

From specialist to major player

Austria's mines may not be the largest in the world but the country does hold a strong position in European and world markets for some minerals

FAST FACTS

Capital:	Vienna
Population:	8.3 million
Government:	Federal republic
GDP real growth rate:	-3.5% (2009 est)

AUSTRIA'S mining history stretches back nearly 3,000 years. Today the country may not be renowned as a mining nation, but some of its mines have an extraordinary position in many areas of mining, not only in Europe but world-wide.

For example, Austria is home to one of the largest tungsten mines in the world, as well as three magnesite mines and the headquarters of the global market leader for refractory. Austria's high-quality micaceous iron oxide is also used world-wide.

MINERAL COMMODITIES

Developments in the Austrian mining industry in 2009 were mainly determined by the economic positions of its customers, in particular for those delivering to the steel, machinery and automotive industries.

Mining in Austria (including industrial minerals and dimension stones) has an impact on business representing more than 30% of the country's GDP through its wide range of customers in down-stream industries.

The main commodities produced are: ores (iron ore, micaceous iron oxide and tungsten); industrial minerals (including magnesite, talc, leucophyllite, salt and kaolin); solid rock; unconsolidated rock; crude oil; and natural gas.

VA Erzberg GmbH owns and operates the Styrian Erzberg iron-ore mine, the largest open-pit mine in central Europe. The company extracted around 6Mt of material in 2009, to produce 2Mt of iron ore. Sales were €30 million (US\$38 million) in 2009.

In May this year the company extracted a landmark 250 millionth tonne from the mine, but says the deposit has a further 150Mt of mineable reserves.

VA Erzberg also plans to build a pelletising plant, at a cost of €180 million, that will begin production in 2013. The company anticipates making a decision regarding construction of the plant in the current quarter.

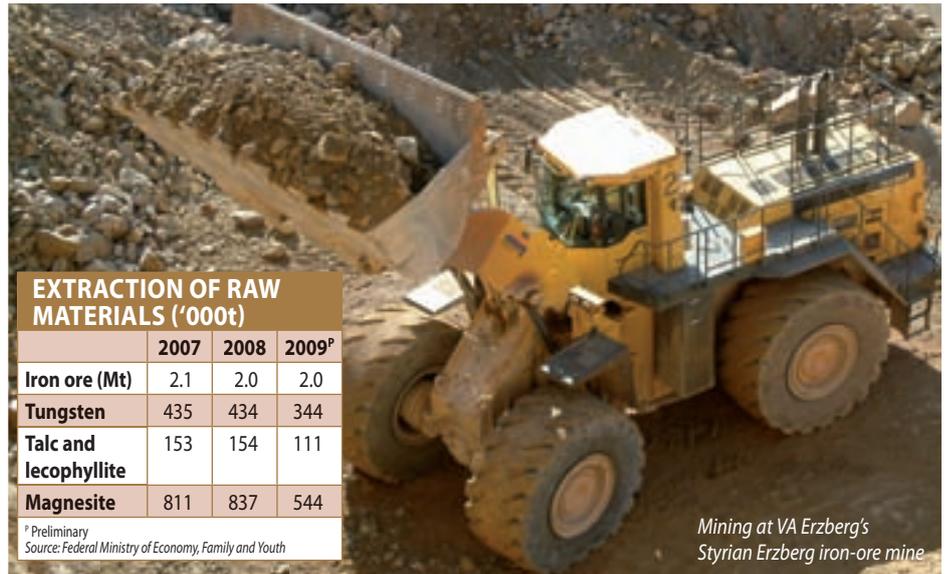
From its mine in the Carinthian Twimberg, Kärntner Montanindustrie GmbH is the world's largest producer of micaceous iron oxide. The company holds an export share of more than 90% and sends the iron oxide to more than 80 countries around the world for use as an iron-ore pigment for anti-rust coatings.

The underground mine produced 3,548t of micaceous iron oxide in 2009.

ECONOMIC DEVELOPMENT

After GDP growth of 3.5% in 2007, in the December quarter of 2008, the Austrian economy too was hit by the global financial and economic crisis. GDP growth slipped to 2.0% in 2008, before finally bottoming out in mid-2009.

Year-on-year, the Austrian economy shrank by 3.5% in 2009, although this was less than the eurozone area average of 3.9%. The massive increase of the budget deficit, caused by the exploding unemployment rates



EXTRACTION OF RAW MATERIALS ('000t)

	2007	2008	2009 ^P
Iron ore (Mt)	2.1	2.0	2.0
Tungsten	435	434	344
Talc and leucophyllite	153	154	111
Magnesite	811	837	544

^P Preliminary
Source: Federal Ministry of Economy, Family and Youth

Mining at VA Erzberg's Styrian Erzberg iron-ore mine

Photo: VA Erzberg GmbH

Magnesite is extracted by two major companies in Austria: RHI AG and Styromagnesit Steirische Magnesit Industrie GmbH (Styromag).

RHI is the world market-leader in refractory-products. The company appointed a new chief executive in 2009 and is focusing its strategy on strengthening its raw material integration. RHI operates two underground-mines (Radenthein in Carinthia, and Breitenau am Hochlantsch in Styria) and two open-pit mines (Hochfilzen in Tyrol and Breitenau am Hochlantsch in Styria).

Styromag operates three mines in Styria, an open-pit and an underground mine in St Katharein/Laming and an open-pit mine in Wald am Schoberpass.

Combined, these two companies produced about 503,000t of raw magnesite in 2009. This was a decrease compared with 2008, mainly due to the reduced demand from the steel industry.

Contrary to the general market trend for many commodities, Austrian salt producers were able to report positive results in 2009.

Österreichische Salinen AG extracts salt from three mines, two underground mines in Altaussee (Styria) and Hallstatt and a borehole mine in Bad Ischl, (Upper Austria), using solution mining: .

In 2009, the company produced more than 1Mt of salt from 3,459,000m³ of brine, an increase of nearly 19% compared with 2008. Part of the rise in production was a result of the acquisition of the Slovakian salt trading company Solivary Trade SRO in May 2009.

and reduced tax revenue, is currently seen as one of the Austrian government's largest difficulties.

The Austrian economy is expected to grow by 1.2% in 2010 and 1.6% in 2011, depending on the strength of international economies and an increasing demand for its products both internationally and domestically.

Industrial production is expected to grow by 3.5% in 2010 and 5.8% in 2011.

MAJOR TUNGSTEN PRODUCER

Europe's largest scheelite (tungsten) deposit is situated in the Austrian Felbertauern valley. Wolfram Bergbau und Hütten AG, part of the Swedish Sandvik AB group, mined 344,000t of scheelite ore from its underground mine in Mittersill/Salzburg in 2009, to produce 3,436t of scheelite concentrate.

The company reduced production in 2009, owing to lower demand from its customers' markets (tools for the automotive, aviation and engineering industries). However, it experienced a slight recovery in demand towards the end of 2009, and this is expected to continue throughout 2010 and 2011.

FUTURE CHALLENGES

The main challenge for the Austrian mining industry at present is to secure supplies of high-quality mineral raw materials, from both domestic and international sources, to reduce its dependency on major producing companies and countries.

The Austrian mining sector therefore took a role in the work of the Raw Materials Initiative (RMI), a European Union-led working group formed to assess challenges to the supply of raw materials in Europe.

In 2009 and 2010, the RMI was tasked with defining minerals that were of critical or strategic importance to the European Union as well as creating guidelines for best practice in areas such as minerals policy, land-use planning and permitting processes.

The RMI's findings were presented at the European Minerals Conference in June, and will now be considered by the European Union and mineral-producing member states.

The RMI has suggested that Europe must advocate the reduction of export restrictions (such as export fees and licences), give equal treatment to mineral deposits as other uses in land-use planning, accelerate permitting processes, and increase the efficacy of prospecting and exploration tax breaks.

Austria plans to take a lead role in the development of these policies.