



Oakajee expected to be a boon for the boom state

MID WEST IRON ORE PROJECTS

COMPANY*	PROJECT	OUTPUT (Mtpa)
Gindalbie Metals Ltd	Karara Iron Ore Project	8
Crosslands Resources Ltd	Jack Hills Project	1.5
Mt Gibson Iron Ltd	Tallering Peak	3
Midwest Corporation Ltd	Koolanooka/Blue Hills	1.5

* Members of The Geraldton Iron Ore Alliance, at various stages of exploration and development of mines in Mid West

Adam Orlando

THE timing of the state government's announcement of Oakajee Port and Rail Pty Ltd as the preferred developer of the \$2 billion Oakajee port project was impeccable, according to Geraldton mayor Ian Carpenter.

With the deepwater port expected to be operational by 2012, Mr Carpenter said the project would alleviate pressure on the busy Geraldton city port, which is near capacity.

Located about 20 kilometres north of Geraldton, the Oakajee port will service the anticipated needs of mining companies in the Mid West region.

"I suppose this will take a lot of the iron ore away from the city port, which is getting towards capacity and only has another three years left (before it reaches capacity), or so the port authority tells us," Mr Carpenter told WA Business News.

"This [Oakajee port] has been in the pipeline for, what, 15 years or so now, so you could say it's been a long time coming, but we're just happy that the government has finally bitten the bullet at the right time as far as we're concerned."

Mining analyst Peter Strachan said the Oakajee development would be a massive boon for the state.

He said the project could ensure work for up to 40 years at the port, which had the potential to move billions of tonnes of iron ore for export over the life of the region's reserves.

"Ultimately, when the port reaches its capacity of 40 million tonnes it will turn over about \$400 million in

royalties for the state, not to mention the thousands of jobs that will be created during its construction and that of the rail," Mr Strachan told WA Business News.

"Clearly the state is going to benefit with all the jobs created."

A report by Economic Consulting Services undertaken last year estimated that the development of the Mid West's iron ore deposits had the potential to provide more than 1,300 jobs during the construction stage and more than 4,000 jobs during the suggested operational stage of 25 to 30 years.

It wasn't long ago that the Mid West barely registered as a mining province, however in just a few years China's demand for iron ore has meant companies are now flocking to the region.

Japan was overtaken by China as the largest buyer of Australian iron ore in 2004-05, with analysts expecting it to retain this position and become increasingly important as an investor in the industry.

Chinese state-owned enterprises already control emerging iron ore miner Midwest Corporation and half of a second miner, Gindalbie Metals.

The growth in China's steel production has underpinned big increases in iron ore prices and, while the outlook is unclear, prices are generally expected to remain strong.

The Geraldton Iron Ore Alliance, which was formed in 2005 by eight iron ore companies in the Mid West, believes the deepwater port at

Oakajee will cement the successful future of the iron ore industry.

Independent chairman of the alliance, Clive Brown, said the timing of the port's development was crucial.

"The state government has previously indicated that construction of the port could begin by late 2009, subject to relevant approvals and environmental processes, and could be operational by 2012. Industry seeks to achieve this outcome as early as possible," he said. Alliance members Mount Gibson Iron, Midwest, Crosslands Resources, Gindalbie, Golden West Resources, Asia Iron, Royal Resources and Atlas Iron have a number of mines at various stages in the Mid West.

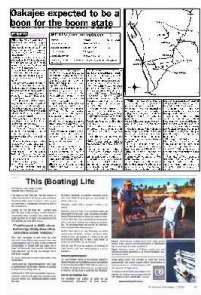
Iron ore miners currently in production in the Mid West are limited to Mt Gibson Iron, Midwest Corporation and Crosslands, which is jointly owned by Murchison Metals and Japanese trading giant Mitsubishi.

All of these producers have ambitious plans to expand their current mines and develop new projects.

In addition, Gindalbie Metals is pursuing development of the \$1.8 billion Karara project, which is projected to yield 8mt of iron ore a year.

Other companies, including Golden West Resources and Asia Iron, are evaluating their own mining projects for the region.

The Mid West's iron ore deposits, worth an estimated \$75 billion, are



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predominantly magnetite deposits capped with hematite, the ore that is in abundance in the Pilbara.

While magnetite concentrate is valuable, there is a high cost to produce and process it, which to date is why the Mid West has struggled to develop a major iron ore industry.

But the willingness of Chinese companies to invest in WA mines, projects and infrastructure, has ensured Mid West magnetite is now economically viable to produce and export.

Oakajee Port and Rail is planning to build a port at Oakajee capable of exporting 35mt of iron ore a year, with rapid expansion planned as other mining operations and users come online.

OPR chief executive Chris Eves said the state government's decision last week for the Mitsubishi and Murchison-owned company to develop the port means the once constrained iron ore industry in WA could now flourish.

"What happens now after securing the nomination as preferred proponent means we are in a position to move forward with the finalisation of all legal documentation and commercial arrangements and financing," Mr Eves told *WA Business News*.

"It means that all the pay agreements with our customers can be negotiated in detail.

"We've got indicative term sheets from Gindalbie, Crossland Resources, we've got enquiries now

from Golden West and what this means is that those indications can now be taken forward and completed as essential first steps to putting in place the financial underpinning to the proposal."

Planning and Infrastructure Minister Alannah MacTiernan said while a major step had been taken with OPR's appointment as the successful bidder to develop the port, the iron ore industry still had along way to go.

"Financing of both proposals was conditional on confirmation of project feasibility, so there is some way to go before there is a clear green light for the project," she said.

