

# FINANCIAL REVIEW

SE Companies and Markets  
HD **Aurizon tracks Pilbara opportunities**  
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WC 443 words  
PD 6 May 2014  
SN The Australian Financial Review  
SC AFNR  
ED First  
PG 22  
LA English  
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Aurizon will continue looking for infrastructure opportunities in east Pilbara as well as the west Pilbara area as it prepares to sink up to \$211 million in Aquila Resources so it can control rail and port facilities in the lucrative iron ore region.

Aurizon chief executive Lance Hockridge said the east Pilbara, which is dominated by large miners like BHP Billiton, Rio Tinto and Fortescue Metals, remained a "prospective" investment.

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"That interest continues," he said.

Aurizon's current iron ore haulage operations in Western Australia are limited to the mid-west region near Geraldton, where growth is expected to plateau. It has been anxious to break into the Pilbara.

CIMB analyst Mark Williams said a successful deal with China's Baosteel to buy Aquila Resources, which would give Aurizon control over the miner's rail and port infrastructure, would be "quite meaningful" to the rail operator's future earnings.

"It's a reasonable entry into the Pilbara," Mr Williams said, adding that although it remained uncertain whether the acquisition would be successful, it was "a bit more likely" than some of Aurizon's previous attempts to gain a foothold in the region.

Analysts expressed concern over how Aurizon would fund the development of Aquila's rail and port infrastructure, and whether it was in the best interests of the company to sell assets.

Aurizon has not clarified how much money it will invest in infrastructure development or how it will pay for it, other than to say it will consider selling minority equity stakes in its networks business and borrowing money from the capital markets.

Aurizon will have a year to exclusively examine the potential development of more than 400 kilometres of rail infrastructure with an annual haulage capacity of about 40 million tonnes and a deep-water port at Anketell Point.

Aurizon planned to approach other miners which could use the rail infrastructure to send iron ore to the coast but had not yet held talks, Mr Hockridge said.

"There are tens of deposits that are within reach of the infrastructure that we're talking about."

Aurizon has spent years talking to iron ore miners, trying to find ways of developing its own rail infrastructure or buying existing rail assets as iron ore becomes an increasingly important part of its rail haulage business, which is currently dominated by coal.

Iron ore haulage represents about 13 per cent of Aurizon's group earnings, up from 4 per cent in fiscal 2011, according to CIMB.

Aurizon's shares closed down 25¢, or 4.8 per cent, to \$4.92, its lowest level since early February.

**CO** ambol : Fortescue Metals Group Ltd | aques : Aquila Resources Ltd.

**IN** i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i2112 : Gold Ore/Silver Ore Mining

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**AN** Document AFNR000020140505ea560000m