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Iron ore miner Mt Gibson stands down more than 200 staff in WA's Kimberley

BY KATHRYN DISS

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PHOTO The future of Mt Gibson's Koolan Island iron ore mine is in doubt.

ABC TV

More than 200 staff have been stood down without pay at Mt Gibson's iron ore mine in Western Australia's Kimberley.

Work at the Koolan Island mine, off the coast north of Derby, was suspended earlier this week after a sea wall slumped, flooding the main pit.

Mt Gibson CEO Jim Beyer said it was a disappointing but unavoidable move.

"We had allocated our workforce to other activities around the island while we were working to basically re-stabilise and reinstate an effective sea wall," he said.

"Unfortunately the failure has made it clear that for at least some period of time, we are

not going to have sufficient work to keep our workforce employed."

The mine employs 350 people, two thirds of whom will be sent home over the weekend.

Employees with accrued leave have been told they can use it if they wish.

Mr Beyer said the remaining staff would stay on the island to carry out maintenance jobs and earthmoving.

"We have a total of 360 people who work at Koolan Island and approximately two thirds of those are in the process of being stood down now, and there's another third that we will keep that are doing some critical activity," he said.

It comes as iron ore prices hover around five year lows of about \$US70 a tonne, shrinking the profits of miners and squeezing their margins.

The iron ore price has slumped almost 50 per cent this year on the back of weaker demand from China and an oversupply in the market.

Australia's big miners have been accused of flooding the market in a bid to knock out higher cost Chinese producers, but it was also eroding the bottom-line of smaller miners.

Mr Beyer said the iron ore price and its future outlook would weigh on it decision to restart operations.

"When we look to make the decision on the financials on the re-start we will be taking into account today's iron ore price but also more the point we will also be taking into account what we see as being the outlook for iron ore," he said.

Bell Potter Securities broker Giuliano Sala Tenna said the tough market conditions would hold the company back.

"Mount Gibson may just take their time particularly coming into the Christmas, New Year period," he said.

"It may not be a great motivation for them to speed up the process to re-start mining operations, particularly when the iron ore price is so weak at the moment."

He remained confident operations would resume at some point, given the high quality of the mine.

"That's their flagship mine site there, so I'd be surprised if they didn't mine again from Koolan Island," he said.

"I think it will be resolved, I think it's a mine site that's known to experience these sorts

of set backs, it's obviously disappointing, it's obviously come at a bad time for them. "

Mr Beyer said the company was now assessing how much it would cost to repair the damage.

"We're still assessing our options to return an effective sea wall and how long that might take, and as we get some more clarity on the over the next week or so, then we can start to make some clearer decisions on the workforce in particular, " he said.

The company's shares will remain in a trading halt for the next week until it makes an announcement on the project's future.

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WA News

Mount Gibson Iron sues engineering firm over seawall collapse at WA's Koolan Island mine

🕒 October 28, 2015 5:29pm

👤 KATE CAMPBELL Legal affairs reporter PerthNow



Mount Gibson Iron's mine at Koolan Island in WA. Picture: File image

MOUNT Gibson Iron is suing an engineering firm for negligence over the “catastrophic” collapse of a seawall at a WA mine site last year.

The junior miner and subsidiaries, Aztec Resources and Koolan Iron Ore, have lodged a writ in the WA Supreme Court against engineering firm GHD over the seawall failure at the Koolan Island mine, off the Kimberley coast, last November.

The wall started to give way in October, but there was a “catastrophic failure” on November 25.

Sea water flowed into the mine pit after the wall gave way, causing flooding of the nearby iron ore mining operation. The company was forced to shut down the mine site.

The crisis resulted in Mount Gibson slashing the majority of its Koolan Island workforce. It's believed more than 300 jobs were lost in the closure.

In the writ, the plaintiff companies' lawyers state GHD entered into contracts between June 2004 and November 2014 to provide the design, construction, monitoring, inspection, maintenance and rectification of the seawall and associated structures.

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Lawyers say the companies suffered "loss, expense and damage" for GHD's alleged breach of contracts and negligence.

It is claiming for damages and compensation under the Trade Practices Act, Australian Consumer Law and the Fair Trading Act.

GHD breached the law "by its conduct in the provision of advice and information concerning, and in carrying out, the work subject of the contracts ... which was misleading or deceptive or likely to mislead or deceive", the writ states.

The plaintiffs' lawyer declined to comment on the legal action.

A GHD spokesman told *PerthNow* the company did not comment on matters before the courts.

Earlier this year, Mount Gibson announced it had entered into an agreement with a logistics company to set up a supply base on Koolan Island to service the oil and gas industry.