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## **ASX / Media Announcement**

### **AUROX SIGNS AGREEMENT WITH CHINA'S MCC FOR ENGINEERING SERVICES AND FINANCE**

- **Binding Heads of Agreement signed with MCC Overseas LTD. ("MCC") covering arrangements for the provision of Engineering, Procurement, and Construction ("EPC") services and assistance in financing Balla Balla**
- **MCC to assist Aurox in securing debt finance from Chinese banking institutions as a condition of EPC**
- **MCC's EPC cost estimate affirms potential to reduce the capital cost estimate for Balla Balla by A\$233 million**

Pilbara iron ore developer Aurox Resources Limited (ASX: AXO) today announced it has entered into a binding Heads of Agreement (the "Agreement") with MCC in relation to proposed arrangements for the provision of EPC services and assistance with the provision of debt finance for the development of the Balla Balla project. A summary of the key terms of the Agreement is attached to this announcement in Annexure 1.

#### ***Strong EPC Partner***

MCC is China's leading mining engineering services provider. MCC is heavily involved in EPC contracting, development of natural resources, equipment fabrication and related services. In particular, MCC is the most experienced Chinese provider of these services in Australia having been involved in Sino Iron, Cape Lambert, and now the China First projects. Importantly, MCC has existing strong relationships with the key equipment suppliers required for Balla Balla. A short profile on MCC is contained in Annexure 2 to this announcement.

Managing Director of Aurox, Mr Charles Schaus, said the time spent over the past two years advancing the Balla Balla project was instrumental in attracting such a high quality partner.

“Aurox is delighted that the quality of Balla Balla has been recognised by a leading Chinese multinational, and we look forward to working with MCC to bring Balla Balla to fruition,” Mr Schaus said.

“MCC has a strong track-record in delivering both quality EPC services and in assisting with the arranging of debt finance as we’ve seen with their other projects both in Australia and overseas. This is a very positive step towards the full financing and construction of the world-class Balla Balla project,” he said.

“Today’s announcement also validates management’s view that the original cost estimates for the project could be significantly reduced, and also the value of having a strong EPC partner in China such as MCC,” he said.

The Agreement provides a clear framework for the refinement of a scope of work for the provision of EPC services and financing milestones. It is expected that MCC’s services will be supported by Australian construction and design contractors.

### ***Financing of Balla Balla***

As part of the Agreement, MCC will assist Aurox in procuring suitable debt finance from a Chinese banking institution to support the development of the Project. Aurox has already been provided with a formal indication of interest from a leading Chinese banking institution.

MCC and Aurox have agreed that Balla Balla must be financed in such a way as to have a superior long-term competitive advantage in order to meet its goal of becoming one of the most cost competitive suppliers of iron ore to China. The procurement of finance is a condition precedent to the provision of the EPC services by MCC.

Aurox has already begun a process to secure equity financing for the development of the Balla Balla project. It is engaged in discussions with a number of parties including having participants conducting due diligence in an electronic data room.

### ***Potential to Reduce Capital Cost***

In November 2009 Aurox announced that it had completed its engineering and cost study for the two-phase development of the Balla Balla iron ore, vanadium and titanium project. Aurox also stated it was undertaking an optimisation review of the capital estimate including exploring the use of alternative key equipment suppliers. The Agreement with MCC has confirmed Aurox’s view that the capital cost estimate could be significantly reduced.

As part of the Agreement, MCC has provided Aurox with an EPC Proposal that provides an indicative non-binding EPC cost estimate to build the Balla Balla Project. How this compares to the November Integrated Feasibility Study results is summarised in the following table:

<b>Project Phase</b>	<b>IFS Estimate</b>	<b>MCC Estimate</b>	<b>Reduction</b>
Phase 1	A\$1,280m	A\$1,144m	A\$136m
Phase 2	A\$720m	A\$623m	A\$97m
<b>Total</b>	<b>A\$2,000m</b>	<b>A\$1,767m</b>	<b>A\$233m</b>



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## **ANNEXURE 1**

### **Summary of Heads of Agreement**

- Aurox and MCC have agreed that MCC will be the main provider of EPC services for the Project, subject to the terms of the Agreement.
- The Agreement is expressed to form a binding commitment on the parties subject to:
  - the parties completing formal negotiations not different in intent from the terms of the Agreement; and
  - completion of appropriate approvals by the respective Boards, Governments and other authorities.
- As a condition precedent to MCC providing such EPC services, MCC must progress and assist in realising a binding debt finance facility for the Project from a Chinese banking institution on terms acceptable to Aurox.
- Aurox and MCC have agreed to certain principles for the engineering, procurement and construction phases for the EPC services, to be reflected in a formal EPC service contract.
- As part of the process in finalizing this expanded EPC contract:
  - the parties will continue to refine the Scope of Work to be included in the contract; and
  - the parties must finalise the price for the EPC services contract.
- Aurox may consider a proposal from MCC to provide engineering, procurement, construction and management services in place of the proposed EPC services under the Agreement, subject to a number of conditions.
- The Agreement can be terminated by either party before 30 June 2010, unless mutually extended, if the other party fails to meet the agreed timetable of deliverables in finalizing the formal contract for EPC services after having received five business days' notice of such failure.

## ANNEXURE 2

### Profile of MCC

#### *Engineering Excellence*

MCC Overseas (MCC) is a 100% subsidiary of Metallurgical Group Corporation of China, a leading Chinese multinational company with strengths including scientific research, industrial engineering and international trade. MCC is the global development arm of Metallurgical Group Corporation of China.

MCC is heavily involved in mechanical engineering, and the construction of various metallurgical works. Among others, these include infrastructure facilities, utilities, transportation, and communications projects. The company also has significant expertise in geo-technical engineering and construction, rock and earthwork excavation, and water supply projects.

#### *Ideal EPC Partner*

MCC has demonstrated superior capabilities in EPC contracting, the development of natural resources projects, and the provision of related services, and is the most experienced provider of these services within Australia.

MCC's expertise, superior fabrication capabilities, and relationships with suppliers of key equipment make MCC the ideal EPC partner for the Balla Balla Project. MCC has recently entered into a number of significant global projects, demonstrating its versatility and capabilities in undertaking projects of significant scale and requiring great technical expertise.

MCC's in-China expertise is also unparalleled. MCC has completed many steel mills and mining projects for some of China's largest companies such as Baosteel.

MCC has a strong track-record in assisting with the arranging of debt finance for projects that it is the EPC contractor for including Sino Iron and presently China First in Australia.

#### *Global Expertise*

MCC is well known for its contributions to major fabrication and industrial development projects, including those with such steel industry leaders as Baoshan Iron and Steel, Anshan Steel, Wuhan Iron and Steel, and Panzhihua Iron and Steel, among others. The Company has also engaged in partnerships concerning many of the world's recent and most significant industrial manufacturing and natural resources projects. MCC is currently active in many global resource development projects and has interests including iron ore, copper, gold, nickel, cobalt, zinc, lead and aluminium.

In 2007, the Company successfully bid US\$3.4 billion for the rights to develop a copper mining project near Aynak, Afghanistan. The now US\$4.4 billion, 25-30 year project is targeting the extraction of 11 million tonnes of copper, an amount equal to approximately 1/3 of China's current known copper reserves. As of December 2009 the project employs 3,000 Afghan personnel, with an on-site MCC engineering staff of 70. MCC intends to commence production by the end of 2011.

Recently, MCC announced its support for Waratah Coal's US\$7.2 billion "China First" thermal coal mining and infrastructure development project in the Galilee Basin, Queensland, Australia. The 25 year project will be developed in stages and will include a large mining operation, 490km of rail infrastructure, and a two-berth export coal terminal at Abbott Point. The project is expected to commence exports from 2013, of which MCC has committed to off-take 30-40Mtpa. MCC has taken a 10% equity interest in the project, and, in addition to developing the project, the Company will arrange for debt financing to cover 70% of project costs.

MCC has also been awarded the EPC contract on Sino Iron and CITIC Pacific Mining's magnetite joint venture at Cape Preston, West Australia. The US\$4.5 billion project requires significant infrastructure development, including that for concentrate processing and pelletising, a 51 gegalitre desalinisation plant, a port facility, and a 450MW gas-fired power station. The project will target exports in excess of 27Mtpa concentrate and pellets during a project life of approximately 25 years. MCC has a 20% equity stake in the project.