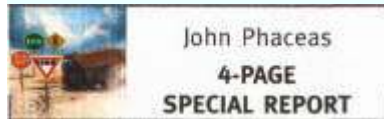




Ruthless realism needed



FOR decades, successive state governments have dreamed of adding value to the millions of tonnes of raw materials mined and exported from Western Australia by moving further down the processing chain.

But according to *WA Business News*' panel of junior mining executives, local industry should be ruthlessly realistic in assessing the opportunity and the likelihood of success.

That means focusing on the actual ability to add value to a business.

Last week's promise by Chinese steel giant AnSteel to study the potential for a steel mill at Oakajee – ironically in the same place as Kingstream a decade earlier – has again put the issue of downstream processing on the agenda.

Yet the litany of disasters in WA's various attempts at adding value is long: Kingstream Steel's failed vision for a steel mill at Oakajee; BHP's \$4 billion Boodarie Iron hot briquetted iron plant at Port Hedland; Rio Tinto's recently mothballed \$400 million Hismelt pig iron plant at Kwinana; and BHP's long-since-demolished Kwinana steel rolling mill and blast furnace.

"I think we, as resources companies, romanticise things a bit and think that because we produce iron ore out of the ground, we'd make good steel makers," Polaris Metals managing director Ken Hellsten said.

"But the reality is that they are

very, very different businesses. So my view is that, where you have certain skill sets, you are better off doing more of what you do well rather than simply trying to follow the value chain down.

Mr Hellsten, whose company is planning a conventional dig-and-deliver iron ore project in the Yilgarn region, said moving from miner to manufacturer was a transition that all the evidence indicated was tough to make.

"I think history shows you are either a good resources company, or a good manufacturing company. Very few companies have been both on a sustainable basis," he told the panel.

Instead, miners ought to take a more lateral view of what value adding actually means.

Galaxy Resources managing director Iggy Tan said it was unrealistic to expect Australian resources companies to be able to compete as refiners or manufacturers on an even footing with rival nations such as China, where the costs for key inputs such as labour, construction and operating expenses were a fraction of those here.

Yet that did not mean Australian companies could not capture the extra value of downstream processing by following China's lead and establishing the refining and manufacturing facilities in a lower-cost location.

Galaxy's initial plan is to build its Mt Cattlin lithium mine and concentrator near Ravensthorpe, but it has also secured a site in China's Jiangsu Free Trade Zone

to build the world's fourth largest lithium carbonate plant to process Mt Cattlin concentrate.

"We're of the view that you can't build a plant like that in Australia – it is just too expensive," Mr Tan said. "So the compromise model is to build the plant in China. There's no reason why we can't own plants in China or anywhere else."

That would enable Galaxy to capture the profits from downstream processing that would otherwise have flowed overseas.

Heron Resources managing director Mat Longworth said people often failed to recognise that many mining operations, such as laterite nickel mines, already entailed a significant processing and value-adding component.

"The nickel laterite industry is a good example, because of the amount of value-add involved in new (laterite) plants," he said.

Laterite nickel ores, like that at Minara Resources' big Murrin Murrin mine and Heron's proposed Kalgoorlie and Yerilla projects in the Goldfields, require refining to produce an intermediate product that can be further refined to produce metal.

To that end, Heron recently struck an agreement with a leading Chinese nickel battery manufacturer to study processing and refining options for Yerilla ore.



Business News
06/08/2009
Page: 12
General News
Region: Perth
Circulation: 13040
Type: Suburban
Size: 385.04 sq.cms
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<p>Iggy Tan: "They want to get projects up (in SA and NT)... whereas it is the other way round in WA."</p>	<p>Mat Longworth: "The nickel laterite industry ... has a high level of value-add to it."</p>	<p>Ken Hellsten: "You are better off doing more of what you do well ... than (following) the value chain down."</p>
		