
Wusheng inks bauxite supply pact with Bauxite Resources

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Interfax China reported that Chinese alumina producer Shanxi Wusheng Aluminum Co Ltd. has entered into a memorandum of understanding with Australian Stock Exchange listed Bauxite Resources Ltd. for ore supply.

According to the report, the two companies look to finalize a formal off take agreement within three months under the terms of the MoU, and will work together with the aim of delivering the first shipment of ore within 12 months of signing the agreement.

According to the MoU, Bauxite Resources will provide up to 2.8 million tons of bauxite per annum from its Darling Range tenements in Western Australia. The MoU specified that Wusheng Aluminum will provide funding for infrastructure work, as well as direct equity investment in return for up to 15 million Bauxite Resources shares.

Wusheng Aluminum and Bauxite Resources have an exclusive three month period to finalize the details of the deal.

Mr Gao of Wusheng Aluminum said "Wusheng Aluminum's long-term strategy is to secure more cost-effective resources for production. He said that "Current weak demand has pulled spot alumina prices from above CNY 3,000 per tonne at the end of September to only CNY 2,200 per tonne which has caused Wusheng Aluminum to lose about CNY 400 for every ton of alumina sold. Wusheng Aluminum has left half of its production capacity that is about 150,000 tonnes, idle and plans to further cut production."

Mr Gao said "Wusheng Aluminum previously planned to boost capacity to 800,000 tons next year upon completion of an environmental appraisal by the State Environmental Administration. However, given the sudden economic climate change, the company will delay the expansion project."

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