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## FREQUENTLY ASKED QUESTIONS

### Multi-User Iron Ore Facility Project (MUIOF) Esperance Port

#### **Why is a MUIOF being contemplated?**

The Yilgarn region of Western Australia has the potential to become a more significant exporter of iron ore in the next few years as high iron ore prices have made mining tenements in the region more commercially viable.

Additional port infrastructure capable of handling the product from a growing number of mines will be required to handle iron ore exports if some of these mining tenements are to be brought into production.

#### **Why is Esperance Port favoured for the site of the MUIOF?**

New facilities can be built relatively cheaply and quickly at Esperance Port compared to building facilities at a new site. Esperance Port also has the advantage of already being serviced by rail. Mining tenements can link into the existing railway line thereby saving on expensive capital costs. This is why most mining companies in the Yilgarn Region favour exporting out of Esperance Port

#### **What is likely to be the scale of the MUIOF?**

A Market Sounding exercise conducted for Esperance Ports Sea and Land (EPSL) found that the market considers additional port capacity of between 10 and 12 million tonnes per year can be supported on a commercially viable basis. Currently the port has an operating licence of 11.5 million tonnes per year.

However, the eventual size of the facilities will be a reflection of contracts signed between the proponent and miners.

#### **How much will it cost to build new infrastructure at the Esperance Port?**

It is anticipated that the port upgrade will cost several hundred million dollars. The scale of the upgrade and the design will have a large bearing on the cost of that infrastructure.

#### **What type of new infrastructure will be required?**

At a minimum, the ship loading conveyor system will need to be upgraded and a new twin-cell rotary car dumper installed and new iron ore storage facilities built.

#### **What other infrastructure is required?**

The Port's rail network will need to be upgraded and strengthened to cater for the increase tonnages of iron ore being handled. The Port transport corridor is currently being upgraded to streamline transport movements, including trains and trucks, into and out of the Port.

#### **When will the MUIOF possibly be ready?**

Construction of the facility is expected to be completed early in 2015. This will need to be confirmed once negotiations with the preferred proponent are concluded.

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### **What about possible future port expansion?**

Future expansion will be taken into account in the Request for Proposal (RFP) responses and EPSL's planning. It will be a requirement that the MUIOF is designed so as not to inhibit the future expansion of the port; including the development of a new iron ore berth should this become necessary.

### **How will this project affect current operations?**

The successful proponent will plan its construction around existing operations and there is expected to be little impact on the Port's customers. When the MUIOF contract is awarded it a condition that any potential disruptions be minimised.

### **Who will determine which companies/consortia will be given the rights to build, own and operate the MUIOF at the Port?**

The responses to the RFP will be assessed by an Evaluation Panel which will have an independent Chair and be advised by a range of technical experts. The Panel will advise the Board of EPSL who will make the ultimate decision on the proponent to develop the MUIOF via a Build, Own, Operate, Transfer (BOOT) contract.

### **What about environmental matters?**

The Project will undergo all the normal environmental reviews before progressing and issues raised will be addressed. The Port will comply with all environmental and other statutory approval conditions to increase its exports of iron ore. EPSL will work with the successful proponent to ensure the development meets all licence requirements.

### **How will any environmental impacts on the community be managed during the construction and operational phases?**

The environmental impacts will be managed in accordance with the environmental management plans approved by the EPA. The community will be kept informed about the project and all environmental impacts and how they are being dealt with.

### **How will the successful bidder deal with the volatility of the iron ore export industry and, in particular, demand and iron ore prices?**

The volatility of iron ore prices and the iron ore export industry in general is recognised and a reality for all companies operating in the industry and its backers. The proponent will factor in volume risks when preparing its business case prior to final investment decision.

### **Can the Kalgoorlie-Esperance railway line handle the anticipated increase in traffic?**

Yes. EPSL studies, in concert with Brookfield, the lessee of the track, has revealed that the required additional train slots can be made available by the addition of a small number of new passing loops along the line. The number of loops will depend on the ultimate capacity required.

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### **What will happen when the Esperance Port becomes part of the Southern Ports Authority?**

Last year State Government announced the completion of the Western Australian Ports Governance Review. As part of that announcement, it was confirmed that Esperance Port would be consolidated into a Southern Ports Authority along with the ports of Bunbury and Albany. The consolidation of ports will take into account existing agreements and contracts and any new developments that are underway.

### **Does this mean that the Government is “privatising” Esperance Port?**

A: No. As part of the Western Australian Ports Governance Review announcement, it was confirmed that the port authorities will continue to operate as government trading enterprises and that they are required to take a leadership role in the facilitation of trade within and through their ports in a commercial and efficient manner. This is an opportunity for the private sector to provide facilities within a specific section of the port. It is not about the whole port.

### **Who will be paying for the MUIOF?**

The private sector is expected to pay for all the costs associated with the MUIOF without recourse to Government.

EPSL has been funded by Government for the Market Sounding and to undertake the procurement process. EPSL will be reimbursed for these transaction costs by the proponent after contractual arrangements for the proponent to build the new facility are finalised.