



# IMX on track at Cairn Hill

IMX Resources Ltd is on track to join the ranks of Australian iron ore producers, with the company putting together the development pieces at its Cairn Hill magnetite iron ore project, 50km south-east of Cooper Pedy in South Australia.

The latest piece of the development jigsaw was completed recently with would be JV partner Sichuan Taifeng Group Co Ltd (Taifeng) subsidiary Taifeng Yuanchuang International Development Co Ltd completing its due diligence on the Cairn Hill project.

Under the terms of the JV heads of agreement between Taifeng and IMX, Taifeng is now required to advance \$7 million to IMX subsidiary Outback Iron Pty Ltd.

This payment is the first instalment of a \$23 million commitment by Taifeng to gain a 50% stake in Cairn Hill.

The JV deal, which also includes Taifeng spending \$24 million for a 19.9% stake in IMX, is still subject to Foreign Investment Review Board (FIRB) and Department of



**IMX managing director Duncan McBain on site at Cairn Hill during trial mining**

Defence approval because the project sits in the Woomera Prohibited Area weapons testing range.

In 2009 the FIRB, citing Defence Department concerns, blocked the sale of Oz Minerals Ltd's Prominent Hill copper-gold mine to China Minmetals, however IMX managing director Duncan McBain said that although Cairn Hill was within the testing area, it was 100km outside the core area in which mining is prohibited.

It is only on receipt of FIRB approval that the \$7 million investment will be converted into equity in Outback. If the deal fails to gain FIRB approval IMX, will be required to repay the \$7 million, with interest, within 12 months of the initial date of advance.

Taifeng will also help IMX to secure debt funding for Stage 2 of the operation.

Under its current development plan, IMX hopes to start shipments of up to 1.7 mtpa unprocessed ore – averaging 55% iron and 0.43% copper – by the third quarter of this year.

The company has already secured, and up-dated, an off-take agreement with Jilin Tonghua Iron and Steel Group Mining Co Ltd.

Once mining starts at Cairn Hill, most likely early in this (second) quarter, Tonghua will start construction of a processing plant at Bayuquan in China's Liaoning Province.

The off-take deal originally covered 1.4 mtpa over a three year period, but in February the two companies, Tonghua and IMX's operating subsidiary Termite Mining NL, agreed to a variation to the deal, extending it to cover the entire life of mine output for Stage 1 of Cairn Hill.

Tonghua will pay international benchmark prices for both the iron and copper, discounted by 20% to cover processing costs and losses.

IMX has already secured all environmental, mining and shipping permits and approvals for the project and will ship ore through Port Adelaide using newly designed 35t containers.

Capital costs for Stage 1 of the development have been estimated at \$15 million.

**– Jason Alexander**