



GVK acquires Hancock Coal and Infrastructure Projects in Australia

Hyderabad, 16th September 2011: GVK group, India's leading infrastructure developer, today confirmed arrangements for the acquisition of a strategic part of large, high quality coal resource and infrastructure development project in Queensland, Australia with an intent of furthering its strategic interests in the natural resources and energy sectors.

GVK Coal Developers (Singapore) Pte Limited (GVKCDPL), a step down subsidiary of GVK Natural Resources Pte Limited (GVKNRPL), (a GVK Group company) in joint venture with GVK Power and Infrastructure Limited (GVKPIL) has entered into various acquisition documents with Hancock Prospecting Pty Limited and certain of its affiliated entities (the **Hancock Group**) to acquire

- ▶ a shareholding up to 79% in the Alpha ('Tad's Corner') and Alpha West ('Paul's Corner') Coal Projects, located in the Galilee Basin in Queensland. Hancock Group retains the remainder of the shareholding;
- ▶ a 100% shareholding in the Kevin's Corner Coal Project, located immediately adjacent to Alpha; and
- ▶ a 100% shareholding in the rail and port project connecting the above coal projects to the port of Abbot Point and Abbot Point T3 expansion project, whilst retaining some tonnage capacity for the Hancock Group

These projects are together one of the largest integrated coal development projects in the world. Some of the key highlights of the project are:

- ▶ The coal project consists of a 7.9 billion tonnes compliant with Australia's Joint Ore Reserves Committee (JORC) resource categorisation, with 3.3 billion tonnes reserves in Measured + Indicated categories and with potential for more tonnage ;
- ▶ The infrastructure project involves the development, ownership and operation of an integrated infrastructure development consisting of a 495 km rail line and a 60 million tonnes per annum port at Abbot Point.
- ▶ At full production the three coal projects are together expected to supply about **84 million tonnes per annum** to the global sea-borne coal market. The first phase of production, expected to start in 2014, envisages a total production of over 30 million tonnes per annum of high quality thermal coal.

- ▶ The coal mines will deliver a very high quality thermal coal with a Gross Calorific Value (as received) of about 5800-6000 kcal/kg and low ash and low sulphur content.
- ▶ The total investment in the first phase is estimated at approximately US\$ 10 billion. This includes capital expenditure on the mines, rail line and port.
- ▶ Most of the coal from the project is intended for delivery into the Asian region as Letters of Intent for approximately 45 million tonnes per annum have already been signed or are in the process of finalisation with major utility companies in China, Japan, Korea, Taiwan and Vietnam.
- ▶ It is envisaged that GVK Energy, a subsidiary of GVKPIL will enter into a long-term coal supply contract for up to 20 million tonnes per annum.
- ▶ This is the only project in the Galilee Basin with a rail declaration, port allocation, native title and cultural heritage agreements for the entire project and Hancock is the only developer as on date to have actually mined, processed and transported coal proving the robustness of the Bankable Feasibility Study assumptions and the projects coal quality via international markets agreeing to conduct commercial scale trial burns.
- ▶ The projects are undergoing environmental assessment under the Alpha Project's EIS - the Alpha Project was declared a 'significant project requiring an EIS' under the State Development and Public Works Organisation Act 1971. The final approval is expected by the end of the year.

The consideration for the acquisition is US\$ 1.26 billion to be paid in a phased manner to the Hancock Group with US\$ 500 million payable now at Closing. Of the balance amounts, US\$ 200 million will be paid one year from Closing and US\$ 560 million will be paid on financial close for the project (anticipated to be in 2012) but in any event, no later than 3 years from Closing.

The funding for the acquisition is tied up with banks. The financing documents for funding the acquisition are being executed with the banks and the transaction is expected to Close and assets transferred in about two weeks.

Further details of the projects are as follows:

- ▶ **Alpha Coal Project** is the most advanced coal project in the Galilee Basin with a JORC compliant resource of 3.6 billion tonnes, with 2.0 billion tonnes reserves in Measured + Indicated categories. Alpha has finalized its Bankable Feasibility Study (BFS) and will be developed as an open-cut mine which will produce over 30 million tonnes per annum of high grade thermal coal for export to markets within Asia. First coal production is expected by the end of 2014.
- ▶ **Kevin's Corner Coal Project** is an advanced coal project with a JORC compliant resource of 4.3 billion tonnes, with 1.3 billion tonnes reserves in Measured + Indicated categories. Kevin's Corner is proposed to be developed as an open cut and underground operation producing up to 30 million tonnes per annum. The development

process for Kevin's Corner will derive significant benefit from the prior development of the immediately adjacent Alpha coal project and it is expected to complete its BFS by June 2012.

- ▶ **Alpha West Coal Project** has a large JORC compliant resource of 1.8 billion tonnes (included in Alpha above) with the potential to produce 24 million tonnes per annum of high grade, export thermal coal, through underground mining operations. The current drilling program is likely to define additional tonnage.
- ▶ **Rail Project** is the development of a privately owned and operated 495 km standard gauge, rail link from the Galilee basin to Abbot Point port. The rail project is expected to have the capacity to transport up to 120 million tonnes per annum of coal from the coal projects in the Galilee Basin to the port at Abbot Point. The rail project has been declared as an "Infrastructure Facility of Significance" by the Queensland state government under the State Development and Public Works Organisation Act 1971. This declaration should facilitate the acquisition of land for the rail corridor and the progress with other aspects of development process.
- ▶ **Abbot Point Port Project** will be a privately owned and operated port development project at Abbot Point with a dedicated export capacity of 60 million tonnes per annum. The project has received "Preferred Developer" status from North Queensland Bulk Ports Corporation and is ideally located to key Asian export markets, being the most northern coal port in Australia.

Initially **GVKNRPL** will hold 90% and **GVKPIL** will hold a 10% stake in the projects. **GVKPIL** has an option to increase its stake upto 49%, subject to necessary approvals from the Foreign Investment Review Board (Australia). This acquisition offers the following benefits to **GVKPIL**:

- ▶ Good investment opportunity with significant value upside
- ▶ An option to enter into long term coal supply contracts, for the purchase of up to 20 million tonnes per annum (to supply around 7,500 megawatts of power generating capacity). **GVKPIL** and its subsidiary **GVK Energy** have been aggressively trying to secure fuel supply agreements in an energy deficient market for its proposed power plants. This will allow **GVKPIL** to secure adequate fuel supplies for **GVK Energy Limited** into the foreseeable future.
- ▶ An option to take a lead role in **GVK Coal Infrastructure (Singapore) Pte Limited**, the company that will own the rail and port projects, on mutually agreed terms with **GVKNRPL**.

GVK Chairman Dr. GVK Reddy said, "We are extremely excited about closing this transaction and working with Mrs Gina Rinehart on bringing these projects to fruition. In the last few years Mrs Rinehart has developed these Projects to the advanced stage that they are in today, which speaks volumes about her capacity and capability to develop large and complex Projects. These are truly world class coal assets in both quality and scale and we

look forward to the opportunity of jointly developing these projects to their full potential. Alpha, along with the associated rail and port, is one of the most advanced integrated coal projects in the world. While this builds a strong resource business for GVK it will also significantly enhance the value to GVKPIL shareholders as we will now be able to increase the capacity of our coal power business with an assured in house supply of raw material”.

The GVK Group and the Hancock Group wish to secure long term relationship through this joint participation and in order to strengthen this relationship, the GVK Group has invited Mrs. Georgina Hope Rinehart to join the board of GVKPIL as a non-executive director.

Mrs. Georgina Hope Rinehart, Chairman, Hancock Group said, "We are very pleased at the stage our projects in Queensland have reached, being the most advanced integrated projects in the Galilee Basin in Queensland. We are delighted that this project will be to the best of our knowledge the largest project to date to be undertaken by both Australian and Indian companies. We would like to congratulate Dr GVK Reddy and family on this, the biggest deal we know of between Australia and India. We are delighted to be working with Dr GVK Reddy and G V Sanjay Reddy and GVK and we are also very pleased with this strategic alliance with a country (via GVK) that needs our coal and which should help to propel these mines to successful development and on-going operations over decades. We wish GVK all the best for this world class and very exciting project".

The immediate focus will be to progress the Alpha Coal Project and the associated port and rail projects to financial closure by 2012 and to complete the BFS for Kevin's Corner and continue drilling to increase the size of the known resource. GVK has already seen significant interest in this project from global strategic and financial investors, who wish to take an equity stake in these projects.

GVK Vice Chairman Mr. G V Sanjay Reddy said, “This will be a landmark deal in the economic co-operation between India and Australia and we are proud to be the group, together with our new friends at Hancock, that will be responsible for opening up the Galilee Basin and the creation of significant infrastructure and new jobs in Queensland. We look forward to working closely with the local, state and federal governments in promoting the economic development of Australia. Also most importantly we look forward to the opportunity of working with Mrs. Gina Rinehart as our partner in Alpha and Alpha West.”

Ernst & Young Private Limited was the sole Financial Advisor to GVK for the acquisition and Amarchand & Mangaldas & Suresh A. Shroff & Co. has acted as the Legal Advisors to GVK and Minter Ellison Lawyers has acted as Australian Legal Advisors to GVK.

About GVK

GVKPIL is one of India's largest infrastructure developer with experience and expertise spanning areas such as Energy, Airports, Roads and Urban Infrastructure. In addition, GVK is also involved in many other businesses held by it privately including Real Estate, Hotels, Pharmaceuticals, Resources, etc. As on date GVK has invested over Rs.10,000 Crores (US\$ 2.2 Billion) in various projects and has on hand projects in the pipeline of over Rs. 25,000 Crores (US\$ 5.5 Billion).

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