

Aurox to sell iron ore concentrate to Chinese

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Kate Haycock

AUROX Resources has nailed down a 15-year iron ore offtake deal on its Balla Balla titanomagnetite iron ore project in the Pilbara, signing a long-term sales agreement to supply Chinese company Chengde Iron and Steel Group with 3 million tonnes of concentrate a year, marking a change in approach for the Perth-based company.

The agreement, which begins in 2009, will see the price of the concentrate linked to the Hamersley Premium Fines price, which is negotiated each year between steel producers and Australian suppliers, Aurox said.

The company will sell 100% of its product from Stage 1 of the Balla Balla project to Chengde under the agreement.

Aurox managing director Charles Schaus told *MiningNews.Net* that there was no uncertainty in the agreement, which was drafted by Melbourne-based Chambers & Company.

"This is an actually legally binding sales contract," he said.

The sales agreement represents a change of tack for the company, which had originally intended to become a vanadium producer.

"We were originally going to produce vanadium [from Balla Balla] and put the iron ore tailings into storage facilities," Schaus said.

"Then we realised that we had a buyer, Chengde, who would be willing to buy the iron ore concentrate from us ... It is in a form that Chengde can use for [both] their steel and vanadium projects."

The iron ore concentrate would have been the first step in the vanadium production process, and represented Stage 1 of the Balla Balla operations anyway, Schaus said, but by selling the concentrate instead of going directly ahead with vanadium production, Aurox will require less initial capital and faces lower risk.

"The concentrate would be made anyway, and now it's being sold to a vanadium producer who also makes steel," he said.

Schaus also said the company was leaving open the option of progressing to Stage 2 vanadium production at some point in the future, but for now the company was very pleased with the sales agreement.

Chengde is one of the world's largest low-cost vanadium producers, and it makes vanadium slag as a by-product to its steel production using a feedstock of vanadium-rich titanomagnetite concentrate, Aurox said.

The Chinese company is expanding its steel plant production from a reported 4.4 million tonnes per annum to 8Mtpa by 2009, around the same time Balla Balla will begin production.

Balla Balla currently has a resource of 103.8Mt at 45.7% iron and 0.63% vanadium.

Shares in Aurox closed up 10c or 12% yesterday at 90c on the back of its announcement but fell slightly to 85c in late morning trading today.



Aurox Resource's
managing director Charles
Schaus