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HD	**Small, high-cost iron ore miners face year of reckoning**
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SINGAPORE/SYDNEY, March 12 (Reuters) - Small iron ore miners from Australia to Canada and China face a potential shakeout, as a steep fall in prices makes it harder to raise funds for planned growth and boosts the prospect of a round of mine closures.

Iron ore prices <.IO62-CN=SI> posted their biggest one-day fall in four-and-a-half years on Monday to below $105 a tonne - from a peak of nearly $200 in February 2011 - amid forecasts that supply could outstrip demand by more than 90 million tonnes this year, the biggest global surplus since at least 2006.

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Top miners such as Brazil's Vale and BHP Billiton and Rio Tinto in Australia, which dig up iron ore for as low as $20 a tonne, can easily weather a downturn.

But the price fall spells hard times for smaller producers, where production costs can run as high as $100 a tonne, owing to lower ore grades and fewer economies of scale.

"It's going to be very tough for everybody, but for high-cost miners, some are going to face life and death problems," said Greg Pan Guocheng, chief executive of China Hanking Holdings Ltd, a privately owned mainland miner.

"Price decreases will certainly lead a lot of small miners in China to either diversify or close down depending on how bad the price performs."

Hanking, which has five mines in China's northeast, uses modern technology and digs relatively richer-grade ores, which means its cash costs run at around 400 yuan ($65) a tonne, below those of many of its rivals, although Pan said falling prices would "certainly impact" profit margins.

A slump in iron ore to a three-year low of $86.70 in September 2012 shut more than a third of China's thousand-plus small-scale producers, although many later reopened when prices rebounded.

Growing signs of a downturn in China's rampant steel demand has pushed iron prices down 22 percent so far this year, well below the critical $120 threshold that has kept higher-cost producers in business.

Citigroup sees the price falling to $80 by 2016, citing "inescapable market surpluses".

BHP Billitoniron ore head Jimmy Wilson said higher cost producers without the benefit of large economies of scale faced a tougher time in weathering price dips.

"This will impact our organisation much less than other Western Australia producers," Wilson told reporters on Tuesday.

Goldman Sachs has said 20 percent of iron ore production in China may shut over 2014 and 2015, while up to 80 million tonnes of production capacity may not be needed this year. UBS put the figure at 94 million tonnes - compared with global seaborne trade of 1.2 billion tonnes last year.

Goldman says the surplus could grow to 260 million tonnes by 2017 as miners ramping up output misjudge China's demand.

HIGH COSTS DENT HOPES

Outside of China, miners in Canada are cutting costs and struggling to fund operations, while in Australia, smaller producers are bracing for cost pressures.

North America's Cliffs Natural Resources Inc is facing an ugly battle for control with an activist fund investor, sparked by the cost of its Canadian iron ore operation, which produced 8.7 million tonnes of ore at a cash cost of more than $105 a tonne.

Labrador Iron Mines Holdings (LIM), also operating in the Labrador trough in Eastern Canada, has warned it will need fresh investment to continue mining this year after heavy investment and a fall in iron ore grades.

Citigroup said a significant fall in iron ore prices may put future projects at risk, including Australian billionaireGina Rinehart's $7.8-billionRoy Hill project and even Vale's Carajas Serra Sul mine extension in Brazil.

"The companies without the benefit of infrastructure, the ability to bring iron ore to the market at competitive costs are the most exposed to the price," said Wayne Richards, executive chairman of Australia-listed Tawana Resources, which is digging an iron ore mine in Liberia.

"What you do not want is a capital intensive project right now."

In Australia, Atlas Iron has a blueprint to triple output to 31 million tonnes a year. The company can generate enough cash to fund two years of spending, but may also face a minimum A$600-A$700 million bill to lay a rail spur and a further A$500 million in development costs, RBC Capital Markets estimates, unless it shares infrastructure with a rival.

"It's likely Atlas would have to gear up materially to fund, or partially fund such development," RBC said.

Gindalbie Metals, which has a minority stake in the Western Australia Karara venture with China's Anshan Iron and Steel Group Corp, faces further dilution if, as analysts expect, Ansteel covers its forthcoming loan payment.

Gindalbie, which expects to ship as much as 4.5 million tonnes in the second half, carries production costs of $70 a tonne or more.

For others, such as Flinders Mines Ltd, finding the funding to get the ore to market may now prove a major hurdle.

After a frustrating several years seeking a "way out" for ore from a Pilbara deposit some 200 km (125 miles) from the coast, Flinders believes it has found a solution via a joint venture, but the project still comes with a hefty $3.3 billion price tag. ($1 = 6.1462 Chinese yuan) (Reporting by Manolo Serapio Jr. in Singapore and James Regan in Sydney; Editing by Richard Pullin)

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