

MOZAMBIQUE

By a special contributor

The Republic of Mozambique has a coastline extending for some 1,250 km along the Indian Ocean. In the south, the country is flat and low-lying, with a Jurassic or younger geology. To the north, the elevation increases gradually, with upland areas and some mountains in the west and beyond the Zambesi. In these regions there are Proterozoic crystalline terrains, possessing some mafic intrusives and schist belts. Although Mozambique's past mineral production has included 20 different minerals, there is now only a handful of significant formal operations, and the annual value of their output amounts to just a few million dollars. However, exploration expenditure has been relatively high, typically in excess of US\$10 million annually, and this work is starting to pay off.

An important political milestone was passed during 2003, when local government elections were held peacefully. They were contested by the two former warring parties - the ruling Frente de Libertação de Moçambique (Frelimo) and the opposition Resistência Nacional Moçambicana (Renamo) movement. From 1975 until 1992, the countryside had been racked by savage guerrilla warfare between them. This destroyed what little was left of the economy following the massive expropriations and socialist excesses of the Frelimo government after it had forced the Portuguese colonisers to leave in 1975.

Renamo has argued that it was cheated during the 2003 elections, and it was certainly expected to win control of more areas than it actually did. However, it has held on to much of the north of the country, including the second city of Beira and four other cities and towns. Renamo is demanding a complete re-registration of the entire electorate ahead of the 2004 general elections, claiming that the old registration focussed on Frelimo strongholds.

More than ten years on, the clean up after the civil war continues. In co-ordination with their South African counterparts the Mozambican police, have recovered over 25,000 firearms, a million rounds of ammunition and over 30,000 land mines and other devices over the past eight years.

Nonetheless, because of its free-market policies and the steady rule of President Joaquim Chissano, Mozambique has become very popular with both aid donors and investors. It remains, however, one of the World's poorest countries, ranking sixth from the bottom of the list of 174 countries on the United Nations' Human Development Index.

In real terms, mineral resource investment to date has been focussed on two main areas, the Mozal aluminium smelter in the capital, Maputo, and the gas-fields in central Mozambique. BHP-Billiton is the principal shareholder in Mozal. The venture uses electricity from South Africa and alumina from

Australia to produce 500,000 t/y of aluminium, much of which is used in South Africa and the rest exported by sea.

The construction of an 895 km gas pipeline, from near Vilancoulos on the southern coastline to Secunda in South Africa was completed in 2003. Secunda is part of the operations of the South African synthetic fuel giant, Sasol, which is using the gas to supplement its own production.

From a mining point of view, Mozambique's main interest lies in two major mineral sands schemes. One is the Corridor Sands project at the mouth of the Limpopo River in the southern province of Gaza, about 190 km north of Maputo. The owner WMC Resources of Australia estimates proven and probable reserves of 807 Mt averaging 4.7% ilmenite, 0.17% zircon and 0.02% rutile. WMC plans an output of up to 400,000 t/y of titanium dioxide slag starting in the second half of 2007.

The second major mineral sands project is Dublin-quoted Kenmare Resources' Moma development in the northern province of Nampula. This has a resource of about 1,000 Mt averaging 3.6% total heavy metals, and proven and probable reserves amount to 407 Mt averaging 3.5% ilmenite. In April this year, Kenmare announced the signing of a US\$220 million joint-venture deal to develop the Moma mine. Kenmare and its partners Multiplex of Australia and Bateman BV, agreed to complete the project in two years. It will be funded by a debt package with a lender group of banks which are lending under an Export Credit Insurance Agency of South Africa export guarantee. Multiplex is a contracting group specialising in large construction projects, and Bateman is an international engineering group.

The coking coal resources of the Zambesi valley have long been of interest to Brazil's Companhia de Vale do Rio Doce (CVRD). In November 2003, it announced that it was negotiating with the Mozambique Government for a mining concession at the existing (but run-down) Moatize mine, lasting at least 30 years. CVRD acknowledged that to rehabilitate both the coal mine and the decayed railway line that used to link it to Beira would require an investment of US\$700 million. However, it indicated that this could be found from its own funds, from international loans (including from the World Bank), and from Brazilian financial institutions.

The collapse of tantalite prices in 2002-03 struck hard at the small pegmatite mines in the north of the country. However, a significant formal producer, the Marropino tantalite mine in the central province of Zambezia, was inaugurated in the early part of 2003. The Minister described it as "a first-class world investment, of which Mozambicans should be proud".