

Copper starts to shine at Rio

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Rio Tinto has revealed a 15 per cent boost to its full-year copper guidance while its flagship iron ore division continued to meet analyst expectations.

Iron ore dominates Rio Tinto's revenues, but its limelight was stolen by the copper division this morning during an upbeat set of June-quarter results.

Rio had promised to produce 260,000 tonnes of refined copper during the 2014 calendar, but better than expected production at its copper mines in the United States and Mongolia allowed the miner to boost that to 300,000 tonnes today.

The result was well-timed, with copper prices bouncing toward the end of the June quarter, and fetching just below \$3.27 per pound earlier this week.

Rio's iron ore division shipped 75.7 million tonnes during the June quarter, of which 57.5 million tonnes belonged to Rio.

That was slightly below, but broadly in line with analyst estimates.

Full year iron ore guidance remains unchanged at 295 million tonnes, but Rio said it may ship 300 million tonnes. That dynamic reflects the situation in the Pilbara, where Rio's rail and port infrastructure are far more advanced than mine production, which will be upgraded over the next 12 months to allow Rio to hit its long term production goal of exporting 360 million tonnes of iron ore each year.

The news was less positive in the coal sector, which is already struggling under low commodity prices.

Rio today lowered its guidance for coking coal production by almost ten per cent, from 8.2 million tonnes to 7.4 million tonnes.

The reduction is partly due to a deliberate decision to produce more thermal coal at the Hail Creek mine, because it earns higher margins than the coking coal at that mine.

The guidance falls is also due to a slower than expected ramp up at the Kestrel mine near Emerald in Queensland.

Thermal coal production guidance has duly been lifted from 16.7 million tonnes to 17.5 million tonnes, but with low coal prices continuing to drag, the increased production won't have a huge impact on revenues.

The Aluminium division has been Rio's problem child for many years, but continued its mini revival with some positive results.

Despite curtailing numerous unprofitable assets around the world over the past year, including the Gove Alumina refinery, production of Aluminium matched that result seen in the first half in 2013, while production of Alumina was 1 per cent higher.

The result reflects the productivity gains achieved across the system through the closures, as well as the impact of a modern, highly efficient new Aluminium facility in Quebec called AP60.

The true test for the Aluminium division will come in the half year results in August, when its can be measured against its \$US1 billion cost reduction target.

Alumina production will not meet expectations however with guidance for the full year reduced today from 8 million tonnes to 7.6 million tonnes.

This story was found at: <http://www.brisbanetimes.com.au/business/mining-and-resources/copper-starts-to-shine-at-rio-20140716-zti7b.html>