RENNIES REPORT

Rennies Ships Agency (Pty) Ltd

DEVELOPMENTS IN SOUTH AFRICA

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ECONOMICS

South Africa's national debt will reach 44% of GDP in five years before gradually declining according to the Finance Minister. He advised that it would not be possible the country's debt by 2013 with a small decline in non interest spending. An increase in budget revenue will lead to a narrowing of the primary budget deficit over the medium term.
South Africa's GDP is showing an increase of 3.4% this year and a 4.3% increase in 2011. This is considerably lower than Continental Africa's forecast which is to expand GDP by 4.5% this year and 5.2% in 2011.

The South African trade deficit in May was R302M compared to a deficit of R1.9bn in April. The smaller deficit in May was due to an increase in exports of 6.8% and an increase in imports of 3.1%.

At the time of the budget in February 2010 it was predicted that the budget shortfall would be R168.6bn which is equal to 6.2% of the GDP. Over the past few months Government spending had declined and revenue collection remained strong which have caused predictions to be revised to a deficit of R83.8bn which is equal to 3.1% of GDP.

POLITICS

The South African Government has been through a difficult time over the past month with country wide strikes. Cosatu, a major partner to government has organized national strikes with the public service workers, demanding a considerable wage hike. The South African Teachers Union has been on strike demanding more pay, as have other unions. The strikes have at times been violent and intimidating. The increase in wage demands have been considerable – much higher than the inflation index.

There have been a number of reports in the media about corruption by government officials and their families with huge and lucrative contracts going to people with "connections" in Government. Over and above this, there have been a number of reports of huge salaries being paid to "connected" people and high lifestyle living by numerous Government officials. Commentators have ascribed the violence and the high demands of the strikers as a reaction to the profligate living of government officials and "connected" individuals.

The ANC party is attempting to introduce a media suppression Bill through parliament. This Bill, if it is passed will control the free press and make it illegal to report on corruption or wrong doing by government or local authority. The proposed Bill is very similar to a Bill which was imposed by the previous National Party government in the height of apartheid.

RAIL

Transnet has asked for private companies to express interest in operating rail services on about 7 300km of branch lines in South Africa. Currently there are some 4 000km operational.

The Sishen Saldanha rail line is being upgraded from 38M tons per year to 47M tons per year with a further upgrade to 60M tons per year by 2012.

The Sena rail line in Mozambique will carry 5M tons of coal per year starting in July 2011. Some 30 locomotives and 600 wagons are being purchased for the line.

Transnet Freight Rail has started its five-year development plan and will spend R52bn between 2010/11 and 2014/15. Some 304 new locomotives will be added to the fleet and some 7 231 new wagons will be added to increase capacity on coal, iron ore and general freight.

The iron ore line is being expanded to 60M tons from 43M tons and the coal line is being expanded to 81M tons. Transnet still has to make a decision on creating an expanded manganese corridor with the options being a channel through Coega or transforming the Saldanha iron ore channel into a two commodity channel.

PORTS / HARBORS

The port of Walvis Bay is being upgraded which includes more quay space for containers, dredging and more berths at a cost of N$34M.

The port of Ngqura is undergoing a development to create a seven-berth Port which includes a four-berth container terminal, a two-berth multipurpose terminal and a liquid berth. Phase one will create capacity for 800 000 TEU's and phase two will include capacity to handle 2M TEU's.

Container volumes are growing at 6% to 8% per year through Durban and Transnet is planning on how to handle higher volumes in the future. One of the options is to transform the old Durban airport into an additional container bulk liquid and vehicle terminal. This would be easiest and quickest solution.

There is hope that the proposed ship repair facility at Richards Bay will go ahead. Imbani Holdings advised that they were looking for a Chinese partner in the project. Ninbo Fuming Shipyard advised that they were willing to co-operate with Imbane.

AUTOMOTIVE

Mahindra has delayed establishing a manufacturing presence in South Africa. Mahindra advised that they will enter into a contract manufacturing agreement with a locally based car manufacturer within the next 9 to 12 months. Mahindra is also interested in entering the tractor market in South Africa. Mahindra is the largest tractor company in the world, selling more than 200 000 units last year.

Mercedes Benz SA will invest some R2bn in its East London plant if it wins the contract for the production of the latest C Class expected to be launched in 2014.

The East London plant received the Platinum Quality accolade from JD Power & Associates. With only 28 defects per 100, Mercedes Benz South Africa was the top plant worldwide in terms of producing vehicles with the fewest defects.

Optimal Energy, the Cape Town based company that developed the Joule electric car is attempting to raise R500M to industrialise the car. The Joule should commence production in 2015. The production plant is to be located in the Eastern Cape, possibly East London with a capacity to build 80 000 units per year.

Toyota plans to double the size of its South African manufacturing sector by 2020. The manufacturing capacity of the motor industry in South Africa is 600 000 units and Toyota has a production capacity of 220 000 units. The Department of Trade and Industry plans to increase capacity to 1,2M units per year.

The Ford new engine plant at Struandale is in operation producing components for the new generation Puma diesel engine. The parts will be exported to Ford`s Thailand and Argentina engine plants. The Ford plant at Silverton will increase capacity to produce 110 000 pick up units per year. About 75% of the production will be for export.

VW SA is investing R500M in a new press shop at its Uitenhage plant. The Uitenhage plant manufactures the new Polo for all the right-hand drive markets in the world as well as the Polo Vivo for the local market. Production volumes should reach 120 000 units with exports being 65 000 units.

Mercedes Benz SA is still awaiting a decision as to whether the new C-Class will be produced in SA. The plant currently produces some 170 units per day mainly for the US market and 40-60 per day for the local market. Mercedes will decide in three to four months time as to whether the new C-Class will be produced in South Africa.

Nissan Diesel will change its name to UD Trucks in September. Nissan Diesel SA exported some 112 units in the first half of the year and plan to export 250-300 trucks per year.

Toyota SA currently produces the Hilux, Fortuner and Corolla models and is looking at producing a small car (Sub B segment) as this is the fastest growth segment of the market. Toyota SA predicts a new vehicle market of 475 000 units for 2010 – this is slightly up on the previous forecast of 420 000 new units.

By the end of June the new vehicle exports had improved 32.7% compared to the first 6 months of the previous year. Toyota SA expects to export 50 000 units this year.

SA vehicle exporters are facing difficult conditions exporting into Europe, these conditions will remain until 2012. Toyota is currently exporting 150 vehicles per day into Europe which is far below the capacity of the plant at 440 units per day. New vehicle sales in July increased 20% compared to July last year. Toyota SA will ramp up production of the Hilux and Fortuner from the current 380 units per day to 440 units per day and up to 500 units per day in 2011.

VW SA is constructing a new press shop for the production of the Polo and Polo Vivo with volumes of 120 000 units per year. The press shop construction will start in the last quarter of this year with operations to start in mid 2012. The cost will be R500M.

Vehicle production in South Africa is projected at 443 000 in 2010 with vehicle exports from South Africa being 221 000 vehicles. In 2009, 163 750 cars were imported into South Africa which was down on the 203 808 cars imported in 2008. Imported vehicles represent 63.4% of the total car market in 2009. In 2009 South African vehicle exports fell significantly to 174 947 vehicles on the back of global recession. Vehicle exports represented 46.8% of total vehicle production in 2009. Export numbers are expected to climb again in 2010.

General Motors have chosen the new Spark for local production in South Africa.

Renault will launch six new models in South Africa before the year end. Renault sales for the first 6 months increased 91% compared to last year.

ENERGY / POWER STATIONS

ELECTRICITY / POWER

Eskom is working on its first concentrated solar thermal power plant at Upington. The plant will be an 80 mega watt plant and completion is expected by the end of 2014.

There are plans to build a combined cycle power plant at Coega.

It appears that the Pebble Bed Modular reactor project has ground to a halt.

A hydro plant producing 600 mega watts is planned for the Kafue Gorge in Zambia. The cost will be $1,5bn and completion is planned for 2013.

A thermal power plant producing 270 mega watts is planned for at the Maambo Collieries in Zambia. The cost will be $470M.

Zambia has a JV with Tata Africa to construct a 120 mega watt hydro-power plant about 260km south of Lusaka.

The South African power utility Eskom has advised that it will still have to impose 25% tariff increases for the next two years

The Kusile Power plant will be a six unit coal fired plant producing about 4 800 mega watts. The estimated cost is $15bn and the first 803 mega watts is scheduled to enter operation in 2013 with the last unit becoming operational in 2017.

South Africa's electricity has a total power station capacity of 44 193 mega watts as indicated in Eskom's 2009 Annual Report. Some 85% of this capacity is from coal fired power stations. Eskom are undertaking two new coal fired power stations in Limpopo and Mpumalanga known as Medupi and Kusile – each of which will contribute 4 800 mega watts of capacity. The Medupi power station is expected to cost some R126bn and Kusile some R141bn. The initial cost estimates for the projects were R60bn and R80bn respectively.

Various power stations are being de-mothballed – these are Kamden, Grootvlei and Komati at an estimated cost of R16bn. There are fears that unless energy consumption levels are reduced the country could face power shortages in 2011 / 12 and again in 2018 as Eskom moves towards increasing its capacity to 80 000 mega watts by 2025.

CIC has made arrangements with the Shanghai Electrical Group to sustain the fixed price for the 1320 mega watt Mmamabula power station in Botswana while they sort out regulatory hurdles with South Africa where the power will be sold.

The Medupi Power station will be a dry cooled coal fired plant of six units producing 4764 mega watts. Delivery of plant has started and the first unit will be integrated into the grid in 2012 and the last unit by 2015.

Zambia is to build a 120 mega watt hydro power plant with construction starting in 2012 and the project being operational in 2016.

The SA Wind Energy Association says that 6 000 mega watt of wind energy is ready to be commissioned, however developers are awaiting Power Purchase agreements under the renewable energy feed-in tariff.

Wind Energy developer, G7 Renewable Energies is going ahead with the development of five wind farms in the Western Cape.

The China-Africa development initiative involves a project to develop a wind farm at De Aar. The farm is expected to generate 100 mega watts. Construction is expected to start in March 2011 with completion in June 2012.

The Mozambican Benga Power Plant will be developed in two phases. The first phase is a 500 mega watt power plant and Phase 2 will see the upgrade of the power plant to 2000 mega watts. The first phase should be completed during 2013.

Anglo is in discussion with Eskom regarding the development of a 300 mega watt power plant using Anglo discard coal. Requests for proposals for the power plant will be invited later this year.

The Medupi coal fired power station is likely to be delayed by two years, according to Exxaro a major supplier to Eskom.

COAL

Riversdale Mining is investigating transporting coal from Moatize to Beira. The rail line from Moatize to Beira can handle 5 million tons of coal, however, Vale and Riversdale are planning production of 20 million tons per year.

The capacity of the Klipspruit mine has been increased from 4.8M tons to 8M tons per annum. As part of the expansion process, a coal processing plant was developed which replaces the Klipspruit coal washing plant. About 4M tons per year will be exported through Richards Bay.

The Mozambican Government has given the go ahead for Vale to conduct an environmental impact study on the development of a deep water Port at Nacala. Currently Vale has access to the Port Beira through the Sena railway line for coal for its Moatize project. Some time ago Mozambique secured a US$500M loan to build a link from Moatize to the Nacala corridor and upgrade the existing railway which links Malawi with Nacala.

Zimbabwe and Australian investors are looking at putting up some US$500M for a joint venture for the exploration and infrastructure development in an area some 280kms south east of Harare. The coal deposits are said to be suitable for power generation and would be mined for industrial use.

Lomtoh Coal which is planning a JSE listing in October has stepped up their exploration drilling at Lubimbi. This project is near Hwange and there are plans to produce 2M tons of coal per year from the area. Apparently the coal is very close to the surface between 2 and 9 metres with large seams containing 20% coke. The plan is to start shipping coal in May 2011.

There are plans to refurbish 450 rail wagons at the Zimbabwean national railways and to acquire up to 16 locomotives to have the capacity to transport up to 2M tons of coal per year to Matola and to rail the coking coal to the copper mines in Zambia and the DRC and to ferrochrome producers in South Africa. The mine will be an open cast mine and there are no plans to go underground for the next 20 years.

Sable Mining Africa has bought an 80% interest in Monaf Investments which owns Lubu coal project near Bulawayo. The concession covers some 19 000 hectares and was originally explored by the Messina Transvaal Development Services in the 1980's. There is an inferred resource of 334M tons of low sulphur coal. This resource is principally located in the main seam believed to be between 14 and 18 metres thick and to contain coking coal in its lower section.

Exxaro Resources may increase output by some 33% in four years to meet demand from new power plants. Production might increase by 15M tons to some 60M tons by 2014.

Exxaro has the Thabametsi coal mine project in the Limpopo Province which involves the construction of an open-pit coal mine and beneficiation complex in the Waterberg coal fields. The mine is expected to supply 9M tons rising to 16M tons coal to the new independent power producers between the years 2014 and 2017. Independent power producers are expected to collectively generate some 5 000 mega watts.

Rio Tinto has predicted that the demand for iron ore, aluminium and copper will double over the next 15 years along with a substantial increase in demand for energy products. A number of large collieries are due to close around 2020 as coal reserves are depleted. Small mines are replacing the big mines which produced most of the coal in the past – however the smaller mines are faced with a major challenge which includes handling, processing and transportation.

The Benga project in Mozambique will construct the first stage by the second half of 2011 and will produce some 5.3M tons of coal per year at full capacity. The second stage of the expansion will produce 10.6M tons per year. The reserves and resources of the project have been upgraded by some 84% following the feasibility study and this confirms an economic viability of a 20M ton per year operation.

South Africa currently produces about 250M tons of saleable coal per year. Of these some 62M tons of coal is exported through Richards Bay with the end destination being Europe with 46% and Asia 41% of which some 29% goes to the Indian market. It is estimated that South Africa's coal exports to India could increase to 54M tons by the year 2020. The Richards Bay Coal Terminal has increased its capacity to 91M tons per year. There are a number of new empowered entrants to take up this capacity which has been allocated to the following companies – South Dunes Coal Terminal 6M tons per year – ARM Coal 3.2M tons per year – Exxaro 2.5M tons per year – Umcebo Mining 1M tons per year – Tumelo Coal 600 000 tons per year – Yomhlaba 500 000 tons per year – Mmakau Mining 350 000 tons per year – Mbokodo Mining 500 000 tons per year – Worldwide Coal Carolina 350 000 tons per year.

It is estimated that about 48M tons per year of South Africa's current coal mining capacity will be lost over the next 10 years as the mines reach the end of their productive lives. Local demand for coal is expected to grow reaching some 150M tons by year 2020. To meet local and export demand South Africa will need to produce some 384M tons of coal per year by 2018. There is a strong need for exploration and new coal projects as current projects in the pipeline will only bring producing capacity up to about 182M tons per year.

The South African coal industry is dominated by the big five. Anglo Coal has 9 mines in South Africa as well as a 27% share in Richards Bay Coal Terminal. The company is involved in a number of new projects including searching for coal methane opportunities in the Waterberg region, completing a pre-feasibility study on new largo, a US$1.7bn project that will supply the Kusile power station.

BHP Billiton Energy Coal South Africa operates 4 mines in South Africa which have the capacity to produce some 49M tons of coal per year. The company is involved in two new projects – the Klipspruit open cast coal mine expansion and Douglas Middleburg Optimization project.

Exxaro Resources which has decided to exit the zinc market and halt the mineral sands replacement mine in KwaZulu Natal is intensifying its involvement in coal. The company produces some 45M tons coal per year through 3 open cast facilities and 5 underground operations.

Exxaro has a number of expansion projects and Greenfield projects with an ambition to grow its coal production to 100M tons per year by 2017. The development plans for the Waterberg coal field are expected to cost some R30bn and include 3 new coal mines as well as a number of downstream activities. Another open cast project is the Thabametsi development which is a proposed open cast mine expecting to supply some 16M tons of coal per year to independent power producers with first production expected in 2015.

Sasol Mining produces 40M tons of coal per year with the output primarily being used as a feedstock for the Sasol sinfuels facility. The company has 6 mining operations.

Xstrata produces some 24M tons per year from 11 mines.

While the coal mining industry is dominated by the big five there are a number of smaller participants. Optimum Coal has a 6.5M ton export allocation through RBCT and access to a further 1.5M tons export entitlement through a stake in Syanda Coal. In 2009 Optimum sold 9.3M tons of coal which included 4M tons into the export market.

Coal of Africa is seeking to supply some 12M tons of thermal and metallurgical coal into the South African export markets.

Keaton Energy is aiming in the medium-term to produce 2M tons of saleable steam coal per year.

Wescoal was initially built by buying run-of-mine coal and selling to the domestic market – however Wescoal are now planning further developments.

Sentula Mining has 4 coal development projects operational by mid 2011.

Transnet has advised that it is determined to turn the coal line to Richards Bay around and increase coal exports through the Richards Bay Coal Terminal. The rail line has under-performed for a number of years. Transnet has to increase the capacity of the line from 62M tons up to 81M tons by 2014 and between 90M and 100M tons later. Transnet expect to spend some R15bn on the project and are looking at developing take or pay contracts with the coal miners to fund the expansion. The iron ore exports from Saldanha grew by 21.5% last year to 44.7M tons and plans are in place to rail some 50M tons in 2010 / 11 with plans to increase iron ore exports to 80M tons per year.

Malesedi Holdings is planning a coal production of 78 000 tons per month. A further two coal mines will be commissioned in 2011. Malesedi is currently focused on the domestic market – however it is looking towards the export market and has a modest allocation through Richards Bay due to its supply agreement with Eskom.

Riversdale plans to raise AS$337M through a share placement for its Benga project in Mozambique. After phase two and three expansions the company will produce 6M tons of premium hard coking coal and 4M tons of export quality thermal coal.

Resource Generation, an Australian company listed on the JSE in July to gain access to South African markets, is to develop its coal project in the Waterberg region. The company hopes to secure mining rights in 2011 with the mine starting in mid 2011. Production would be 6M tons of coal of which 3M tons would be destined for the export market.

Resources Generation (Resgen) has lodged an application for mining rights for it`s Boikarabelo project in Limpopo. The project has inferred reserves of 2bn tons with a seam of between 20m and 30m below surface - the seam is between 120m and 130m thick. If all goes to plan, construction will start in mid 2011.

Firestone Energy is looking at developing an open-cast mine at the Waterberg. The Smitspan first stage open cast mine has dimensions of 4,1km x 2,2km x 75m deep. Firestone together with Sekoko Coal have submitted a mining right application to the department of mineral resources and expects to obtain a mining rights in 2011.

Xstrata has completed the 7M ton per year Goedgevonden project and is now implementing the 4.5M ton per year Atcom East project in Mpumalanga. Atcom will start up in 2011 and the Tweefontein project will come on line in 2013.

Continental Coal is obtaining a majority stake in Mashala Resources which owns mines in Witbank and Ermelo. The deal would make Continental a multi-mine operator with export production of 500 000 metric tons per year from the Ferreira mine.

Somkhele mine is constructing a second coal processing plant which will add 535 000 metric ton capacity. Somkhele will produce 1.1M tons of metallurgical anthracite per year.

MANGANESE

Transnet is looking at expanding the capacity for Manganese Ore exports to over 7M tons per year and the options are the Sishen line or possibly the Port of Ngqura. There's no finality on the route to be selected as yet but Transnet is hoping that the Manganese expansion will be under its private sector partnership scheme.

Tshipi Kalahari Manganese has the potential to produce between 2.2M and 2.3M tons ore per year graded at 37%. There are resources of 163M tons which can be mined by open-pit method. The project will require some US$200M and development is expected to start in 2011 with the first production targeted for 2013.

HEAVY MINERALS

BHP Billiton has withdrawn from the Mozambique Chibuto Sands project and the government will launch an International tender by September to invite investors to develop the heavy mineral sands.

Xolobeni Mineral Sands project in the Eastern Cape has submitted a report to the Director General regarding the granting of a licence for the project. The proposed project will be a dry mining operation between 13M tons and 15M tons per year and is expected to produce 250 000 tons of ilmenite per year, 19 000 tons of rutile, 15 000 tons zircon and 15 000 tons of leucoxene.

Exxaro Resources are planning to develop a 300 000 ton per year mineral sands mine in 2011. The company is working on a bankable feasibility study at Fairbreeze and production was expected in 2013. Exxaro is disinvesting from its entire zinc assets in South Africa, Australia and Namibia by mid 2011 and is focusing on investing in new iron ore and copper projects.

STEEL

Arcelor Mittal and Kumba initially failed to reach an agreement on the price of iron ore. Arcelor Mittal South Africa produces 8M tons of steel per year – the Saldanha Bay plant produces and exports 1,2M tons. The lack of a supply agreement put the viability of the Saldanha Bay plant in question and there was talk of closure. An intervention by the Department of Trade and Industry saw an interim price agreement which will be valid until the end of July 2011. Kumba posted record results for the half year to June due to higher demand from China.

Evraz Highveld Steel plans to increase exports to South America and Africa. Highveld produces some 1M tons of steel per annum and sells 80 percent of production into South Africa.

A steel production plant is planned at Dondo / Sofala in Mozambique at a cost of $29M.

IRON ORE

Motjoli Resources hope to raise $1.5bn for the construction of an iron ore mine at Piet Retief that may produce as much as 20M tons per year. Motjoli are applying to the Development Bank and the IDC.

Motjoli Resources is planning to bring its iron ore mine into production in late 2012. The Cascades project is expected to produce 20M tons per year and has a deposit of 2bn tons. Motjoli plans to supply the local market and export some products.

A joint venture between Palaborwa Mining and the Industrial Development Corporation and a technology company has been formed to explore the establishment of an iron making facility at Palaborwa. Palaborwa Mining had been investigating the opportunities around 240M tons magnetite stockpile as a means of extending the life of the mine. A project team has been put together to conduct a detailed feasibility study by the end of 2010 for a 500 000 ton iron making facility at Palaborwa.

Kermas a UK based investment company is planning to submit an application to convert its prospecting permit for the Stoffberg magnetite project into a mining licence. Dongbu Steel and another South Korean mining company Kores have signed a Memorandum of Understanding with Kermas to develop a 1.2M ton per year pig iron project in South Africa by 2013. Dongbu Steel is building a new production facility in Korea which will require 1M tons pig iron per year. It is expected that some US$500M will be spent on developing the operation. The Stoffberg project had a titanium iron ore resource of about 650M tons so the project would be in two phases – the first phase being the development of a pig iron process and the second phase being a titanium oxide slag process.

There is considerable controversy over the granting of a prospecting license to Imperial Crown Trading for iron ore in the Sishen area. The prospecting rights were originally held by Arcelor Mittal who did not renew the license when it expired. Kumba Iron Ore applied for the vacant prospecting license however the department of Mineral Resources granted the prospecting license to Imperial Crown Trading – a company which has no experience in prospecting and whose directors are politically well connected. Arcelor Mittal find themselves in a difficult position as their source of low cost iron ore has dried up due to the cancelation of a Kumba / Arcelor Mittal supply agreement. As a consequence, Arcelor Mittal have proposed to “buy” the exploration rights from Imperial Crown Trading for some R800M and put in place a shareholding deal which will make certain individuals very wealthy. Many of these individuals are politically connected.

There are plans for a new iron ore mine and pig iron plant in Limpopo. An Australian mining company plans to list the mine on the JSE in April next year.

MANGANESE ORE

There is a Board tussle at Kalahari Resources. Kalahari is a 40% shareholder in Kalagadi Manganese which is developing a R10.5bn manganese mine and sinter plant in the Northern Cape. There are plans to develop a smelter at Coega. Kalagadi is 50% owned by Arcelor Mittal and the remaining 10% is owned by Metmar trading.

Assmang is planning to convert two more furnaces to raise the output of ferro manganese. The project could raise capacity from 240 000MT to 400 000MT per year.

FERRO ALLOYS

Merafe resources advised that first half production had risen 149% at its ferrochrome plant. Some 608 000M tons were produced. The demand in ferrochrome production has risen following a 35% price increase in the European benchmark price.

A Ferro Alloys plant, at a cost of $52M is planned for the Dondo / Sofala province in Mozambique

CHROME

The Merafe / Xstrata joint venture has approved the construction of a 600 000 metric tons per year chrome fines pelletising plant near Rustenberg. The pellets are sintered and used as a feedstock for their ferro alloy plants. The total capacity of the ferro alloy plants is 1.98M tons per year.

NICKEL

Norilsk Nickel is integrating the output from its African operations into its European units. It will ship nickel and copper concentrates from Africa to Harjavalta refinery in Finland. Norilsk’s two operating assets in Africa are Tati Nickel in Botswana – Norilsk holds 85% – and Inkomatie Nickel in South Africa which is a 50 / 50 joint venture with Africa Rainbow Minerals. Tati’s output this year will be 18 500 tons nickel concentrate and 20 400 tons copper concentrate.

COPPER

Vale and African Rainbow are investing $400M in the Konkola North Copper mine which will produce 50 000MT of copper per year rising to 100 000MT per annum.

Tiger Resources has started development of its Kipoi mine in the DRC. There are plans to be in production at the end of 2010 and it is expected to produce 35 000 metric tons of copper per year.

The Botswana Government has approved the final environmental and social impact assessment for Discovery Metals Boseto copper project in the North West of the country. The company hopes to obtain a mining licence shortly and plans for initial reduction in December 2011.

The Boseto copper project in Botswana has indicated resources of some 22.5M tons of 1.5% copper. The pre-feasibility study estimates the project development costs at some US$185M with the bankable feasibility study expected to be completed in March 2011.

ZINC

Vedanta Resources, a UK based company is in talks with Exxaro about acquiring the Rosh Pinah mine in Namibia. Vedanta acquired Anglo Americans zinc interests for $1,34bn earlier this year.

CEMENT

A cement plant is planned for the Tete/Moatize province in Mozambique at a cost of $17.3M.

A cement plant is planned for Lindi in Southern Tanzania. The capacity will be 500 000MT at a cost of $12.5M.

Jidong Development Group and the China-Africa Development fund are to build a R1.65bn cement plant some 85 kilometres north of Brits. The plant should be in operation in 2012.

Namibia is to commission its first cement plant later this year. Ohorongo Cement, a site close to Otavi in Northern Namibia will commence production soon.

Sephaku Cement will be constructed near Lichtenberg and will produce 2.2M tons of cement a year. The cost of the project which will be completed in 2010 is R3.3bn.

OIL / GAS

There are questions being raised in Parliament about how President Zuma`s nephew was allocated two exploration blocks in the DRC. It appears that the blocks were previously under license to Tullow Oil of the UK, however the late President Joseph Kabila issued a presidential decree allocating the blocks to Khulubuse Zuma.

PetroSA has signed a co-operation agreement for the offshore block 5/6 in the Orange River basin. This block, in the South Western margin of the country covers some 93 000 square kilometers. The agreement allows PetroSA to conduct geochemical analysis to evaluate oil prospects.

Project Mthombo at Coega is building of a 400 000 barrel per day oil refinery at Coega. The cost of the project will be about $9bn. The geotechnical study is under way and PetroSA expects a final investment decision from the Government in 2012.

The coal to liquid complex at Secunda is being expanded by about 5% and the additional capacity will come on stream in 2013.

PetroSA is proposing a 400 000 barrel per day refinery at Coega. If the project goes ahead, the cost will be about R80bn and could come on stream in 2016.

In order to match demand for diesel, supply has to grow at 6% a year and petrol supply has to grow at 2% per year between 2010 and 2015. The projects are that by 2015 South Africa will have to import an additional 150 000 barrels of refined fuel to meet demands. South Africa’s current refining capacity is 700 000 barrels per day – about one third of which is by old refining plants that are inefficient and heavy on pollutants. It will cost approximately R36bn to revamp one of these old refineries.

Tullow Oil has discovered a large oil field off the coast of Ghana. The Owo field is estimated to hold up to 550M barrels of light sweet crude.

FUEL

About 40% of South Africa's fuel needs are met by sinfuels produced from natural gas and coal to fuels plants. The Government is looking towards developing bio-fuels to meet some 2% which is 400M litres of the national liquid fuel supply by 2012. South Africa consumes an estimated 518 000 barrels per day of oil. South Africa has a refining capacity of 692 000 barrels per day. Of this 497 000 barrels per day is from the country's four crude oil refineries – Sapref 180 000 barrels – Enref 125 000 barrels – Shevref 100 000 barrels – Natref 92 000 barrels. The Sasol process in Secunda produces a 150 000 barrels per day and the PetroSA gas to fuels plant in Mossel Bay produces 45 000 barrels per day.

The Government is looking at the country's oil refining capacity which has shrunk over the past couple of years and PetroSA is campaigning to develop a proposed 400 000 barrel per day crude oil refinery to be built at Coega. There are some concerns about this especially from other petroleum groups who advise that the construction of the US$ 10M refinery would result in over-capacity in South Africa which would remain the case beyond 2020 and would thus burden the South African tax payer.

Coega is proceeding with project Mafutha which is a coal to liquid project. The feasibility plan still has some way to go but the project is envisaged 80 000 barrels per day. Sasol is also expanding the Secunda facility at a cost of R12.1bn and this should increase capacity by about 5%. The additional capacity will come on stream in 2013. South Africa is also developing a pipeline infrastructure – these include a 12 inch pipeline from Maputo to Kendal which is expected to be delayed until 2011. There is a 24 inch diameter pipeline being developed by Transnet – some 555kms of piping. This network which will cost some R12.67bn will be completed in December 2012. A further pipeline from Sasol's Natridge refinery will be developed to the sinfuels factory in Secunda.

CHEMICALS

Sasol is developing an ethylene purification unit at Sasol Polymers which will provide an additional 48 00 tons per year output. The plant will be operational in 2013.

FERTILIZER

Omnia is developing a Nitric Acid plant to meet the growing demand for explosives and fertilizer. The new plant will produce 1000t per day and involves a capital cost of R1.4bn.

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