



REUTERS

HD UPDATE 2-Bad weather cuts Rio Tinto's iron ore shipments

WC 599 words

PD 15 April 2014

ET 12:01

SN Reuters News

SC LBA

LA English

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\* Rio Tinto Q1 iron ore shipments down 8 pct vs Q4

\* Production up 16 pct on same quarter a year ago

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\* Keeps guidance for output of 295 million tonnes in 2014 (Adds analyst comment, BHP forecast, details)

By James Regan

SYDNEY, April 15 (Reuters) - Rio Tinto's iron ore shipments fell 8 percent in the first-quarter from the previous quarter due to weather-related disruptions in Australia and Canada, but the miner said it was on track to meet its full-year target.

Production still jumped 16 percent on the same quarter a year ago as the world's No. 2 iron ore producer behind Brazil's Vale ramps up production at its Australian mines to meet growing demand from China.

"It appears they were hit a little harder than we expected by the weather, though we don't see any issues in meeting their full-year target," said RBC Capital Markets analyst Chris Drew.

Iron ore has replaced other industrial and precious commodities such as coal, gold and silver as the mineral with the most profit potential, delivering bumper earnings for giant low-cost miners such as Rio and BHP Billiton.

Iron ore prices <IO62-CN=SOI> have recovered 12 percent since a steep dip in March on weaker Chinese steel prices. At the current price of \$117 a tonne, Rio Tinto enjoys a profit margin of over \$60 a tonne.

Rio Tinto Chief Executive Sam Walsh has repeatedly deflected criticism the company is too dependent on iron ore - accounting for almost half of the company's 2013 revenue - saying China will continue to buy all the ore it can mine for years to come.

Walsh was promoted to chief executive in 2013 to whip the company into shape following disastrous investments in aluminium and coal that led to \$14 billion in write-offs.

#### WEATHER BITES

Rio Tinto said its Iron Ore of Canada division was hit by a colder-than-average winter, which disrupted mining in Labrador over the quarter, while port closures due a cyclone late last year reduced shipments in Australia, the company said.

Overall iron ore shipments in the first quarter came in at 66.7 million tonnes.

Rio said it was on track to meet its target of mining ore at the rate of 290 million tonnes a year and maintained its 2014 production target of 295 million tonnes.

It planned to draw on its Australian stocks of iron ore to increase shipments ahead of production, with around 5 million tonnes of inventory drawdown expected in 2014.

**Iron ore** of Canada (IOC) is 59 percent owned by Rio Tinto, 26 percent by Mitsubishi Corp and 15 percent by Labrador **Iron Ore** Royalty Co.

Rio Tinto put its **stake** in IOC up for **sale** about a year ago but offers came in well below the **mining** group's target of about \$3.5 to \$4 **billion**, sources said.

Production of 295 **million** tonnes in 2014 would keep Rio Tinto ahead of rivals BHP Billiton and Fortescue Metals Group, which report quarterly data on Wednesday.

BHP is also expected to show lower shipments in the March quarter after Cyclone Christie barreled into Australia's Pilbara **iron ore** belt in late 2013 disrupting rail and port shipping **operations** into January.

UBS forecasts BHP's Australian **operations**, including shares to joint venture partners will see a modest drop in first quarter production to 53 **million** tonnes against 53.6 **million** in the fourth quarter. (Editing by Richard Pullin)

**RF** Released: 2014-4-15T03:01:03.000Z

**CO** bkhlp : BHP Billiton Ltd | craaus : Rio Tinto Ltd | rtz : Rio Tinto PLC | rtzcra : Rio Tinto Group | bltplc : BHP Billiton PLC

**IN** i211 : Metal Ore Mining | imet : Mining/Quarrying | i221 : Iron/Steel/Ferroalloys | i22 : Primary Metals | ibasicm : Basic Materials/Resources

**NS** c21 : Output/Production | ccat : Corporate/Industrial News

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