



China tests miners' metal

Brian Donaghy

A year ago it would have been unthinkable – Chinese companies reneging on contracts to buy Australian iron ore. Yet it has already happened to Mt Gibson Iron in WA as the Chinese demand for steel slows noticeably.

OneSteel at Whyalla is SA's only producer, mining ore on the Eyre Peninsula both for export and for its own steel production. In a presentation to Asian investors last week, the company's managing director, Geoff Plummer, reiterated earlier forecasts that OneSteel would increase its haematite iron ore exports from 4.4 million tonnes last year to 6 million tonnes a year by June 2010. Three mln tonnes of this year's exports are secured on contracts with four different steel mills.

The ore is only one part of OneSteel's business, which runs from exploration through manufacturing to distribution. Chinese demand could be more critical for the emerging miners.

IMX Resources' Cairn Hill project, some 55 km south of Coober Pedy, is the most advanced of the new mines being developed in South Australia.

The company has a signed three-year sales agreement with Jilin Tonghua Iron and Steel, and – subject to finalisation of some financing – expects to begin mining before the end of the year, with the first shipment leaving Darwin early next year.

IMX managing director Duncan McBain said IMX was "pretty lucky" in that Jilin was effectively locked in to IMX. Jilin was "weeks away" from completing a \$US20 million plant in China built specifically to process IMX's ore. Tests here and in China had shown that Cairn Hill produced a 71 per cent magnetite concentrate, the highest or second-highest grade available in China.

"They will produce very high-quality iron ore feed for their blast furnaces, and that is going to become



Onesteel steelworks in Whyalla
Photo: SMH/Brendan Esposito

the name of the game in China. When the market was booming, they didn't care what grade of ore they got, but now they will start looking at the productivity of their blast furnaces.

"If you are selling 50 per cent or 56 per cent concentrate, life could become pretty difficult," he said.

Further south of Coober Pedy, Western Plains Resources has an advanced iron ore project at Peculiar Knob, where it has 37 million tonnes of haematite with an average grade of 62.6 per cent iron. The company, which had only \$4.2 million in the bank at the end of September, is actively negotiating with a number of Asian companies both for funding and for offtake agreements.

It is looking at exporting in the short term through Port Adelaide or Darwin, but plans to become a major customer of the proposed extension at Port Bonython.

Centrex Metals has applied for a mining lease for its Wilgerup haemetite deposit near Lock, on the Eyre Peninsula, and hopes to get the go-ahead in April next year. Its position is strengthened by having \$15 million in the bank and the Chinese Batou Iron and Steel group as a 10 per cent shareholder in the company.

Ironclad Mining is still at the pre-feasibility study stage, and hopes to define a viable project at its Wilcherry Hill magnetite find, 30km north of Kimba, by the end of the year.

■ *Brian Donaghy own shares in IMX and Centrex.*