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BHP Said to Be In Talks for Ferrous

By Ambereen Choudhury and Jesse Riseborough - Oct 19, 2011 4:26 PM GMT+0100

[BHP Billiton Ltd. \(BHP\)](#), the world's largest mining company, is in talks to buy Brazilian iron-ore producer Ferrous Resources Ltd., said two people with knowledge of the matter.

No final decision has been made on a transaction, which could fetch about 2 billion pounds (\$3.2 billion), said one of the people, who declined to be identified as the process is private. Discussions have taken place in the past few weeks in [Melbourne](#), where BHP is based, after negotiations with a Chinese suitor broke down, one of the people said.

BHP is examining whether to build a 3.7 billion-reais (\$2.1 billion) iron-ore project in Brazil, the second-largest exporter of the material, which may complement Ferrous's operations, one of the people said. BHP and competitor Rio Tinto Group are tapping new sources of production to feed surging demand in developing nations such as [China](#), the biggest user of [iron ore](#).

[The Sunday Times](#) first reported the possible bid on Oct. 16, without citing anyone. Fiona Martin, a Melbourne-based spokeswoman for BHP, declined to comment.

Ferrous was in talks with potential strategic investors and lenders to help fund a \$4 billion expansion, two people with knowledge of the matter said in March. The closely held company, backed by New York-based hedge fund Harbinger Capital Partners LLC, had discussions with mining companies and steelmakers in China, [Japan](#), [Korea](#) and Brazil, the people said then.

Shelved IPO

Harbinger, founded by billionaire [Philip Falcone](#), held more than 26 percent of Ferrous as of March. The iron-ore company shelved plans for a \$400 million [London](#) initial public offering last June, the second time a sale was derailed.

An official at an external public relations firm working for Belo Horizonte-based Ferrous said today that the company has been looking for a strategic partner for

some time. Ferrrous won't comment on speculation, the official said, declining to be identified citing corporate policy.

Talks with Evergreen Industries Holding Group, chaired by Simon Liang, broke down in July, one of the people said. Calls to Evergreen's office outside regular business hours weren't returned. Ferrrous is seeking to produce as much as 25 million metric tons of iron ore annually from 2014 following an expansion, the company has said.

BHP, [Brazil](#)

BHP is studying development of a 20 million-ton-a-year iron ore concentrate operation in southeastern Brazil from 2017, the government of Minas Gerais state said on its website, citing a letter of intent signed by BHP. The company is also a partner in the Samarco venture in the country with Brazil's Vale SA.

The price of ore with 62 percent iron content delivered to the Chinese port of Tianjin declined 1.7 percent to \$147.70 a ton today, its lowest since Oct. 8, according to The Steel Index. The price has dropped 14 percent this month.

BHP and Rio have signaled they're confident that longer-term demand will hold up even as economic growth slows. Rio, the world's second-largest iron ore shipper, retained its forecast last month that consumption of aluminum, copper and iron ore may double over the next 15 to 20 years.

BHP may spend \$25 billion enlarging iron-ore operations as part of its global investment plan announced in February, Citigroup Inc. said Feb. 16. Iron ore contributed 37 percent of the company's \$37.1 billion in earnings before interest, tax, depreciation and amortization for the year through June.

To contact the reporters on this story: Ambereen Choudhury in London at achoudhury@bloomberg.net; Jesse Riseborough in London at jriseborough@bloomberg.net.