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Xstrata adds iron ore to mix

Barry FitzGerald

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QUEENSLAND is to get its first iron ore mine, courtesy of an innovative \$589 million plan by Xstrata to develop an underground mine at its Ernest Henry copper/gold operation near Cloncurry in north-west Queensland.

Copper/gold production from the underground operation will be less than half the current rate from the soon-to-be-exhausted open cut operation.

But rather than ending in the next few years, copper/gold output will now be extended to at least 2024 with the help of a new revenue stream from magnetite, a low-grade iron ore mineral.

Mining iron ore as a secondary revenue stream to copper and gold is a novelty in Australia, although the idea has been studied on and off at the biggest of Australia's so-called iron oxide copper/gold deposits, BHP Billiton's Olympic Dam mine in South Australia.

The go-ahead by Xstrata for the underground development has been viewed by a number of junior miners in the Cloncurry/Mount Isa region as something of a tactical ploy by Xstrata to extract the best possible deal on the copper/gold ore supplies the juniors own. They could keep the Ernest Henry mill full once the open-cut reserves are exhausted, without the need to bother with magnetite.

Either way, extending the life of Ernest Henry is vital to the continued supply of copper concentrates to Xstrata's copper smelter at Mount Isa and, in turn, its copper refinery in Townsville.

The new Ernest Henry project is based on an underground ore reserve of 72 million tonnes at a grade of 1 per cent copper, 0.5 grams of gold a tonne and 22 per cent magnetite.

Xstrata is forecasting annual production of 50,000 tonnes of copper and 70,000 ounces of gold (in concentrates) when the underground mine takes over from the open-cut operation.

Magnetite production was put at 1.2 million tonnes a year for export to Asia.

Construction of the underground mine will start in the first half of next year and first production is intended for late 2011. Full-scale operations are planned for early 2013.

Construction of the separate magnetite plant is also expected to start in the first half of next year.

This story was found at: <http://www.smh.com.au/business/xstrata-adds-iron-ore-to-mix-20091203-k8s3.html>