
Pilbara big three keep eagle eye on Iron Valley

Monday, 16 Nov, 2009

The possibility of Telstra offloading its stake in the pay TV business Foxtel is not the only could be deal that is on the mind of Mr Seven Network executive chairman of Kerry Stokes.

His 52% owned Iron Ore Holdings is also giving him something to think about. In the next week or two the central Pilbara iron ore hopeful is expected to announce that reserves at its Iron Valley project have grown again, this time from 160 million tonnes to about 190 million tonnes of the top class stuff.

Watching across the fence lines are the big three of the Pilbara Rio Tinto, BHP Billiton and Mr Andrew Forrest's Fortescue. Their own leases surround Iron Valley, which is now getting to a size where it is getting too big to ignore, particularly for Rio and BHP, which continue to fret about the loss of pricing power they will suffer if too many incremental tonnes are produced in the Pilbara by others, including those produced by Fortescue and other Chinese-supported upstarts.

Fortescue itself remains as keen as ever to add to its resource base and development options in the Pilbara, and according to scouts in the region, it has been working at gaining heritage clearance to begin a drilling program on its side of the lease boundary that it shares with IOH's Iron Valley deposit.

It has long been assumed that a deal IOH has to develop its much smaller Phil's Creek deposit using Rio's infrastructure means that Rio would have first dibs on Iron Valley. Stokes' chairmanship of West Australian Newspapers and the appointment of Rio's iron ore boss Sam Walsh to the WAN board on Stokes assuming the top job last year, has fed those expectations.

But that are not necessarily so. BHP has already shown a willingness to shut out incremental production increases in the Pilbara by bidding USD 204 million for United Minerals Corporation. And when Stokes strode down the aisle to take the chairmanship at the WAN annual meeting last year, Forrest was there to offer words of encouragement.

The new guard behind the project has now set out to get the mine back into production, as you would want to do to capture the bumper silver prices on offer of more than USD 17 an ounce. But there is going to be a careful reassessment of all aspects of the project before the return to production is made although Alcyone is as advanced as a near-term silver producer could be in the current hot market for the metal.

(Sourced from www.minesearchafrica.com)

For more news visit at www.steelguru.com