

Modelling the economic benefits of the Sino Iron Project and Australia's magnetite industry

- The Sino Iron project in Western Australia's Pilbara region represents a significant development in terms of Australia's ability to meet the growing needs of Chinese Steel makers.
 - While Australia has traditionally mined hematite, magnetite iron ore effectively increases Australia's iron ore reserves by 34% (from 19.5 to 28 gigatonnes). The magnetite contribution is likely to increase overtime as the sector develops. This includes the potential to extend the life of many hematite mines currently in operation.
- The economics underpinning magnetite development are driven by Chinese steel production which has grown at just under 18% per annum since the year 2000 coupled with their reliance on, and hence demand for, magnetite.
- Deloitte Access Economics (DAE) has estimated that the Sino Iron project will increase Australia's gross domestic product (GDP) by an average of \$2.08 billion over the period 2006 to 2034, with an average increase in employment of 2080 full time equivalents (FTE) over that period.
 - In today's dollars this represents a net present value of \$32.0 billion in Australia's GDP.
- In Australia, there are a number of magnetite projects in the pipeline totalling some \$19.5 billion in investment (including the Sino Iron project). DAE estimated that development of the magnetite industry will add \$4.5 billion in Australia's GDP per annum and increase employment by an average of 4,440 FTE over the period 2006 to 2034.
 - This is based on development of the Western Australian mines in the MagNet membership (Sino Iron project, Atlas Iron developments at Ridley and Balla, Extension Hill, Gindalbie's Karara Project and Southdown).
- The proposed development of the magnetite industry confirms that, given the current demand conditions for iron ore, there are a number of commercially viable magnetite projects in Australia. Indeed, the modelling undertaken by DAE confirms the economic credentials of the Sino Iron project in that it is estimated to deliver similar economic benefits to an industry benchmark hematite project.
 - The industry benchmark hematite project for equivalent steel production was estimated to increase Australia's GDP by \$31.4 billion in today's dollars which compares with \$32 billion for the Sino Iron project.
 - In terms of employment, the industry benchmark hematite project was estimated to generate an average of 1,860 FTE over the period 2006 to 2034 compared with 2080 FTE for the Sino Iron project. The relatively higher employment result for the Sino Iron project is a result of higher labour requirements in the investment phase of the project and higher flow on effects due to the processing requirements of magnetite.

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