

Developing Northern Australia Conference

Progress, Growth and Investment

www.naif.gov.au

Laurie Walker, CEO

City of Karratha, July 2019

NAIF Objectives



Economic and social benefit for the north



Bringing forward development by addressing the market finance 'gap'



Collaboration with State and Territory jurisdictions



Meaningful change to benefit Indigenous communities

Delivering infrastructure, jobs and public benefit to the north

\$1.4bn current commitments comprising 11 Investment Decisions and 2 Conditional Approvals

\$1.4bn
Approved

\$3.0bn
Total project value of approved
NAIF Loans

3,605*
Jobs
2,890 construction
715 operations

\$2.6bn*
Public benefit to be generated
Effective actions for genuine
Indigenous engagement



\$1.0bn
Energy and
Resource



\$200m
Airport
upgrades



\$98m
Education



\$32m
Agriculture &
Manufacturing



\$28m
Tourism

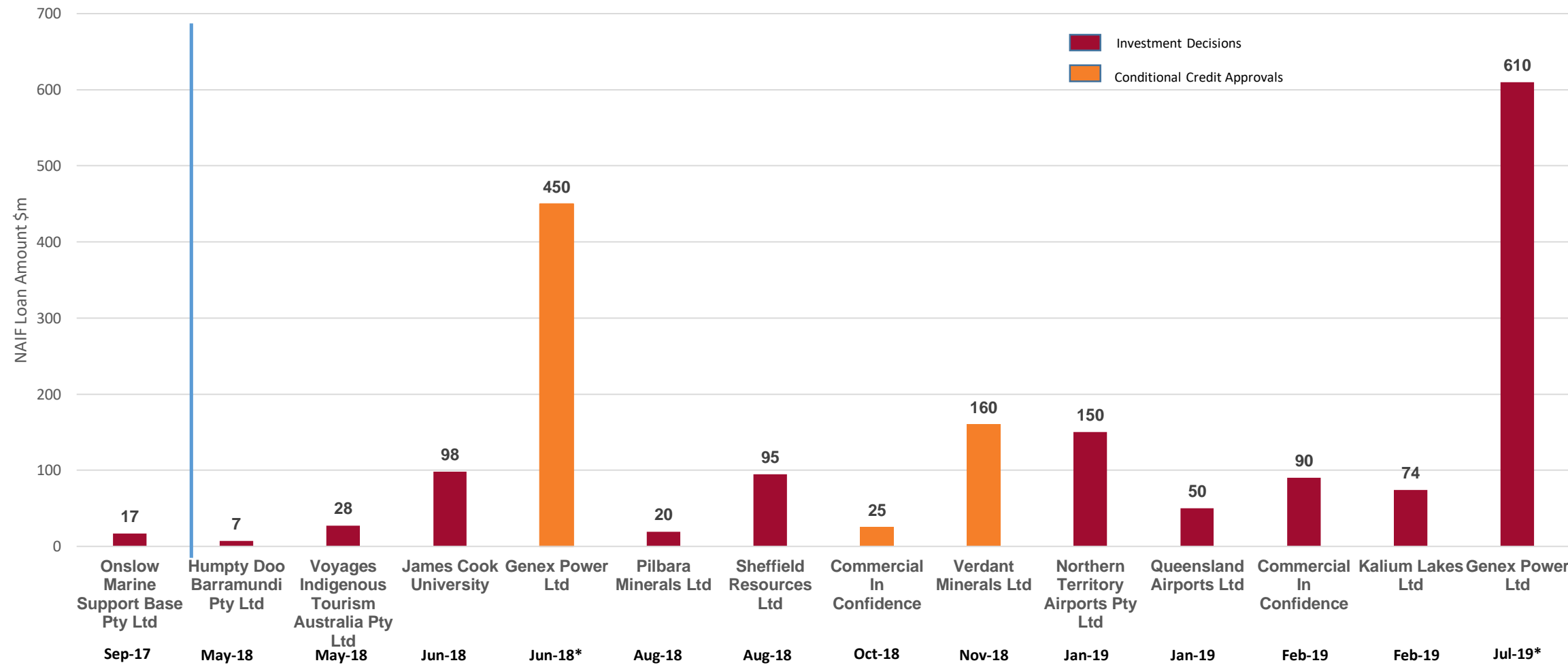


\$20m
Roads



\$17m
Ports

Investment Decisions (11) and CCAPs (2) total \$1.4bn



Public Benefit	\$100m	**	\$370m	\$700m	***	\$27m	\$487m	***	***	\$127m	\$81.7m	***	\$169m	\$814m****
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* This chart depicts the Genex project's conditional approval & Investment Decision

** Economic Impact (given under NAIF CBA threshold)

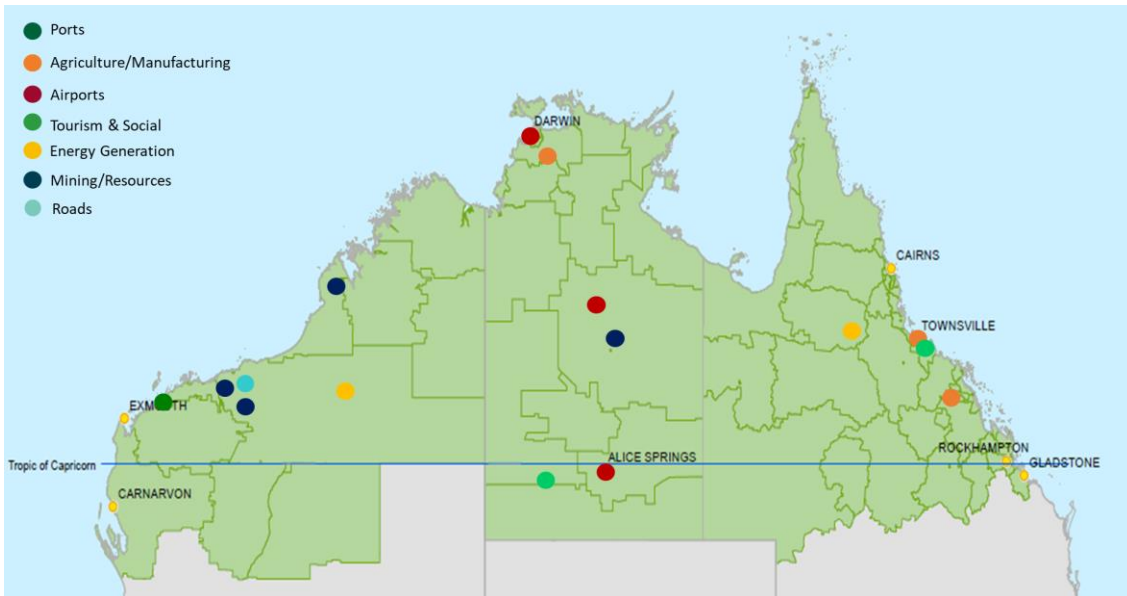
*** Public Benefit data for conditional approvals and CIC not included

**** Public Benefit to the broader economy & community

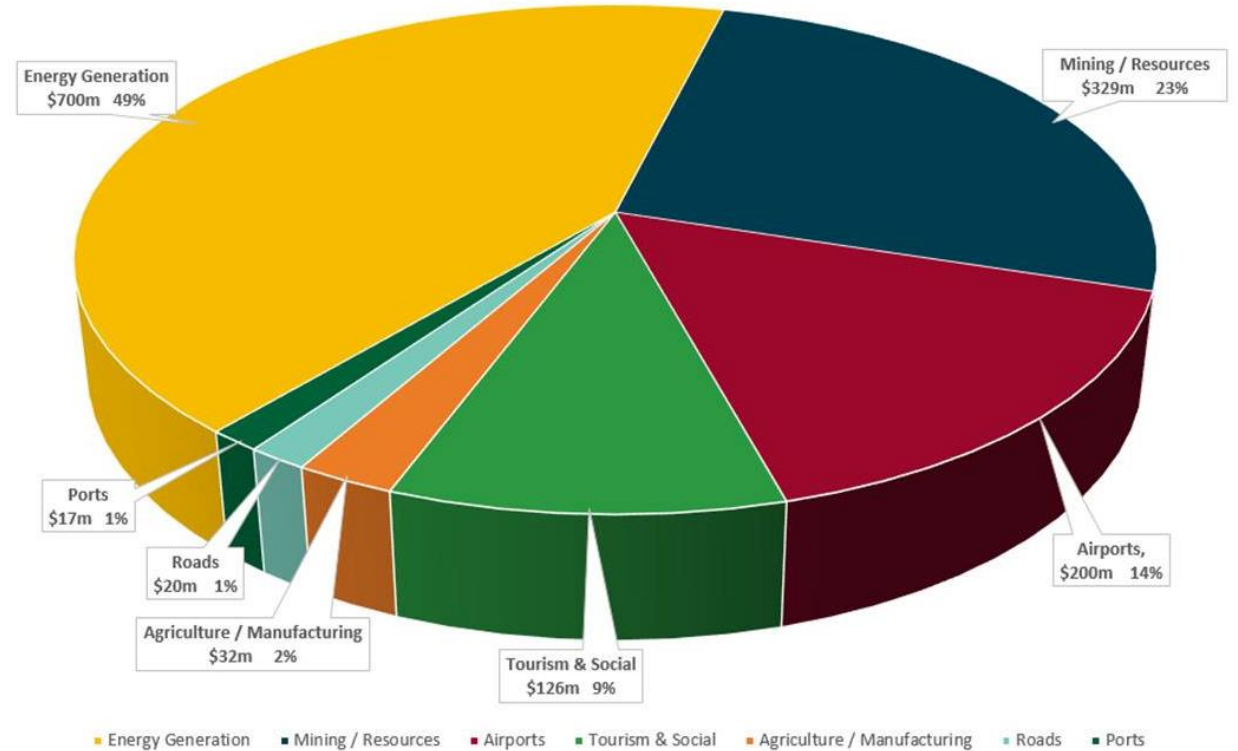
Commitments across all jurisdictions

Across critical sectors to growth in the north

QLD	NT	WA
\$783m	\$345m	\$295m
4 Loans	4 Loans*	5 Loans



* NTA across 3 locations



As at 28 June 2019

- 29 projects in due diligence
- 97 active project enquiries

Five Key Facts



NAIF is a loan facility

- Primary financing mechanism is fixed rate, AUD loans.



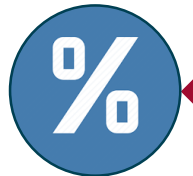
Independent Board is the decision maker

- Commonwealth and State government approval required.



Commonwealth funding but State / Territory lender on record

- Funds flow from Commonwealth through jurisdiction to Project.



Loan size based on 'gap' and appropriate gearing level

- Can lend up to 100% of debt.
- Projects still require equity and appropriate risk sharing.



Required to minimise concessions

- Minimum necessary for project to proceed.
- Size of concessions depend on public benefit of project.

Five Mandatory Eligibility Criteria

The project must:

1. Involve the construction or enhancement of infrastructure
2. Be of public benefit
3. Be located in, or have significant benefit for, northern Australia
4. Be able to repay or refinance NAIF debt
5. Have an Indigenous Engagement Strategy

What is infrastructure?

Definition:

Project incorporates construction or enhancement of **physical structures, assets or facilities** associated with:

- a) the transport or flow of **people, goods, services or information**;
- b) the establishment or enhancement of **business activity** in a region;
- c) an increase in **economic activity** in a region, including efficiency in developing or connecting markets;
or
- d) an increase in **population**.

Standalone and embedded infrastructure

Usually multi-user but single user may qualify

Must bring new capacity on line

Traditional infrastructure and operating assets

What is infrastructure?

Industry sectors – wide range of eligible asset types

Minerals &
Energy

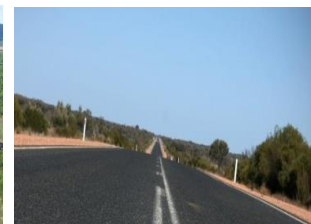
Agriculture

Tourism

Education

Medical

Transport



Types of infrastructure NAIF can support

Water assets

Rail

Roads

Airports

Energy including
renewables

Communications

Treatment,
Distribution, Storage

Processing facilities

Marinas

Generation,
Distribution, Storage

Abattoirs and
agriculture
processing plants

Training or
educational facilities

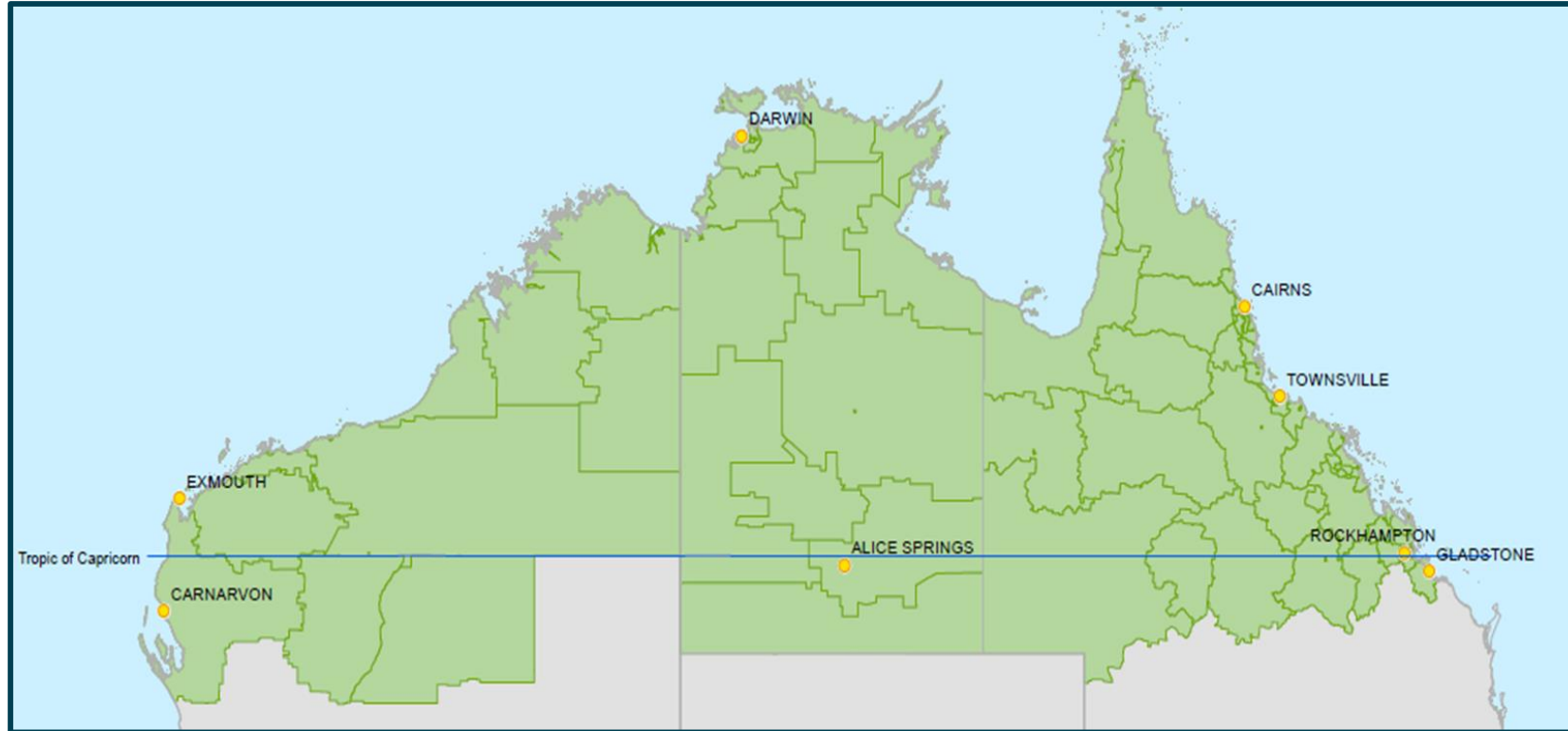
Health facilities and
medical research

Seaports

Associated cargo /
storage facilities

Transshipment vessels

Northern Australia



The project must:

- Be located in the north; **or**
- Provide significant benefit to the north

Other NAIF Features

Catalyse project delivery

- Loan or alternative financing mechanism.
- Indicative term sheets to encourage other project participants.

Concessional lender (minimum required for project to proceed)

- NAIF funds not a grant but can be highly **concessional with regard to the public benefit generated**.
- Financing terms may:
 - Have **longer tenors** (up to 30 years)
 - Have **lower interest rates**
 - Be **more patient (e.g. longer interest capitalisation, interest only periods)** to allow ramp up
 - Offer **tailored loan repayment** schedules
 - Be **subordinated** on cash flow or security basis.

Proponent

- **Can be private or public sector.**
- NAIF is not the Proponent.

Equity Capital

- Can be **domestic** or **foreign** ownership. NAIF does not provide equity or feasibility funding.

Non NAIF Debt

- NAIF can partner with other financiers (public and private).
- NAIF aim is to **complement** private sector, not **compete** with it.

250MW pumped storage hydro project, Kidston (near Georgetown), 270kms north west of Townsville

NAIF Loan	Total Project Value
Up to \$610m	Commercial in Confidence

Public Benefit	Jobs
\$814m (public benefit to the broader economy & community) including \$235m direct value added for Far North Qld	<ul style="list-style-type: none">• 510 during construction (including supporting transmission line)• 30 ongoing operation

Economic Impact and Public Benefit, including

- Energy storage facilities have a significant role to play in Australia's transition to a low emissions, low cost energy future.
- Wholesale market energy cost savings
- Emission savings
- Storage capacity and 'dispatchability' of energy to enhance network reliability

Indigenous Engagement

- Actively seeking to maximise job opportunities for the local Ewamian people and Indigenous businesses
- The project will provide funding for a local Indigenous owned tourist facility

Financial assistance is subject to satisfaction of conditions precedent including Qld Government's consideration and agreement for approved funds to be advanced



The NAIF indicative term sheet was issued in June 2018 which **demonstrated the bankability** of the project to potential counterparties.

Concessions offered in NAIF Investment Decision helped **overcome disadvantages** due to Project's remote location being:

- higher construction costs,
- challenges recruiting and accommodating labour force,
- significant cost impost of the new transmission line/grid connection, and
- relatively high transmission losses due to distance from current energy load.

78 kilometre lateral gas pipeline, gas fired power station, upgrades to a connecting road, new communication facilities, airstrip and accommodation village

NAIF Loan	Total Project Value
\$74m	\$250m

Public Benefit	Jobs
\$169m over 30-year mine life	<ul style="list-style-type: none"> • 140 jobs in construction • 56 jobs in operations

Other Public Benefit

- The Project will create a new agricultural domestic industry
- Provides first domestic source of high yield premium fertiliser (Sulphate of Potash (SOP)) which plays a significant role in improving agricultural yield and productivity

Indigenous Engagement

- Existing strong relationship with local Traditional Owners groups, the Gingirana and Birriliburu peoples
- Proactive identification and support of candidates for employment opportunities
- Training and support to improve employee retention
- Promotion of procurement opportunities and supporting Indigenous business capacity building



NAIF investment is a **major milestone** for the **Beyondie SOP Project** that:

- will allow Kalium Lakes to **bring forward construction** of the **gas pipeline and the on-site gas fired power station** (reducing operating costs by approximately A\$31-34 per tonne), and
- fills a financing gap that could not be obtained from private sector debt due to the **nature of the commodity** (not exchange traded), and it being the **first domestic project of its kind** that supports Australian agricultural producers.

Financial assistance is subject to finalisation of conditions precedent and WA Government's consideration and agreement for approved funds to be advanced

Medium fish nursery, production ponds and processing equipment

NAIF Loan	Total Project Value
\$7.18m (potential for up to \$30m)	Up to \$60m in 3 stages

Public Benefit	Jobs
Economic impact (given under NAIF threshold for CBA)	<ul style="list-style-type: none">• 50 local jobs over 3 stages, will double HDB farm employees• 20 jobs approximately in stage 1

Economic Impact and Other Public Benefit

- Increase in production capacity to meet increasing demand for fish, with additional employment (in Stage 1, 13 construction jobs and 7 ongoing jobs)
- Help grow the NT aquaculture sector, through supply of fishlings and future multi-user processing capabilities

Indigenous Engagement

- Target of 10% Indigenous employment
- Employing culturally appropriate HR Manager & Mentor to support Indigenous employment and participation opportunities
- Identification of sub-contracting opportunities for Aboriginal businesses and engage suppliers and service providers with a demonstrated commitment to Indigenous engagement



NAIF finance assisted in the recognition of northern Australia as a **leading supplier of premium saltwater farmed barramundi**

Small scale agriculture is difficult to finance in the private sector
NAIF finance **allowed fast tracking of this major Humpty Doo investment** which would not have been possible in the short term without NAIF

LNG power station and reticulation, upgrade road and port infrastructure to support Thunderbird Mineral Sands Project

NAIF Loan	Total project value
\$95m	\$562m

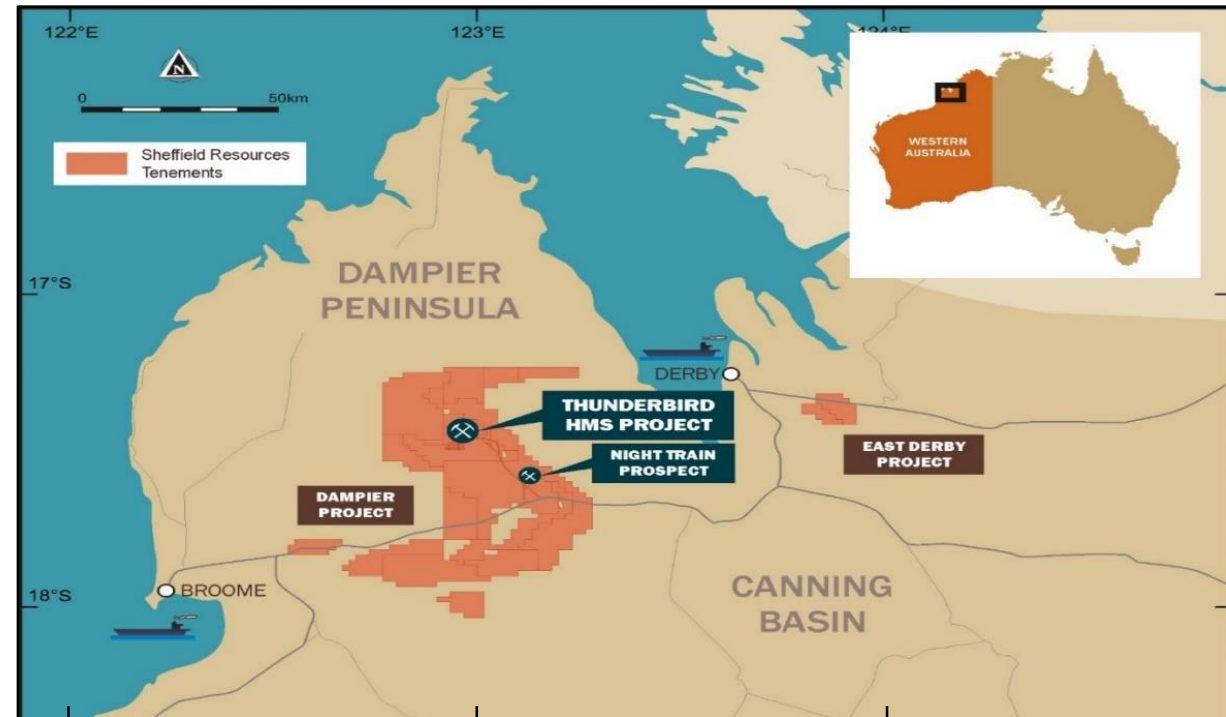
Public Benefit	Jobs
\$487m over 42 years mine life	<ul style="list-style-type: none"> • 400 construction jobs • 280 direct jobs

Other Public Benefit

- The Project's products have a wide range of uses, from tiles and fibre optics to sunscreen and food colouring
- Drive in/drive out jobs will provide local employment, training and business opportunities and lift economy and lifestyles of Derby and Broome
- Support services and training opportunities

Indigenous Engagement

- Sheffield's *Our Pledge to the Kimberley Community* includes Aboriginal jobs (build to 40% in first 8 years of operation) and Aboriginal business content (minimum of \$5m/year from year 5) plus Aboriginal training fund
- Opportunities for joint ventures to capacity build between Indigenous suppliers and industry recognised contractors
- Cash royalties to exceed \$100m over 42 years
- Cross-cultural awareness training by Traditional Owners for all employees and contractors



The Thunderbird Project is one of the world's **largest and highest grade zircon and titanium dioxide** deposits.

NAIF's assistance will **accelerate the development of important infrastructure elements** of the Thunderbird project, filling a gap in Sheffield's finance that it could not obtain from private sector debt and equity markets at this point in its corporate development.

Financial assistance is subject to finalisation of conditions precedent and WA Government's consideration and agreement for approved funds to be advanced

Cold storage and export hub at Darwin Airport, solar energy farms at Darwin, Tennant Creek and Alice Springs and off-site multi-user battery, runway upgrades at Alice Springs

Potential NAIF Loan	Total project value
Up to \$150m	\$300m

Public Benefit	Jobs
Up to \$127m over 20 years	<ul style="list-style-type: none">• Up to 1,000 construction jobs• 500 indirect / supply chain jobs• Over 140 new ongoing positions

Other Public Benefit

- Increased capacity to attract bigger planes to carry more tourists and export the norths' distinctive products such as mud crabs, barramundi, mangoes and melons to Asia
- Local businesses, including Indigenous organisations, will benefit from the Project

Indigenous Engagement

- Commitment to 10% Indigenous employment target
- Project Management Team will oversee procurement activities, workforce commitments and broader partnerships with specialist Indigenous engagement experts and employment service providers
- Key Indigenous stakeholders (including Larrakia Development Corporation) have been identified for ongoing engagement



NAIF's ability to **provide an early indication of support** for these projects has accelerated their construction timetable.

Transport related infrastructure is an important **enabler of growth and prosperity** in the north.

Financial assistance is subject to finalisation of conditions precedent and NT Government's consideration and agreement for approved funds to be advanced

Airport runway, taxiway and apron upgrade, runway lighting and provision of contractor accommodation.

NAIF Loan	Total project value
\$27.5m	\$27.5m

Public Benefit	Jobs
Greater than \$370m over 20 years	<ul style="list-style-type: none">• 80 construction jobs• 320 jobs approximately with airport continued operations

Economic Impact and Other Public Benefit

- A key economic enabler for the Yulara region, particularly tourism to the world heritage Uluru and Kata Tjuta National Park
- Indigenous training opportunities
- Continued availability of emergency services and flights for remote communities in the region

Indigenous engagement

- A target of 3% to 5% of goods and materials sourced from companies that are 50% or more Indigenous owned
- Project construction employment targets are for Indigenous people to be greater than 10% of the workforce



NAIF's loan tenor better matching the long-term asset life was not available in the commercial banking market.

NAIF's ability to take a **long-term view in structuring its repayment profile** allows the Proponent to use its short to medium term cash flow on other high-value projects that support Voyages' social purpose of creating opportunities for Indigenous Australians through cultural tourism.

Thank you

