Mr Colin Barnett

CITIC PACIFIC MINING — SINO IRON ORE PROJECT

Statement by Minister for State Development

MR C.J. BARNETT (Cottesloe — Minister for State Development) [2.01 pm]: I am pleased to advise that yesterday, CITIC Pacific Mining—Sino iron project achieved its first shipment of magnetite concentrate from the newly completed port facilities at Cape Preston. This is a significant milestone for the project, for value-adding in Western Australia’s iron ore industry and for the state’s economy. The Sino iron project takes low-grade magnetite iron ore and turns it into high-grade iron ore concentrate through a process of grinding, concentration and magnetic separation. This type of premium, value-added ore is preferred by many Chinese steel mills. The Sino iron project is the first magnetite mine to reach production in the Pilbara and the largest magnetite mining and processing operation under construction in Australia. It is also one of China’s biggest investments in the Australian resources sector, and at full capacity of 24 million tonnes per year of iron ore concentrate, it will be the largest single-stage magnetite project in the world. Product from this project will be shipped about 70 kilometres up the Yangtze River to CITIC Pacific’s special steel mill in Jiangsu province, China, and will be used to manufacture high-grade steel used in the car industry and in industrial machinery. In 1994, negotiations commenced on a state agreement to develop the Fortescue magnetite deposits, which are located approximately 100 kilometres south-west of Karratha, and the agreement was ratified in 2002. CITIC bought the mining rights from Mineralogy Pty Ltd in 2006. The state agreement was subsequently amended in late 2008 to enable the production of iron ore concentrates for sale in Australia or for export. Onsite mobilisation commenced in late 2008, and construction of the port started in 2009. Although the project has experienced a number of delays and mechanical issues, the first concentrator line is now in operation and the commissioning of line 2 is progressing. I am confident that CITIC Pacific will bring into operation lines 3 to 6 as quickly as possible.

Although the concentrator lines are a critical component of the production process, it should be noted that the integrated Sino iron project comprises a mine, slurry pipeline, concentrator, desalination plant, power plant, a port and transshipping facilities, all of which are now operational. Initially, the project will use barges to take the concentrate to self-loading vessels moored between four and 12 nautical miles offshore. Once production ramps up, it will make use of transshipping facilities consisting of barge loaders carrying iron ore concentrate to a ship moored offshore from Cape Preston. This will be the first time this process has been used in Western Australia’s iron ore industry. Cape Preston is also the first new port to be constructed in the Pilbara in 40 years. The project’s $4.8 billion expenditure on Australian content to date is a very good outcome for local contractors, with almost 60 per cent of that spent in Western Australia. Once completed, expenditure on the project will total more than $7 billion. The project has also employed more than 4 000 people during peak construction and will employ 1 000 people in direct permanent jobs when in full operation. Western Australia has significant magnetite resources, with 36 billion tonnes in estimated magnetite deposits, and the state remains very well placed to expand the production of magnetite in the future. I congratulate CITIC Pacific on its perseverance and considerable effort in bringing this very significant project to production.