One issue was that the Chinese groups were wary of dealing with an infrastructure provider that was aligned with both Japan and a competing miner.

Another issue was cost, which blew out from an estimated $2 billion initially to more than $4 billion.

Layered on top of that was the softening of the global iron ore market.

The doubts over the project escalated in June 2011 when Sinosteel halted development of its $2 billion Weld Range iron ore project.

Sinosteel said its mine, anticipated to produce 15mt annually, was too costly to maintain while awaiting the Oakajee port green light.

In late 2011, Mitsubishi bought Murchison Metals out of the port-and-rail project.

This was more of a last ditch effort to keep the project alive than a sign of confidence it would proceed.

As the iron ore market continued to weaken, Mitsubishi wound back its funding for OPR during 2012 and halted work on the project entirely in June 2013.

Oakajee was back in the news less than a year later, but this time for all the wrong reasons.

Little-known Perth company Padbury Mining had been quietly working on Oakajee after acquiring intellectual property and engineering studies from Yilgarn Infrastructure in 2011.

It stunned the market in 2014 when it claimed to have lined up more than $6 billion of funding to revive the port-and-rail project.

Padbury, led by former state government executive Gary Stokes, suffered a fatal credibility blow when it emerged its mystery funder was an Australian business figure with a chequered history – hair regrowth entrepreneur Roland Bleyer.

Less than three weeks after announcing the deal, Padbury terminated its so-called funding agreement.

Padbury subsequently went through a major restructure and emerged with new directors and a new name – AustSino Resources Group.

AustSino was at the centre of last month's surprise announcement that a little-known Chinese group was planning to invest $100 million in Oakajee and other iron ore projects.

The Chinese investor was a private sector company named Western Australian Port Rail Construction (WAPRC).

Its major shareholders are Shanghai-based investors Li Ping and Qiu Yu Hu, who according to AustSino are involved in businesses within the industrial, property and technology sectors.

WAPRC plans to acquire a 61 per cent stake and effective control of AustSino via the purchase of 7.6 billion shares at 1.3 cents each.

12mt

IRON ORE HANDLED GERALDTON PORT, YEAR TO JUNE 2018

Using the proceeds of the WAPRC placement, AustSino plans to acquire a majority stake in Perth-based Sundance Resources, which has been seeking to develop the Mbalam Nabeba project in Cameroon.

AustSino also plans to invest in its iron ore tenements in the Mid West, including the Peak Hill deposit, about 650km north-east of Geraldton, and undertake engineering studies at Oakajee.

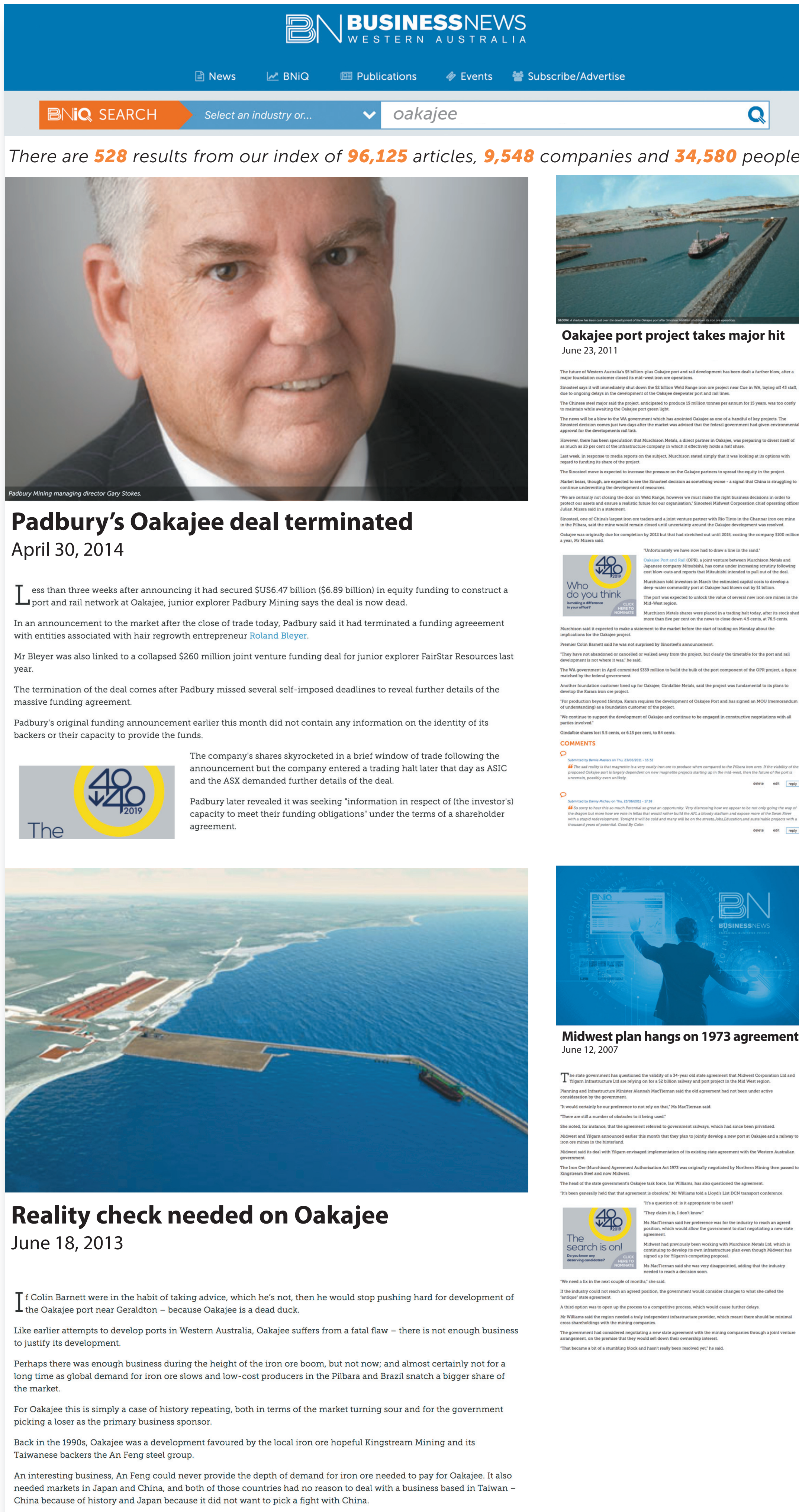
This followed the announcement in May that AustSino had hired Churchill Consulting to prepare a concept study looking at infrastructure solutions for the Mid West.

Boutique advisory firm Contour Capital, led by former KPMG partner Duncan Calder, is also working for AustSino.

"The company believes the time is right to re-evaluate previous options and scenarios and to explore fresh ideas which may assist in finally developing a viable economic infrastructure solution for the region," AustSino stated.

The West Perth-based company said its preferred model would be for its proposed project partners to directly fund the development of port and rail infrastructure under a 'build own operate transfer' model and to recover the cost via tariffs paid by mining companies.

It concluded by saying there was no certainty this would happen.



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Padbury Mining managing director Gary Stokes.

Padbury's Oakajee deal terminated

April 30, 2014

Less than three weeks after announcing it had secured $US6.47 billion ($6.89 billion) in equity funding to construct a port and rail network at Oakajee, junior explorer Padbury Mining says the deal is now dead.

In an announcement to the market after the close of trade today, Padbury said it had terminated a funding agreeement with entities associated with hair regrowth entrepreneur Roland Bleyer.

Mr Bleyer was also linked to a collapsed $260 million joint venture funding deal for junior explorer FairStar Resources last year.

The termination of the deal comes after Padbury missed several self-imposed deadlines to reveal further details of the massive funding agreement.

Padbury's original funding announcement earlier this month did not contain any information on the identity of its backers or their capacity to provide the funds.

The company's shares skyrocketed in a brief window of trade following the announcement but the company entered a trading halt later that day as ASIC and the ASX demanded further details of the deal.

Padbury later revealed it was seeking "information in respect of (the investor's) capacity to meet their funding obligations" under the terms of a shareholder agreement.

Oakajee port project takes major hit

June 23, 2011

Reality check needed on Oakajee

June 18, 2013

If Colin Barnett were in the habit of taking advice, which he's not, then he would stop pushing hard for development of the Oakajee port near Geraldton – because Oakajee is a dead duck.

Like earlier attempts to develop ports in Western Australia, Oakajee suffers from a fatal flaw – there is not enough business to justify its development.

Perhaps there was enough business during the height of the iron ore boom, but not now; and almost certainly not for a long time as global demand for iron ore slows and low-cost producers in the Pilbara and Brazil snatch a bigger share of the market.

For Oakajee this is simply a case of history repeating, both in terms of the market turning sour and for the government picking a loser as the primary business sponsor.

Back in the 1990s, Oakajee was a development favoured by the local iron ore hopeful Kingstream Mining and its Taiwanese backers the An Feng steel group.

An interesting business, An Feng could never provide the depth of demand for iron ore needed to pay for Oakajee. It also needed markets in Japan and China, and both of those countries had no reason to deal with a business based in Taiwan – China because of history and Japan because it did not want to pick a fight with China.

Midwest plan hangs on 1973 agreement

June 12, 2007

COMPANIES MENTIONED:

AustSino Resources Group, Mitsubishi Corporation, Sinosteel, Padbury Mining, Churchill Consulting, Sundance Resources