



Oakajee Port & Rail

Infrastructure Development in the Mid West Region

Mid West Logistics Association

Christopher Eves
CEO, Oakajee Port & Rail Pty Ltd
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oakajee
port & rail





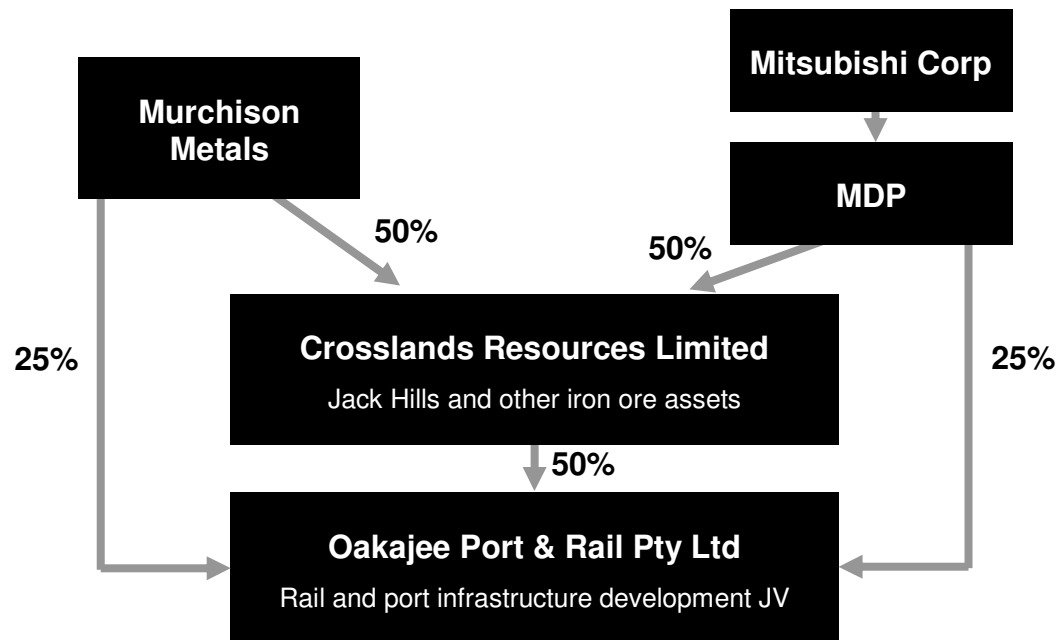
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Who is Oakajee Port & Rail?

- Ownership structure



- Bidder for the development of Oakajee Port and construction of the associated rail network.



Introducing the OPR Consortium

- OPR (Mitsubishi / Murchison Joint Venture)
- P&O Automotive and General Stevedoring
- ARG
- Thiess
- Australian Trading Banks
 - Nab
 - ANZ
 - Commonwealth
 - Westpac



Port Tender awarded to OPR as Preferred Developer

- Award made on 28 July after independent and rigorous evaluation
- Preferred in all categories of evaluation
- Unanimous decision
- No reserve proponent appointed
- Former competitor has no involvement in the Port Development



Rail process

- No competitive rail process;
- Rail route is not yet defined therefore Capex and Opex is not yet known, therefore tariffs are not known;
- Each proponent will have the right to construct their own rail: the port developer offers best value for Mid West mines;
- Government has commenced the process for defining the rail route;
- OPR is consulting with mines and State on volumes, products, timing and tonnages; and
- A well considered proposal will be put to mines for mine gate to ships' rail transportation service



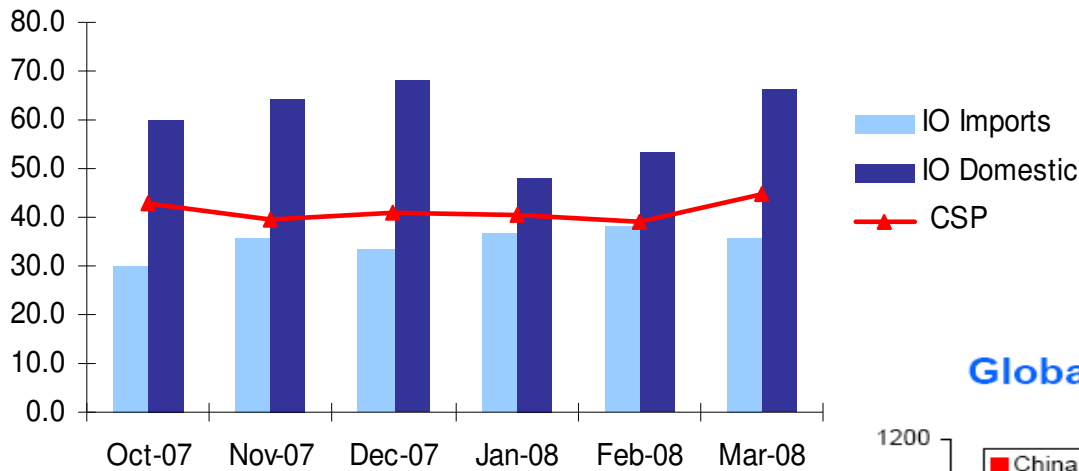
Highlights in Steel & Iron Ore markets in 2008

- Despite current softening in steel market, outlook remains strong.
- World crude steel production reached 1.34 billion tonnes in 2007, up by 11.8% over the 2006 level, with China's more than 16% increase leading the way. Middle East and Turkey are other high growth areas.
- Continued Chinese urbanization and related infrastructure requirements will further increase steel and iron ore demand. China imported 384 million tonnes of iron ore in 2007 and is expected to require more than 500 million tonnes by 2010.
- The iron ore supply/demand balance remains tight, as evidenced by the Australian price settlement for FY2008 of +79.9% for Fines and +96.5% for Lump.
- The Australian mid-west represents a stable source of good quality ore to service increased requirements of Asian steelmakers.

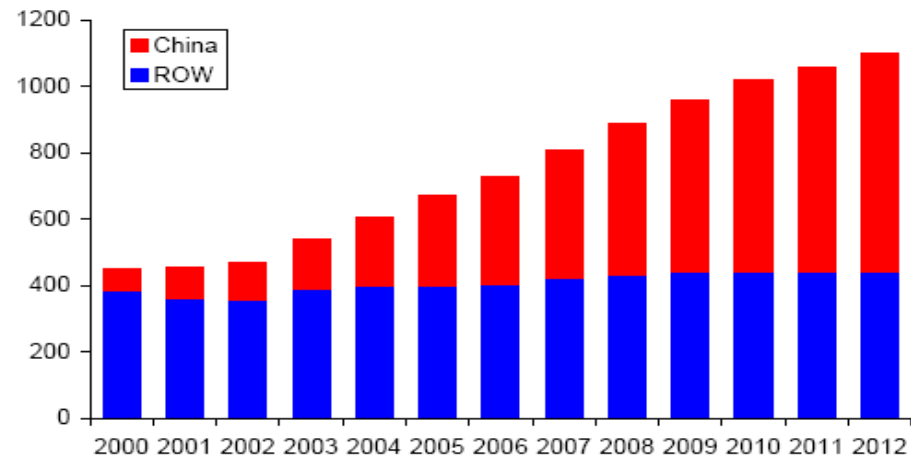


Highlights in Steel & Iron Ore markets in 2008

China iron ore balance (Mt)



Global iron ore seaborne trade (Mt)



Sources: Mysteel.net, Credit Suisse, Merrill Lynch



The industry is moving into Greenfield territory

- CVRD, Rio Tinto and BHPB will add 75% of the expansions, but few low-cost brownfield options remain.
- New projects present mines with higher costs and increased risk.
- Many new prospects lack critical infrastructure
- Average industry Capex/ton levels may rise from historical US\$20-30/t to as much as US\$100/t.*
- Mills are taking advantage of need for capital for infrastructure by small and mid cap miners to secure supply chains to capture new production, value add opportunities (such as freight) and provide resource security.

* Source: BHPB



The Pilbara Model for Mining Infrastructure

- Largest resources companies in the world
- Well established and efficient operations—since 1964
- Large resource base underpin infrastructure developments
- World scale bulk commodity rail and port infrastructure
- No third party access to company owned infrastructure to date





The Mid-West Model

- Mid Cap miners moving from exploration to production. Emerging resource base with significant ongoing exploration activity.
- Lack of bulk commodity port and rail infrastructure representing a significant barrier to development.
- Proposal for new port and rail infrastructure with open access provision to third parties, funded by the private sector on commercial terms.





Integration in the Iron Ore Supply Chain

Buyer-based Model

Ownership integration with common ownership of mine, transport and end customer

- *Objective:* minimise raw material costs to downstream customer (steel mill)

Pilbara Model

Ownership and operational integration with common ownership and operation of mine and transport

- *Objective:* minimise total production and transport costs

OPR Model

Logistics management integration with separation between ownership and operation of infrastructure and mining

- *Objective:* minimise costs for upstream customer (mine)



DBCT Problems

- **Lack of co-ordination in coal supply chain**
- **Complex history of the chain & large number of stakeholders**
 - Results in mining contracts being negotiated on the basis of achieving max cost reductions rather than increasing chain capacity
- **Difficult relationships between participants**
 - Lack of clear communication between entities results in inability of parties to resolve disputes resulting in planning of improvements to the chain made in an isolated manner
- **Mismatch between planned rail and port capacity**
 - Lack of coordination reflects uncertainty regarding level of stated capacity of port expansions.
 - Lack of clarity regarding how different capacity levels should be compared
 - Result is a shortfall in rolling stock capacity exacerbating current capacity constraints



Benefits from coordinated supply chain management

- Coordinated supply chain is best option to deliver seamless point to point service from mine gate to ship to mitigate problems associated with fragmented supply chains;
- Essential to avoid “gaming” of capacity and train path scheduling;
- Port and rail operations are not stand alone items of infrastructure but key links in a mine-to-port iron ore supply chain; and
- Performance of supply chain, interaction of mining, rail and port operations, major factor in maximising extraction and sale of iron ore at least cost.



Oakajee Terminal Access Regime - Key Features

- OTAR designed to address coordination issues from early planning stages before infrastructure is built;
- OTAR capacity management provisions encompass collaboration among stakeholders to address capacity planning, expansion and governance of the supply chain; and
- OTAR capacity coordination incorporates proactive mechanisms for the analysis, planning & expansion of supply chain capacity.



Oakajee Terminal – Governance Framework

- Facilitates coordination between all elements of the supply chain, by clear business rules, to maximise the volume of iron ore that is exported through the Oakajee Port;
- These rules are designed to minimising scheduling conflicts and infrastructure bottlenecks at minimum whole of life costs; and
- Facilitate expansion of port and rail infrastructure capacity, by clear expansion investment triggers designed to operate in a timely, efficient manner, avoiding supply bottlenecks and the need for capacity rationing.



Focus is now on Total Logistics Chain Management

- Efficient operation requires optimal infrastructure investment and coordinated management of the total logistics chain from mine gate to ships' rail and even to the mill. This is now our focus.
- It is essential to avoid the fragmented managerial control and investment that afflict the Eastern States coal chains.





Mid-West Logistics Association

- Establish the Mid-West Logistics Association (MWLA) to provide the following functions:
 - Review and comment on the OPR Infrastructure Master Plan;
 - Perform medium and short term integrated train and port planning with OPR's operators;
 - Draft and implement train scheduling and business operation rules; and
 - Monitor performance of supply chain and report to association members and the Government and the ERA on performance.



Membership of the Mid West Logistics Association

Membership of the MWLA to include:

- OPR as asset owner
- Port operator
- Rail operator
- Existing and prospective mid-west iron ore producers
- Geraldton Port Authority



Port Facilities

Common Use Infrastructure

- Port facility will comprise a breakwater and a 19m dredged channel and turning basin to accommodate Cape Class and Panamax vessels

Private Use Infrastructure

- Pilbara style enclosed rotary car dumper
- Stacker / Reclaimer
- Conveyor
- Ship loader 10,000 tons per hour



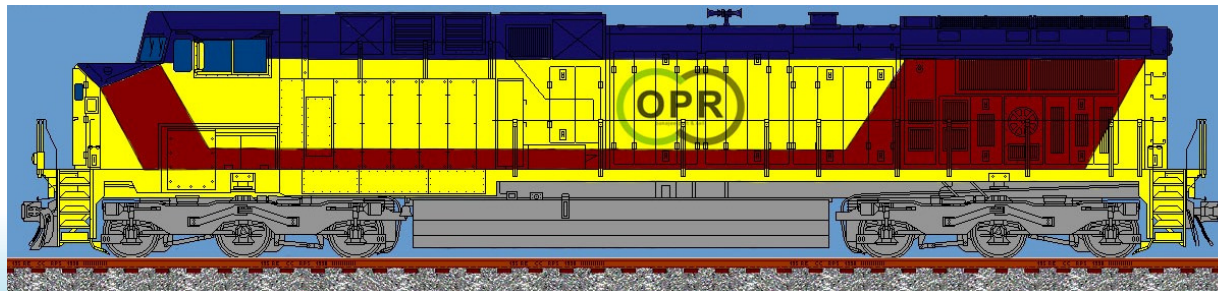
Oakajee Port Perspective





Rail Facilities

- OPR will provide Standard Gauge rail between Oakajee and the northern Jack Hills and Weld Range lines and to Golden West at Wiluna
- Connection of the WestNet Rail system and the southern mines at Karara, Blue Hills etc to Oakajee port shall be provided west of Mullewa
- System and train control at Oakajee will be scalable to allow operations of 80-100mtpa with single track and passing loops
- Heavy haul rail with 32t axle load
- Modern 4,440hp locomotives and low tare ore wagons





Focus on the Business not just the Assets

OPR proposes to deliver an integrated supply chain in the form of a logistics transport business for the Mid West region of WA by:

- adopting a regional perspective and a customer focus on the Mines (by structures such as the OTAR and processes such as the OTAR Governance Framework);
- conducting ongoing research into products, timing, volumes and the requirements of off-take mills, especially in terms of vessel presentations; and
- investigating value added services with mines such as blending at the port.



Fly-through of the Port

QuickTime™ and a
Cinepak decompressor
are needed to see this picture.



Conclusion

- OPR's model promotes a close alignment of the transportation business with commercial interests of mines.
- Establishment of the Mid-West Logistics Association delivers protection to existing mines and incentives for future mines to join infrastructure.
- OPR is committed to growing the Mid West.

