

**HD Samsung considers Roy Hill options**

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The failure of construction **company** Forge Group has forced Roy Hill's major contractor Samsung C&T to consider alternative ways to continue work on the **iron ore** project, including the possibility of taking over the work Forge can no longer complete.

A Samsung spokeswoman said today that it was considering a couple of options regarding the \$1.47 **billion** joint venture contract which Samsung awarded to Forge and Spanish contractor Duro Felguera, but that a decision had not been made yet.

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It is believed other possibilities include appointing a new contractor or giving more work to Duro Felguera.

As the number of retrenched Forge employees hits 1470, Samsung is one of several companies currently deciding how to complete contracts that Forge had been awarded.

Forge had a number of multi-**million** dollar construction and engineering projects with mines and power stations in Australia including an \$830 **million** contract with the Roy Hill **iron ore** mine, and three contracts worth \$450 **million** with Rio Tinto **iron ore** for two of its mines and one of its power stations.

Almost immediately after Ferrier Hodgson was appointed administrator by Forge's directors and KordaMentha was named receiver by ANZ last week all but two of these contracts were quickly cancelled.

One was with Horizon Power for the construction of its South Hedland power station, and the other was with Queensland's Diamantina power station, where cost overruns led to the beginning of Forge's downfall late last year.

Over the weekend Forge receivers KordaMentha said it couldn't agree on how to complete its power station construction contract with Horizon, resulting in 70 Forge workers at that site losing their jobs.

It's believed 40 to 50 Forge workers remain at Diamantina for now.

BHP Billiton, which awarded a \$100 **million** contract to Forge to help build its Yarnima power station, said it was not commenting on the contract, but it is believed to have contingency plans in place.

Horizon Power and Spanish contractor Tecnicas Reunidas, which awarded a \$70 **million** contract to Forge to build the Burrup ammonium nitrate plant, could not be contacted for comment.

Rio Tinto declined to comment today.

Ferrier Hodgson, which announced it is acting in a largely subordinate role to KordaMentha, will hold the first creditors meeting in Perth this Friday.

Over the weekend labour hirer Skilled Group began a process of rehiring almost 100 Forge workers who worked at Roy Hill, at the behest of major contractor Samsung C&T.

While the measure is considered to be a stop gap, Samsung has yet to announce a permanent solution.

Roy Hill said today that Samsung was working to get things back on track very quickly and it was confident its long term interests would not be impacted.

"Continuity of construction is important," a Roy Hill spokesman said.

A Samsung spokeswoman said Forge's fallout would not affect its previously stated plans to award one more engineering, procurement and construction subcontract, which is due to be announced in the "very near future".

So far Samsung has awarded six EPC contracts worth \$3.34 **billion** and \$43 **million** worth of contracts to two design firms, of which the largest contract was to Forge and its JV partner.

When it was appointed in March last year Samsung said the value of its contract from Hancock Prospecting was for \$5.59 **billion**.

While Roy Hill is still waiting on debt financing of \$US7 **billion**, the project has progressed considerably with 1700 workers on site already and a number of infrastructure facilities in place including an airport and workers accommodation.

Japanese trading house Marubeni revealed earlier this month that three large Japanese banks were in the final stages of negotiating a debt finance deal.

Hancock Prospecting has a 70 per cent **equity** interest in Roy Hill, with the rest split between Marubeni, Korean steel **company** Posco and Taiwan's **China** Steel Corporation.

Major Forge contracts

\$830 **million** of \$1.47 **billion** JV Roy Hill **iron ore**

\$420 **million** APA Group and AGL **Energy** Diamantina power station

\$280 **million** Rio Tinto Cape Lambert power station

\$125 **million** Horizon Power South Hedland power station

\$100 **million** Rio Tinto Yandi **iron ore**

\$100 **million** BHP Billiton Yarnima power station

\$70 **million** Tecnicas Reunidas Burrup TAN ammonium nitrate plant

\$70 **million** Rio Tinto West Angelas **iron ore**

**CO** durfel : Duro Felguera SA | samsng : Samsung C&T

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