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# NEWS

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### **CHINESE STEEL MILL TO INJECT A\$40M** **INTO AUSTRALIAN IRON ORE PROJECT**

Top 10 China steel mill, Baotou Iron and Steel (Group) Co, Ltd, has signed an agreement to inject up to A\$40 million to take a South Australian iron ore project owned by Centrex Metals Limited (ASX: CXM) through to completion of a bankable feasibility study.

Under the Heads of Agreement with Centrex, Baotou will earn, through a new joint venture, a half share in the Bungalow magnetite deposit near Cowell on South Australia's Eyre Peninsula.

Baotou already has a 10.13% stake in Centrex and has agreed to take one million tonnes of hematite ore for five years from Centrex's neighbouring Wilgerup iron ore project due for production start-up next year.

The China steel group's Bungalow joint venture will result in it injecting A\$8 million into Centrex over the next 12 months.

The agreement will entitle Baotou to 50% of Bungalow's expected total annual production of 3 million tonnes of magnetite concentrate.

"Today's agreement represents a considerable step-up in the scale and momentum behind our rapidly emerging Australian iron ore projects," Centrex's Chairman, Mr David Lindh, said today.

"The Centrex projects are moving ahead through a clearly transparent, close working relationship with Chinese interests," Mr Lindh said.

"This is delivering Centrex a vertically integrated partnership with the world's hungriest iron ore market.

"China is now clearly behind Centrex as a cornerstone investor, a supporter of early exploration and development initiatives, feasibility study commitments, likely mine development options and product sale," Mr Lindh said.

Centrex's Managing Director, Mr Gerard Anderson, said the joint ventures proposed work program would be conducted over three stages.

"Stage 1 work is expected to commence early in 2008 subject to relevant Chinese consents and approvals for Baotou's commitments," Mr Anderson said.

“It is also anticipated that the detailed farm-in agreements, joint venture agreements and management agreements will be finalised and available for execution by the parties in early 2008.”

### **Three stage program**

The joint venture will cover costs of all activities required over the next three years to complete exploration and resource drilling and a Bankable Feasibility Study covering development of the Bungalow magnetite deposit.

#### **Stage 1: 10% earn-in**

Baotou will initially inject A\$8 million into the Bungalow Joint Venture to enable Centrex to commence further exploration drilling on the magnetite deposit and to evaluate the deposit's development.

Stage 1 is expected to take 12 months to complete, earning Baotou a 10% interest in the Joint Venture.

#### **Stage 2: Total 20% earn-in**

Baotou will earn an additional 10% interest in the second year to take its stake to 20% in the joint venture, by paying a further A\$8 million to cover exploration drilling and to complete a pre-feasibility study.

#### **Stage 3: Total 50% earn-in**

If Baotou enters Stage 3 of the Bungalow Joint Venture, a new JV company will be established to complete that stage and to manage future mining operations at the project site.

Baotou's Stage 3 commitment comprises a A\$24 million injection to cover the costs of completing a full Bankable Feasibility Study for a three million tonne per annum magnetite concentrate operation at Bungalow, giving the China steel group a half share in the project.

### **The Bungalow / Minbrie Magnetite Deposit**

The Bungalow / Minbrie (“Bungalow”) magnetite deposit is located 9 kilometres north of Cowell on the east coast of Eyre Peninsula, South Australia.

The Bungalow magnetite deposit has been independently assessed as having an exploration potential of >250 million tonnes of magnetite BIF to a vertical depth of 200 metres (Centrex Metals Prospectus p 50). Previous diamond drilling returned an average intercept grade (at a cut off grade of 20% DTS) of 38.02% DTS @ 67.66% Fe and 5.37% SiO<sub>2</sub>, 0.03% Al<sub>2</sub>O<sub>3</sub> and 0.01% P. Mr Anderson said the recent drilling supported this assessment of tonnage potential.

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