

BARRY FITZGERALD SPEECH

WA ACBC CHINESE NEW YEAR DINNER

5 FEBRUARY 2008

***The Australia-China magnetite partnership:
expertise, innovation and creating value***

Good evening. I would like to acknowledge:

- Consul General Li Shugang of the Consulate General of the People's Republic of China in Perth
- Ken Chern, Consul General of the United States
- Ms Jaye Radisich MLA, Parliamentary Secretary to the Minister for Energy; Resources; Industry and Enterprise
- Dr Eric Tan, Honorary Life President of the Western Australian Chinese Chamber of Commerce
- Distinguished guests; Ladies and gentlemen.

Chun jae kwai le

Happy New Year. My sincere wish is the year ahead brings you prosperity, happiness and well being. In a more global context, that wish extends to those engaged on the exciting journey to closer cooperation and abiding friendship between our two nations.

The subject of my talk this evening, "The Australia-China magnetite partnership: expertise, innovation and creating value" I hope suggests a broader intent than to simply give you an overview of CITIC Pacific Mining's Sino Iron project.

My primary intention is to reflect on the growing experience within CITIC Pacific Mining of our partnership with China and what that might mean in a broader Australian context.

It is our firm view at CITIC Pacific Mining that we are on a journey that has the potential to forge the way towards an enduring partnership between China and Australia that is more than commercial, more than personal, and much broader than what could be achieved within a single business or a single country. It will, we believe, facilitate a relationship between our two nations that delivers its results through lasting friendship and mutual understanding.

To demonstrate just how significant this opportunity is, let me briefly describe the project which we are delivering.

CITIC Pacific Mining is developing the 5.2 billion dollar Sino Iron project, located about 100 kilometres south-west of Karratha. The project will mine magnetite, a form of iron ore not previously mined in Western Australia, unlike hematite iron ore which has been mined for many years. The extracted material will be processed onshore and exported via a new port to be built by CITIC Pacific Mining near our mine site. Once production is underway, we plan to export 27.6 million tonnes per annum of a mix of magnetite concentrate and pellets for the next 25 years.

It is the largest planned magnetite mining and processing operation in Australia. It also represents the largest single Chinese investment in an Australian mining project to date.

We are now working with government to secure final approvals and once these are achieved, we will start infrastructure construction at our Pilbara site which, in addition to the port and open pit mine, includes a state-of-the-art magnetite concentrator, slurry pipeline and pellet plant.

In terms of supporting infrastructure, we will construct a large low-emission combined-cycle gas-fired power station – 450 megawatts, equivalent to the current generation capacity in the North West Integrated System, which serves the current mining and residential power needs of the Pilbara. We will also build a 51 gigalitre desalination plant – similar to the one constructed at Kwinana - that will serve our water needs without drawing on the region's precious groundwater.

We are particularly proud of the progress we are making towards establishing a joint venture with Central Mining and Contracting, an indigenous Pilbara-based contractor that has already been awarded work to be delivered on site valued at 27.5 million dollars. As construction proceeds through 2008, the joint venture is expected to employ up to 90 mainly indigenous employees and traditional owners. The JV will initially focus on civil and mining works and services but longer term as a multi-disciplinary general services company.

An important goal of the joint venture is to provide training, mentoring and workplace opportunities for indigenous people which we believe will enable them to move into CITIC Pacific Mining, the broader resource industry and beyond for long-term careers. In addition, a portion of CITIC Pacific Mining's profits from the venture will be allocated for further training ventures and capability building.

I hope I've given you an understanding of our project and some insight into why we are so excited about it. Let's now return to the underlying theme tonight, the Australia-China relationship.

CITIC Pacific Mining has very clear links to China through its parent company, Hong Kong-listed CITIC Pacific Ltd. Many of you here tonight will know, that among other business interests, CITIC Pacific is China's largest specialist steel maker. Its goal in pursuing the Sino Iron project is to work in partnership with Australia to meet China's growing demand for steel through a reliable source of high quality iron ore. The product from the Sino Iron project will be used in CITIC Pacific's three special steel mills in China, as well as other Chinese steel mills.

Our partnership with China extends beyond the links through our parent company. The lead construction contract for the Sino Iron project has been awarded to China Metallurgical Group Corporation, known as MCC, which has also acquired a 20 per cent equity stake in the project. We are working closely with MCC on the engineering, procurement and construction aspects of the project.

Australia's reputation as a stable, secure supplier and a good place to do business is of course a benefit for our partners. But the partnerships established by CITIC Pacific Mining through our Sino Iron project will also deliver substantial benefits for Australia.

Those benefits include the development in Australia of a large scale magnetite mining and processing industry, in itself a significant event that signals that magnetite is a very valuable Australian resource.

The benefits are magnified through the downstream processing of the magnetite resource here in WA, which more than doubles the economic benefit to Australia when compared to direct shipping of hematite iron ore.

Our Australia – China partnership is key to delivering these benefits.

China has been mining and processing magnetite iron ore for decades, and has built up a wealth of knowledge, expertise and technology in this area.

Australia – as the world’s second largest producer of iron ore, responsible for about 20 per cent of world production – has experience in mining on a massive scale and has been responsible for much global progress and innovation in large-scale mining and processing.

By combining these two proud histories, we believe we are on the cusp of something very special – some may even say, a paradigm shift.

The Sino Iron project will facilitate the transfer to Australia of Chinese magnetite mining and processing technology and expertise, which combined with the experience of our Australian team and partners, promises to develop an Australian magnetite industry on a world scale.

Tonight, on the eve of the Chinese Spring Festival, I want to acknowledge the opportunity that this technology transfer offers Australia. By any measure it is a gift offered by a friend, and we at CITIC Pacific Mining are determined to honour it.

I recently became aware of a book entitled “The Australian Miracle: An Innovative Nation Revisited”. It is written by Dr Thomas Barlow, an Australian scientist, science communicator and former Oxford and Massachusetts Institute of Technology fellow.

Dr Barlow demonstrates that technology transfers are not new to Australia, and that technology integration has been a consistent trait among Australian innovators since colonial times.

His view is that the high-tech mass manufacturing model of twentieth century industrialisation, with its reliance on large scale domestic consumption to reach export potential, has not suited Australia.

However, Australia has not been left behind in the development stakes, having built on its strengths in what have incorrectly been labelled ‘low-tech’ industries of agriculture and mining through high-tech, innovative solutions.

Winemaking is a good example of our ability to innovate and compete on a world stage. The Australian wine industry surpasses its international peers as a supplier of fine wines to the UK and the US, boasts world-class research institutions and is a renowned industry innovator and provider of wine technologies to the rest of the world.

We have reached that point because we have embraced the viticulture and winemaking technologies that have come to us from traditional winemaking countries over the past 200 years. But we have not left them alone. We have devised new from old by taking risks, resulting in innovations including new irrigation techniques and wine making skills, novel wine packaging and new blends that have bypassed the tradition of regional trademarks.

From CITIC Pacific Mining's perspective, a similar process is underway as we move towards implementation of the Sino Iron project.

To illustrate: In Anshan in north eastern China, MCC and their subcontractor have designed to Australian specifications and with the assistance of Australian engineering expertise, the world's largest grinding mills. These will be constructed in Hunan Province by our sister company CITIC Heavy Machinery.

These mills represent a first for both our countries: mills on such a large scale have not previously been constructed by China, but then neither has this particular equipment ever been used before in Australia.

It must be said the mills are a tribute to the skills and technical excellence of both the Australian and Chinese individuals who are responsible for their creation. But even more important, they are a tribute to courage, determination, goodwill, collaboration – and taking calculated risks.

I sincerely believe these attributes are among the most important factors fostering success for the Sino Iron project.

Australia is also contributing in a huge way to delivery of the Sino Iron project. Over the life of the project, more than 70% of our expenditure on goods and services will be within Australia – a large amount in anyone's book.

The point is that collaboration and technology transfer are not new to Australia. Australian innovation and the right kind of vision have the potential to lead us to a position of lucrative global competitiveness.

Within the Sino Iron project, it is our two countries' skills, expertise and vision, together with a willingness to share them that will ensure we achieve maximum extraction of raw materials, maximum operational efficiency and most important, the highest safety and environmental standards.

Very substantial economic benefits will accrue to Australia as a result. But there are also benefits available to us that are not measurable in dollars.

At CITIC Pacific Mining, we are excited about the cross-cultural friendships and individual relationships we are building, and of course, there is nothing like being pioneers together in a new opportunity.

We are a new player on the Australian mining and processing scene, and it is our firm conviction that we are here to stay. Consequently, we want to contribute beyond our own interests to the ongoing development of Australia.

Our collaboration with China and the resulting technology transfer has the potential to harness what Australia has traditionally done well – to accept the potential that overseas technologies offer us, to integrate them into our own environment and to build on them to become world leaders. As in the case of the wine industry we anticipate the new technology developed will be exported to the world.

What is developing at CITIC Pacific Mining as a result of our Chinese partners' generosity, Australian openness to innovation and vision, and the deepening understanding between us is, I suggest, a fantastic base on which to build the kind of inter-cultural collaboration that our increasingly global community will rely on in the twenty-first century.

As the Chinese New Year approaches, I would like to acknowledge our various skills, knowledge and expertise wherever they originate. And I would like to recognise also the generous gift of technology and expertise, nurtured and refined in both China and Australia over generations that is being transferred to each country.

CITIC Pacific Mining intends that the Australia – China magnetite partnership will be valued and enhanced over many more generations, and hopes that it will provide ongoing benefits to both our great nations.

Gōngxǐ fācái!

Thank you.

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