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HD **Roy Hill kicks on despite Rinehart kids, ore price**

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the construction of Gina Rinehart's prized \$10 billion Roy Hill mine in Western Australia is now two-thirds complete and not even the twin threats of fresh litigation and a plunging iron ore price appear able to derail the massive project.

As Mrs Rinehart hosted her major investors at the site in the Pilbara yesterday, bankers to Roy Hill said the project would be able to weather low prices and repay its \$US7.2bn (\$8.3bn) debt load because it had been designed as a low-cost producer.

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Analysis by investment bank UBS shows that Roy Hill has an estimated break-even cost of around \$US57 a tonne — below the current iron ore price of around \$US70 a tonne.

Only Pilbara iron ore giants BHP Billiton (\$US50) and Rio Tinto (\$US45) have a lower break-even price.

"Even at today's iron price and exchange rate, they will still be able to comfortably service their debt," said one adviser to the debt package secured by Roy Hill in April.

"Roy Hill will also be a high-quality product, more akin to what BHP and Rio are producing in the Pilbara." Roy Hill chief executive Barry Fitzgerald said last month that he was not concerned about the iron ore price, but the company was "comfortable with where it sat in the lower quartile of the cost curve". "I don't stay awake at night worrying about the price of iron ore," he said.

A Roy Hill spokesman said yesterday that the project had just passed the milestone of being two-thirds complete and it remained on track to begin production by the end of next year.

He said Mrs Rinehart was yesterday escorting senior executives from Japan's Marubeni Corp, South Korea's Posco and Taiwan's China Steel Corporation around the construction site.

The three companies own a combined 30 per cent of Roy Hill, with Mrs Rinehart's Hancock Prospecting owning the remaining 70 per cent.

But the timing of Mrs Rinehart's tour of Roy Hill could not have been worse as it emerged this week that Mrs Rinehart's two eldest children are disputing ownership of the project and alleging that their mother did not, as she claims, discover the tenements that underpin the development.

Mrs Rinehart was accused in court documents of "fraudulent concealment" as well as misleading and deceptive conduct, unconscionable conduct and breach of fiduciary duties.

Mrs Rinehart has previously claimed that she pegged the tenements in the Pilbara with Hancock Prospecting's chief geologist, Richard Paquay, on their "initial prospecting trip" to Roy Hill in 1992.

The statement of claim makes detailed allegations that Mrs Rinehart knew that a family-owned company, Hancock Resources (HRL), had already applied to explore at Roy Hill at the time of Mr Hancock's death.

In May 1992, HRL's application for the Roy Hill exploration licence was rejected, according to the statement of claim.

The Australian has seen publicly available documents which appear to confirm that HRL applied for the tenements covering the Roy Hill project in 1991, well before Mrs Rinehart took control of Hancock Prospecting.

According to the statement of claim, Mrs Rinehart was aware of HRL's application and knew that HRL could have filed another application for the licences to correct any errors in the initial application.

Instead, Mrs Rinehart applied for separate exploration licences covering the same area through Hancock Prospecting. The licences were given to Hancock Prospecting in January 1993.

According to the statement of claim, Mrs Rinehart used her knowledge of the previous applications to secure the tenements for Hancock Prospecting rather than HRL, which was owned by a family trust.

This allegedly benefited Mrs Rinehart and deprived the children of a **stake** in the Roy Hill asset.

Mrs Rinehart labelled the claims as false and an abuse of process. "I feel parents everywhere cringe at this scene, watching extremely privileged children suing to get even more money unearned by them, after their mother's lifetime of hard work," she said.

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