

POSCO lifts stake in Hancock's Roy Hill

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South Korea steel maker POSCO has made its biggest investment in resources by paying 1.8 trillion won (\$1.6 billion) to expand its stake in Hancock Prospecting's giant Roy Hill iron ore project in the Pilbara.

POSCO followed up a board meeting this week by stumping up the equity to increase its stake in the Roy Hill joint venture from 3.8 per cent to 15 per cent.

Hancock, which is owned by Australia's richest person, Gina Rinehart, also plans to contribute significant equity to help keep funding construction in the near term. But it could take six months before the debt component needed to ensure first exports is completed.

Hancock hopes to ship the first iron ore from the project, capable of producing 55 million tonnes a year, by the first or second quarter of 2014. It recently completed a feasibility study on the project.

South Korea imports the majority of its iron ore requirement from Australia.

Roy Hill appears to have faced capital cost pressures, adding to the financing burden. *The Australian Financial Review* reported last week speculation that the last public estimate of \$7.2 billion could have risen to as much as \$9.5 billion. Hancock is also looking for another partner to take a small stake.

Reuters

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