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**TD**

The following is a press release from  
Standard & Poor's:

MELBOURNE (Standard & Poor's) Oct. 3, 2014--Standard & Poor's Ratings  
Services  
said today that its ratings on Australian **mining** companies BHP Billiton Ltd.

(A+/Stable/A-1) and Fortescue Metals Group Ltd. (BB+/Stable/--) are  
unaffected  
following its revised assumptions for benchmark **iron ore** prices.

On Oct. 2, 2014, Standard & Poor's lowered its assumptions for benchmark  
**ironore** prices (based on 62% **iron** [Fe] content including costs and freight  
[ CFR]  
to **China**) by about 10% to US\$85 per ton for the rest of 2014, and for 2015  
and  
2016 (see article titled, "Standard & Poor's Updates Its 2014-2016 Metals  
Price Assumptions," published Oct. 2, 2014). We previously assumed benchmark  
**iron ore** prices of US\$95 per ton.

The lower **iron ore** prices would likely cause BHP **Billion**'s credit metrics to  
be weaker in the year ending June 30, 2015. However, we believe the **company**  
has strong financial flexibility to mitigate further falls in prices. BHP  
Billiton's product mix compares favorably with its **mining** peers' due to the  
presence of sizable petroleum assets in its portfolio. Petroleum provides  
good  
product diversity to the group as it is less correlated to movements in  
steel  
demand, compared to **iron ore**, coking **coal**, and manganese. However, in our  
opinion, the lower commodity prices will reduce the buffer in the rating,  
and  
BHP Billiton's scope for shareholder-friendly initiatives or the **company**'s  
ability to debt-fund more aggressive growth.

We also expect a material impact on Fortescue's margin and earnings from  
lower  
**iron ore** prices. Nevertheless, we believe Fortescue's credit metrics will  
remain at levels commensurate with the 'BB+' rating under our revised price

assumption. We expect its adjusted funds from **operations** (FFO) to debt to be comfortably more than 20% and adjusted debt to EBITDA to be lower than 3x in fiscal 2015. In our view, the **company's** efforts to prepay debt and the successful completion of the 155 **million** metric ton expansion have significantly improved its cost position and ability to weather price volatility. The **company's** costs, including C1, royalty, and freight costs to **China** were about US\$50 per wet metric ton in June 2014. Nonetheless, if benchmark **iron ore** prices were to sustain well below US\$80 per ton, it would increase downward rating pressure on Fortescue. Compared to a diversified miner, Fortescue has less financial flexibility and is more sensitive to **ironore** price movements.

On the other hand, our revised price assumptions have resulted in the lowering of the ratings on Australia-based Atlas **Iron** Ltd. to '**B**', from '**B+**'. The outlook is stable. (See research update titled, "Ratings On Atlas **Iron** Ltd. Lowered To '**B**' On Prospect Of Weak Cash Flows; Outlook Stable", published Oct. 3, 2014.

#### Related Research

- Ratings On Atlas **Iron** Ltd. Lowered To '**B**' On Prospect Of Weak Cash Flows; Outlook Stable, Oct. 3, 2014
- Standard & Poor's Updates Its 2014-2016 Metals Price Assumptions, Oct. 2, 2014
- Will **Mining** Companies Buckle If **Iron Ore** Stagnates At US\$90 Per Ton?, July 2, 2014

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