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HD **Administration for Cairn Hill as iron ore slump hits**
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The slump in the iron ore price has claimed its first victim, with IMX Resources' Cairn Hill mine in South Australia falling into administration and fears growing that other high-cost mines may face a similar fate.

The partly Chinese-owned mine, located near Coober Pedy, has ceased operations, administrator Martin Lewis of Ferrier Hodgson said. Almost 200 employees and contractors could be affected.

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IMX shares, which were halted on Tuesday, fell 38 per cent to 2.5¢.

The benchmark iron ore price, measured out of the Tianjin Port in China, was at \$US90.30 a tonne on Wednesday, not far off the \$US86.90 low it hit in September 2012.

The spot price for the bulk commodity has plummeted more than 30 per cent this year as big miners increased output, despite demand failing to grow at anywhere near the same rate. In 2011, iron ore peaked at \$US185.60 a tonne.

"Cairn Hill was a pretty small project and a pretty high-cost operation," said Peter Strachan at StockAnalysis. Operation crippled by price drop

"It's all very well when you're getting \$US130 a tonne, you can wear these high costs, but it's not an efficient 30 million or 40 million tonne operation."

"By the time you get it to China it's losing money."

IMX managing director Gary Sutherland said the further 30 per cent drop in iron ore prices since the March quarter had crippled the operation. "It's pretty tough to hedge when the iron ore price drops below operating costs."

Cairn Hill, a 1.7 million tonnes-a-year operation that started up in December 2010, is 49 per cent owned by China's Taifeng Yuanchuang International Development, which also owns a direct stake in IMX. Ore has been transported by truck and rail to Port Adelaide for shipping to China. Operations had been due to continue until February 2015, and IMX was assessing a second-phase of development to extend operations for up to 15 months.

Mr Strachan said he expected magnetite iron ore projects – such as the Citic Pacific operation in the Pilbara region and China-backed Gindalbie Metals, which ships from ore through Geraldton from its Karara project in the mid-west – would also be hurting.

"Even those magnetite ores achieve a premium price, they are also really expensive to get the ore onto a ship," Mr Strachan said. Margins have been squeezed

Producers such as Atlas Iron and BC Iron are not at risk but their margins have probably been squeezed from about \$30 to \$6-\$8 a tonne, he added.

The board of the entity that owns Cairn Hill, Termite Resources, decided on Wednesday to hire administrators.

Mr Lewis said Ferrier Hodgson had started an urgent assessment of the mine's financial position, including any future **iron ore** sales.

CO ferhod : Ferrier Hodgson & Company | gldsm : IMX Resources Limited

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