News

Rio Tinto clinches West African mining deal

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MINING heavyweight Rio Tinto (cityam.com/company/rio-tinto) has signed up for a joint iron ore venture in West Africa with state owned metals group Chinalco.

The Anglo-Australian miner is putting its 95 per cent stake in the Simandou project in Guinea into the mix with Chinalco then paying $1.35bn (£891m) for a 47 per cent interest in the project.

This gives the Chinese group an effective stake of 44.65 per cent.

Guinean authorities also have the option to buy up to 20 per cent of the development.

Rio claims Simandou is one of the world's biggest undeveloped iron ore deposits with 2.25bn tonnes of ore.

The $6bn project is forecast to produce 70m tonnes of ore in 2013 with potentially higher levels in years to come.

Rio and Chinalco have had a frosty relationship over the years, but this deal could thaw tensions between the two that came to a head when Rio ditched a $19.5bn deal with Chinalco in June of last year.

Most recently, four Rio Tinto employees are standing trial accused of spying on China.

However, the new project could have helped to thaw tensions. Tom Albanese, chief executive, Rio Tinto said "We have long believed that Rio Tinto and Chinalco could work together on major projects for mutual benefit.

"We believe the Simandou project is a large scale, long life asset and is the single best undeveloped source of high grade iron ore. By working with Chinalco and the IFC we expect to realise great economic and social benefits for Guinea, and great value for our shareholders."

The joint venture covers rail and port infrastructure as well as the mine itself. Once the joint venture is up and running, Rio Tinto's Simfer subsidiary will continue to manage the development of the Simandou project.

Chinalco, in a separate statement on its own website, added that itself and Rio would each nominate three directors for the iron ore venture.

Rio had planned to develop the Simandou project in late 2008 but put its plans on hold as commodities markets tumbled in the financial crisis.

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