

SE Finance
HD **Commodity dive no surprise, says Walsh**
BY MATT CHAMBERS, RESOURCES
WC 542 words
PD 14 March 2014
SN The Australian
SC AUSTLN
ED 1 - All-round Country
PG 18
LA English
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RIO Tinto chief Sam Walsh says the market should not be surprised by factors that have sent **iron ore** prices sliding and he is confident **Chinese** growth will underpin long-term commodities demand.

And the **mining** boss has sent a message to his Glencore counterpart Ivan Glasenberg: that the Swiss trader-miner will have to offer more to **merge** its Hunter Valley **coal operations** with those of Rio.

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Speaking at the opening of a **copper** and **coal** processing centre of excellence in Brisbane yesterday, Mr Walsh said **copper** and **iron ore** prices were being hit by declining **Chinese** steel capacity and credit tightening flagged six months ago.

“Some people are surprised, but it was signalled by the government,” he said. “They expected about 80 **million** tonnes of steel capacity would come off.”

What was important was that **Chinese** growth would remain strong and that Rio's cash costs of \$US20.70 per tonne were the lowest in the game, he said.

Iron ore prices, which hit a 12-month low of \$US104.70 per tonne this week, rose 2.4 per cent to \$US107.40 last night.

“We have seen a recovery in the past couple of days, with **iron ore** prices strengthening -- where that ends up, the market will determine,” Mr Walsh said.

Glencore's Mr Glasenberg last week talked up the potential for a merger of the NSW **coal operations** of Rio and Glencore.

“There's a lot to be done where we can get substantial synergies, so we're talking to Rio Tinto, but it takes time for both sides to assess each other's assets,” Mr Glasenberg told analysts last week.

“We've been talking to them for a long time. How we'll get and how soon we can reach an agreement, I don't know, but it's something that clearly makes a lot of economic sense.”

It appears any offer from Glencore is well below Rio's idea of where it should be.

“Our **coal operations** are long-life quality **operations**,” Mr Walsh said.

“If somebody is interested in putting a worthwhile proposal to us, well that's exactly what they should do.” Mr Walsh said the looming end-of-March project finance deadline for the Oyu Tolgoi underground **copper** and goldmine in Mongolia would not cause Rio to rush an investment framework through on the stalled expansion.

“We are not about rushing to meet a deadline,” he said.

Last night, Mr Walsh received the lifetime achievement award from Melbourne University's Faculty of Business and Economics alumni. The former commerce student, who spent much of his 43-year

business career with GMH, said that at the ``the ripe age of 64" he still had a lot to achieve, a lot of life to live and a difference to make.

``I still wake up every morning with a spring in my step, a mischievous glint in the eye which I'm sure isn't a cataract, and a great passion for what I do. And, while I apologise for the cliché, I can only confirm it is vital to truly love what you do, and take time to celebrate along the journey," Mr Walsh said.

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