

Roy Hill contracts reach \$2.37bn

Michael Hobbs

Gina Rinehart's Hancock Prospecting is increasingly confident of completing the \$7 billion debt funding necessary to develop its Roy Hill iron ore mine by the end of the year after handing out at least \$2.37 billion worth of contracts in the past month.

"We continue to make good progress on the debt front. The interest level is high and the feedback remains positive," said **Darryl Hockey**, a spokesperson for Roy Hill.

"Roy Hill's equity partners continue to provide sufficient funds to ensure the project moves strongly through the early development stage."

A flurry of contracts has been awarded on Roy Hill in recent weeks as Hancock anticipates securing enough financing to develop the giant iron ore mine, which has more than 2.4 billion tonnes of iron ore resources.

NRW Holdings last week won a \$620 million earthworks contract relating to the development of a rail line between Roy Hill and Port Hedland.

Earlier this month, the **Forge Group** and Spanish contractor **Duro Felguera** signed a \$1.47 billion engineering, procurement and construction contract for the development of a processing facility at Newman, Western Australia.

Forge, which will work in a joint venture with Duro Felguera, expects to start building the site in December.

Meanwhile, **Leighton Holdings** subsidiary John Holland has been awarded a \$257 million contract to build nearly 350 kilometres of heavy haulage rail track for the iron ore mine.

Separately, the **Calibre Group** has signed a \$23 million deal to design part of the rail network.

All contracts were awarded by Samsung C&T, the lead manager of the Roy Hill project.

Key points

Hancock needs to raise \$7 billion debt funding to develop the Roy Hill iron ore mine.

Contracts have recently been awarded to NRW Holdings, Forge Group and Duro Felguera of Spain.

More contracts are expected to be awarded this week.

The Australian Financial Review revealed in August that Hancock's partners in Roy Hill had injected fresh equity into the venture to keep early works progressing while negotiations over the debt funding continued.

Roy Hill is 70 per cent owned by Han-

cock. Korea's Posco and Japan's Marubeni own 12.5 per cent each, while Korea's STX and Taiwan's China Steel own 2.5 per cent each.

While Forge in its market statement, noted that "full works under this contract will not be activated until Roy Hill confirms satisfactory progress with its debt financing", the same disclaimer was not mentioned in the NRW release which states that preliminary construction will start this month.

The telling market statements come as Hancock Prospecting hopes to wrap up \$7 billion in debt financing from commercial banks to develop the Roy Hill project by the end of the year.

Mr Hockey said in July that a number of commercial banks had found the project attractive after a site visit in May and that "feedback continues to be positive".

The new Roy Hill rail and port facilities represent the fourth new iron ore

infrastructure development outside of projects run by **BHP Billiton**, **Rio Tinto** and **Fortescue Metals**.

It comes at a time when a number of junior iron ore companies including **Brockman Mining**, which is attempting to wrangle an agreement for third party access to Fortescue's infrastructure, and **Atlas Iron** are under pressure to find a rail solution to ensure the feasibility of their growth strategies.

At the same time, the iron ore price has remained at unseasonably high levels during August and September, making growth projects more appealing.

Iron ore prices are currently trading around \$US134 per tonne, having rebounded from lows of 12 months ago when prices dropped to around \$85 per tonne.

Mrs Rinehart is a shareholder in **Fairfax Media**, the publisher of *The Australian Financial Review*.