

Atlas Iron Limited: Meets Shipping and Cost Guidance - June 2012 Quarterly Report

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Perth, July 25, 2012 (ABN Newswire) - [Atlas Iron Limited](#) (ASX:AGO) are pleased to provide the June 2012 Quarterly Report.

HIGHLIGHTS FOR THE JUNE 2012 QUARTER

- Atlas shipped 1.50Mt (WMT) during the June 2012 Quarter, up 25% on the March 2012 Quarter and consistent with previous guidance
- Shipments totalled 5.57Mt (WMT) in the 2012 financial year, up 21% on the 2011 financial year and consistent with previous guidance
- Average price per tonne for 57.5% Fe product of ~US\$122 CFR (DMT) for the June 2012 quarter. An average of ~US\$118 CFR (DMT) was achieved inclusive of the two previously advised low-grade cargoes sold during the quarter
- Cash operating costs (FOB, excluding royalties) are in line with previous guidance of \$42-45/t for the 2012 financial year
- Acquisition of Daltons Joint Venture iron ore rights at the Mt Webber project completed
- Binding Memorandum of Understanding entered into with QR National (ASX:QRN) to progress the evaluation of an independent railway in WA's Pilbara region
- Balla Balla magnetite project sale completed in the June 2012 Quarter
- Mark Hancock appointed as Executive Director - Commercial, and leading resource industry lawyer Geoff Simpson appointed as an independent Non-Executive Director
- Abydos and Mt Dove DSO projects now under construction as part of Atlas' strategy to grow production to 10Mtpa by June 2013 and 12Mtpa by December 2013
- \$399.5 million cash on hand as at 30 June 2012

Subsequent to the end of the June 2012 Quarter

- 70% increase in Reserves to 414Mt (see Appendix 2 for further details)
- Maiden Probable Reserve at McPhee Creek Project of 89.7Mt, with a further significant Reserve and Resource update expected with the December 2012 Quarterly Report
- 46% increase in South East Pilbara Reserves to 238Mt
- 7% increase in North Pilbara Reserves to 84.8Mt net of Pardoo and Wodgina production
- Total Resources increase by 5% to ~1.1Bt (see Appendix 2 for further details)
- Experienced CFO, Anton Rohner, appointed as Atlas CFO, commencing October 2012

"This is an outstanding result all round," Managing Director Ken Brinsden said. "The production and cost figures are particularly pleasing given the impact of the failure of the Utah Point ship loader and adverse weather earlier in the year, and industry cost pressures.

"At the same time, we have ensured Atlas is well on track to double production to 12Mtpa by the end of next year and we have made further significant progress in bedding down the reserves needed to underpin our longer-term production target of 46Mtpa by 2017."

INTRODUCTION

Atlas first commenced exports from the Pardoo DSO project in the Pilbara at the rate of 1Mtpa in December 2008 and following commencement of its second operation at Wodgina in June 2010, Atlas achieved export rates of 6Mtpa in line with targeted growth initiatives. Atlas will bring a further three new mines into production in the North Pilbara (Mt Dove, Abydos and Mt Webber) in the next 18 months to achieve exports at the rate of 10Mtpa by June 2013 and targeting 12Mtpa by December 2013. With the addition of McPhee Creek and its South East Pilbara assets, Atlas plans to progressively expand its exports, targeting 46Mtpa during the 2017 calendar year.

OPERATIONS

MINE PRODUCTION AND SHIPPING

Production for the June 2012 Quarter resulted in shipments of 1.504Mt (WMT). This reflected a 25% increase on the March 2012 Quarter, which was significantly impacted by a failure of the Utah Point ship loader and adverse weather. Shipped Tonnes for the 2012 Financial Year were 5.57Mt (WMT), in line with guidance provided in January 2012. Despite the cost pressures being felt across the industry, cash operating costs (FOB, excluding royalties) for the 2012 Financial Year were in line with previous guidance of \$42-45/t.

Please see Appendix 1 for further details of production outputs by mine (refer to link at bottom of release).

MARKETING

Iron ore sales for the June 2012 Quarter were 1.504Mt WMT (1.38Mt DMT), up from the March 2012 Quarter (1.21Mt WMT (1.11Mt DMT)) which was impacted by port infrastructure and weather disruptions.

Atlas' average sale price for its standard 57.5% Fe product for the June 2012 Quarter was US\$122 per DMT consistent with the US\$124 per DMT achieved in March 2012 Quarter.

In addition to the standard grade cargos, as previously advised, Atlas also sold two lower grade cargos with an average of 53.5% Fe during the June 2012 Quarter. The overall average price for the June 2012 Quarter inclusive of those lower grade cargos was US\$118 per DMT.

Spot sales were concluded with a number of new parties during the June 2012 Quarter as the Company looked to broaden its customer base, as production levels grow during the 2013 financial year. These parties include a number of new Chinese mills and international trading groups.

PROJECTS - HORIZON 1

During the June 2012 Quarter, Atlas spent \$55.4 million on project development, with the focus being on the Wodgina Expansion project and detailed engineering across various projects.

During the second half of the 2012 financial year the Atlas Board approved the development of the Mt Dove DSO project and the Abydos DSO project. Following receipt of ground clearance approvals in June 2012, construction of Mt Dove is now underway with the construction contract awarded to MACA. Mt Dove production is expected to contribute to Atlas shipped tonnes in the December 2012 Quarter. The Abydos DSO project is gathering momentum with initial site establishment underway, pre-strip to start later in the year and first ore planned for April 2013.

Atlas' Horizon 1 growth strategy is targeting production rates of 10Mtpa by June 2013 and targeting 12Mtpa by December 2013.

Atlas previously flagged a 'Warden's Court' process in relation to an objection received to developing the originally proposed haul road network. Atlas is pleased to advise that it has completed the Warden's Court process to its satisfaction and therefore is not expecting any further impact of this matter on the development of its North Pilbara mines.

PROJECTS - HORIZON 2

Rail

Atlas / QR National progress joint Pilbara Rail study

During the June 2012 Quarter, Atlas entered into a binding Memorandum of Understanding with QR National to progress the feasibility of an independent railway in WA's Pilbara region. The proposed Pilbara Independent Rail (PIR) Project would connect iron ore deposits owned by Atlas and other companies in the East and South-East Pilbara to Port Hedland. The study is expected to be completed by the end of this calendar year, with first haulage earmarked for as early as 2015. The standard-gauge railway would be designed to be expanded progressively in line with shipping allocations at Port Hedland port. The line would initially be connected to stockpiling facilities which would be developed concurrently at Port Hedland. Under the binding agreement, Atlas and QR National will share the costs of the study and both will contribute resources as required. Any development proposal would be subject to the approvals and investment hurdles of the companies' respective Boards. The Agreement envisages that Atlas would be a foundation customer of the railway and contemplates Atlas having the option to participate as a junior equity partner in the Project. Atlas also continues to engage with other Pilbara miners in relation to rail infrastructure.

Port

North West Infrastructure

Atlas holds a 63% interest in North West Infrastructure (NWI) which has rights to 50Mtpa of export capacity at Port Hedland and is progressing its plans to develop a stockyard facility in Boodarie and berths in South West Creek at Port Hedland. Following receipt of environmental approvals for the landside development of its proposed port infrastructure during March 2012, NWI has continued to focus on technical development in preparation for construction and integration with a future rail solution.

EXPLORATION AND RESOURCE DEVELOPMENT

During the June Quarter 2012 Atlas drilled 739 RC holes and 41 diamond holes for a total of 77,694 meters across its Pilbara projects. Approximately 74% of these holes were drilled at McPhee Creek, Abydos, and Mt Webber. During the June 2012 Quarter Atlas spent \$24.4 million on exploration and resource development, and \$6.3 million on studies.

The McPhee Creek site has now been handed over to Atlas' Resource Development team from the Exploration workgroup, to continue the program of RC definition drilling as well as the ongoing metallurgical and geotechnical programs. The new McPhee Creek camp installation (60-persons) has been completed to support the ongoing exploration, resource development and associated project development works.

The remaining 26% of drilling in the June 2012 Quarter was performed on greenfields exploration projects in the Southeast Pilbara, including Jigalong, Jimblebar and Western Creek. The drilling at Jigalong has been successful in identifying further mineralisation at the Mijimiji prospects, first discovered in the Marra Mamba Formation by Hannans Reward in 2008. An initial inferred resource for Mijimiji is expected to be completed during the December 2012 Quarter.

RESOURCE AND RESERVE UPDATE

Following a drilling program of over 200,000 meters, Atlas' Reserves now stand at 414Mt at 56.9% Fe, an increase of 70% since the acquisition of FerrAus in October 2011. In addition, Atlas Resources have increased by 5% since the acquisition of FerrAus in October 2011 to 1.085Bt at 56.1% Fe (see Appendix 2 and the announcement dated 25 July 2012 for further details).

Atlas is pleased to advise a maiden Reserve (Probable Reserve) at its McPhee Creek Project of 89.7Mt at 57.7% Fe (see Appendix 2 for further details) with an Indicated Resource of 155Mt at 56.8% Fe and an Inferred Resource of 71Mt at 54.2% Fe. Significant drilling was completed at McPhee in the June 2012 Quarter, with more planned for the September 2012 Quarter. Atlas is targeting an increased Resource and Reserve base at McPhee Creek when it releases its December 2012 Quarterly Report.

Reserves at Atlas' North Pilbara projects increased from 79Mt to 85Mt despite shipping over 5.57Mt during the 2012 Financial Year. The North Pilbara projects include the Pardoo and Wodgina mining operations as well as the Mt Dove, Abydos and Mt Webber DSO projects.

Reserves at Atlas' South East Pilbara projects increased by 46% from 163Mt to 239Mt since the acquisition of FerrAus in October 2011.

A net decrease of 43.9Mt in the Resource at McPhee Creek has been estimated following additional infill

drilling within the mineralised envelope, adjustment of bulk densities and revised interpretation of the mineralised stratigraphy. While the volume of the orebody has not changed significantly; there is a reduction in in-situ density from the 3.1g/cc used in the previous resource estimate to 2.5g/cc. The focus of drilling at McPhee Creek has now switched from infill drilling to extensional work, with the intention of increasing both the resource and reserve base in the first half of the 2013 Financial Year. With significant drilling planned at McPhee Creek in the 2013 Financial Year, Atlas is confident of material resource upside at McPhee Creek.

There is a net increase of 49.1Mt in the Boolgeeda Formation resulting from an updated resource estimate for McCamey's North and a maiden inferred resource of 41.2Mt at 55.6% Fe at the Hickman DSO project. With additional drilling planned at Hickman in the 2013 Financial Year, Atlas is confident there is further resource upside at Hickman.

CORPORATE

Mt Webber DSO Project - Daltons Joint Venture

On 26 March 2012 Atlas announced that it had entered into a binding Heads of Agreement to acquire the remaining 25% of the iron ore rights on the relevant Daltons Joint Venture tenements from Haoma Mining (see announcement of 26 March 2012 for further details). During the June 2012 Quarter, Atlas finalised the formal agreement with Haoma and paid the agreed consideration of \$10 million in cash and 8.4 million Atlas ordinary shares.

Magnetite Projects

Ridley

Commercial negotiations have continued during the June 2012 quarter with potential investors or partners in the Ridley magnetite project

Balla Balla

During the June 2012 Quarter, and following the approval of the transaction by Forge Resources Limited (ASX:FRG) shareholders, the Company received the remaining \$39 million in proceeds for the sale of its Balla Balla magnetite project to Forge. Atlas remains exposed the project via royalty stream

Centaurus Metals Limited (ASX:CTM)

Atlas holds a 19.85% strategic interest in [Centaurus Metals Limited](http://www.centaurus.com.au), an emerging Brazilian iron ore explorer and developer (see Centaurus' website: www.centaurus.com.au for further details).

Subsequent to the June 2012 Quarter, the Company participated in a capital raising by Centaurus to maintain its 19.85% strategic interest by subscribing for up \$5.2 million in two tranches. Subject to approval by Centaurus shareholders, the 2nd tranche is expected to be completed late in the September 2012 Quarter (see Centaurus' ASX announcement dated 9 July 2012 for further information).

Shaw River Manganese Limited

Atlas holds a 45.4% strategic interest in Shaw River, a manganese exploration and development company (see Shaw River's website: www.shawriver.com.au for further details).

Subsequent to the June 2012 Quarter, the Company committed itself to participating in Shaw River's \$8 million capital raising to maintain and potentially increase its 45.4% strategic interest by subscribing for up to \$5 million.

Changes to the Board of the Directors and Senior Management

During the June 2012 Quarter, Mark Hancock, former Chief Commercial Officer was appointed as Executive Director. At the same time, Geoff Simpson, a leading resource industry lawyer was appointed as an independent Non-Executive Director. (See announcement dated 25 May 2012 for further details).

Atlas is pleased to advise that it has appointed Anton Rohner as Chief Financial Officer (CFO) effective from

early October 2012. Anton brings over 20 years' experience across banking, energy and mining sectors to the role. Prior to Atlas Anton served as CFO for an ASX200 listed resources company for three years and before that has held Managing Director and Senior Finance roles at investment banking, mining and utilities companies in Australasia. His experience in operations and financing large energy, mining and infrastructure assets will assist Atlas in achieving its production targets. Anton Rohner is an Accountant (CPA Australia) and a member of the Australian Institute of Company Directors.

New Registered Office and Principal Place of Business

Subsequent to the June 2012 Quarter, the Company moved premises to Level 18, Raine Square, 300 Murray Street, Perth.

To view the complete Atlas Iron's June quarterly report including Tables and Appendix, please click the link below:

<http://media.abnnewswire.net/media/en/docs/73241-ASX-AGO-597247.pdf>

About Atlas Iron Limited

Atlas Iron Limited (ASX:AGO) is mining and exporting from its 100%-owned Pardoo and Wodgina Iron Ore projects, located 75 kilometres and 110km by road from Port Hedland in the Pilbara region of Western Australia. In the 2009/10 financial year Atlas shipped over 1.2 million tonnes of Pardoo Direct Shipping Ore (DSO). Atlas is expanding its production from its Wodgina and Pardoo DSO mines following the commissioning of the Utah Point port facility and is targeting exports at an annualised rate of 6 million tonnes by the end of 2010. When combined with additional export tonnages from its Abydos & Mt Webber DSO Projects, the Company is targeting exports at an annualised rate of 12 million tonnes during 2012.

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