

IMX back on climb at Cairn Hill

Financing prospects for IMX Resources NL's Cairn Hill magnetite mine have been revived and the company expects to have sealed funding before mid-year.

Speaking in late March, managing director Duncan McBain said he was confident outstanding financing requirements would be resolved within two months, leading to production this year.

McBain said IMX "took control of the situation" when the global meltdown scuttled financing discussions. Rather than waiting for a project partner to step in with backing, he said IMX would secure most of the capital off its own back.

"From our point of view it's probably not optimal, but it will kick-start production," he said.

He thought the debt market had grown an appetite again to an extent, so the final package would probably be a mixture of debt and equity.

Cairn Hill, 55km south-east of Coober Pedy in central South Australia, is a DSO magnetite project developed in concert with Phase 1 off-take partner Jilin Tonghua Iron & Steel Mining Co Ltd.

Jilin Tonghua has constructed a plant in Bayuquan, in China's north-eastern Liaoning Province, specifically for Cairn Hill's ore.

It's hungry for Cairn Hill ore and that is why IMX was not content to wait for the market turmoil to subside before pursuing financing.

"That's why we've committed so much money before we had financing, to meet their timetables."

The total project cost was previously esti-

mated at \$54.4 million, of which IMX's share was \$38.4 million.

Phase 1 of the project involves the exploitation of a pit with 6.9mt @ 51.2% iron, 0.43% copper and 0.13% gold in reserves, at an output rate expected to reach 1.4 mtpa over 5.5 years.

McBain said initially output would be less aggressive than desirable, unless a partner farmed-in to the project.

"We'll probably end up going with a sub-optimal start-up. That is, if our mining engineers had their way, they would probably like us to do more pre-strip. We'll be living hand-to-mouth for the first six months."

The Phase 2 deposit, close to the starting pit, is to be incorporated in mining about 18 months after Phase 1 starts. Later, IMX will look at doing a cutback in pit one to access ore outside the current pit shell.

"That's driven by the same philosophy of having the minimum amount of pre-strip up-front, keeping the pits as tight as possible."

A resource for the second pit was still being calculated in March, but McBain predicted it would be in the order of 10mt.

IMX will build a beneficiation plant on-site for Phase 2 ore, and off-take for it is open unlike Phase 1, which is locked in with Jilin Tonghua for three years (although Jilin Tonghua has first right of refusal to the Phase 2 ore).

Assuming IMX's financing plans come off on time, its product will enter a different world than when Cairn Hill was in trial mining mode 12 months ago.

There is uncertainty about China's appetite for iron ore, where before too much was

not enough.

But, McBain said IMX's high grade beneficiated product would be coveted even in hard times.

"I think the market for our concentrate is going to be far better. Our Phase 2 ore is 68%, but we can make it 72% by grinding it even coarser.

Meanwhile, grades from the Pilbara are declining. This would be the number one or number two product available in China.

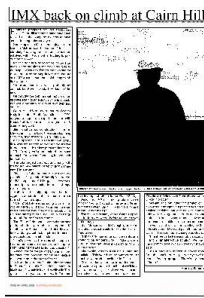
"So the price will be lower but demand ... whatever we produce, I don't think we'll have a problem selling it. And we would expect a modest premium over benchmark prices. People are falling over themselves for this grade of product."

McBain said mounting the project on its own without bringing in a partner was not the easiest decision, but one he was comfortable with. Having completed or nearly completed the haul access roads, highway underpasses, rail sidings and other necessary site works, and with a plant waiting in China to treat its ore, IMX could push the button on Cairn Hill as soon as financing was cleared.

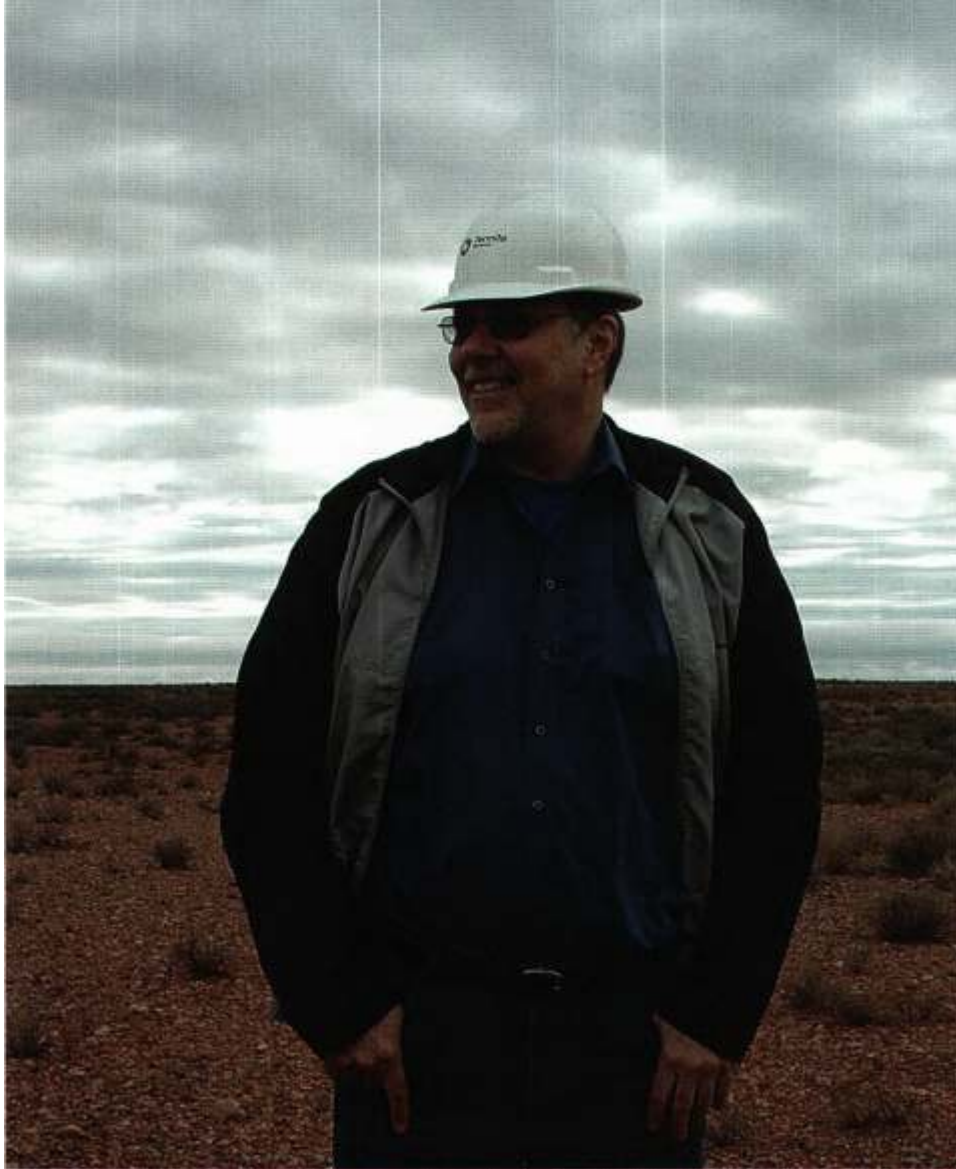
"I think we've been reasonably successful in finding an alternative solution. We like to have control over our own destiny," McBain said.

"It's a tough environment but we're hopeful, I think we're starting to see signs of the market freeing up again. There's a glimmer of hope."

- Andrew Pascoe



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Duncan McBain is confident of starting production at IMX's Cairn Hill project before the end of 2009