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Emerging magnetite producers still fighting for Mining Tax exemption

Emerging magnetite producers are persisting with efforts to gain an exemption from the Mining Tax, following Government acknowledgement that the industry will contribute little or no tax revenue under the legislation.

The Minister for Resources, Energy and Tourism, Martin Ferguson, stated publicly on the day of the Government introducing the MRRT legislation that little or no tax revenue would be collected from the sector – that “magnetite pays little or no tax” under the MRRT - due to its low value prior to undergoing intensive processing.

“That is the very reason why magnetite should be exempted from the Mining Tax altogether”, said Megan Anwyl, Executive Director, Magnetite Network. “We welcome Minister Ferguson’s comments and also note there has been some real improvement in the valuation methodology since the recent second draft exposure version of these complex proposed laws.”

“Due to the intensive value-adding undertaken by the industry, magnetite has more in common with minerals excluded from the Mining Tax. It is not logical to impose a new compliance burden on an industry that, in the Minister’s own words, will be liable for little or no tax”, Ms Anwyl said.

“Many projects are actively seeking finance and if there’s no tax revenue to be had, why include magnetite at all?” she said.

“Not only do magnetite companies face significant and unnecessary compliance costs, but the Mining Tax, in addition to the Carbon Tax, compounds investor uncertainty and causes negative sentiment.”

The Magnetite Network, representing twelve emerging magnetite producers in Western Australia, South Australia, New South Wales and Tasmania, continues to lobby to have the legislation amended to exempt magnetite. The tax is to be calculated at the point a resource is mined from the ground, meaning magnetite in its unprocessed state offers negligible tax revenue for the Commonwealth.

“It goes against the national interest to discourage investment in an emerging industry that value adds, is very capital and jobs-intensive and offers real carbon benefits at a time when there is a massive need to create new jobs in Australia”, Ms Anwyl said.

For media comment, contact Megan Anwyl on mobile: 0417 949 900.

Background

The Magnetite Network was formed in 2009 to help promote the objectives of the emerging magnetite iron ore industry in WA. Its Chairman Bill Mackenzie is Managing Director of the Asia Iron Group of companies in Australia. Megan Anwyl is the Magnetite Network's Executive Director. Network members are: Asia Iron Australia Ltd/Extension Hill Ltd, Atlas Iron Ltd, CITIC Pacific Mining, Crosslands Resources Ltd, Gindalbie Metals Ltd and Grange Resources. Iron Ore Holdings Ltd and the Braemar Iron Alliance, representing five SA and NSW magnetite projects are supporting members.

There are currently two magnetite mining operations in Australia; Grange Resources' Savage River project in Tasmania and the OneSteel Whyalla project in South Australia. Several projects are under development, in particular in WA, including CITIC Pacific Mining's Sino Iron project in the Pilbara and Gindalbie Metals Mid-West region joint venture the Karara project.

Magnetite iron ore contains lower ratios of iron than hematite iron ore (DSO) and requires more complex beneficiation so that it can be converted into concentrate or pellets before being exported to steel mills overseas.

This value-adding process would create hundreds of long-term permanent jobs and requires considerable infrastructure development in regional Australia. WA member projects alone represent more than \$18 billion in initial capital expenditure, 4000 permanent direct jobs, more than 12 thousand direct construction jobs and \$9.75 billion in estimated annual export revenue for Australia.

One of the key environmental advantages of magnetite is its purity in concentrated form, which requires less energy and releases less carbon emissions in steel-making compared to traditional hematite ore.

Deloitte Access Economics and The Crucible Group have assessed the economic and environmental credentials of the magnetite industry.

For more information, visit <http://www.magnetitenetwork.com.au/>