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HD Fortescue ore shipments short of target
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FORTESCUE Metals has set a new iron ore production record but analysts are querying the price it is getting for the key steelmaking ingredient.

Australia's third largest iron ore miner has also fallen short of its full year production target, shipping 124.2 million tonnes from its mines in Western Australia's Pilbara last financial year.

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The company, backed by mining billionaire Andrew Forrest, had stuck to an ambitious full-year target of shipping 127 million tonnes despite bad weather interrupting its operations in January.

The miner shipped 13.3 million tonnes during June, giving it a record annual production run rate of 160 million tonnes.

Fortescue opened its Kings Mine in March, closing in on a long-held ambition to produce 155 million tonnes annual during the 2015 financial year.

Analysts had generally been expecting Fortescue to miss its fiscal 2014 production target.

Of greater concern was the price the miner received for its product. Fortescue achieved an average price of \$US106 per tonne, generating US\$11.4 billion in revenue.

But its reported price was well below the iron ore benchmark of about US\$122 per tonne over the period.

Credit Suisse analyst Matthew Hope said it also appeared the miner had only achieved a sale price of about \$US81 for the three months to June when the benchmark was about US\$105.

"For me that's the bigger concern out of these numbers," Mr Hope said. "We will need to look through it and try to work out what is going on." The price of iron ore has declined by close to 30 per cent for the year to date, fetching \$US\$96.90 per tonne overnight on Thursday.

Iron ore miners have been offering discounts on lower-grade iron ore as demand from China slows.

Fortescue chief Nev Power said new supply had increased the volatility of iron ore markets over the past 12 months but he expected prices to stabilise as higher cost producers went out of business.

Mr Power also said hitting an annualised run rate of 160 million tonnes annually was an "outstanding" way to enter the new financial year. Fortescue shares lost 1¢ yesterday, closing at \$4.34.

CO ambol : Fortescue Metals Group Ltd

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