



HD **Moody's: Recent defaults highlight risk factors for other low-rated Australian mining companies**

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Moody's Investors Service says that the recent defaults by Mirabela Nickel Ltd (WR) and Midwest Vanadium Pty Ltd (WR) highlight key risk factors for small Australian mining companies.

"These two companies faced five main challenges, which drove our initial low rating assignments of B2 and B3, respectively. We downgraded the ratings of both companies multiple times before they defaulted, and to Caa1 more than a year before their defaults, because these challenges developed into concurrent problems," says Saranga Ranasinghe, a Moody's Analyst.

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"We believe small mining companies with similar characteristics are at heightened risk of default. These weaknesses are: 1) challenges with project execution, 2) unpredictable nature of ore bodies, 3) customer concentration, 4) volatile market conditions and 5) thin liquidity buffers." Says Ranasinghe

Ranasinghe was speaking on the release of Moody's special comment, "Australian High-Yield Mining Industry: Recent Defaults Highlight Risk Factors for Other Low-Rated Mining Companies."

"St. Barbara Limited has the highest risk of default among our rated high-yield Australian miners. St. Barbara Limited (Caa1 negative) faces most of the risk factors outlined above. Our initial low rating assignment of B2 reflected these risks, and the simultaneous occurrence of these problems drove subsequent rating downgrades."

"Atlas Iron Limited (B2 stable) is better positioned but exhibits some of the key risks, as reflected by its low rating."

"Fortescue Metals Group Ltd (Ba1 stable) is the least affected by the risk factors. Despite initial setbacks with project execution, the company has demonstrated an ability to complete major projects largely on time and budget."

Subscribers can access the report at https://www.moodys.com/research/PBC_170586

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