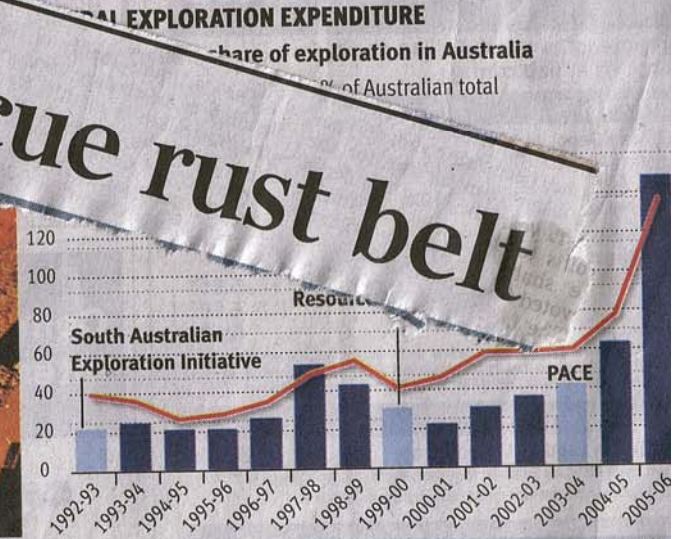
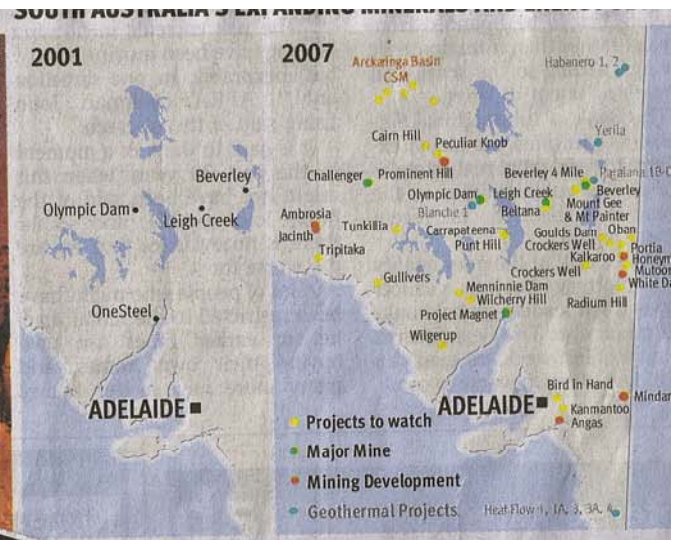


# Resources boom to rescue rust belt

**Thinking big:** A worker taps into the copper stream at Olympic Dam. The expanded project will be big enough to swallow the Adelaide CBD.



MORE than 160 years ago, major copper discoveries proved the saviour of South Australia, and now history looks set to repeat itself.

The state is gearing up for a massive resources boom, with more than \$20 billion in resource-related infrastructure to be built in the next 10 years.

At the apex of it will be an outback hole big enough to swallow Adelaide's city centre — BHP Billiton's proposed \$7-billion-plus expansion of its giant Olympic Dam copper and uranium mine at Roxby.

## It's comeback time for SA's outback, Andrew Tronson finds

what is now believed to be the world's second biggest base metals deposit ever.

The planned expansion will cause a population explosion at Roxby, swelling the town from 4100 people today to about 10,000 by 2015.

Perhaps symbolic of South Australia's rising confidence, the state is believed to be close to sanctioning the removal of the longstanding 15 per cent shareholder cap on its largest resources

immediate takeover target, but who needs to worry about retaining corporate offices in Adelaide when there are billions of dollars worth of projects going on in the state's outback?

For years South Australia's potential had been overlooked as explorers shied away from the state's deeply buried and hard to find resources in favour of easier, near-surface targets in Western Australia.

Now, as a result of technological advances, the China-led com-

government incentives, the state Australia is set to benefit from major discoveries for decades to come. "Exploration has skyrocketed," Premier Mike Rann told parliament last week.

"We are seeing a mining exploration boom and the prospect of many more mines."

It couldn't be more timely. SA's manufacturing sector is under siege from a soaring dollar, its farmers are beset by drought and its renowned winegrowers are facing a structural grape glut.

bankruptcy before the co discoveries of the 1840s mining is going to save it again, University of SA economics professor Richard Blandy says.

In the early 1840s, the r created colony of South Aus looked like collapsing in the of an economic depression. C colony's 15,485 settlers, 2000 were destitute, and o 1900 houses, 642 were v People were leaving and B had stopped subsidising migr to the province.

But in 1845, shepherds i Lofty Ranges north of Ad discovered the spectacularly

Burra copper deposit which, along with other discoveries, would make South Australia the biggest copper producer in the British Empire.

But by the end of World War I the copper mines were exhausted, leaving wheat farming as the mainstay of the state. Then, in the post-WWII boom, and under the protection of Australia's tariffs walls, South Australia transformed itself into an industrial heartland.

But since the 1970s, and the gradual dismantling of the import tariffs, South Australia has lagged the broader economy, becoming the poor cousin sandwiched between the populous eastern states and resource-blessed Western Australia.

In the past 10 years or so, South Australia's economy has been growing at about 2.75 per cent a year compared with national growth of around 3.25 per cent. Now, thanks to the mining boom taking off in the state, Blandy is expecting state economic growth during the next 15 years or more to stay above 4 per cent.

For the next four years, annual growth is set to exceed 5 per cent.

Mining currently accounts for just 2 per cent of the economy, but Blandy expects this to grow to 10 per cent in the next 10 years. That is behind Western Australia, where mining accounts for more than 20 per cent of the economy, but it is a huge acceleration for a state whose focus has been manufacturing.

After years in the doldrums, exploration spending in the state is soaring as miners flock to seek mini-versions of Olympic Dam or Oxiana's new \$775 million copper and gold mining project at Prominent Hill.

Since the early 1990s, exploration spending in South Australia has mostly flatlined at about \$20 to \$40 million a year, or less than 4 per cent of spending nationally. Part of the problem has been that much of South Australia's prospective mineralogy is covered over by a thick 50m-400m layer of sedimentary rock, making exploration high-risk and costly.

In the past three years, however, there has been a surge in exploration spending and the state now commands almost 15 per cent of national spending. In the 12 months to March,

doubled rising to \$233 million from \$110 million the previous year. In the latest quarterly numbers from the Australian Bureau of Statistics, South Australia has overtaken Queensland in exploration spending to be second behind Western Australia.

"It is happening all over again," veteran South Australian geologist and miner John Roberts says.

He was one of the founders of the company that back in the 1970s reopened the old Burra mine to extract the deeper lodes of copper. Roberts would later head up the Australian gold operations of Californian giant Homestake between 1977 and 1993.

Roberts attributes much of South Australia's recent success to the state Government's Plan for Accelerating Exploration (PACE).

Introduced in 2004, the plan has involved the Government in providing funding incentives to explorers as well as commissioning a huge increase in exploration mapping data that it has made available to prospective explorers. Under PACE, the state will spend almost \$31 million over seven years.

"That has really pushed South Australia in exploration spending such that we are now coming second to WA," Roberts says.

PACE owed a lot to mining magnate Robert Champion de Crespigny, who helped develop the program as the then-head of the state's Economic Development Board. Now based in London, de Crespigny built his Adelaide-based Normandy Mining into the country's biggest gold miner ahead of it being taken over by US giant Newmont.

Another key factor has been the state's willingness to promote uranium mining in the face of mining bans in key rivals Western Australia, Queensland, and until recently the Northern Territory.

Early next year the Canadian-owned Honeymoon uranium mine will start production, joining Olympic Dam and Heathgate Resources' Beverley uranium mine. The ground is now thick with uranium explorers.

The state attracts 56 per cent of Australia's total uranium exploration spending.

BHP's Olympic Dam expansion is expected to get the go-ahead in 2009



**Golden gulf:** Whyalla is in the grip of a construction bonanza

and will be the biggest mining project in the world. The open pit will be more than 3.5km in diameter and 1km deep. Copper production is expected to more than double to 500,000 tonnes a year with a mine life of around 100 years. Uranium production is forecast to treble to 15,000 tonnes.

Given the mine life, BHP could eventually double copper production to 1 million tonnes a year.

In addition to the likes of Olympic Dam and Prominent Hill, South Australia now boasts numerous other major projects.

Steel giant OneSteel has almost completed a \$385 million expansion of its iron ore mining operations in the Middleback ranges 100km southeast of its Whyalla steelworks.

In what is symbolic of the changes happening in South Australia, OneSteel's project is aimed at freeing up high-grade iron ore for direct sale and shipment to China, rather than boosting the feed to its Whyalla steelworks. OneSteel expects to export 30 million tonnes of iron ore over the next 10 years, mostly to China.

In the Eucla Basin along the coast in the state's west, mineral sands miner Iluka is sitting on the world's richest zircon deposits — equivalent to about five years of total world consumption of the mineral, which is used in glazing ceramics.

Other projects under way include Terramin's \$63 million Angas lead and zinc project and Australian Zircon's \$60 million Mindarie mineral sands mine. In the Adelaide Hills, Hillgrove Resources is close to approv-

ing the development of its Kanmantoo copper-gold project.

South Australia is also set to be the centre of Australia's emerging geothermal industry, courtesy of hot rocks deep below the Cooper Basin. The likes of Geodynamics, Petrathern and Industry Funds Management are all looking to prove up projects in the state, and in the next five years more than \$500 million is expected to be spent by the industry on exploration and demonstration work.

Blandy suspects the average South Australian has yet to appreciate the size and impact of the coming boom. The state, he says, will have to prepare for a substantial population inflow that will swell regional towns and lead to a massive increase in air travel as fly-in/fly-out workers criss-cross the skies between Adelaide and other centres en route to isolated mine sites.

In particular, the three major towns on the upper Spencer Gulf — Port Augusta, Port Pirie and Whyalla — are all set to be big beneficiaries of the boom. The region is well placed to be the engineering and services hub for the isolated mine developments, and BHP's planned desalination plant on the Gulf is expected to create 400 construction jobs.

Whyalla, in particular, is already feeling the tailwinds of the boom. The town is in the grip of the sort of construction bonanza it hasn't seen since the 1960s, with the number of new house approvals in 2006-07 exceeding 100 for the first time in more than 40 years.

In the past five years or so, the price

of a decent three-bedroom brick house in Whyalla has soared from about \$100,000 to a minimum of \$250,000-\$300,000.

"I've never seen the place like this before," Whyalla council chief executive Phil Cameron says.

More than \$38 million has been ploughed into construction at Whyalla in 2006-07, up from \$20.5 million the previous year.

After decades of population decline in the wake of the shipyard closures of the 1970s, people are again moving into the town.

Last year's census recorded a decline since 2001 of just 90 people to 21,417. Back in 1996 the population was 23,620. "We believe that if the census was held today there would be a strong likelihood of a population trend showing regrowth," Cameron says.

The big circuit breaker for the town has been OneSteel's iron ore expansion. OneSteel is currently barging out the iron ore to Cape-size vessels because of the lack of a deepwater port in the Gulf. That is likely to change eventually, as proposals are being aired for a new deepwater port in the region in the next 10-15 years.

The town is also where the giant Caterpillar dumptrucks are being assembled for Oxiana's Prominent Hill project.

The coming mining boom is being mirrored in the state's universities, with the University of Adelaide boasting the country's biggest student faculty of geology students. First-year enrolments have jumped to 250 this year from 190 the previous year, and the university has started a mine engineering course, the 30 places in which were swamped by applicants.

The university's professor of mining geology, Ian Plimer, is himself one of the early boom arrivals, after last year being tempted away from a tenured position at Melbourne University. He says he has been struck by the generally strong community support for mining in the state, compared with NSW and Victoria, where the large city populations have little direct experience of mining.

"Because of its isolation and the smaller population, people here work well together and are co-operative. That is why they are so supportive."