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# Ratings agencies endorse Roy Hill

**Peter Klinger**

Ratings agencies Standard & Poor's and Moody's Investors Service have offered tacit support for Gina Rinehart's Roy Hill iron ore project in the Pilbara by applauding a move by South Korean steel giant Posco to further invest in the development.

Although both S&P and Moody's warned that the proposed \$1.5 billion buy-in, to boost Posco's stake in Roy Hill from 3.75 per cent to 15 per cent, would further weaken the steel giant's balance sheet, they talked up the strategic rationale for the deal.

"The transaction . . . will considerably enhance Posco's iron ore self-sufficiency and its cost competitiveness," Moody's said yesterday. S&P added that Posco's increased stake in Roy Hill was "a core investment and can enhance Posco's medium-term cost position".

Posco's board agreed on Tuesday to increase its stake in Roy Hill, in line with a two-year-old agreement with Mrs Rinehart.

Although neither ratings agency was asked to discuss Roy Hill's viability, their support for Posco's investment should also prove a fillip for Mrs Rinehart.

The development of Roy Hill is tipped to cost at least \$7 billion. Posco's cash injection into the holding company will provide much of the equity funding, with the partners expected to also tap debt markets.

They are targeting first iron ore production in 2014. Roy Hill's forecast production will be 55 million tonnes of iron ore a year, making it one of Australia's biggest and most valuable mining projects. If Mrs Rinehart is able to make Roy Hill a success, it would cement her position as Australia's richest person.