

**MINERAL SANDS (COOLJARLOO) MINING AND PROCESSING
AGREEMENT AMENDMENT BILL 2017**

Introduction and First Reading

Bill introduced, on motion by **Mr M. McGowan (Minister for State Development, Jobs and Trade)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR M. MCGOWAN (Rockingham — Minister for State Development, Jobs and Trade) [12.36 pm]: I move —

That the bill be now read a second time.

The purpose of this bill is to ratify an agreement made on 26 September 2017 between the state and Tronox Management Pty Ltd—Tronox—which I will refer to as the variation agreement. This bill is necessary in order to give effect to amendments to the Mineral Sands (Cooljarloo) Mining and Processing Agreement 1988, which I will refer to as the state agreement. The main purpose of the variation agreement is to allow Tronox to process heavy mineral concentrates—HMC—and other titanium feedstock at its Muchea and Kwinana facilities that are sourced from outside the state agreement mining lease at Cooljarloo.

To put this variation agreement in context, I will provide some background on Tronox, its operations in Western Australia and the requirement to vary the state agreement. Tronox operates a fully integrated titanium minerals mining and processing project in Western Australia under the state agreement. The state and Tronox are the current parties to the state agreement, following the assignment of Tronox Western Australia Pty Ltd's and Yalgoo Minerals Pty Ltd's—together, the joint venturers—interests under the state agreement to Tronox in November 2016.

Tronox's operations under the state agreement commenced in 1989 and comprise the following—a heavy mineral sands mine at Cooljarloo on Mining Lease 268SA, located approximately 12 kilometres north of Cataby, where up to 25 million tonnes per annum of mineral sands are mined via a dredge and concentrated to produce HMC; a dry processing separation plant and a synthetic rutile plant at Chandala, located approximately five kilometres north of Muchea, where up to 775 000 tonnes per annum of HMC are separated into heavy minerals including ilmenite, rutile, zircon, leucoxene and staurolite and the ilmenite is upgraded to produce up to 250 000 tonnes per annum of synthetic rutile; and a titanium dioxide pigment plant at Kwinana, where synthetic rutile, as well as rutile and leucoxene, are used to manufacture up to 153 000 tonnes per annum of titanium dioxide pigment.

The integrated nature of Tronox's titanium mining and processing operations make it one of Western Australia's most significant value-adding projects. The downstream processing of ilmenite raises its value from approximately US\$150 a tonne when raw to up to US\$2 500 a tonne when sold as titanium dioxide pigment.

The heavy minerals and synthetic rutile not used in the value-adding process, along with the titanium dioxide pigment produced, are sold to local and international markets, and exported through the Bunbury and Fremantle ports. The state agreement expires upon the expiration of Mining Lease 268SA, which is on 1 March 2020.

Tronox's mineral resources at its Cooljarloo mine are diminishing due to the exhaustion of dry mineable reserves and lower dredge ore grades. The concentration of heavy minerals in the remaining mineral reserves at Cooljarloo, which is around 15 years, is approximately one-third of the ore mined at commencement. As a result, the company projects that in early 2018 there will be a shortfall in supply of titanium feedstock—mainly ilmenite—required to meet the demand for its state agreement processing facilities at Muchea and Kwinana. To address this shortfall, Tronox is proposing to pursue additional sources of feedstock from mining tenements not contemplated by the state agreement, including developing new deposits such as Dongara and Cooljarloo West, which are both held by Tronox on Mining Act 1978 tenure. However, to enable Tronox to process heavy mineral concentrate and other feedstock at its Muchea and Kwinana facilities, which are sourced from outside of the state agreement mining lease, the state agreement is required to be varied. This variation will provide Tronox with greater flexibility to remain competitive in the world market.

To provide additional feedstock for its Muchea and Kwinana processing facilities, Tronox is proposing to develop the Dongara mine, located approximately 350 kilometres north of the Muchea site, which is expected to generate up to approximately four million tonnes of HMC over its 10 to 15-year life; and the Cooljarloo West mine, located immediately adjacent to the existing Cooljarloo mine, which is expected to have a life of around six years and produce approximately three million tonnes of HMC. Tronox is also considering sourcing feedstock from its other operations, and from third parties, which are located within or outside of Australia.

I now turn to the provisions of the Mineral Sands (Cooljarloo) Mining and Processing Agreement Amendment Bill and the variation agreement outlined in the explanatory memorandum, which I now table. I refer first to the provisions of the bill.

Clause 4 amends section 3 of the Mineral Sands (Cooljarloo) Mining and Processing Agreement Act 1988, the principal act, by inserting the new definition of the 2017 variation agreement. It also amends the definition of the agreement to recognise and incorporate the 2017 variation agreement amendments. Clause 5 inserts a new subsection (1A) in section 4 of the principal act, which ratifies the 2017 variation agreement. Clause 7 inserts, as schedule 2 of the principal act, a copy of the 2017 variation agreement.

I refer now to the key provisions of the variation agreement. Clause 2(2) inserts new subclause (3) into clause 7 of the state agreement, which allows Tronox, with the approval of the minister, and for the principal purpose of providing feedstock to any one or more of the Muchea dry processing plant, the Muchea synthetic rutile plant and the Kwinana pigment plant—together, the state agreement facilities—to blend mining lease HMC with non-mining lease HMC and a heavy mineral produced from mining lease HMC, or blended concentrates, with the same type of heavy mineral produced from non-mining lease HMC.

Clause 2(4) inserts new clauses 11A and 11B after clause 11 of the state agreement. Clause 11A(1) enables Tronox to submit detailed proposals for the processing of HMC and other titanium feedstock, including blended HMC and heavy minerals, sourced from outside the state agreement mining lease at the state agreement facilities. Clause 11A(5) provides that Tronox acknowledges that the provisions of clauses 7(3) and 11A are intended to enable it to continue its processing operations under the state agreement by expanding the sources of feedstock for any one or more of its state agreement facilities. To avoid doubt, Tronox also acknowledges that, subject to force majeure, it must continue to operate the state agreement facilities during the continuance of the state agreement in accordance with its provisions and approved proposals.

Clause 11B allows Tronox, with the minister's prior consent, to use any existing or new facilities on the mining lease at Cooljarloo for the purposes of developing and operating, under the Mining Act, its proposed mining projects at Cooljarloo West and Jurien. Clause 2(7) inserts new subclause (4) into clause 35 of the state agreement which ensures that any area of the state agreement mining lease that has not been rehabilitated will be included as part of the mining lease under the Mining Act that Tronox, after giving notice to the minister, will be granted under subclause (3), once the state agreement mining lease expires on 1 March 2020. The state agreement will expire upon the expiry of mining lease 268SA and therefore a termination agreement will not be required. Tronox will need to follow all relevant processes under the Native Title Act 1993 and the Mining Act for the new mining lease to be granted. The company's operations will then continue to operate under the general laws of the land.

The ratification of this bill by Parliament will allow Tronox to source additional feedstock. That will prolong the life of its processing facilities at Muchea and Kwinana, and thereby maintain jobs and associated payroll, payment of royalties and other economic benefits to Western Australia. Tronox's operations currently provide a substantial contribution to the state's economy, including more than 600 direct full-time jobs, resulting in approximately \$90 million in annual payroll; in excess of 150 full-time contract positions and associated payroll; over \$7 million annually in mineral royalties; more than \$900 million in annual exports; and regular incomes for an estimated 500 local businesses with spending of around \$250 million on goods and services annually. The continuation of Tronox's fully integrated operations will ensure the maximum return to the state of its natural resources, which is illustrated by the end product of titanium dioxide pigment having a value around 15 times greater than that of the raw material ilmenite.

The variation of the state agreement will also facilitate the development of the Dongara and Cooljarloo West projects, which Tronox has advised will involve expenditure of approximately \$140 million in capital to establish a new mine at Dongara and to modify the existing processing facilities at Muchea; capital expenditure of approximately \$80 million to relocate the existing mining equipment from Cooljarloo and to establish the new mine at Cooljarloo West; more than \$70 million in royalties over the life of the Dongara project, in addition to the approximately \$100 million forecast from the remaining mine life at Cooljarloo, including Cooljarloo West; employment of approximately 80 people during construction of the Dongara project and approximately 40 people during its operation; employment of approximately 30 personnel during construction at Cooljarloo West, in addition to extending the employment of the more than 120 existing staff and contractors at Cooljarloo; and additional benefits through use of local businesses from Perth to Geraldton.

I commend the bill to the house.

Debate adjourned, on motion by **Ms L. Mettam**.