



Government of **Western Australia**
Department of **State Development**

Our ref: S0038/201001
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Hon John Kobelke, MLA
Chair
Public Accounts Committee
Parliament House
PERTH WA 6000

Attn: Ms Isla Macphail, Principal Research Officer

Dear Mr Kobelke

Questions on Notice Arising from Public Accounts Committee Hearing

Thank you for the opportunity to discuss the Oakajee Port and Industrial Estate Project at the Public Accounts Committee hearing on Friday 5 March 2010.

During the hearing the Committee requested further information from the Department of State Development by way of Questions on Notice.

Please find attached the Department's response to the Questions on Notice.

Please contact me if you require any further information.

Yours sincerely

Anne Nolan
Director General

24 March 2010

Public Accounts Committee Questions on Notice – Oakajee Project

1. *A copy of the State Development Agreement to be made available to the Committee on the same basis as it was made available to the Estimates and Financial Operations Committee of the Legislative Council.*

A copy of the signed State Development Agreement (without schedules) is attached. This document is provided to the Committee on a confidential basis. This is the same basis as the State Development Agreement was made available to the Estimates and Financial Operations Committee of the Legislative Council

As the document contains confidentiality provisions and commercially sensitive information, Oakajee Port and Rail Pty Ltd (OPR) has been advised that a copy of the SDA will be provided to the Committee.

2. *Details of the extent of road infrastructure that will be included as part of the Common User Infrastructure being constructed using State and/or Commonwealth funds.*

The port access road is included as part of the Common User Infrastructure in the State Development Agreement. The road is specified as a two-lane sealed road from the North West Coastal Highway to the site of the proposed port facilities. The road will comply with relevant Main Roads and Austroads design guidelines for large heavy vehicles.

A preliminary cost for the port access road was included in the estimate of \$678 million for the capital cost of the Common User Infrastructure, which is to be jointly funded by the State and Commonwealth.

Further details of the route and design are expected to be provided in OPR's Bankable Feasibility Study. These details will be evaluated against plans being developed for the port, the industrial estate and the regional road network. This may identify synergies obtained by combining the functions of port access, industrial estate access and access for construction and maintenance of the breakwaters, which will then allow the final cost of the port road infrastructure to be determined.

3. *The name of the 'urban project' in Queensland that has also received an equity injection from the Commonwealth Government.*

The project in Queensland that has also received an equity injection from the Commonwealth Government is the Gold Coast Rapid Transit Project.

This project has secured funding commitments totalling \$949 million from three levels of government, including \$365 million from the Commonwealth Government.

4. *Details regarding the indicative cost and scope of:*

a) the development of the associated Industrial Estate at Oakajee;

The Department of State Development (DSD) and LandCorp are currently focused on bringing the Oakajee Industrial Estate to project ready status. This work is being funded through DSD's existing Heavy Use Industrial Land Strategy.

The main focus is on developing a structure plan by the first quarter of 2011, which will guide the long-term development of the strategic core, support precincts and estate buffer and will ensure integration with the port and rail components of the Oakajee project. The structure plan will identify corridors for a multi-product rail line servicing the port and strategic core, the Geraldton bypass road and utilities.

A process to identify potential industries at the estate is underway. This will allow scenarios on future utility demand to be developed, which will assist strategic planning for utilities.

The cost of infrastructure required for the further development of the industrial estate will be determined when there is greater clarity regarding the type and timing of industry seeking to locate at the estate.

b) completing the access corridor, including the development of roads, power and water infrastructure, in order to service the first stage of the Port and industrial estate.

The Oakajee Narngulu Infrastructure Corridor (ONIC) is planned to provide a connection between the Narngulu Industrial Estate in south Geraldton and the Oakajee Industrial Estate and port, north of Geraldton. The corridor will be sized to provide for a future four lane divided regional road, railway lines, services such as water, power and gas and possible slurry pipelines.

Work is currently focussed on planning for the corridor. This includes identifying the corridor alignment and land requirements, undertaking preliminary engineering design, identifying environmental and social issues associated with the corridor and obtaining necessary approvals. This work is being led by the Department of Planning.

The timing for the corridor is dependent on a number of factors, including the type and scale of activities at Oakajee Port and Oakajee Industrial Estate.

The initial iron ore port and rail plans currently being developed by OPR do not require the Oakajee Narngulu Infrastructure Corridor in the initial stages of the Port development as rail lines and utilities are expected to be located in other corridors.

5. *Details and the indicative costs of the anticipated and/or planned source of the power supply for both the Port and the Industrial Estate.*

OPR has advised that a power supply at Oakajee in the order of 20MW is required by Quarter 4 2013 to service the initial requirements of the port. OPR is currently considering both the option of an independent power supply from an onsite generator and the option of supply by the Western Power network. Western Power has been in discussions with OPR regarding the indicative costs of the network supply options for the Oakajee Port.

In addition, the network between Perth and Geraldton will require upgrading. Western Power is currently progressing the Southern section of the North Country Reinforcement project. This project is pending regulatory approvals, funding approvals and finalisation of commercial arrangements with major customers.

It is not possible to determine the ultimate power supply requirements for the Oakajee Industrial Estate at this stage. Power requirements can only be fully assessed once likely users of the estate are identified, noting that some potential users could generate electricity as part of their activities.

6. *A table outlining each of the mines, the company's claimed million tonnes per annum export figure, the JORC-compliant figure, and details of the environmental approvals held for each of these mines and whether it has company approved financing.*

Please see attached table below. Note that information has been provided on the major iron ore projects in the Mid West region that may utilise the Oakajee Port.

Major Iron Ore Projects in the Mid West Region

Company	Project Name	Production Rate	JORC-Compliant Figures	Environmental Approvals	Project Financing
Karara Mining Limited (Gindalbie Metals Ltd/Ansteel Joint Venture)	Karara Iron Ore Project	8mtpa initially scaling up to a possible +30Mtpa by 2020	<p><u>JORC resource:</u></p> <p>Indicated: 1417Mt @ 35.5%Fe Inferred: 437Mt @ 35.1Fe</p> <p><u>JORC reserve:</u></p> <p>522Mt @ 36.3 Fe</p>	<p>State and Commonwealth environmental approval received.</p> <p>The approval covers the magnetite mine, processing plant and associated infrastructure, water pipeline and access road.</p>	<ul style="list-style-type: none"> A\$1.8 billion capital cost Project equity (A\$534m) from AnSteel and Gindalbie in place. Project debt funding from China Development Bank and Bank of China (\$US1.2b) conditionally approved. Terms and conditions of loan targeted for completion March quarter 2010. Drawdown not required until June 2010.
Extension Hill Pty Ltd (A wholly owned subsidiary of Hong Kong registered Asia Iron Holdings Limited, in turn wholly owned by the privately owned Sinom Group)	Extension Hill Magnetite Project	<p>Stage 1:</p> <p>10 Mtpa of dry magnetite concentrate</p> <p>(11Mtpa wet)</p>	<p><u>JORC resource:</u></p> <p>Measured: 157Mt@36.5%Fe Indicated: 50Mt@36.5%Fe Inferred: 1650Mt@36.5%Fe</p> <p><u>JORC reserve:</u></p> <p>Not yet determined.</p>	<p>Environmental approval received for Stage 1.</p> <p>Approved project configuration includes: open pit mine, processing plant and site infrastructure to support 10 Mtpa output, offsite infrastructure including HV powerline, borefield, water pipeline, slurry pipeline to transport product to Geraldton Port and enclosed materials handling and shiploading facilities at Geraldton Port.</p>	<ul style="list-style-type: none"> A Heads of Terms (HoT) agreement between Asia Iron Holdings Limited (AIHL), Sinom Investments Limited (Sinom), Mr. Zhang Chi (Andy) and Chongqing Chongang Minerals Development Investment Limited (CCMD) was executed in November 2009. The HoT sets out the terms of a proposed Shares Sales Agreement (SSA) and a Shareholder's Agreement. The SSA and the Shareholder's Agreement essentially contemplate an incorporated Joint Venture between CCMD and Sinom, with AIHL as the joint venture vehicle. Capital expenditure required to develop the EHMP is estimated to be approximately USD\$2 billion. It is envisaged that 70% of this amount will be funded by a loan from a major Chinese bank, and that the balance will be funded by equity injections from CCMD and Sinom. The Foreign Investment Review Board Secretariat advised in February 2010 that there are no objections to a proposed CCMD transaction.
Crosslands Resources Limited	Jack Hills Iron Ore Project (Stage 2)	25-35Mtpa	<p><u>JORC resource:</u></p> <p>Measured: 683.6Mt@31.7%Fe Indicated: 1352.3Mt @ 31.7%Fe Inferred: 979Mt @ 31.7%Fe</p> <p><u>JORC Reserve:</u></p> <p>Not yet determined.</p>	<p>Level of Assessment:</p> <p>Public Environmental Review.</p> <p>Company is currently drafting the PER document for submission to the EPA in early 2010.</p>	<ul style="list-style-type: none"> Bankable Feasibility Study due for delivery 2010.
Sinosteel Midwest Corporation Limited	Weld Range Iron Ore Project	15Mtpa	<p><u>JORC resource:</u></p> <p>Indicated and Inferred:</p> <p>250Mt @ 58%Fe</p> <p><u>JORC reserve:</u></p> <p>155.5Mt @ 58.0%Fe hematite</p>	<p>Level of Assessment:</p> <p>Public Environmental Review.</p> <p>Company is currently drafting the PER document for submission to the EPA in April 2010.</p>	<ul style="list-style-type: none"> Bankable Feasibility Study due for delivery July 2010.

<i>Company</i>	<i>Project Name</i>	<i>Production Rate</i>	<i>JORC-Compliant Figures</i>	<i>Environmental Approvals</i>	<i>Project Financing</i>
Golden West Resources Limited	Wiluna West Iron Ore Project	1-2Mtpa initially increasing to a possible 10Mtpa	<u>JORC resource:</u> Measured: 1.2Mt @ 59.1%Fe Indicated: 49.2Mt @59.1%Fe Inferred: 97.3Mt @59.1%Fe <u>JORC Reserve:</u> Not yet determined.	Project at prefeasibility stage. No referral has been made.	<ul style="list-style-type: none"> No information available.
Cashmere Iron Limited	Cashmere Downs Iron Ore Project	Possible 20Mtpa	<u>JORC resource:</u> Magnetite: Measured: 160Mt@32.5%Fe Indicated: 597Mt @32.5%Fe Inferred: 65Mt @32.5%Fe Hematite Measured: 42Mt@32.9%Fe Indicated: 137Mt @32.9%Fe Inferred: 13Mt @32.9%Fe <u>JORC Reserve:</u> Not yet determined.	Project at prefeasibility stage. No referral has been made.	<ul style="list-style-type: none"> Intending an Initial Public Offering in 2010 for ongoing prefeasibility work.