

SE Business
HD **BC iron** sees no cause for job cuts
BY PAUL GARVEY, Resources
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BC **IRON** managing director Morgan Ball will today look to reassure workers at the **company's** Nullagine **iron ore** mine about their futures, amid a continued downturn in **iron ore** prices.

Mr Ball yesterday told reporters at Nullagine that job losses at the mine were unlikely, given the **company's** long-held focus on efficiency.

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"I would be very confident that we have one of the leanest overhead structures in the business because we built an operation that's fit for purpose," he said.

"So long as we keep being as effective operationally and productive as we can, this operation will withstand this." The visit by reporters and investors to Nullagine came as **iron ore** prices continued to fall. The benchmark price yesterday dropped to \$US89, its lowest level since September 2012.

The last time prices fell to these levels, there were widespread job losses and deep cuts in capital expenditure across the industry, although the price slump ultimately proved short-lived.

Mr Ball described the mood in the **iron ore** industry as "apprehensive but pragmatic".

"We are in a cyclical industry so we are used to downturns," he said. "It's a matter of making sure you've got a business that is able to ride out downturns, ready for the next time it moves up again." He said that in the event of continued and sustained price falls, BC could make cuts to its exploration and business development spending. But it was not making any cuts at present.

"Back in 2012 (**iron ore**) hit \$US86 but only for a day or two before it was back up to \$US100. So I'd need to see a consistent longer term trend before we think about those kind of decisions." The industry is watching closely to see whether the weakness in **iron ore** prices will translate into the closure of high cost domestic **Chinese iron ore** production. Much of that **Chinese** output appears unprofitable at current prices, and the shutdown of that capacity could help ease the **iron ore** oversupply that has driven prices down.

"This is traditionally in **China** when the domestic producers coming out of winter start to crank up production again — it will be interesting to see how much of that happens again given the price," Mr Ball said. "Certainly a lot of them will be underwater." With BC having spent much of the past two years looking unsuccessfully for **acquisition** opportunities, Mr Ball said the current climate could prove fruitful for companies willing to back a rebound in **iron ore** prices.

"We always had an appropriately jaundiced view when looking at opportunities, so the bar hasn't gone up. But what we might see is the bar from vendors come down a little bit," he said.

BC produces about six **million** tonnes of **iron ore** a year at Nullagine, in which it holds a 75 per cent interest. The rest is owned by Fortescue Metals Group, which carries **ore** from the mine through its Pilbara rail and port infrastructure. The small but relatively low-cost **operations** have generated healthy profits for BC in recent years, allowing it to pay dividends.

Mr Ball said the group would still aim to declare dividends even if the falling **iron ore** price meant they would be smaller.

The proposed takeover of Aquila Resources by Mineral Resources would likely be a positive for the smaller end of the **iron ore** sector, Mr Ball said, given the Aquila resources in the Pilbara could potentially support a new rail network through the region.

“Any development in Australia that gives juniors the opportunity to realise their dreams is a great result.” Shares in BC, which traded as high as \$5.44 earlier this year, closed down 7.5c to \$3.00 yesterday.

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