

FINANCIAL REVIEW

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HD Atlas **iron** says **ore** price discounts wider than usual
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The slump in the **iron ore** price is being exacerbated for producers of lower grade **iron**, with Atlas **iron** confirming it is encountering a wider discount to the benchmark price than usual.

Atlas typically sells ores containing 58 per cent **iron**, slightly below the benchmark, which is **ore** with 62 per cent **iron**.

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The lower grade means Atlas is paid a discount to the benchmark price of the day for its **iron ore**, but Atlas boss Ken Brinsden said that discount was widening at the moment, as increased exports gave buyers a choice of product.

"Increasing supply is placing further downward pressure on 58 per cent **iron** products, with significantly increased discounts to the 62 per cent index being experienced for that product while the market adjusts to accommodate the increased presence of this type of product," he said during a presentation in Sydney on Tuesday.

Sceptics have previously argued that lower grade **iron** producers will face a tougher future, as **Chinese** steel mills seek to improve their environmental performance, and therefore favour higher-grade **iron ore**.

The benchmark **iron ore** price rose slightly overnight from \$US91.80 (\$99.14) to \$US92.10, but is still more than 30 per cent lower than at the start of 2014, and many pundits expect it to fall further in coming weeks.

But on the positive side, Atlas is the second **iron ore** miner over the past 24 hours to suggest that the Indian market is opening up for Australian producers.

Atlas said on Tuesday that the reduced price levels were making Australian **iron ore** competitive in India, with Atlas completing its first **sale** into the subcontinent last month. Interest from India

That comes after fellow **iron ore** miner Grange Resources said on Monday that Indian buyers had shown a lot of interest in Australian **iron ore** in recent weeks on the back of bans imposed by New Delhi on some Indian **iron** mines.

"We are seeing that market open up again, and we had a lot of interest in the last few weeks from Indian buyers," said Grange chief executive Wayne Bould.

Atlas said it would further assess the opportunity to sell into other new markets, including Europe and parts of Asia beyond **China**.

While pricing remains tough for Atlas, the **company** is doing well on the things it can control: production rates.

The **company** shipped its highest monthly total ever during May, when 1.25 **million** tonnes were exported.

The **company**'s guidance is to export between 10.2 **million** tonnes and 10.7 **million** tonnes this financial year, and Atlas said it was targeting the higher end of that guidance.

Atlas shares fell by 2.16 per cent to 68¢ on Tuesday.

Grange shares lifted a shade over 3 per cent to 17¢. BHP shares fell 0.41 per cent to \$36.44, while Rio rose 0.86 per cent to \$59.74.

Fortescue chairman Andrew Forrest speculated on Friday that **iron ore** prices could wander down to \$US80 a tonne in the near future, but also said a return to \$US140 a tonne was possible.

At the same event the Australian boss of **Chinese** miner MMG said he was cynical about the investment community's role in exacerbating commodity price volatility, and warned many weaker miners could shut down as the price pressure rose.

Andrew Michelmores said **China**'s drive to close poor-quality steel mills was spooking investors in the developed world, who were dumping their exposure to **iron ore**.

UBS analyst Glyn Lawcock published a note on Sunday suggesting share prices for BHP, Rio and Fortescue were factoring in significant further falls in the **iron ore** price and were duly over sold.

CO	atlagd : Atlas Iron Ltd.
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