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HD Roy Hill secures funding to complete Pilbara ore project

BY Marnie Hobson

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Australia's richest person and Roy Hill Chairman Gina Rinehart has secured a \$7.2 billion finance package required to complete the development of her much coveted Roy Hill iron ore mine in Western Australia's Pilbara region, the company said Friday.

"The project has strong partners with international experience in finance, engineering, construction, marketing and logistics, which has assisted in the attraction of support from the international financial community," Rinehart said in a statement. With the latest deal, the 55 million mt/year Roy Hill mine — where 30% of construction has been completed — has the \$10 billion required for start-up.

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Securing finance for the project took longer than expected because of the tight global credit market and the fall in commodity prices in 2012. Debt funding for the project was expected to be finalized in 2013, which was already later than original estimates. The commencement of iron ore shipments from the mine had also been pushed back from original expectations of 2014, with Roy Hill spokesman Darryl Hockey saying Friday first exports are expected to begin September next year.

Construction of the mine commenced late last year and industry sources expect initial production at a rate of 25-35 million mt/year before reaching full capacity in late 2017-early 2018.

Meanwhile, Hockey said the recent decline in iron ore prices, to as low as \$105/mt last week, would not impact development of the mine. "We're a low cost producer of iron ore and we produce a reasonably high 60% Fe product, that will include lumps and fines with low impurities," he said. "We've also already sold over 50% of product in offtake agreements," he added.

Those offtake agreements include deals with Roy Hill's equity partners, Japan's Marubeni, South Korea's Posco and STX, Taiwan's China Steel Corp. and several unnamed Chinese mills, he said.

Development of the project involves the construction of the mine and a 344 km (213 mile) heavy haul railway to link the mine to Port Hedland, where storage for more than 5 million mt of ore and a two-berth export facility are also being developed. Eight bridges to cross waterways are also required, as well as staff villages.

Roy Hill is majority owned by Australia's Hancock Prospecting (70%) and a consortium of foreign investors holds the balance — Posco (12.5%), Marubeni (12.5%), South Korean trader STX (2.5%) and China Steel Corp (2.5%) — for a total offtake allocation of 16.5 million mt/year.

Marnie Hobson

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