

HD RINEHART NEARS \$7.8B MINE FINANCE DEAL - SOURCES

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WC 814 words

PD 26 February 2014

SN Mining Business Media

SC MIBMED

LA English

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Perth, Feb 26

Australian **billionaire** Gina Rinehart's Roy Hill **iron ore** project is close to finalising a \$US7.8B financing deal, a vital step towards an end-2015 start for the giant mine in Western Australia's **iron-rich** Pilbara district.

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The 55Mtpa project, which would make Roy Hill Australia's fourth-largest **iron ore** producer, will add to hefty new supplies coming on line from Rio Tinto, BHP Billiton and Fortescue Metals Group.

It should also add to the wealth of **mining** magnate Rinehart, already Australia's richest person with a \$17.7B fortune, according to Forbes.

"The agreement is not completely settled yet," said one source with direct knowledge of the negotiations. "All the views have to be gathered as there are a lot of stakeholders."

"But as of now I don't see any problems, and a March signing looks likely."

The start for the project, which includes a 344km rail line and port facilities, has been pushed back amid delays in finalising **equity** partners and debt funding. Roy Hill initially targeted an end-2014 start to production.

"According to current plans, first shipment is expected in the latter half of 2015," the source said.

"It can be understood as a trial run just before construction is expected to be completed by end-2015."

A second source said the total included a working capital facility of about \$A600M and around \$US3B from commercial banks.

Six other sources identified a group of 14 banks from Australia, Japan, **China** and Europe who were financing the deal. Included in the financing is a yuan tranche provided by Industrial and Commercial Bank of **China** and Bank of **China** to pay for equipment from **China**, one of those sources said.

The sources declined to be identified because of confidentiality clauses and because the deal has not been finalised.

Roy Hill was not immediately available to comment.

EXPORT CREDIT AGENCIES

Export credit agencies including Export-Import Bank of the US, Export Import Bank of Korea, Japan Bank for International Cooperation and Nippon Export & Investment Insurance are backing Roy Hill with guarantees and direct loans, the sources said.

Rinehart's Hancock Prospecting owns 70% of the project, with Japanese trading house Marubeni Corp holding 15%, South Korean steel giant POSCO with 12.5% and Taiwan's **China** Steel Corp 2.5%.

Together, the owners have committed \$A3.2B in **equity** to the project.

Work on Roy Hill is well progressed, with a small airport already open with a runway big enough for a Boeing 737 aircraft.

Villages have been completed to house 3,600 construction workers and 2,000 operational staff on site and at Port Hedland, as has dredging for its two deep-water berths at the port, Australia's biggest **iron ore** terminal.

Roy Hill has so far been able to avoid the cost blowouts that plagued other resource projects in Western Australia during the height of the **mining** investment boom a few years ago.

After four years of delays and **billions** of dollars of budget blowouts, CITIC Pacific made its first shipment of **iron ore** concentrate from its \$10B Sino **iron** project in the Pilbara in December.

Roy Hill is likely to be the last new project of its scale to get off the ground, given worries over shaky underlying demand for **iron ore** in **China**.

Other miners are rethinking expansion and cutting costs as **iron ore** prices drop. At just below \$120/t <.IO62-CNI=SI> on Wednesday, prices have fallen more than 11% so far this year and are down almost 40% from a record high of \$200 reached in February. Reuters

Roy Hill Holdings Pty Ltd

Website: <http://www.royhill.com.au>

The **company** is focused developing the Roy Hill Project, a world-class **iron ore** deposit in the Pilbara region of Western Australia. Australian **mining** magnate Gina Rinehart's private **company**, Hancock Prospecting, is the majority owner of Roy Hill Holdings

Hancock Prospecting Pty Ltd

Website: <http://www.hancockprospecting.com.au>

Private **company** of Australian magnate Gina Rinehart, with major **iron ore** and **coal operations** in Western Australia and Queensland

Marubeni Corporation

Website: <http://www.marubeni.com>

International **company** headquartered in Tokyo, involved in a large range of industries including metals and minerals resources, **energy** and chemicals.

POSCO

Exchange Code:KSE:005490.KS Website: <http://www.posco.com>

Based in Korea, the **company** is a global leader in steel production

China Steel Corporation

Exchange Code:TWSE: 2002 Website: <http://www.csc.com.tw>

Taiwan-based steelmaker and diversified industrial group

CITIC Pacific **Mining**

Website: <http://www.citicpacificmining.com>

Wholly owned subsidiary of **Hong Kong**-based CITIC Pacific Group, whose majority shareholder is **Chinese** state-owned conglomerate CITIC Group, established to manage the Sino **iron** project, the **company**'s first major investment in Australia

CO ambol : Fortescue Metals Group Ltd | pohn : Posco Co

IN i211 : Metal Ore Mining | imet : Mining/Quarrying | ibasicm : Basic Materials/Resources | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | isteel : Steel Production

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AN Document MIBMED0020140226ea2q00001