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## Australian firm wins Indonesia iron mining contract of work

Alfian , The Jakarta Post , Jakarta | Wed, 11/05/2008 10:33 AM | Business

Australian mining firm Indo Mines Limited has secured Indonesian government approval to mine iron ore deposits in Kulon Progo, Yogyakarta, with a total investment commitment of US\$1.7 billion.

The company's local subsidiary, PT Jogja Magasa Iron, inked a 30-year work contract with the government Tuesday to develop iron sand reserves in the 2,987 hectares area.

"This is the first work contract in the mining sector since the 1998 crisis," Energy and Mineral Resources Ministry Purnomo Yusgiantoro said after the contract signing.

Indo Mines owns a 70 percent stake in Jogja Magasa Iron, with Indonesian company PT Jogja Magasa Mining holding the remaining 30 percent.

Under the contract, PT Jogja Magasa Iron has the right to mine iron sand and process it into pig iron.

The mining area has about 273 million tons of iron sand reserves, equivalent to about 33.6 million tons of pig iron, PT Jogja Magasa Iron's president commissioner Lutfi Heyder said.

Lutfi said the project would start operations after approval of the environmental impact assessment.

"We expect to start mining in 2011 and begin producing pig iron in 2012."

Jogja Magasa Iron aims to produce one million tons of pig iron per year, to be sold entirely to the domestic market.

"We will sell the pig iron to the domestic market, because the domestic fob (free on board) price is not too different from that of the international market," Lutfi said, adding that the current price for pig iron is about \$450 per ton.

Jogja Magasa is now in talks with state steelmaker PT Krakatau Steel to supply the company with up to 100,000 tons of pig iron per year.

Purnomo said the mining project was expected to contribute tax revenues of \$20 million per year and royalties of \$11.25 million per year.

He said that, in the first ten year, the Jogja Magasa Iron would also give 1.5 percent of its gross profit for the development of the Kulon Progo region. The company contribution will increase to 2 percent after the first ten years.

The government has targeted that investment in mining, excluding oil and gas, should reach \$1.55 billion this year.

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