
China Railway purchase stakes in FerrAus and United Minerals

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Bloomberg reported that China Railway Materials Commercial Corp. agreed to pay AUD 39.8 million to buy stakes in two Australian iron ore explorers to secure supplies.

The two Australian companies said in separate statements that state owned China Railway agreed to buy an 11.4% stake in United Minerals Corp NL and a 12% stake in FerrAus Ltd. Both agreements include talks for sales accords with Beijing based China Railway for future ore output.

The Adelaide based company FerrAus said in a statement that China Railway will buy 22.9 million shares in FerrAus at 55 cents each and the two companies also agreed to study the development of projects in Western Australia.

Mr Song Yufang president of China Railway President said that “FerrAus has one of the most promising iron ore resources in the region and is well positioned for consolidation.”

FerrAus said in the statement China Railway which is also one of the nation top three steel traders will help FerrAus get finance for project construction including rail roads. It said China Western Mining Co bought a 9.9% stake in FerrAus in 2008.

Pilbara iron ore developer United Minerals Corporation has agreed to a AUD 27.2 million placement of shares to China Railway Materials Commercial.

China Railways will be issued 20 million shares in UMC at AUD 1.35 per share. UMC shares closed at AUD 1.05.

The capital raising is conditional on finalization of a 10 year, 3 million tonnes per annum offtake agreement with China Railways from the Railway iron ore deposit in the Pilbara.

China Railways will hold 11.38% of UMC after the placement, and will be issued with 2 million attaching 2011 options with an issue price of 10 cents per share, exercisable at \$1.35 per share.

Mr Matthew Hogan CEO of United Mining said the agreement with China Railways will prove pivotal for the company and the development of its Railway Iron Ore Deposit in WA. He said funds from the capital raising will enable the Railway Iron Ore Deposit to be advanced towards production.

(Sourced from Bloomberg)

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