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HD **Higher debt risk on Roy Hill**
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Gina Rinehart's dream of building a \$US10 **billion** (\$11 **billion** **iron ore** project is set to become a reality in a way that will see its international collection of lenders assume an unusually high level of risk.

Major international banks, including Australia's big four, confirmed on Friday they were willing not only to provide the Roy Hill joint venture with \$US7.2 **billion** worth of debt financing, but to do so without the joint venture offering a full completion guarantee.

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Finalisation of the debt package – which included export credit agencies from Japan, Korea and the US – ended years of speculation about whether the giant mine, rail and port project would proceed, and provided a timely boost to Australia's dwindling major project pipeline.

The Roy Hill partners labelled the funding package the biggest ever for a "land-based **mining** project", and Mrs Rinehart said she was "immensely proud" of what the project would deliver. "Roy Hill is a crucible of opportunity during a period of global uncertainty – it has already shown it will create new jobs and benefit the greater **mining** and construction-related industries." Unusual structure

Those close to the 10½-year debt deal said it was unusually structured in the sense that Mrs Rinehart and her joint venture partners – Korea's POSCO, Japan's Marubeni and Taiwan's **China** Steel Corporation – would not be fully liable to repay the debt if the project failed to reach completion.

Such a "completion guarantee" is usually offered by project owners, and Allen and Overy partner Adam Stapledon – who advised the five export credit agencies on the deal – said the Roy Hill partners would only accept a portion of liability for the loans if the project was not completed.

"For a deal of this size that is extremely unusual," he said.

"As far as we know it's the first time the export credit agency lenders involved in this have done a **mining** project without a completion guarantee. It is a testament to the quality of the project."

Mr Stapledon said the upshot was a project that required lenders to undertake significantly more due diligence, particularly on the construction phase.

"What it did translate into was a higher level of due diligence on the technical side of the project and the legal arrangements that go into the construction phase."

Roy Hill spokesman Darryl Hockey said the interest rates on the deal were "acceptable", and others close to the deal said they were not far from typical market rates.

The project had an usual beginning, with **billions** of dollars being spent on construction and other contracts six months before the debt funding was confirmed on Friday. It is already 30 per cent

complete, ahead of first exports in September 2015. Mr Hockey said the consortium knew the package was likely to succeed last year.

"The key terms for the financing were agreed in principle in mid-2013. We could see the export credit agencies were showing signs of commitment and the early build of the commercial bank package was in train," he said.

"Importantly we had the full commitment of our **equity** partners."

At its peak, Roy Hill will produce 55 **million** tonnes per year, but Deutsche analyst Paul Young said it was likely to be 2018 before the mine was operating at maximum capacity.

WA Premier Colin Barnett said the deal was a "substantial vote of confidence" in the state's resources sector.

Roy Hill was advised by NAB and BNP Paribas.

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