IFC to Quit Rio’s $20 Billion Iron Project in Latest Setback

by

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- World Bank financing arm owns 4.6% of Guinean Simandou project

- Other partners Rio and Chinalco said to pay about $200 million

The World Bank’s finance arm will quit Rio Tinto Group’s $20 billion Simandou iron-ore project in Guinea in the latest setback in the development of one of the largest untapped high-grade deposits.

International Finance Corp., owner of a 4.6 percent stake, exercised an option allowing it to exit and recoup costs after a decade as a partner, London-based Rio said in an e-mailed statement to Bloomberg News. Other partners are now required to buy out IFC for about $200 million, said a person familiar with the situation who asked not to be identified as the terms are private.

Development of the deposit and its estimated 2 billion metric tons of iron ore has faced a slew of problems. They include a slump in prices since 2011, a U.S. Department of Justice corruption probe, an Ebola outbreak and difficulties in finding partners to fund infrastructure expected to cost more than $10 billion.

Guinea is counting on the project to double the size of its $6.5 billion economy and turn it into the third-biggest exporter of the material. But delays have created tension between Rio and the government, with Guinea
earlier this year blaming the “ramblings of the technical team in London,” a reference to Rio.

New Chief Executive Officer Jean-Sebastien Jacques said Aug. 3 “there is no obvious way to take Simandou to the next phase,” and the company hasn’t been able to find a way to finance it.

The project is currently 46.6 percent owned by Rio, 41.3 percent by Aluminum Corp. of China, known as Chinalco, and 7.5 percent by the government.

“We confirm that the IFC has exercised a put option, which it has held since 2006, to require Rio Tinto and Chinalco to buy their stake in Simfer,” London-based Rio, the world’s second-biggest mining company, said the statement.

Frederick Jones, a spokesman for the IFC, declined to comment on the Simandou stake, only saying that it regularly reviews its portfolio. Alkaly Yamoussa Bangoura, a mining adviser to Guinea President Alpha Conde wasn’t able to comment.

Rio shares advanced 1.6 percent to 2,718 pence by 2:50 p.m. in London trading. The stock has rallied 37 percent this year, giving the company a market value of about $63 billion