

Cleaner ore push raises stakes for magnetite

OPINION

■ David Utting

The Chinese Government has told its iron ore smelters to cut pollution. This is driving a shift from lower-grade haematite to cleaner beneficiated magnetite.

This, in turn, is heating up many dormant magnetite projects in the Yilgarn and Mid West, including Mindax's flagship Mt Forrest project.

These changes are causing WA companies to up-value their substantial magnetite holdings as the export door to China shows signs of opening wider.

Chen Zeng, boss of CHTC Pacific which produced 17 million tonnes of its 65 per cent iron concentrate last year told a Seven West Media breakfast last month steel producers were now seeking out higher-grade, lower-impurity feedstock.

"This is partly in response to stricter (Chinese) pollution controls and greenhouse emission policy, as well as the need to increase productivity in the context of supply-side reform in China," he said.

According to Sino business analyst Duncan Calder, magnetite's attractiveness is reflected in the premium price that is paid, due to the higher iron content and the lower level of contaminants.

"Magnetite iron can achieve prices more than 200 per cent higher than lower grade iron ore that is being produced by a number of Australian operators," he said.

"The much higher price that is achievable for magnetite concentrates translates into magnetite producers being able to support a significantly higher capital and operating cost than DSO operations," he said.

It is important to note that there are large-scale magnetite projects awaiting development, with the Yilgarn boasting 17 billion tonnes in proven resources so far.

Two port options are now in play. Mineral Resources, which recently took over Cliffs operations, is committing to 6.5 million tonnes per annum through Esperance, leaving at least that again in spare capacity.

And Geraldton Port and perhaps an Oakajee port are open to innovative slurry pipeline options.

Enter Mindax Ltd, whose 1.7 billion Tonne Mt Forrest project was put on the backburner after the iron ore slump but has now roared back to life with a gold exploration program at Meekeatharra North and re-evaluation of its iron ore from an emphasis on haematite to its magnetite resource.

Mindax confirmed its current regional infrastructure concept includes collaborating with other companies in the area surrounding the Mt Forrest project to create "critical mass" which would support the resources required to fully evaluate the economics of a large-scale infrastructure solution.

With more abundant gas availability, the use of renewables and batteries, coupled with increasing Chinese demand for the ore, magnetite may not be such a dirty word.

■ David Utting is the chief executive of the Yilgarn Iron Producers Association.