

The Australian

African iron ore project may prove rewarding

- **FLOAT WATCH:** Tim Morris
- From: **The Australian**
- April 20, 2011 12:00AM

[Recommend](#)

3 people recommend this.

[Share](#)

0 tweet

OUTSIDE of the Pilbara, the world's largest iron ore producers are banking their production growth on the former French colony of Guinea in West Africa. BHP Billiton, Rio Tinto and Brazil's Vale have all acquired substantial development interests in the nation's iron-rich southeast, which incorporates Mt Nimba and the Simandou Mountains. Developments on the drawing board could see Guinea's iron ore output rise to more than 300 million tonnes a year in the next decade. By comparison, total global consumption in 2009 was 1.9 billion tonnes.

COMPANY: Nemex Resources

ASX CODE: NXR

SHARES ON OFFER: 30 million

LISTING PRICE: 20c

MARKET CAPITALISATION: \$13.9m (fully diluted)

PROPOSED LISTING DATE: April 17

While infrastructure remains a challenge, the expected influx of iron ore investment in Guinea by big producers underpins this month's float of Nemex Resources. The company's projects in Guinea and Western Australia all require further exploration. However, resource delineation could prove rewarding for the share price.

Most proceeds from Nemex Resources' \$6 million raising are budgeted for Guinea, where significant low-grade iron mineralisation has been identified near the surface at the Coastal project. For an idea of its potential, a geological survey conducted in the 1970s suggested the area could hold more than 400 million tonnes grading 38.7 per cent Fe. However, as this estimate is not compliant with today's industry standards, Nemex will be required to conduct further drilling to confirm the size of the resource.

Fortunately, exploration doesn't appear to be the float's big risk factor. Unlike metals such as copper and gold, iron ore formations are often fairly homogenous. Infrastructure is typically a hurdle for iron ore developments, but the Coastal project is assisted by its proximity to two rail lines, one of which services an existing deep-water port. The big risk factor for Nemex is its ability to easily process the existing mineralisation into a higher grade product suitable for direct shipping.

The company's initial priority is therefore metallurgical testing to gauge processing and capital costs.

Establishing a development case could drive considerable value for shareholders. Nemex's management team has successfully overseen African-based resource projects at Perseus Mining (Australian Securities Exchange code: PRU) and Tiger Resources (ASX: TGS), which have delivered strong shareholder returns.

Recommend

3 people recommend this.

Share

0 tweet

Copyright 2011 News Limited. All times AEST (GMT +10).

All times are EST. © MarketWatch, Inc. 2008. All rights reserved. Subject to the **Terms of Use**. Designed and powered by **Dow Jones Client Solutions**. MarketWatch, the MarketWatch logo, BigCharts and the BigCharts logo are registered trademarks of MarketWatch, Inc. Dow Jones is the registered trademark of Dow Jones & Company, Inc. Intraday data delayed at least 15 minutes. "Intraday data is provided by **Interactive Data Real Time Services** and subject to the **Term of Use**." FXQuoteTM provided by GTIS, an Interactive Data Company "Historical and current end-of-day data provided by **Interactive Data Pricing and Reference Data**". FTSE (Footsie) is a trade mark of the London Stock Exchange and the Financial Times and is used by FTSE International under license.