Australian Bauxite Ltd chief executive Ian Levy told Paydirt China must not be relied on to take his company’s Bald Hill material.

Bald Hill, in Campbell Town, south of Launceston, was Australia’s first new bauxite mine in over 35 years when operations started in December 2014.

The company was targeting two shipments during 2015, however, “low cost, opportunistic bauxite exports from Malaysia flooding the Chinese and other markets in the months before the Malaysian wet season”, stifled Australian Bauxite’s maiden shipment in late November.

The ensuing Chinese New Year period is not likely to help Australian Bauxite achieve first sales.

To conserve cash, production and haulage of bauxite from Bald Hill was suspended on a temporary basis in mid-January with full scale production and haulage of a second cargo to begin once a sale of the first shipment is received.

Levy said while a relationship with the Chinese market remains a long-term focus, Australian Bauxite had to broaden its export horizons.

“This means we need to diversify our markets,” he said.

“We should not just rely on China. We believe the long-term relationship is with China because they have the world’s largest aluminium industry by a long way, but we need to diversify our outlets and not rely on China. Our agents flew from China to another destination and they are in discussions with other customers.”

Clientele in the Middle East, India and Australia are other logical parties for Australian Bauxite to sell to.

“There are other exotic locations that will always take our product but they are usually on a one-off basis and are unlikely to be a long-term customer, we want to avoid that,” Levy said.

The company does have an off-take agreement with Rawmin Mining and Industries Pvt Ltd from India for all bauxite produced from Tasmania.

Terms of the deal, struck under a free-on-board stowed and trimmed (FOBST) basis, include Rawmin taking on shipping responsibilities based on best price tenders secured by either party.

Rawmin’s off-take is for 200,000 wet metric tonnes of bauxite to the end of March this year which will increase to 1.5 mtpa from April to 2018.

Levy said both parties were frustrated with negotiations in China where the mood has changed.

“I must admit I was a little bit shocked from [recent] trips to China, it was stugging how low morale was,” Levy said.

“It appears most of their heavy industry is depressed compared with previous years. Most other economies would be delighted with what they are doing, but in developing terms they are more subdued than in previous years. In their official statistics we think a lot of the consumer activity in China is disguising their heavy industry setbacks.”

While Australian Bauxite and Rawmin work to offload the bauxite for an appropriate price, routine rehabilitation and small-scale sales of bauxite ex-mine will continue from Bald Hill.

Meanwhile, the company’s research and development project — TasTech — remains on schedule.

TasTech is a project aimed at developing a low-cost process that separates raw bauxite into three products: met grade bauxite for alumina refineries, cement grade bauxite and fertiliser grade bauxite.

Producing three products will give Australian Bauxite the opportunity to diversify into different markets.

Levy said the small-scale nature of its operations means Australian Bauxite would never be in the lowest quartile in costs but its material stacked up against competitors.

“We do have the ability to focus on a good clean product, the performance of our bauxite is that it is an excellent material for blending. It will fit into any circuit without any difficulty because it doesn’t have any adverse elements in it and it doesn’t behave in any unusual way. It behaves extremely well compared to all other Australian bauxites and all other bauxites,” he said.

— Mark Andrews