China's Ansteel Weighs Future of Australian Iron Ore Mine

China's Angang Steel Co. Ltd. is reviewing the future of the A$3 billion ($2 billion) Karara iron ore mine, which could become the latest victim of a global slump in iron ore prices.

Ansteel's minority partner Gindalbie Metals Ltd. said, "The Chinese firm had hired a third party to look at the viability of the struggling project. Gindalbie warned it may go under if Ansteel decided not to inject more funds.

The mine is one of five magnetite projects that Chinese firms poured billions into at the height of the resources boom as China's steel makers sought to ease their dependence on global iron ore giants, Brazil's Vale and Australia's Rio Tinto and BHP Billiton.

Iron ore prices have plunged nearly 80 percent from their peak in 2011 as Chinese demand has slowed while major producers have expanded output creating a surplus, driving all but the lowest cost producers into the red.

Magnetite is particularly costly to produce as the ore has to be heavily processed to produce high quality concentrate.

Doubts arose about the future of the mine after the chief executive of Karara wrote a memo to staff saying Ansteel was unable to continue to provide funding support to Karara Mining Ltd. (KML) due to the economic and industry downturn.

"As part of efficiency and cost reduction measures, Ansteel has engaged a third party to review the viability of operations as well as potential options for KML," Gindalbie said in a statement to the Australian stock exchange.

Gindalbie said it has asked Ansteel to notify it about its decision on funding Karara and has yet to receive a response.

"A decision by Ansteel to withdraw funding support could lead to claims under various operating and financing guarantees against Gindalbie, which if successful could cast doubt on Gindalbie's ability to continue as a going concern," Gindalbie said.

Gindalbie's shares slumped 62 percent to 0.8 Australian cents, valuing the company at just A$12 million, after the announcement.

Chinese Steel Plant Project to Support Nigerian Oil and Gas Development

Chinese steel pipe manufacturer Jiangsu Yulong Group has broken ground for a major manufacturing plant in Nigeria's Lagos Lekki free trade zone, aimed at supplying the country's developing oil and gas industries.

China said the first of three investment phases in the Yulong Lekki project would be an estimated $50 million.

Yulong Group deputy general manager Willy Wen said that, "The plant would become the No.1 complex welding and seamless pipe manufacturer in Nigeria as the group seeks to exploit new international markets.

Wen said the first phase of the project involved building a submerged arc welded pipe production unit with a design production capacity of 150,000 tonnes annually.

The second phase, at an estimated investment cost of around $60m, will see construction of an advanced equipped steel pipe production unit with a further annual production capacity of 150,000 tonnes.

The third and final phase will see the group launch a $10m tubing, casing, drill pipe and line pipe production unit, Wen said.

According to Xinhua, "China's consul-general in Lagos Liu Kan said at the ground breaking ceremony, on 16 December, that the project was an important part of China-Nigeria industrial co-operation which would bring win-win benefits".

Xinhua said the project, which would cover an 180,000 square-metre site, was expected to create more than 1,000 jobs for Nigerians and enhance modern technology transfer by training engineers in the steel fabrication business.

"On completion, the plant will be one of the largest heavy industry plants in Nigeria", Xinhua said.

Nigeria is among countries at the forefront of growing momentum for investment in start-ups in Africa, according to research published earlier this year. The 2015 Venture Finance in Africa report, by start-up funding platform Venture Capital for Africa, said the sum of all tracked investments in Kenyan start-ups in 2014 was $4.7m, followed by South Africa ($2.8m), Uganda ($1.5m) and Nigeria ($1.4m).

According to the US Energy Information Administration (EIA), Europe is the largest regional importer of Nigerian oil. In 2012, Europe imported 889,000 bpd of crude oil and condensate from Nigeria, accounting for 44% of total Nigerian exports. The EIA also listed Nigeria as the largest holder of natural gas proven reserves in Africa and the ninth largest holder in the world.

A report released last year from consultancy Ernst & Young said, "Nigeria had been the largest recipient of foreign direct investment in Africa over the last decade, 80% of which had been invested in the oil and gas sector."