



DOUBLE ORE NOTHING

A tragedy on the other side of the world has kick-started Australia's resources upswing, writes Tony Barrass

The drilling rigs are working the backblocks, Karratha's three-by-twos are getting a lick of paint in anticipation and, if you are looking for a job, there's a thousand or more waiting in Kalgoorlie and the Pilbara.

The iron ore price is marching north, gold remains strong, treasurers are talking down the billions in royalties pouring in and bulk carriers are streaming out of the world's biggest tonnage ports in record numbers.

Mid-tier and big miners are ramping up production. There's more than a sniff of optimism in the air and it's coming up to seven years — the number often considered by old hands to be the turning point — since the last big boom began petering out.

While no one is game to say it just yet, could an unforeseen tragedy on the other side of the world be the final spark that ignites our next big resources boom?

Consider this.

Brazil's Vale, the world's biggest iron ore miner with its 76,000 workers and \$35 billion turnover, is facing an unprecedented crisis following a disaster at its Corrego do Feijao mine in Minas Gerais.

Having been warned about a pending disaster around the strength of its upstream dam walls, Vale did nothing. On January 25, a tsunami of slush swept down the surrounding valley, engulfing the massive operation and washing away unsuspecting hillside communities.

Vale has released the names of 412 workers who remain missing, while surrounding villages still search for their unaccounted. The death toll could be as high as 550.

It is the second time in three years

Vale's operations have come under global scrutiny. In 2015, a similar catastrophe occurred at another Vale operation, with the loss of 19 lives.

Compounding this is an unprecedented political fallout, with the Brazilian Government under extreme pressure to stop Vale's Third World processes and demand world best practices, now standard across all Australian iron ore operations.

A Brazilian court has ordered Vale shut eight other mines and the company this week declared *force majeure*, meaning it could not fill its contracts, primarily to the insatiable steel mills of North Asia.

So what does that mean for us in WA? Well, lots. While WA Chamber of Minerals and Energy chief

executive Paul Everingham said it was heartbreaking so many people had lost their lives, the cold reality was that it had taken up to 20 per cent out of the global market "almost overnight".

That would have various knock-on effects, with Australian mining giants ramping up production to fill the void as quickly as possible. With that came better margins, more jobs and a stronger economy, he said.

"They (the miners) have a skip in their step for the first time in a long time," Mr Everingham said.

It was not just iron ore driving optimism across the resources industry and the State, he said.

The gold price remained strong — and had been for some time — while there was real excitement about a

range of emerging commodities. He pointed to the US-backed \$1 billion lithium hydroxide processing plant at Kemerton, just outside Bunbury, which will create 800 jobs for the South West.

He also suggested that there could be up to \$100 billion in investment in new projects in the LNG industry over the next five years as a direct result of the Chinese Government's aggressive pursuit of clean air policies — along with Korea and Japan — as they switch from thermal coal to gas as their primary source of electricity.

"Everyone thought China, Japan and Korea had enough gas for the foreseeable future, but not so," he said. "That can only be a win for us."

Out in the Goldfields, things are looking up.

Kalgoorlie mayor John Bowler said more than 1000 jobs were available in Kalgoorlie.

"I don't like using the word, but you could say Kalgoorlie's been booming for 18 months," he told *The Sunday Times*.

"We have a range of jobs here that cover all bases, from the professional to the tradies, the skilled and the semi-skilled. Accountants, bus drivers, you name it.

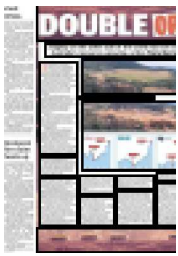
"Nickel's doing well, close to its all-time high, we've got the biggest deposit of cobalt in the world here, which is a pivotal ingredient of car batteries of the future, and of course gold is ticking along nicely."

He said the skill shortage holding back the region had more social and cultural complexities to it than other

areas of the State. The City of Kalgoorlie-Boulder was now examining how it could rebadge itself and market the Goldfields capital as a place where people wanted to bring their families and cash in on the opportunity, he said.

"We can't fill the positions here at the moment, but history tells us that once people get here, they love it," he said. "The prospects are endless."

One of the key signs that always



precedes any strong growth in the mining sector is exploration.

If the drilling rigs are out and about, it inevitably means that optimism has returned to the sector, and that miners are happy to spend money searching for new riches.

Strike Drilling's Richard Bennett had already factored in another

strong year well before the Vale disaster.

While exploration was usually the first sign the mining industry was seriously cranking up again, Strike had been "flat out for a couple of years now", he said.

Overseeing the operation of 11 rigs across WA and 60 across the nation, mainly for mid-tier miners, the Kewdale outfit has just taken possession of its sixth new rig in the past two years.

"We haven't been able to keep up with the demand for brown-field and green-field drilling from our existing and new clients, hence the new rig builds," Mr Bennett said.

Demand was robust and building.

"It feels like it's going to be a strong year with gold, lithium, nickel,

vanadium and iron ore being the key commodities we are being asked to drill for."

The Brazil tragedy has also resonated across the indices, with Fortescue's share price rising more than 25 per cent since January 25, and Rio Tinto and BHP making full-bodied gains ranging up to 15 per cent.

Vale's share price has plummeted by almost a quarter.

Despite all this, WA Treasurer Ben Wyatt remained cautious.

"What I won't be doing is what the previous government did and assume these high prices will last for ever and lock in spending commitments on the back of the high prices," he said.

Treasury has forecast royalties of

\$5.3 billion for 2019-20, \$4.5 billion of which will come from iron ore, working on a price of \$US66 a tonne.

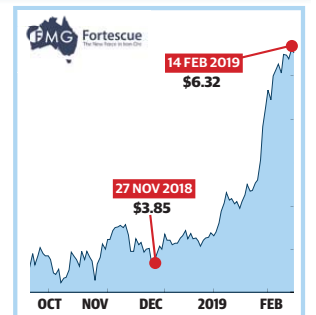
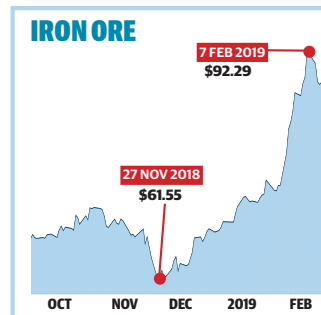
Analysts this week admitted they had no idea how long Vale would be out of the game, except to say that the iron ore price could crash through the \$US100-a-tonne barrier

and stay there "for quite a time".

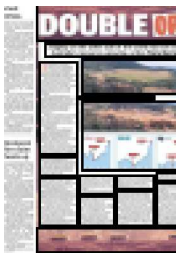
That would add another \$1 billion plus to State coffers — at least.

Meanwhile, a daily tonnage record of 2,478,219 tonnes was set in August when 14 bulk carriers departed both Port Hedland and Dampier ports, carting almost 80,000 tonnes more than the previous throughput record set just two months earlier.

While the big miners have a history of pushing their systems hard, the records are set to tumble again.



Disaster: The Brumadinho dam before, above, and moments after its wall collapsed.



Demand up: Richard Bennett of Strike Drilling with his newly completed drilling rig. Picture: Daniel Wilkins