

## MOZAMBIQUE

*By a Special Contributor*

**P**olitically, 2001 was relatively quiet in Mozambique. However, the threat of a breakdown of the Rome Peace Accord of 1992, which brought to an end the civil war between the Renamo guerrillas and the Frelimo government, is always present. This threat has increased after the former's strength was demonstrated in the general elections of 1999, when they won 117 seats to Frelimo's 133.

For the mining industry, the strong support Renamo enjoyed in the centre and northern provinces of the country is a matter of concern, as this area has the greenstone belts, pegmatites and coal that make up the bulk of the country's mineral resources. 2000 saw bloody clashes between Renamo and police in these regions, in which forty people died and over a hundred were injured. A further 75 people suffocated to death in an overcrowded police cell. However, in 2001, apart from minor incidents, the most significant development was a statement by Alphonse Dhlakama, leader of Renamo, that "I will not rest until I am President". Another worrying signal was sent by a group of disabled Frelimo ex-combatants, who in September seized municipal land in the Matola suburb of Maputo, arguing that it was their right to do so following the failure of the government to honour promises of free land.

Mozambique does not yet have a significant mining industry. Rather its position on the southeastern coast of Africa has made it an attractive country to set up mineral processing plants. First amongst these is the Mozal smelter, with BHP Billiton the principal shareholder. It was commissioned in mid-2000 and uses electricity from South Africa and alumina from Australia to produce 250,000 t/y of aluminum. Costing US\$1.2 billion, it has been a great success, and in June 2001 the installation of a second pot line was announced, which will double output.

Mozambique's economy is so small that Mozal has had a dramatic effect on it. Thanks to the smelter, in the first quarter of 2001 the country's exports were 172% higher than the equivalent quarter of the previous year. The deficit between export revenue and import costs has improved to about 50%, instead of over 75%. However, even with the improved earnings, these figures are a stark measure of Mozambique's dependence on aid money to shore up its balance of payments.

Other mineral exports were minimal: mainly gold and coal and dimension stone. Mozambique's mining future rests principally on two massive beach sand projects that are in their feasibility study stage. The larger of these is the Corridor Sands scheme, in the district of Chibuto, in the southern province of Gaza. This has at least 14,000 Mt of ilmenite-rich sands at a cut-off grade of 6% total heavy minerals (THM). A sum of US\$500 million is being sought to develop a mine and processing plant using three 37 MW closed DC arc furnaces. An output of 375,000 t/y of sulphate and chloride titania slags and nearly 200,000 t/y of high-purity foundry iron is planned, together with rutile and zircon. It is envisaged that the bankable feasibility study would have been completed in April 2002, and provided that project finance can be secured, the project go-ahead could be in late 2002.

A second major mineral sands project is Kenmare Resource's Moma development in the northern province of Nampula, which has about 1,000 Mt at 3.6% THM, although the ilmenite is of an exceptionally high grade. Kenmare was confident enough on the strength of a pre-feasibility study to buy the plant from BHP's closed Beenup operation for A\$2.5 million and to raise £3.45 million from new shares to pay for the full feasibility study, which was completed in mid 2001. The company has secured a mining licence and

tax-free zone status for the project, and plans to sell a pure, high-grade ilmenite to smelters.

A setback during the year was the collapse of the billion dollar Maputo iron and steel project (MISP), which was to produce 4 Mt/y of steel slab from magnetite stockpiled at Palaborwa in South Africa, using gas from the Temane and Pande fields. The failed US energy giant Enron was the principal backer, but the project had been having trouble assembling other investors, and now appears to have been

shelved indefinitely. This has not stopped the development of the Teman gas field and the construction of a 895 km pipeline from near Vilancoulos, on the southern coastline, to Secunda in South Africa.

The South African synthetic fuel giant, Sasol, is implementing the project in conjunction with subsidiaries of EHN, the state oil company. At Secunda the gas will be used to supplement coal and for distribution through Sasol's existing customer network.