

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.

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.

**12mt**  
**IRON ORE HANDLED**  
**GERALDTON PORT,**  
**YEAR TO JUNE 2018**

**COMPANIES MENTIONED:**  
AustSino Resources Group, Mitsubishi Corporation, Sinosteel, Padbury Mining, Churchill Consulting, Sundance Resources

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**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 agreement 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.



**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.



**Oakajee port project takes major hit**  
June 23, 2011

The future of Western Australia's \$2 billion-plus Oakajee port and rail development has been dealt a further blow, after a major foundation customer closed its mid-west iron ore operations.

Sinosteel says it will immediately shut down the \$2 billion Weld Range iron ore project near Cue in WA, laying off 45 staff, due to ongoing delays in the development of the Oakajee deepwater port and rail line.

The Chinese steel major said the project, anticipated to produce 15 million tonnes per annum for 15 years, was too costly to maintain while awaiting the Oakajee port green light.

The news will be a blow to the WA government which has announced Oakajee as one of a handful of 'strategic projects'. The Sinosteel decision comes just two days after the market was advised that the federal government had given environmental approval for the development rail link.

However, there has been speculation that Murchison Metals, a direct partner in Oakajee, was preparing to invest itself as much as 25 per cent of the infrastructure company in which it effectively holds a half share.

Last week, in response to media reports on the subject, Murchison stated clearly that it was looking to its options with regard to handing its share of the project.

The Sinosteel move is expected to increase the pressure on the Oakajee partners to agree the equity in the project.

Bayer Metals, though, are expected to see the Sinosteel decision as something worse – a signal that China is struggling to continue underwriting the development of resources.

"We are certainly not closing the door on West Range, however we must make the right business decisions in order to protect our assets and ensure a realistic future for our operations," Sinosteel Metals Corporation chief operating officer Julian Nieme said in a statement.

Sinosteel, one of China's largest iron ore producers and a joint venture partner with Rio Tinto in the Chinese iron ore mine in the Pilbara, said the move would remain closed until construction around the Oakajee development was resumed.

Oakajee was originally due for completion by 2012 but that had stretched out until 2015, costing the company \$300 million a year, 30 Nieme said.

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"Unfortunately we have now had to draw a line in the sand."

Oakajee Port and Rail (OPR), a joint venture between Murchison Metals and Japanese company Mitsubishi, has come under increasing scrutiny following one more news report that Sinosteel intended to pull out of the deal.

Murchison told investors in March the estimated capital costs to develop a deep-water commodity port at Oakajee had blown out by \$2 billion.

The port was expected to unlock the value of several iron ore mines in the Mid-West region.

Murchison Metals shares plunged in trading last week, after its stock closed more than five per cent on the news to close down 4 cents, at 76.5 cents.

Murchison said it expected to make a statement to the market before the start of trading on Monday about the implications for the Oakajee project.

Premier Colin Barnett said he was not surprised by Sinosteel's announcement.

"They have not abandoned or cancelled or walked away from the project, but clearly the timetable for the port and rail development is not where we need, he said.

The WA government in April committed \$200 million to build the bulk of the port component of the OPR project, a figure matched by the federal government.

Another foundation customer lined up for Oakajee, Glendon Metals, said the project was fundamental to its plans to develop the Kambalda iron ore project.

"The production beyond Kambalda, Kambalda requires the development of Oakajee Port and has signed an MOU (memorandum of understanding) as a foundation customer of the project."

"We continue to support the development of Oakajee and continue to be engaged in constructive negotiations with all parties involved."

Glendon shares fell 3.5 cents, or 6.3 per cent, to 94 cents.



**Midwest plan hangs on 1973 agreement**  
June 12, 2007

The state government has questioned the validity of a 34-year-old state agreement that Midwest Corporation Ltd and Yilgarn Infrastructure Ltd are relying on for a \$2 billion railway and port project in the Mid West region.

Planning and Infrastructure Minister Alanah MacTernan said the old agreement had been under active consideration by the government.

"It would certainly be our preference to not rely on that," Ms MacTernan said.

"There are still a number of obstacles to it being used."

She noted, but stressed, that the government intended to government railways, which had since been privatised.

Midwest and Yilgarn announced earlier this month that they plan to jointly develop a new port at Oakajee and a railway to join one more in the hinterland.

Midwest said its deal with Yilgarn envisaged implementation of its existing state agreement with the Western Australian government.

The Iron Ore Development Agreement Authorisation Act 1973 was originally registered by Northern Mining then passed to Environment Trust and now Midwest.

The head of the state government's Oakajee task force, Ian Williams, has also questioned the agreement.

"It's been generally held that that agreement is obsolete," Mr Williams told a Lloyd's List DCM transport conference.

"It's a question of is it appropriate to be used?"

"They claim it is, I don't know."

Ms MacTernan said her preference was for the industry to reach an agreed position, which would allow the government to stop negotiating a new state agreement.

Midwest had previously been working with Murchison Metals Ltd, which is continuing to develop its own infrastructure plan even though Midwest has signed up for Yilgarn's competing proposal.

Ms MacTernan said she was very disappointed, adding that the industry needed to reach a decision soon.

"It would be a bit of a stumbling block and hasn't really been resolved yet," he said.

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