



China steel group Tonghua pays premium for almost 10pc of IMX

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THE surge in Chinese investment in South Australian resources is continuing with steel group Tonghua Iron and Steel investing in IMX Resources.

Part of the deal is that Tonghua will buy 100 per cent of the output from the Cairn Hill magnetite/copper development near Coober Pedy, owned by IMX Resources, which changed its name this month from Goldstream Mining.

Tonghua has paid a 30 per cent premium for a placement of 16.4 million fully paid IMX Resources at 85c, which will result in the Chinese company holding 9.99 per cent of IMX's issued capital.

The placement raised \$13.9 million, which will be used in the development of Cairn Hill.

On the market, IMX shares opened at 68c before closing at 67c.

Chinese investment in South Australia has boomed this year, particularly after the former federal government signed a uranium export protocol with China.

One of the larger investments

was by state-owned minerals trading company Sinosteel, which has established a joint venture with explorer PepinNini and will spend about \$40 million on the Croker Well uranium project as well as taking its output.

IMX Resources is planning to produce between 1.2 million and 1.4 million tonnes a year from Cairn Hill over three years, depending on market prices for both the magnetite and contained copper.

The Perth company said the ore would be sold on a free-on-board basis with a target shipping specification of about 55 per cent iron and 0.43 per cent copper.

Tonghua plans to build a processing facility in China to process the Cairn Hill ore to produce high-grade magnetite concentrate and a copper/gold concentrate.

Tonghua Iron and Steel Group is the only state-owned large-scale iron and steel complex in Jilin province in north-east China, close to the border with North Korea, in which it has invested heavily.

Last year, the company an-

nounced it would invest \$US1.5 billion (\$1.7 billion) by 2010 to become a leader in ferroalloy and high-end precision steel production with the aim of becoming one of the top three ferroalloy makers in the world.

The company plans to raise steel capacity to 10 million tonnes, up from its present annual capacity of 2.52 million tonnes.

IMX Resources managing director Duncan McBain said the partnership was the most significant milestone for Cairn Hill.

"Securing a major Chinese investment partner is critical to the ongoing development of Cairn Hill as the company moves towards first shipment in Q4 2008," he said.

Mr McBain said it was Tonghua's first foray into the Australian resources sector and followed a 15-month search by IMX for the most suitable partner to process the unique iron, copper and gold Cairn Hill orebody.

"Tonghua has the necessary technical expertise to float off the copper from the magnetite to enable the recognition of the copper value in the ore," he said.