

HD Long road to secure \$8b for Roy Hill

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BILLIONAIRE Gina Rinehart has walked a long road to secure \$8 **billion** necessary to operate the Roy Hill **iron ore** mine in the Pilbara region of WA

Almost four years after the crucial rail component of the project was approved, Ms Rinehart has proved her naysayers wrong as she fulfils a long-held dream of running her own mine.

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The Hancock Prospecting chairman shored up a massive \$8 **billion** debt funding package in Singapore overnight after months of talking to investment bankers.

Clinching the deal is a massive win for Ms Rinehart, but it has come later than planned.

While construction of the Pilbara mine, rail and port project is now 30 per cent complete, steel-making customers in **China**, Japan and Korea will still have to wait 18 months until shipments begin arriving.

Back in 2012, when Hancock prospecting sold down a 30 per cent **stake** in the project, the **company** was predicting production would begin in 2014.

It now expects to begin shipping 55 **million** tonnes per year in September 2015.

Still, analysts, industry commentators and the WA government have congratulated Roy Hill on the agreement at a time of lower **iron ore** prices and warnings about an oversupply in **China**, the world's biggest **iron ore** market.

Some analysts warn that a forecast oversupply of seaborne **iron ore**, stringent environmental rules affecting steelmaking in **China** and worries about financing large construction projects could cause further **iron ore** price weakness.

But Roy Hill's financiers are banking on **China's** continued appetite for the steel making ingredient as high quality, low cost Pilbara **iron ore** replaces lower quality, high cost **Chinese** production in the years ahead.

Iron ore prices have fallen from around \$US130 per tonne at the start of the year to trade at \$US110 per tonne this week.

Some analysts believe the price will fall to around \$US80 or \$US90 in 2016-18.

Still, Roy Hill Chief executive Barry Fitzgerald has cast aside concerns about medium-term price volatility, saying the **company** is comfortable with long-run **iron ore** forecasts.

He said Roy Hill was in a favourable position following a dramatic turnaround in the local labour market.

Shortly after inking the 10-year funding package Ms Rinehart began trumpeting the economic benefits to Australia in the midst of global economic uncertainty.

"We look forward to becoming a major **iron ore** producer on an international scale," Ms Rinehart said.

Ms Rinehart says the 2500 people working on the constructing the project will increase to 3600 later this year before 2000 permanent staff are employed during the **operations**.

Hancock Prospecting owns a 70 per cent **stake** in Roy Hill Holdings and the remaining 30 per cent is controlled by Posco, Japanese trader Marubeni, Taiwan's **China** Steel Corporation and Korean Shipper STX.

CO hkpros : Hancock Prospecting Pty. Ltd.

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