

SE Feature
HD **SHE HAS A MINE OF HER OWN**
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Gina Rinehart's long-held ambitions for the Roy Hill **iron ore** project near reality

IT'S just a bridge over a dry river. Concrete, wide enough for only one train track and not particularly long. But Gina Rinehart loves it. "What a sturdy-looking bridge," she says as the helicopter banks so she can get a better look. "Fantastic." It's not difficult to understand the enthusiasm for an otherwise unremarkable piece of infrastructure the public will never use. For Rinehart, the recent completion of the bridge over the East Turner River brings her ever closer to fulfilling a dream decades in the making: to own and operate her own mine.

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The bridge is part of the 344km rail line that, when finished, will link the Roy Hill **iron ore** mine to the harbour at Port Hedland in Western Australia's remote northwest. Five trains — each 2.5km long, carrying more than 30,000 tonnes of **ore** in 232 cars — will cross it every day when the mine hits peak production. That's still a few years away and Rinehart is here to inspect the progress and celebrate, quietly, the halfway mark of the construction phase.

The \$10 **billion** Roy Hill project is operated and 70 per cent owned by Rinehart's Hancock Prospecting. Apart from a "remote **operations** centre" in Perth, there are three main components of the project: the mine and processing facility about 270km south of Port Hedland in the heart of the Pilbara; the rail line; and the port facility for the ships that will ferry the **ore** to markets in Asia. All are at various stages of completion and, in the space of a few hours, Rinehart will visit them all.

Rinehart is a frequent visitor to Roy Hill but this trip is special. "A significant milestone," says Roy Hill chief executive Barry Fitzgerald of the 50 per cent mark. "A turning point." Rinehart has brought her youngest daughter, 27-year-old Ginia, who visits Roy Hill less often but is no less enthusiastic about the project. Similarly dressed in steel-capped work boots, black leggings and denim shirts badged with the black-and-white Roy Hill logo, the pair starts at the end: the industrial harbour at Port Hedland.

The established **iron ore** players — BHP Billiton, Rio Tinto and Andrew Forrest's Fortescue Metals Group — already have wharves set among the mangroves and tidal flats. A handful of ships sit in the harbour, loading up. More than 20 are moored offshore waiting for their slot. On one arm of the harbour, which is already responsible for more export dollars than any other in Australia, a new facility is taking shape as enormous pylons are driven into the mud. Eventually, the Roy Hill wharf will have berths for two ships, which will load up on **iron ore** brought across from a nearby stockpile on a giant conveyor belt.

The workers — contractors and those employed by Roy Hill itself — have been told the boss is coming. As Rinehart, her daughter and Hancock executive director Tad Watroba clamber along the walkways among the pylons, the project manager explains the wharf development is 66 per cent completed. Rinehart is delighted. Over ice-cold, locally made lemonade, she congratulates the team and reinforces the importance of their roles for Roy Hill, for the **mining** industry "and all the related industries that rely on us".

"I hope you're as proud of the work we're doing as I am," she says. "Now I should let you get back to work rather than having to listen to me." Photos are taken, thanks are given, and she's off.

After the flyover of parts of the rail line and the East Turner River bridge, it's back to Port Hedland for the short plane flight to the Ginbata airstrip at Roy Hill, which is big enough to take a Boeing 737. Below the plane, the deep-red earth of the Pilbara stretches to the horizon in every direction, dotted by spinifex, crossed by creeks that flow only in the wet season and marked occasionally by the mines owned and operated by BHP, Rio and Fortescue.

You can see the strip cleared for Roy Hill's rail line, running for much of its length alongside Fortescue's own rail line and, in some areas, alongside BHP's. The sharing of infrastructure, such as rail lines, in this part of the world is a vexed topic. BHP wouldn't share its rail line with newcomer Fortescue. Fortescue wouldn't share with newcomer Roy Hill, nor let Roy Hill's rail line run across its adjoining lease, adding a significant detour and hundreds of **millions** of dollars to the cost of Hancock's project. Fitzgerald says Roy Hill will be open to discussions on sharing its rail line with others but only once the project is built. There's no point negotiating before then, he says.

For a first-time visitor, it's hard to make sense of the mine site itself when seen from the air. Everything — the processing plant, maintenance sheds for the giant **mining** trucks, tailings dams and the first pocket of **mining** itself — seems unnecessarily spread out. Only when the nature of the **ore** body itself is explained does everything become clear.

Roy Hill will not be the kind of mine imagined by many — a deep open pit with trucks lumbering up and down a spiral roadway to the bottom. This **ore** body is very shallow, "outcropping", or breaking the surface, at one end and extending to 90m at its deepest point to the south. But it is huge — stretching 26km from end to end and 7km across its widest point. All the facilities have been dotted around the **ore** body. With exceptions for important indigenous and environmental sites, the rest will be dug up, with the **company** refilling the hole left behind as it moves on to new areas.

The deposit contains about one **billion** tonnes of high-grade **ore** — a similar quality to the "Pilbara blend" mined by BHP and Rio — and another 1.3 **billion** tonnes of low-grade **ore**. Because the deposit is shallow, and not covered by too much rock and earth, it is easier and cheaper to mine than other deposits, making Roy Hill a relatively low-cost production that can weather fluctuations in the **iron ore** price.

The first shipment of **ore** is due to leave in September next year. About 2 ½ years later, the project is forecast to be running at full capacity of 55 **million** tonnes of **ore** a year, making it arguably the biggest single **iron ore** mine in Australia. **Mining** effectively started in April as part of a project to divert a creek that runs across the **ore** body. There are now about 560,000 tonnes of **ore** stockpiled, waiting for all the other components of the project — the processing facility, rail line and harbour — to be finished. Only in the past week has **mining** proper started in the Delta pit towards the north of the deposit.

While Hancock Prospecting has been involved in **mining** ventures in the past — it is the half-owner with Rio Tinto of the Hope Downs **iron ore** project that started **operations** in 2007 — this is the first time the **company** has been an owner-operator. Roy Hill's **ore** is being mined by Roy Hill employees using Roy Hill equipment. "It's been a dream, an aspiration and a heartfelt objective of Hancock and Mrs Rinehart in particular to be owner-miners," says Fitzgerald.

This moment has been two decades coming. Hancock Prospecting pegged the Roy Hill lease in December 1992, barely six months after the death of founder Lang Hancock left his daughter, Rinehart, in charge of the **company**. Today, Rinehart is Australia's richest person, with a fortune estimated at more than \$20bn, thanks largely to the massive royalties that flow from the Hope Downs project. At the time of her father's death, however, Hancock Prospecting was struggling financially. Eventually, Rinehart would have to relinquish half of the Roy Hill tenements (they were picked up by Fortescue) to continue to fund exploration and drilling on the deposit. Hope Downs, where Gina spent a year performing a variety of sometimes unglamorous roles, was also a significant, though rewarding and ultimately enriching, distraction.

By late 2009, Hancock had done enough drilling on the Roy Hill deposit to convince South Korean steel giant POSCO, a putative **iron ore** customer, and fellow South Korean investor STX Corp to provide \$332m to fund a feasibility study and start dredging the Port Hedland harbour. Two years later, an Asian consortium paid \$3.2bn for a 30 per cent **stake** in Roy Hill, leaving POSCO with 12.5 per cent, Japan's Marubeni with 15 per cent and **China** Steel Corp with 2.5 per cent.

In March this year, Hancock completed funding of the project after securing a \$US7.2bn debt facility backed by five export credit agencies and 19 commercial banks, including all of Australia's Big Four banks. It is, says Rinehart, the "largest mainland **mining** resource financing project in the world".

"As a **mining** engineer, to be involved with this type of world-class project is a dream come true," says Watroba, who was hired by Lang Hancock and serves as Rinehart's right-hand man. "Seeing how the thing grows above the ground now, like a mushroom ... I get emotional." Today, there are 3800 people working on the Roy Hill project from the mine site to the sea. When it is operational, the project will employ 2000. The fly-in fly-out workforce lives in the Roy Hill camp, a brand new township of neat roads and lawns about 10km from the airstrip. Rinehart, whose attention to detail extended to the curbs on the roads and the ochre colour of the pathways, wanted to set a new benchmark for worker accommodation. The circular community is set around a central dining hall, gym, administration block and auditorium that doubles as a cinema.

There's a tavern (beer is mid-strength), swimming pool (there is low-level grumbling it should be heated in winter), a beach volleyball pit, BBQ facilities and, coming soon, cooking masterclasses.

At a small, outside dinner in the "executive wing" of the camp that evening, Rinehart thanks Hancock's joint venture partners and banks. She talks of the challenges she and Watroba have overcome over 20 years to reach this halfway milestone — the early financial struggles, the government decision to hand its land at Port Hedland to rival companies (it eventually resecured two berths), the battle for rail access and raising funds in the post-financial crisis environment.

"This is emotional," she says, echoing Watroba's words. "To have worked on the project quite a while, to have risked, as we have done ... These are some of the giant risks you have when you're trying to do a major project for Australia. And this really is a project Australia can be a proud of.

"It's going to be one of the biggest **iron ore** mines in Australia. It's also one of the largest in the world. It's all happening in Australia. If I die tomorrow, the project is here, it will keep going, employing Australians. And it's not just the project that employs, it's the related businesses." To an audience that includes senior Roy Hill staff, three Liberal senators, her joint venture partners and a handful of Asian media representatives, Rinehart launches a passionate defence of the role of the **mining** industry in Australia, its role as an employer and revenue creator to help the nation "pay back our record debt". **Mining**, she says, is not a dirty word; "It's an essential word".

She praises the Roy Hill staff, from Fitzgerald down, for their commitment to the project, and echoes the comments of all the senior management about a rigorous focus on keeping costs down and making Roy Hill one of the most cost-competitive **iron ore** projects in Australia. Here, too, the government could help by helping to tackle rising costs crimping Australian business, starting with the repeal of the **mining** tax. "It's not about making Gina richer, or anything stupid and shortsighted like that," she says. "It's about making our country sustainable in world markets." Rinehart agrees her father would be very proud of Hancock's success at Roy Hill. "He dedicated much of his adult life to what I've also been trying to do," she says later. But here, on the night, Ginia is the only one of Lang Hancock's grandchildren to share the moment. A battle over the Hope Margaret Hancock Trust, established by Hancock to hold 25 per cent of his flagship **company** for his grandchildren, has played out publicly and painfully in the courts, pitting Rinehart and her two youngest daughters Ginia and, later, Hope against her two eldest children from her first marriage, John and Bianca.

Shortly before flying out from the Roy Hill airstrip, Rinehart says she's "thrilled to bits" Ginia has joined her on the visit. "It's lovely because one, she's my daughter and two, the next generation," she says. "These are the types of projects the next generation needs and this project, so long as we keep costs down and get our act together, will be around for decades." Clive Mathieson visited Roy Hill as a guest of Hancock Prospecting.

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