

Assmang to buy Gabon iron ore stake

Assmag, the iron ore and ferro-alloy producer owned jointly by Assore (ASR) and Patrice Motsepe's African Rainbow Minerals (ARI), has struck a deal to invest in an iron ore project in West Africa.

By [Brendan Ryan](#) 6 May 2014



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This makes Assmang the third South African mining major to move into West African iron ore in the past two years.

In December, Kumba Iron Ore announced it had teamed up with parent Anglo American to back a study on an iron ore project in Gabon by AIM-listed junior Ferrex. In 2012, Exxaro Resources took over Australian junior African Iron to acquire the Mayoko iron ore project in the Republic of Congo.

Assmang has now struck a deal to take a 19.9% stake in another Australian junior - IronRidge Resources - at a cost of £11.74m (about R207m). Iron Ridge, which is controlled by Australian-listed exploration and development company DGR Global, holds the Tchibanga and Belinga Sud licence areas in Gabon. A condition is that Iron Ridge complete a £25m cap raising and list on London's AIM market by no later than June 30.

According to Assore group manager of new business Alistair McAdam, "this is a long-term project which is being driven primarily by the high-grade nature of the deposit and its proximity to the coast. It's very early days but, if it all works out, you would probably see a mine under construction there in about 10 years.

"This is Assmang's first move into iron ore outside SA, but the decision has nothing to do with concerns about possible future logistical constraints here. It is about the long-term growth of the company."

Stephen Meintjes, head of research for Imara SP Reid, said Assmang's move made sense if viewed as a "long-term option on iron ore without big money being put up in a hurry".

He said a further motive for the deal could be logistical constraints on the rail line taking iron ore from the Northern Cape to Saldanha Bay for export.

"Assmang has to fight for its share of additional capacity created on the line," he said.

DGR Global said Assmang would be a "strong cornerstone investor" for the £25m IPO (initial public offering). After the listing DGR Global would retain a 26.4% stake in IronRidge from its current holding of 45.8%. "DGR selected the London capital market and the AIM board of the London Stock Exchange for listing IronRidge due to the high liquidity and appetite there for junior African iron exploration companies," it said.

Africa offered strategic advantages for mineral exploration generally and iron explorers specifically.

"Strong improvements in sovereign and tenement security and ground access is attracting increasing exploration funding for African projects," it said.

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