

5 January 2011

Manager Projects Access
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

ATTENTION: Ms Elizabeth Walters

Dear Ms Walters

**RE: PUBLIC SUBMISSION - WESTERN POWER'S MID-WEST ENERGY PROJECT
(SOUTHERN SECTION – STAGE 1)**

Background

Crosslands Resources (Crosslands) owns and operates the Jack Hills iron ore mine, located 380 kilometres north-east of Geraldton in the Mid-West region of Western Australia. The company is one of the largest tenement holders in the region. Crosslands, jointly owned by Murchison Metals Ltd and Mitsubishi Development Pty Ltd, is currently operating the Stage 1 Jack Hills iron ore operation and conducting a bankable feasibility study for a major expansion targeted to commence production in Q1 2014.

Crosslands' Power Requirements

The Jack Hills Expansion Project involves extension of the existing open pit mine and suitable processing facilities for optimal recovery of iron. The expanded operation, at base case, has an expected life of at least 25 years. The expansion requires increased power supply at the mine site. For base case, with 3 mining process modules, a maximum load of approximately 246MW is required. For 2 mining process modules, a maximum load of approximately 163MW is required. Three power supply options have been identified to meet the increased demand as follows:

- Combined-cycle gas fired power station at Jack Hills
- Combined-cycle gas fired power station at Oakagee
- Transmission line from the proposed 330kV Three Springs Terminal to the Jack Hills Mine

Mid-West Energy Project – Implications for Crosslands

As a major component of its bankable feasibility study for the Jack Hills Expansion Project, Crosslands is currently evaluating the feasibility of sourcing competitive long-term power supplies from generators in the South West Interconnected System (SWIS).

The proposed 330kV Terminal at Three Springs may provide Crosslands with access to competitively priced power supplies from the SWIS via a high voltage transmission line from Three Springs to Jack Hills.

Crosslands is supportive of Western Power's proposal to significantly enhance the transmission system to Three Springs via the construction of a 330kV circuit between Neerabup and Eneabba, with the remainder of the circuit to Three Springs constructed by Karara Mining. However, Crosslands is concerned that its electrical demand has not been included in any of the load forecast scenarios outlined in Western Power's Regulatory Test Submission to the ERA. Crosslands understands that Stage 1 of the Southern Section project will only include a single 330kV circuit to Three Springs, with no capability to supply the Crosslands electrical demand.

In Table 4 of Western Power's Regulatory Test Submission, a Diversified System Peak of 652MW has been identified as the 2020 High Demand Scenario. As Crossland's electrical demand is not included in this scenario, Crosslands is concerned that even Stage 2 of the Southern Section Project may not be capable of supporting its maximum demand of 246MW from the proposed Three Springs Terminal.

Conclusions

- Crosslands is a potential major electrical load in the Mid-West Region.
- Crosslands is supportive of Western Power's proposal to significantly enhance the transmission system to Three Springs via the construction of a 330kV circuit between Neerabup and Eneabba.
- Crosslands is concerned that its electrical demand has not been included in any of the load forecast scenarios outlined in Western Power's Regulatory Test Submission to the ERA

We thank you for the opportunity to provide this submission.

Yours sincerely

Ray Muscat
Area Project Manager - Infrastructure
CROSSLANDS RESOURCES LTD