

**HD Rio seeks Chinese and Middle East partners for Guinea project**

**BY** By James Wilson and Andrew England in Cape Town

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Rio Tinto is in talks with potential partners from the Middle East and China to seek finance for a \$18bn mine project in Guinea, in what could be a model for miners to fund the soaring cost of developments.

The Anglo-Australian miner has been in discussions with groups including Mubadala, oil-rich Abu Dhabi's active investment vehicle, as well as the sovereign wealth funds of Kuwait and Qatar over possible investment in a 1,100km railway and port needed to unlock Rio's development of Simandou, an iron ore deposit in the west African country.

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In China, Rio has been in talks with the China Investment Corporation, as well other entities including ICBC and the China Development Bank, according to people familiar with the project.

Rio wanted a consortium of partners who could fund an estimated \$3bn of equity for the infrastructure, while debt finance of a similar amount would also be needed, the people said. "Middle Eastern or Chinese partners are the potential funders," said one.

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<>Any deal with Gulf investors would represent a significant increase in the region's involvement in African mining and would build on growing ties to Guinea. Abu Dhabi and Dubai last year agreed a \$5bn investment to develop a bauxite mine and alumina refinery.

People close to Mubadala said that while the investment vehicle was keen on the bauxite project, it was less likely to be interested in iron ore.

Simandou is considered one of world's highest quality iron ore deposits but is not viable without a rail link to the coast for shipment of mined ore.

Rio owns rights to part of Simandou while the other half of the deposit is controlled by a consortium made up of Brazil's Vale and BSG Resources, the mining arm of the business group of Beny Steinmetz, an Israeli billionaire.

Guinea is undertaking a review of the award of the concession to BSGR amid allegations of bribery. BSGR, which denies any wrongdoing, told Reuters this week it would be open to discussions with Guinea that allowed it to maintain and develop its investment.

The proposals for Simandou come as Rio aims to cut capital expenditure from more than \$17bn in 2012 to less than half that level next year. Rio, like other global miners, is finding projects increasingly risky as capital costs soar and shareholders complain of poor returns.

If Rio succeeded in raising the funds through a combination of Gulf and Chinese investment vehicles it would be the first financing deal of its kind. The miner may have to soothe competitive tensions between the Chinese and Arab investors, as both are increasingly looking to secure stable supplies of raw materials.

**China's Chinalco** is already involved in the Simandou project as a joint venture partner, and is the largest investor in Rio itself.

Addressing the **Mining** Indaba conference in Cape Town, Alan Davies, a Rio Tinto executive who heads the project, said the size and scale of infrastructure development needed "an innovative approach to bringing new partners to the table in order to fund the investment required and share the risk".

Kerfalla Yansané, Guinea's **mining** minister, said: "It makes sense that Rio Tinto is trying to get in touch with all parties that might have resources and we know that today resources are in the Middle East and **China**."

"All parties should be welcomed, particularly those that are already known, namely the Gulf countries but also **China**, South Korea, Malaysia."

He said he hoped the investment agreement between Rio and Guinea could be ready in the first half of the year. "The sooner the better," said Mr Yansané.

Guinea and Rio still have to agree the investment framework for the mine project, expected in the first half of the year. "We hope that very soon we will strike the right deal with our partners at Rio Tinto," Mr Yansané said.

Additional reporting by Simeon Kerr in Dubai.

**CO** chinvm : China Investment Corp. Ltd. | rtz : Rio Tinto PLC | rtzcra : Rio Tinto Group | craaus : Rio Tinto Ltd

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