the Simandou ore.

“I don’t think Simandou is necessarily going to be a direct competitor to the Pilbara blend. Grades are the key difference here,” he said.

Simandou is expected to produce ore with about 65 per cent iron, whereas the benchmark Pilbara product contains 62 per cent iron and Australia's miners are exporting increasing volumes of ore with about 58 per cent iron.

Mr Bresser said steel mills designed to consume ore with close to 60 per cent iron would be likely to want to blend Simandou's high-grade ores with lower grade ores to make a feedstock that suited their mill specifications.

"I think Simandou, what it is presenting is more of an opportunity to blend," he said. "If you are going into a historic furnace you are able to blend the higher grade with the lower grade and it [Simandou] will probably optimise the amount of material you can put out from the Pilbara.

"I don't think it [Simandou] is an enemy at

all”.

The comments may explain why China’s biggest state-owned steel maker, Baowu, is investing in both Simandou and new Pilbara iron ore projects.

Extra volumes

Baowu is an investor in Mineral Resources’ \$3 billion Ashburton iron ore project,

[<https://www.afr.com/companies/mining/china-has-ellison-s-back-as-3b-iron-ore-project-gets-green-light-20220829-p5bdh1>] which will unlock vast quantities of West Pilbara ore with iron content around 56 per cent.

Baowu will also be an investor and customer in Rio’s Western Range

[<https://www.afr.com/companies/mining/china-pumps-another-billion-dollars-into-australian-iron-ore-20220914-p5bhxa>] iron ore project in WA.

The Ashburton project is expected to be delivering iron ore to market sooner than Simandou, which the Guinean government wants to be exporting iron ore by March 2025.

Macquarie analysts predict more than 28 million tonnes will leave Ashburton in 2025 compared to about 10 million tonnes from Simandou.

Macquarie believes that by 2025 BHP, Rio Tinto and Fortescue will be shipping an extra 6 million, 18 million and 10 million tonnes respectively compared to last year's volumes.

Rio iron ore boss Simon Trott said in November that Rio was likely to invest in a new swath of WA mines such as Western Range and Bedded Hilltop to lift export volumes from 321.6 million tonnes last year to a range of 345 million to 360 million, between 2025 and 2027.

From 283.9 million tonnes last year, BHP expects exports to rise to 300 million tonnes by about 2027.

Studies into raising BHP's Australian iron ore exports to 330 million will be complete in 2025, meaning BHP will be able to assess Simandou's progress and impact on the market before deciding whether to invest further.

Fortescue's Iron Bridge project is scheduled to export first tonnes before June and Macquarie forecasts the company's export volumes will rise from 189 million last year to 210 million tonnes by 2028.

Mineral Resources boss Chris Ellison has also promised rapid growth

[\[https://www.afr.com/companies/mining/ellison-takes-on-big-guns-with-iron-ore-strategy-20201121-p56gq6\]](https://www.afr.com/companies/mining/ellison-takes-on-big-guns-with-iron-ore-strategy-20201121-p56gq6) in WA export volumes; Macquarie predicts the company will ship 48 million

tonnes in 2026, up from less than 20 million tonnes last year.

Brazilian giant Vale also has big growth plans, telling investors it will grow output by 17 million tonnes this year and 72 million tonnes by 2026.

By the early 2030s Vale wants to have added an extra 117 million tonnes.

For comparison, CLSA analyst Robert Stein forecasts between 100 million and 120 million tonnes will be shipped from Simandou in 2030.



Tech Zero



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Fortescue is hoping to build an African iron ore hedge of its own at Belinga in Gabon.

The project is still in the early appraisal stages, but Dow Jones reported Gabon mines minister Elvis Ossindji saying on January 19 that the project was progressing faster than expected and “exploitation” would begin around May or June.

While exploitation usually refers to the start of mining, it likely means exploration drilling in this case.

Fortescue is expected to update the market on Gabon and other projects on Friday.

Arrow Minerals hopes to conduct further drilling on its Simandou North tenements this year and eventually publish a formal resource estimate for the project.

If Arrow eventually builds a mine at Simandou North, Mr Bresser said he was confident Arrow would be able to negotiate access on to the railway that Rio and the other Simandou partners will build, given government expectations for the railway to be open to third parties.



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