Executive Interview

**Mining’s Might**

As Australia’s biggest mining construction project with currently more than 5,000 workers, Roy Hill is a behemoth of outside-the-box planning and funding.

Images by Darryl Peroni and courtesy of Roy Hill

The landmark mining operation at Roy Hill is moving from strength to strength as it continues to pass milestones in Australia and overseas. Delivering 55 million tonnes of high grade iron ore per annum, the Project—which includes a processing plant, 344-kilometre heavy-haul railway, mine and port stockyards and wharf facilities—is using leading-edge technology and innovative ideas to position itself as a leader in the industry in terms of production and performance.

Progress is running ahead of schedule, and it is expected that the first shipment of ore will be loaded for export later this year.

Barry Fitzgerald was appointed Chief Executive Officer in June 2012 and is the man at the helm of this world-class development. He is the one ultimately responsible for bringing the Project online. With a career spanning more than 30 years in the resources and engineering sectors and having held senior management and executive positions with engineering and iron ore companies—Barry knows very well the challenges associated with constructing a project like Roy Hill.

Over the past few years, Barry has witnessed significant growth and success at Roy Hill as it leads the way in the development of integrated iron ore mining and rail and port operations.

“The history of Roy Hill is important to know if people are to truly understand the framework for how we operate today. From about 1992 to 2010, Hancock Prospecting undertook exploration drilling and prefeasibility studies. The prefeasibility study and bankable feasibility study (BFS) both demonstrated the Project was robust, however we didn’t have equity finalised at that time. A key challenge was therefore to secure equity while progressively moving things forward within the constraints of the funds we had.

“As a business we used other organisations’ learnings of what went well and applied them here at Roy Hill. There are many projects across Australia that could have progressed better in terms of time and cost, but didn’t. We had to make sure the issues that caused them to have problems weren’t repeated at Roy Hill—things like getting our infrastructure completed early, making sure we had a very structured and rigorous approach to what we were doing and really managing the lack of uncertainty while maintaining progress and a strong focus on what we were undertaking,” says Barry.

“As a new company, we didn’t have the history of being a huge organisation that had delivered...
On 24 March 2014, Barry and the teams at Roy Hill and Hancock Prospecting achieved what was the largest project finance transaction ever undertaken for the development of a new mining project. Roy Hill and its shareholders signed the US$7.2 billion Roy Hill Project finance facility, completing the full funding package required to develop the Project.

"Securing funding was a major milestone. It not only meant we now had the funds to complete construction of Roy Hill, but also the confidence of our shareholders and financiers to deliver. With funding secure, our focus primarily shifted to completing construction and delivering the Project on time and within budget," says Barry.

Challenging the paradigm and doing things differently is a mantra Barry has a strong commitment to and he has approached the development of both the company and Project with this focus.

"From very early on we knew we would have to adopt a unique approach to how we would develop and manage the Project. Our financiers wanted a single point of accountability, which meant we needed to evaluate how we could structure the construction contracts. "We went down the path of implementing a large, fixed, lump-sum engineering, procurement, and construction (EPC) contract, which for this type of project in the Australian mining industry was unique. Unfortunately, no Australian company was interested in taking on that sort of single accountability for a project of this size, which meant we needed to look internationally," says Barry.

Global Construction Company, Samsung C&T was appointed Head EPC contractor in April 2013 for the Roy Hill Project.

"The process for selecting the Head EPC contract was very thorough. Samsung C&T’s solid reputation for delivering landmark construction projects globally gave us the confidence they could deliver what was needed to develop the Roy Hill Project. Parsons Brinckerhoff was then appointed to act as our Project Management Contractor (PMC), as their global expertise and integrated management systems for the delivery of multi-faceted EPC projects were tailor-made for the complexities of the Roy Hill Project," Barry says.

"Another unique aspect of our delivery strategy was the completion of significant infrastructure such as the internal..."
mine roads and accommodation facilities for the Project very early on. This enabled us to rapidly ramp up construction following the finalisation of the Project finance facility.

“We also set up the contracts for critical long-lead items, including shiploaders, reclaimers, locomotives, rail sleepers and rail steel. We put those contracts in place as novated contracts under Roy Hill, with a view of transferring them to the successful Head EPC contractor. The execution of these aspects of the delivery strategy is a significant contributor to the Project being where it currently is in terms of delivery,” Barry adds.

While at the same time as building one of the world’s largest resource based projects, Barry and his leadership team were faced with the challenge of building a new company.

“The Roy Hill company is still a relatively new company and still evolving. Most of the team members at Roy Hill are still fairly new, with the longest serving Roy Hill team member being with the company for about four years. It was therefore very important right from the outset to establish a strategic business framework which would ensure an aligned focus and long term direction,” says Barry.

“For Roy Hill to be successful both in terms of construction and further down the track in the operational phase, we implemented five strategic objectives: building systems and processes, building the project itself—which is the physical part, building the licence to operate—which is Roy Hill’s community support and approvals, building the organisational culture, and building Roy Hill’s operational capability.”

According to Barry, the focus on these objectives is an essential component for employees at Roy Hill, as it helps to ensure that across the company each team has a clear focus on the strategic organisational objectives and are aligned to their delivery.

“This Project presents a unique range of complexities and challenges. We are constrained by our 55 million tonne per annum (Mtpa) allocation through Port Hedland, so we have adopted a thinking culture focused on margin, cost reduction, productivity, reliability and sustainable high quality. Our strategic objectives help to align our thinking to these focus areas.

“Our focus on delivering 55Mtpa, as opposed to incremental tonnes is quite a different environment for most of the people we have recruited, because a lot of them have come from an environment where incremental tonnes were the target,” says Barry.

“We needed to make sure people came into the organisation and understood our drivers were different and our business was going to be different. From very early on, we clearly communicated and enunciated the difference in our strategy.”

In making this point, Barry was keen to highlight the cost focused, margin and productivity driven strategy was not purely of his
making. In many ways it was driven by Roy Hill Chairman Mrs Gina Rinehart, who according to Barry has always had a strong focus on Roy Hill being cost competitive and productive by incorporating fit for purpose solutions, such as automation and being automation ready.

“It was a combination of both of our thinking in regard to cost effectiveness and automation as a very clear strategic driver we could refer back to in terms of our reality of having a set cap in terms of exportable tonnes. This thinking helped ensure we designed and indeed are building a Project that is fit for purpose.”

The unique funding model, contracting strategy and strategic business approach of the Roy Hill Project may spell a shift in the industry, as the traditional way of doing business is re-examined due to the continued successes of the Project.

“The way this Project is being delivered will certainly set a precedent or benchmark for people to come back and question what they’ve done previously. There are a number of things we’ve done that will cause companies and people to review the way they’ve established projects. There’s a relatively large body of work which demonstrates that Australian industry needs to refer back to in terms of our reality of having a set cap in terms of exportable tonnes. This thinking helped ensure we designed and indeed are building a Project that is fit for purpose.”

From our point of view, the way we have approached this Project is to ensure we have a holistic view of the whole range of things we need to focus on, such as construction, productivity, margin, cost reduction, rather than a very narrow focus on just productivity or cost reduction in isolation.

“I’ve previously made a tongue-in-cheek comment it’s a shame that Australian management can’t walk and talk at the same time. By this, I was referring to the fact there was a focus on expansion, and now there’s a focus on cost reduction. My thought would be that maybe we should be able to do both at the same time,” Barry claims.

“We are expanding our capacity from zero to 55 million tonnes while at the same time making sure that throughout the process we continue to focus on productivity, value and performance. Quite often Australian management can miss this point.”

Barry firmly believes this holistic and broad focus is a key component of why the Roy Hill Project has remained on time and on budget since its inception.

“It is the approach we have taken and the fact we have implemented this way of thinking very early one in the Project that have helped to ensure we have been able to set up our business with those different fundamentals. This is not only in relation to project delivery, but also how we operate and the culture we are creating. This has been a key driver in us being able to deliver what we say we will deliver.” Barry states.

Culture plays a pivotal role at Roy Hill, as with many other organisations, and Barry believes the company’s vision and values form the core of this cultural development as the Project moves forward.

“Clearly we want to become an organisation which is outcome focussed, but we also want to be an organisation that is driven by contribution and not by expectations or entitlement. It is through this culture of contribution that our people will be able to realise their full potential. Our values of lead, care, think, and perform are imprinted in our organisation and will help us to become a knowledge-based, thinking organisation with good risk management and good risk approaches.

“One of the key points I make to our people when they are inducted is that if they do great things today, then they’ll create a great business tomorrow. I want to instil the belief in them that as a result of joining Roy Hill, they have a very real opportunity to create something truly special,” Barry explains.

“They have a unique opportunity to establish and shape the business environment and culture.

*ANZ was very keen to support Roy Hill, given the high quality of the project and alignment of the company’s ambitions with our own super regional strategy. We share a vision with their management team and owners to help grow capital development and trade flows within the Asia region. “ – Frank van Rooyen, Head of Natural Resources Australia - International Banking, ANZ.

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Securing US$7.2 billion of finance is never easy. Which is why the partners in Roy Hill, one of Australia’s highest quality iron ore projects, had confidence in ANZ’s support. As a leading natural resources bank in Australia we are proud to have supported the Roy Hill project.
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Roy Hill. and forms a key part of his overall
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Engaging with and empowering
his employees is something that
Barry feels very passionate about,
and forms a key part of his overall
role at Roy Hill.
"People often question: what is the
true role of a CEO? The role for
nie is about making sure I'm across
the business. It's about being
visible and upfront. It's about
demonstrating the values we aspire
to. It's about having conversations
with people and, most importantly,
it's about encouraging people to
back themselves and do their
very best. I like to call that last
point ‘self-leadership.'
"From my perspective, the
Chairman has stated from the
beginning she wanted us to be
cost focused and value driven
with a focus on technology. As
the CEO, I then need to
courage people to focus on
and ultimately ensure we can
do all of those things. I have to
ensure there's a relentless focus
on making sure we are upholding
and maintaining those key drivers
for the business."
It seems this approach of
engagement and encouragement
has been right for Roy Hill. The
Project mined its first iron ore in
May 2014, and in July 2014, it
achieved 50-per-cent completion.
This places Roy Hill in a solid
position to ensure first ore on ship
is delivered well within the
scheduled timeframe of
September 2015.
"Reaching the halfway mark
of construction was an important
achievement and a strong
endorsement of the high level of
planning and preparation
exhibited, by not only Roy Hill
but also from our shareholders
and contractors, to ensure we
are delivering what we say we
will deliver,” says Barry.
"Loading the first truck of our
own mining fleet with ore was
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With construction now well
beyond 50-per-cent complete and
mining underway by Roy Hill and
a mining contractor, the next
significant challenge for Barry
and his team is establishing the
detailed plans and processes for
bringing the project into
operational readiness.

According to Barry this is a
monumental task incorporating
more than 17,000 operational readiness
tasks that need to be ticked off
to ensure the necessary operating
systems are in place and Roy Hill
can effectively operate and ramp up
to full production as quickly, safely,
and efficiently as possible.

The Roy Hill project is changing
the face of Australia.

As joint debt adviser, mandated lead arranger for the project
financing and transactional bank to Roy Hill, we helped deliver
the world's largest mining project financing, without sponsor
completion guarantees for construction and the first project
financing with a RMB funding tranche.

One of Australia's largest independent integrated mining,
rail and port projects, and the largest mining project finance
deal of its kind in the world, Roy Hill is significantly contributing
to the Australian economy. We will provide more than
2,000 construction workers at its peak and 2,000 operational
staff, significantly boost our export flow and offer an innovative
approach to iron ore production.

To find out more call Brad Calleja, Global Head of Resources +61 3 8641 4596

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Iron awe

more give, less take

Parsons Brinckerhoff

Parsons Brinckerhoff and Roy Hill
Partnering for success

Parsons Brinckerhoff is a global leader in engineering, development and delivery of
major projects around the world, and is proud to act as the Project Management
Contractor for Roy Hill. Working collaboratively to deliver and provide innovative
solutions through all phases of this historic project, Parsons Brinckerhoff supports
the Roy Hill vision in building a world-class 55 Mtpa port, mine and rail iron ore project.

Iron ore mine.
The CEO Magazine sat down with Mrs Gina Rinehart to gain her views on the Roy Hill project and the Australian mining industry.

The CEO Magazine: With Roy Hill successfully completing its project financing and mining its first iron ore earlier this year, flying in the face of many who predicted the end of the mining boom, what role do you see Roy Hill playing in the Australian resources sector?

Mrs Rinehart: Roy Hill is currently one of the largest mainland construction projects anywhere in Australia, and when it is exporting it will be one of the biggest iron ore mines in Australia and one of the largest in the world—a mining project for a generation. Roy Hill has required great effort and investment against the trend of mining in Australia, which has been contracting.

To date, this majority Australian-owned project has employed over 25,000 people in studies, design, manufacturing, and construction phases, and this has all been happening at a time when new jobs in the industry and related industries are decreasing. Even now, 7,200 people are working on the Roy Hill project in construction of the dedicated rail and port. Mining has been underway since mid-2014. These are always risks when you’re trying to do a major project like this in Australia, but this is something this country can be proud of given Roy Hill is currently ahead of schedule and two-thirds complete. This is rare for major projects in Australia; Australia’s reputation for trying to do a major project like this anywhere in Australia, and when it is exporting it will be one of the biggest iron ore mines in Australia and one of the largest in the world—a mining project for a generation. Roy Hill has required great effort and investment against the trend of mining in Australia, which has been contracting.

For many years to come, Roy Hill will be bringing much-needed revenue into Australia, and that’s so important to Australia to help reduce the government debt and to help pay for essential services that Australians want.”

- Georgina Rinehart

Innovation, Collaboration, Technology and Safety
Caltex and Roy Hill a partnership in the Pilbara

Caltex is proud to be the energy supplier for Roy Hill. A great partnership built on strength and trust. Dedicated, reliable supplier with a commitment to deliver quality fuels, exceptional innovation and safety.

Congratulations to Roy Hill on building a new generation of integrated mining operations.

Caltex would also like to acknowledge the Kariyarra, Palyku and Nyiyaparli Peoples, traditional owners of the land.

> Knowledgeable People
> Unrivalled Customer Experience
> Trusted Quality Supplier

With you all the way
productive working relationships with Roy Hill and the major constructors of Western Australia's mining industry through close and productive working relationships with Roy Hill and the major constructors of Australia.

We need to recognise that it’s not about making mining companies rich or anything shortsighted like that. It’s about making our country sustainable in world markets. It’s about continuing industries that provide the jobs, revenues, and opportunities Australians need. I would hate to see any government of our country not listen to such realities and to be a contributing cause of the decline of the mining industry in Australia and the many other businesses in Australia reliant on the mining industry.

The Roy Hill Project definitely cements your legacy and your father’s legacy as the leaders in the Pilbara iron ore industry. What does that mean to you, and how do you think your father influenced your management style and approach? My father dedicated much of his adult life to what I’ve also been trying to do. Even in Dad’s days, although government regulations, approvals, and licences weren’t as onerous and excessive as they are today, much of his life was side-tracked on government obstacles—such as the iron ore export embargo and the state government’s ban on obtaining title for iron ore. Tide was, of course, required so that risk money could be applied and development proceed. He led by example to show that perseverance and effort were critical ingredients to see developments in Australia move forward.

I would like to see our country continue to enjoy rising living standards. I’ve seen much of the world that doesn’t have Australia’s comparatively high living standards, and I truly believe that Australians are far better off enjoying these standards.” - Georgina Rinehart

Making a Successful Story with Samsung C&T

Samsung C&T made a bold move to undertake a unique Mega Project, making history of Western Australia’s mining industry through close and productive working relationships with Roy Hill and the major constructors of Australia.

Samsung C&T has embarked on its 43-month mission as the EPC service provider, in charge of designing, building the Roy Hill’s iron-ore mining, rail and port infrastructure in the Pilbara of Western Australia. The company assembled an A-team made up of Australia’s leading engineering and construction firms, and has been accelerating project execution.

In the Pilbara, Samsung C&T will simultaneously build a 55-mtpa mine processing plant, a 346-km-long railway, transporting processed iron-ore from the Roy Hill mine to Port Hedland, and a port and stockyard capable of handling 12,700 tons of iron-ore per hour. The Roy Hill Project may be considered Samsung C&T’s first entry into the Australian market, but the company already has a solid and global reputation as a leader in plant, port, and railway EPC, and has garnered the trust of clients and markets after successful projects in various parts around the world.

Samsung C&T boasts an impressive track record when it comes to building power plants. It has been responsible for 18 thermal power plants around the world. In addition to these, it is also building a number of nuclear power plants, mining plants, energy-storage facilities, solar plants, and wind-energy farms in the Middle East, Africa, South East Asia and North America.

The company is also known for its multiple railway and high-speed railway projects. The company has built or is in the process of building more than 1,000km worldwide, many of which were extremely technical and challenging projects.

Samsung C&T also holds an impressive portfolio of port projects, beginning with its Koransha port project in Iran in 1975, and adding numerous other projects throughout the Middle East, Africa, and Asia. It has been one of the major EPC players in the Middle East, after successfully completing a number of incredible projects including the Burj Khalifa, the world’s tallest manmade structure.

It is little surprise that the company, having multiple mega projects under its belt, gives itself full confidence in its ability to ensure the success of the Roy Hill Project. Through its internationally proven profile of a well-rounded, industry-leading EPC firm and utilizing its impressive experience, expertise and capacity, Samsung C&T fully expects to commit to developing projects that deliver great outcomes for the local economy and communities of Australia.