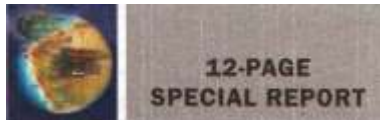




Oakajee will change the face of Mid West mining



Adam Orlando

THE growth of state's iron ore province in the Mid West has been a lot slower than many companies had predicted, with some of the massive projects set to change the face of the region yet to get under way.

However, with the decision to build what will become one of Western Australia's most significant infrastructure projects – the \$2 billion Oakajee port and rail development near Geraldton – the promise of the iron ore rich region could finally be realised.

At present, there is much speculation about Oakajee's parameters, however it is understood that the deep-water port will be built with a capability of exporting up to 35 million tonnes per annum.

Development of this scale will make the Mid West WA's second major iron ore province behind the Pilbara, where BHP Billiton Iron Ore is aiming to begin production on its \$2.3 billion Rapid Growth Project 4 in 2010, and Rio Tinto Iron Ore's \$952 Cape Lambert port expansion is planned for completion by the end of the year.

Fortescue Metals Group's \$3.85 billion Cloudbreak development in the Pilbara represents one of the largest mineral prospects to be developed in Australia for some time, and is among the largest single iron ore mines in the world.

The project will represent significant earnings potential for the state and Australia.

Unlike conventional iron ore mining, the FMG operation will not drill and blast to extract the ore; instead, continuous mining techniques will carve the ore from the earth with massive tungsten-tipped rollers.

Ore will be then transported to purpose-built shipping facilities at Port Hedland along a rail system that

could carry up to 135 tonnes of ore per car.

In a landmark port deal delivered by FMG last month, Atlas Iron Ltd is poised become Australia's newest iron producer.

Effectively, chief executive Andrew Forrest and FMG have promised to open up the company's Pilbara infrastructure and allow other miners to utilise the rail and port facilities.

The move is indicative of a commodity far outweighing anything else in the state.

It is estimated that there is \$6 billion worth of projects from 25 resource plays in the Mid West, including eight oil and gas, seven gold and three iron ore operations.

There are a further 21 projects at varying stages of development and progress. Of these, 11 are iron ore, four are in the gold sector, and two are vanadium related.

Chamber of Commerce and Industry WA chief economist John Nicolaou said such projects were underwriting WA's project investment story.

"To date, it's mainly been iron ore, nickel, gold, and to a lesser extent alumina," Mr Nicolaou told *WA Business News*.

"Those primary commodities, resource commodities, have been key drivers of investment."

“With the price that it is now, it does provide a great incentive and makes a lot of mines very

economic to produce.” - John Nicolaou

He said the Oakajee decision would open up opportunities for junior miners to grow and feed off what was a once-in-a-lifetime opportunity.

"It's a lower grade ore in the Mid West; history will show that those projects haven't been able to expand and develop when the iron ore prices were lower," Mr Nicolaou said.

"With the price that it is now, it does provide a great incentive and makes a lot of mines very economic to produce."

The construction of a \$1 billion project – scheduled to start in the middle of next year – could also help unlock the potential of the Mid West.

The Coolimba Power Project, an investment by South Perth company Aviva Corporation Ltd, is a 400-megawatt coal-fired power station near Eneabba, south of Geraldton.

The project will play a key role in powering the development of the Mid West by supplying electricity sources directly into the South West Interconnected System.

"A lot of the reason companies have not been able to operate in the Mid West to date has to do with that, the lack of associated infrastructure being in place to allow projects to happen," Mr Nicolaou said.

"That infrastructure involves a significant amount of investment and I guess these developments are certainly welcomed for those junior miners."

A report commissioned by the Geraldton Iron Ore Alliance – made up of Mt Gibson Iron Ltd, Midwest,



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Murchison Metals, Gindalbie, Golden West Resources Ltd, Asia Iron Holdings Ltd and Atlas Iron – in July 2007 jolted many when it identified a greater urgency for infrastructure than previously thought.

Dependent on such infrastructure are companies such as Crosslands and Midwest.

Then there is the \$1.8 billion Karara Iron Ore Project – Gindalbie Metals Ltd's cornerstone project in the Mid West – which could yield 8mt of iron ore annually.

The project's hematite and magnetite phases are set to begin production, however the emerging iron ore producer is awaiting further environmental approvals.

Gindalbie chief executive Garret Dixon remained confident, saying the company was in a good position.

"Fundamentally the space we are in, the people are the same, the players are the same, the stuff in the ground is still the same," Mr Dixon told *WA Business News*.

"A lot of the prices have changed somewhat, base metals and the like are not too highly priced, iron ore has remained at a good level – so what's different?"

"Why aren't these other projects going ahead?"

"It's about equity and debt. Where we are, with the project that we've got, we've gone through all that, but

our big issue is getting there as quick as we can."

Gindalbie this year entered into a \$543 million equity funding agreement with one of China's biggest steel producers, AnSteel, which covers the 30 per cent equity component of the agreed capital cost of developing Karara.

Similarly, Australasian Resources is also awaiting environmental approval for its \$2.7 billion Balmoral South Iron Project, which has undergone a bankable feasibility study.

The company's managing director, Andrew Caruso, said the company's planned merger with Resource Development International Ltd would enable it to become a major player in developing large iron ore resources like Balmoral South.

"Overall the iron ore space in Western Australia, the prospects are still very strong and will continue to do so as we meet China's demand," he said. "The Balmoral South Iron Project is very lucrative and we should get environmental approval in 2009 and should be in production in three years."

Chinese company Shougang Group has taken equity in Australasian Resources and made 50 per cent payment by fully funding Balmoral South, which could produce 12mt of iron ore per annum.

"No-one was really prepared for

the level of demand we've seen, not to the extent that we've seen on the cusp of the industry transforming itself," Mr Caruso said of the iron ore sector.

"I still feel iron ore demand is going to be there for many years where it will move from the east coast in China to the west coast in China."

With China's demand for steel and countries like India in the pipeline to feed further demand, many other iron ore projects are set to commence over the next few years.

Crosslands' Jack Hills Stage 2 Project, valued at \$3 billion, is a notable mention, as is Grange Resources' \$1.12 billion Southdown Iron Ore project, Atlas Iron's \$1.6 billion Ridley Magnetite development, and Aquila Resources' \$4.5 billion West Pilbara development, which includes infrastructure works.

"A couple of iron ore players are looking to get under way, but they are still going through feasibility or scoping studies," Hartleys resource analyst Andrew Muir said.

"So it will be interesting to see how all that comes out of the wash.

"A lot of them though are going to be dependent on infrastructure that's already in place like the railway as well as the port, in the Pilbara and particularly the Mid West."



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FUTURE IRON ORE PROJECTS

COSTED PROJECTS

COMPANY	PROJECT	VALUE
Aquila Resources	West Pilbara	\$4.5bn (including infrastructure)
Crosslands	Jack Hills Stage 2	\$3bn
Atlas Iron	Ridley Magnetite	\$1.6bn
Grange Resources	Southdown Iron Ore	\$1.12bn
Asia Iron	Extension Hill Magnetite Mine	\$715m
Aurox	Balla Balla	\$603m
Midwest Corporation	Weld Range	\$579m
Ferrowest	Yalgoo Iron Project	\$437m
Polaris Metals	Yilgarn Iron Ore	\$353m
Iron Ore Holdings	Phil's Creek	\$70m
Atlas Iron	Abydos Iron Ore	\$45m
Atlas Iron	Pardoo DSO	\$8.3m

EXPLORATION PROJECTS

COMPANY	PROJECT	LOCATION
Ausquest	Rocklea Prospect	Pilbara
Brockman Resources	Marillana	Pilbara
FerrAus	Robertson Range	Pilbara
MCC Mining	Cape Lambert Iron ore project	Pilbara
Golden West Resources	Willuna West (stage 1)	Mid West