

**HD Australia's Richest Person Secures Backing for Mine****BY** By Rhiannon Hoyle and Stephen Bell**WC** 991 words**PD** 21 March 2014**ET** 03:59**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

PERTH, Australia--Australia's richest person secured backing from a **group** of global banks and export credit agencies for a new \$10 billion iron-ore mine that can feed Asian steel demand, just as miners like BHP Billiton Ltd. scale back investments amid a broad decline in commodity prices.

Gina Rinehart said lenders, including U.S., Japanese and Australian banks, had agreed to put up \$7.2 billion in debt to build the Roy Hill mine deep in the Australian outback. The deal was signed in Singapore on Thursday.

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The Roy Hill project has the potential to cement Australia's dominance of the global iron-ore trade. Vast mines in the remote Pilbara region of Western Australia state account for two in every five tons of iron ore shipped by sea, most of it to **China** where its turned into steel for use in everything from high-rise **apartment** blocks to limousines used by the country's elite. Iron ore is Australia's biggest export, ahead of other commodities such as coal and gold.

Ms. Rinehart has already **sold** 30% of the unit developing the Roy Hill mine to Asian steelmakers and trading houses, including Japan's Marubeni Corp. and South Korea's Posco, in separate deals agreed in 2012, not long after iron-ore prices peaked near \$200 a ton. That has eased concerns that there wouldn't be a market for the 55 million tons of iron ore that Roy Hill will produce annually.

Agreements with customers for more than half the mine's projected output are now in place. These agreements led Ms. Rinehart to describe Roy Hill, which aims to ship its first ore in September 2015, as a "crucible of opportunity during a period of global uncertainty."

Still, the project is risky. To get ore to port will require building a 344 kilometer (213.8 mile) railway across the desert plains, while a new berth at Port Hedland will need several tons of mud dredged from the seafloor. Several Australian resources projects, including an iron-ore mine by **China's** Citic Pacific Ltd., have run over budget by billions of dollars, partly due to rising labor costs.

Some analysts question whether the world needs more iron ore when new mines are starting up in countries from Brazil to the Republic of Congo. BHP Billiton, the world's biggest mining **company** by revenue, predicts global iron-ore demand won't keep up with additional production for the next five years. Also, **China's** push to tighten credit and rein in pollution could put a squeeze on steelmaking.

Those concerns have filtered through to iron ore's price, which suffered its biggest one-day slump in four years on March 10. Australia's Bureau of Resources and Energy Economics expects the iron-ore price to average \$91 a ton by 2018, from around \$110 a ton currently.

"Based on our numbers, it would hurt the market and push prices down," said Paul Gray, principal iron-ore market analyst with consultancy Wood Mackenzie. "There is room in the market for Roy Hill, but only from 2019 onward."

Those companies that are continuing to invest are doing so cautiously, choosing to expand existing mines than dig new ones. Rio Tinto PLC cut \$3 billion from a plan to increase its iron-ore output in Australia by 25%, including delaying construction of two new mines.

As companies step back, the world's wealthy are piling in. This month, a **company** owned by New Zealand's Todd family backed construction of a railroad to transport iron ore from an Australian mine proposed by Flinders Mines Ltd. They hope to emulate Australian mining entrepreneur Andrew Forrest, who built a \$5.2 billion fortune in a decade by transforming Fortescue Metals **Group** Ltd. from a tiny explorer into the world's fourth-largest iron-ore producer.

To Ms. Rinehart, the Roy Hill mine would help to silence critics who say her estimated \$17.7 billion fortune is more a legacy of her father's deal making rather than her own business acumen. Lang Hancock, who died in 1992, is credited with discovering iron ore in Pilbara and later bought up large amounts of land. Ms. Rinehart couldn't be reached for comment.

Roy Hill Holdings, 70%-owned by Ms. Rinehart's Hancock Prospecting, in December won the backing of a U.S. credit agency. The Export-Import Bank of the United States approved a \$694.4 million loan to Roy Hill, as long as it buys mining and rail equipment from U.S. companies such as Caterpillar Inc. and General Electric Co.

Export-credit agencies in Korea and Japan and Japanese **commercial** banks will provide much of the debt needed by Roy Hill.

Some analysts say Ms. Rinehart is right to push ahead with the project, despite the uncertain outlook for iron ore. Mining companies that invested during periods of low commodity prices often have been able to increase output quickly when demand picks up. Mr. Forrest's Fortescue, which took on billions of dollars in debt during the global financial crisis to keep building his mines, now ships more than 100 million tons of iron ore a year.

"Of course, 55 million tons isn't insignificant," said James Wilson an analyst at broker Morgans in Perth, Australia. "But there's a good chance that will be absorbed as Australian iron-ore production displaces inefficient **Chinese** domestic production, and steel output there continues to rise."

BHP Billiton estimates **China's** crude steel production will rise to 1.1 billion tons annually by 2025, from around 780 million tons last year.

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