

STEEL-INSIGHTS, LLC
Metals, Mining & Manufacturing Strategic Consulting

Iron Ore Market Outlook Report

An analysis of the impact of the commodity super
down cycle.

By Becky E. Hites

March 2015





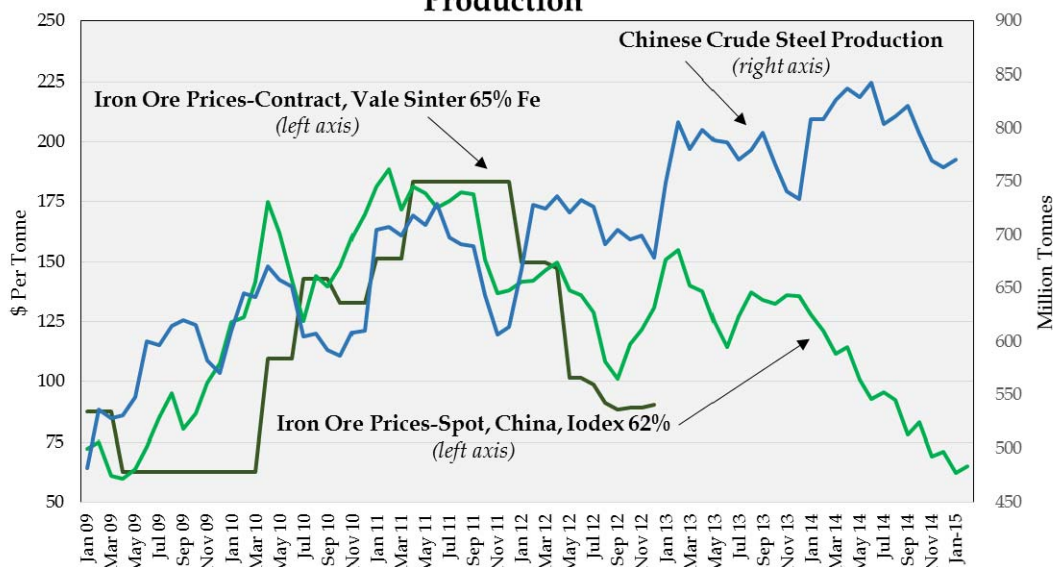
Information included in this report is believed to be true and the author has exercised due diligence in obtaining the data from market and private sources. This report is not intended to be the sole basis for making an investment and the reader is cautioned to exercise additional independent due diligence before making any investment decision.

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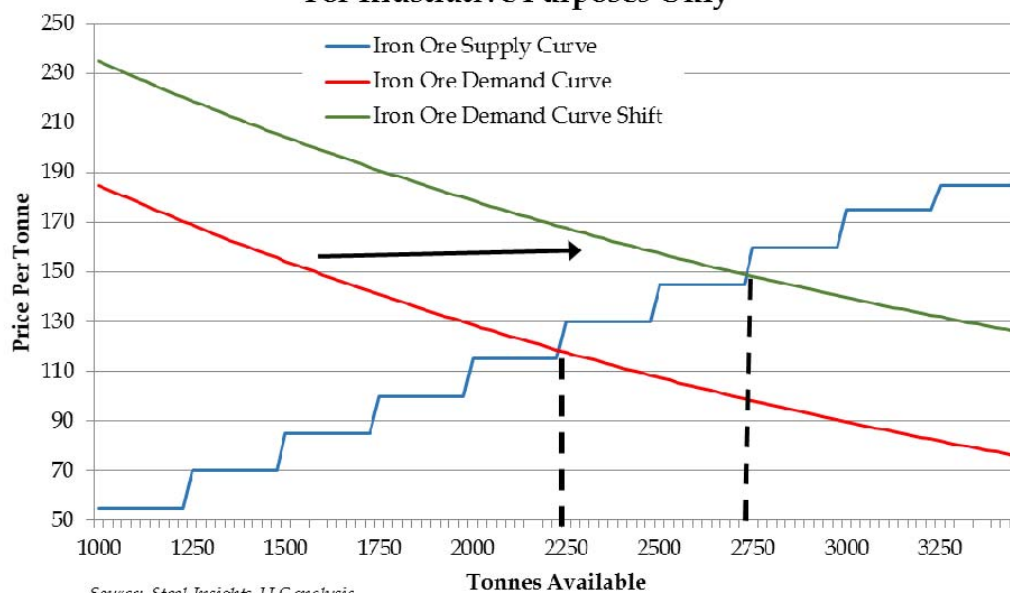
Global Supply Has Caught Up With Demand

Iron Ore Prices-Contract (Vale 65% Fines) and Spot (Iodex 62% Fe) Compared to Chinese Steel Production



Source: World Steel Association, UNCTAD, Steel Market Update, market sources & Steel-Insights, LLC estimates

Iron Ore Supply & Demand Curves
For Illustrative Purposes Only



Source: Steel-Insights, LLC analysis

Continued Massive Additional Capacity Additions Overhang the Market

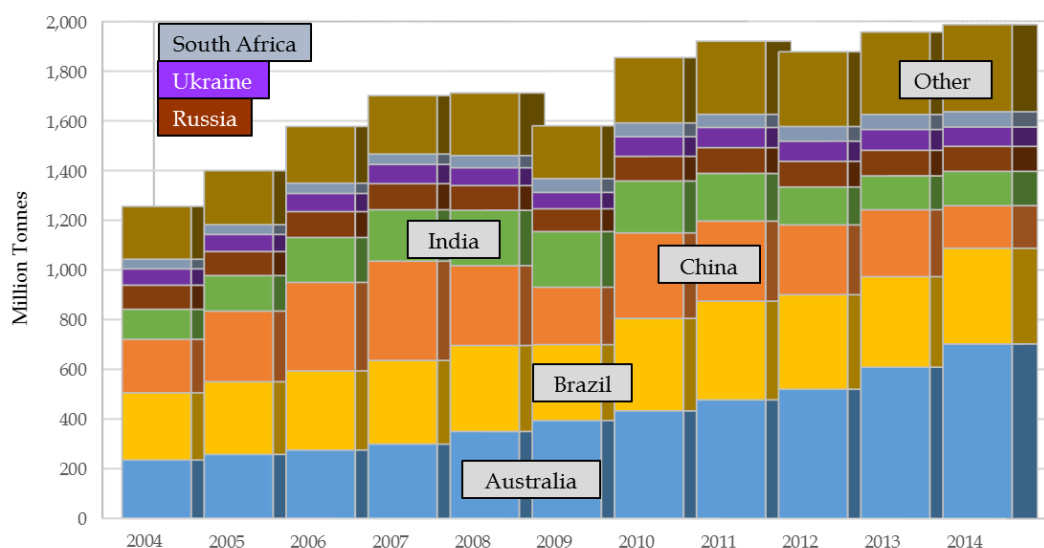
Iron Ore Production By Leading Iron Ore Miners

(million tonnes)

	FYE	2012	2013	2014	2015e	2016e	2017e	2018e	2019e
BHP	Jun	149	187	225	241	245	260	275	290
BHP Samarco	Jun	10	11	11	15	15	15	15	15
Fortescue	Jun	57	81	83	155	175	180	180	180
Rio Tinto	Dec	209	203	240	349	360	360	360	360
Rio IOC		18	20	21	22	23	26	26	26
Vale	Dec	258	265	327	340	376	411	453	459
Total		702	766	906	1,122	1,194	1,252	1,309	1,330
Tonnage Increase			64	140	216	72	58	57	21
Percentage Increase			9.1%	18.3%	23.8%	6.4%	4.9%	4.6%	1.6%

Source: Market Sources & Steel-Insights, LLC estimates

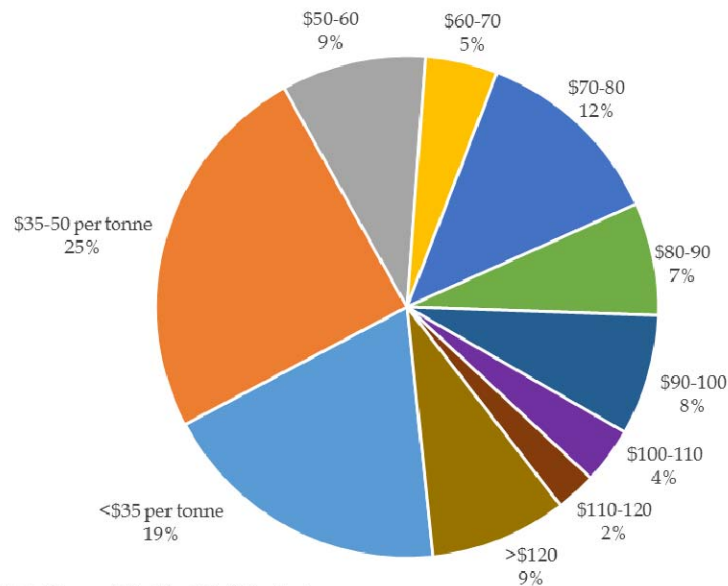
Global Iron Ore Production By Major Countries



Source: World Steel Association, UNCTAD, Caromb Consulting, Market Sources & Steel-Insights, LLC estimates

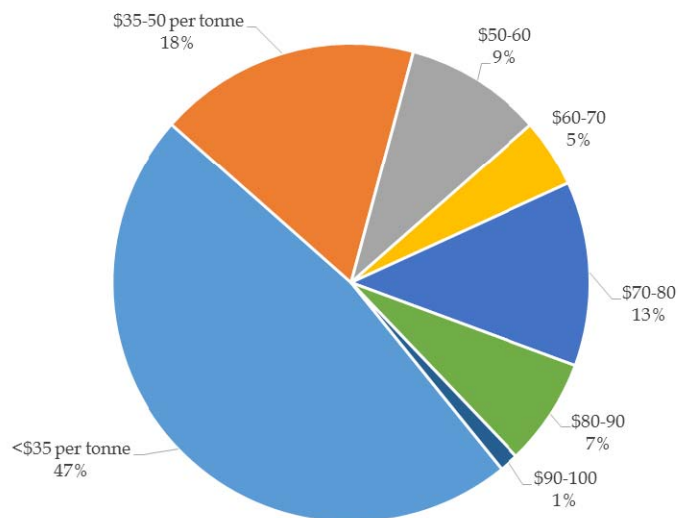
High Cost Production Is Being Pushed Out of the Market

**Iron Ore Production Cost Profile on
1.9 Billion Tonnes of Production, 2013**



Source: Market Sources & Steel-Insights, LLC estimates

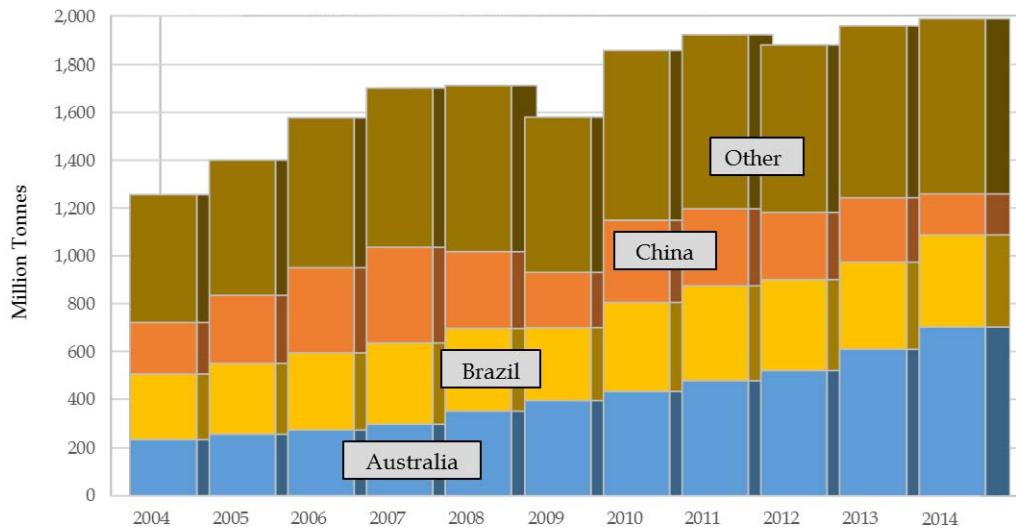
**Iron Ore Production Cost Profile on
1.9 Billion Tonnes of Production, 2015e**



Source: Market Sources & Steel-Insights, LLC estimates

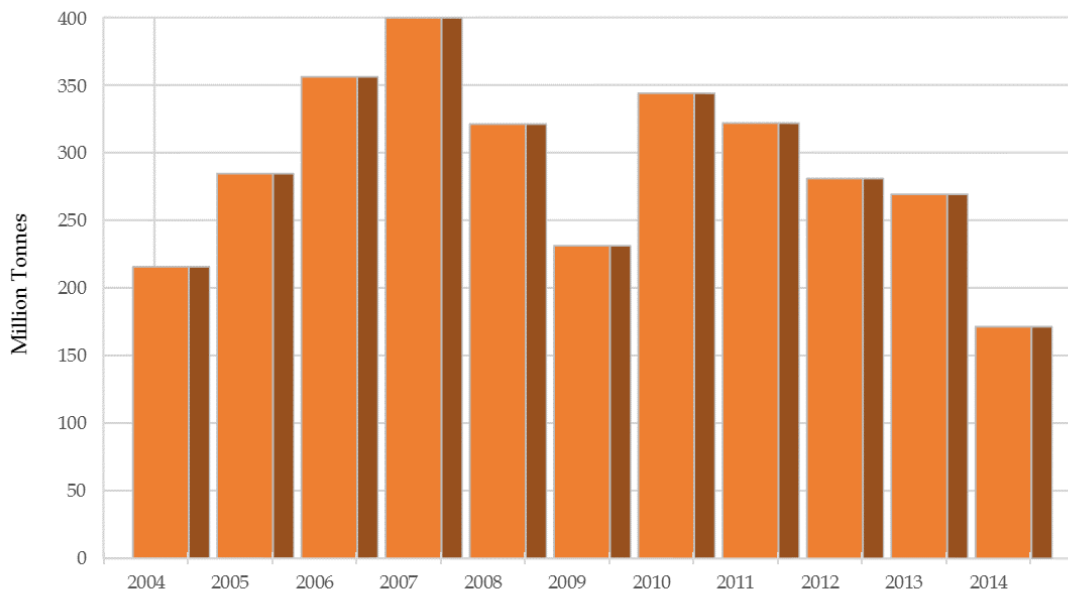
Low Cost Australian Production Has Displaced High Cost Chinese Production

Global Iron Ore Production Big 3 Producing Countries



Source: World Steel Association, UNCTAD, Caromb Consulting, market sources & Steel-Insights, LLC estimates

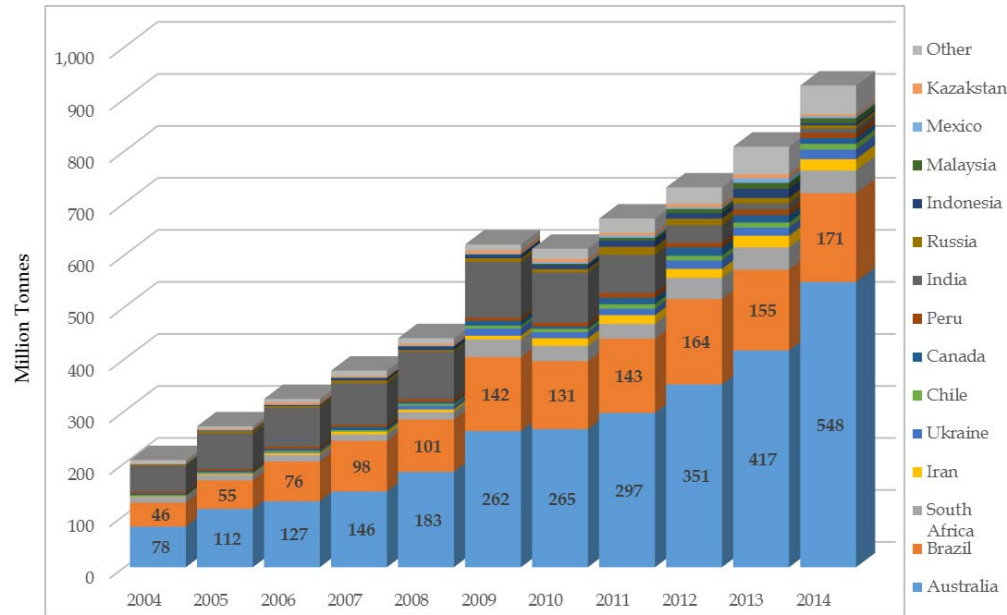
Chinese Iron Ore Production



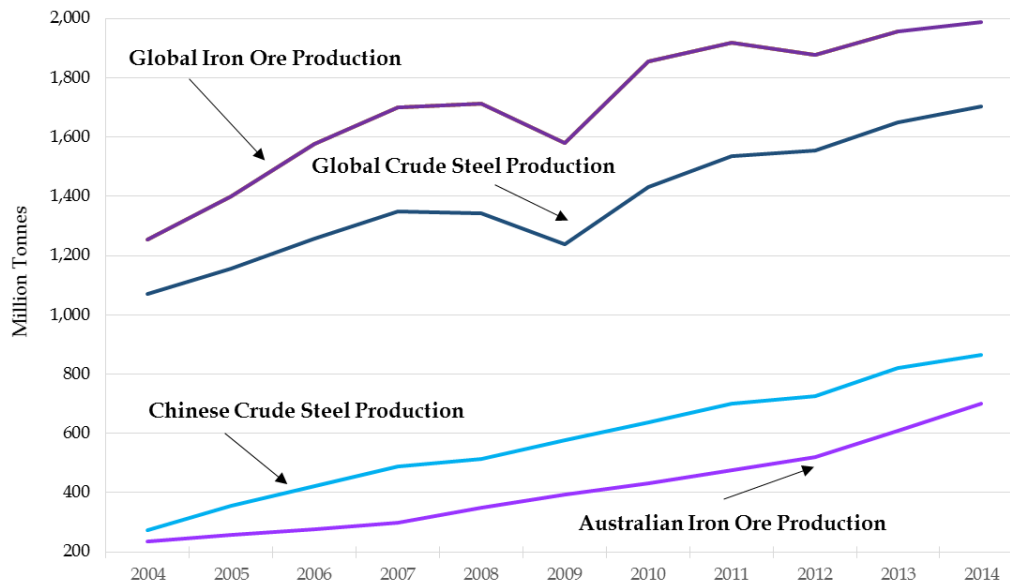
Source: World Steel Association, UNCTAD, Caromb Consulting, Market Sources & Steel-Insights, LLC estimates

Australian Iron Ore Dominates Chinese Imports

Iron Ore Imports by China by Source Country

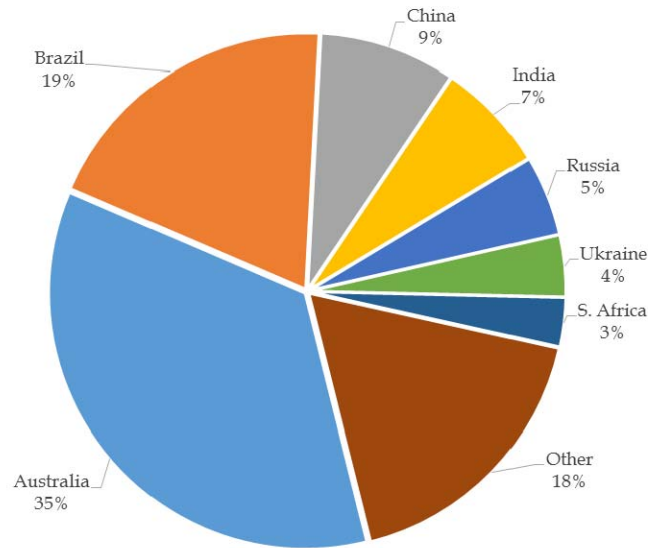


Global and Australian Iron Ore Production Compared to Global and Chinese Crude Steel Production



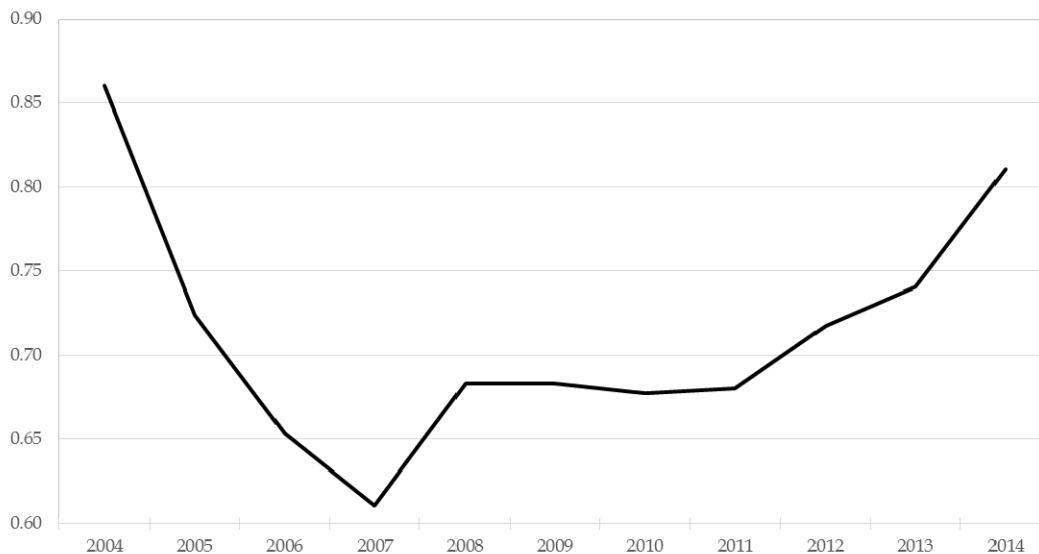
Australia Has Re-Emerged As Dominant Global Producer

Iron Ore Production By Country
1.986 Billion Tonnes of Production, 2014



Source: Caromb Consulting & Steel-Insights, LLC estimates

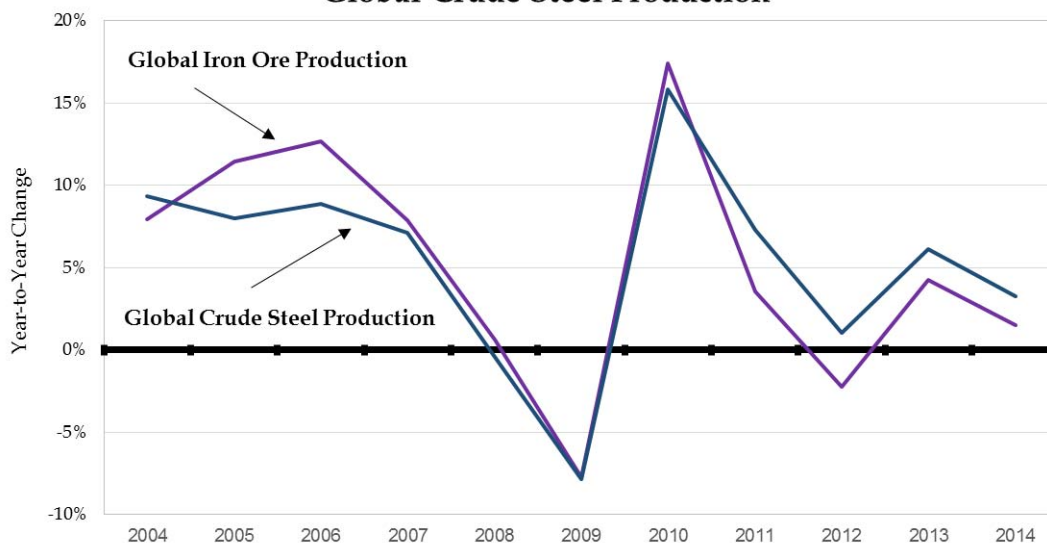
**Ratio of Australian Iron Ore Production to
Chinese Crude Steel Production**



Source: World Steel Association, UNCTAD, Caromb Consulting, market sources & Steel-Insights, LLC estimates

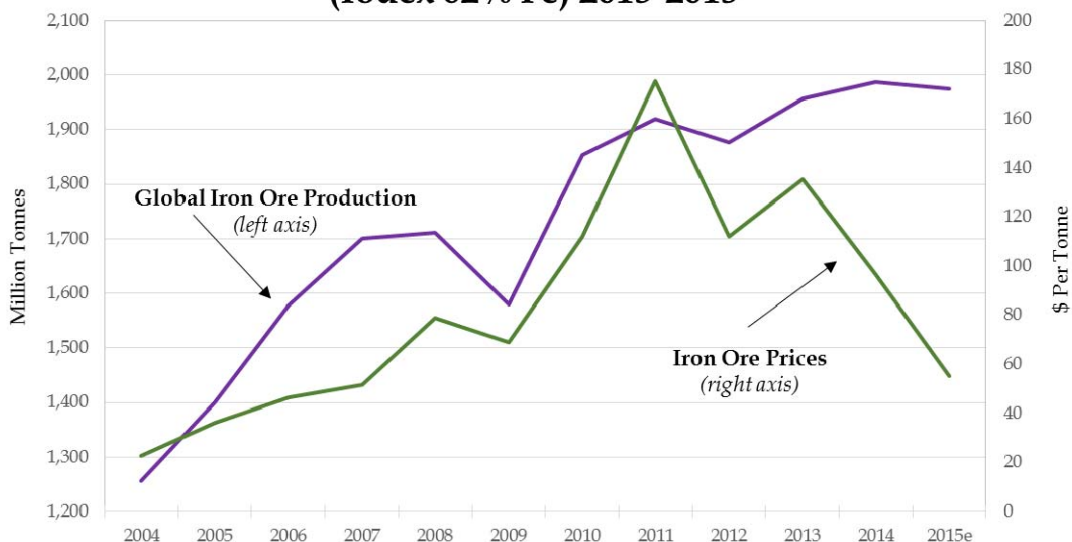
Production & Pricing Will Decline in 2015

**Annual Percent Change
Global Iron Ore Production Compared to
Global Crude Steel Production**



Source: World Steel Association, UNCTAD, Caromb Consulting, Market Sources & Steel-Insights, LLC estimates

**Global Iron Ore Production Compared to
Iron Ore Prices (Vale 65% Fines) through 2012
(Iodex 62% Fe) 2013-2015**



Source: World Steel Association, UNCTAD, Caromb Consulting, Market Sources, & Steel-Insights, LLC estimates

Steel-Insights, LLC – “Seeing” What Others Don’t – Identifying & Harnessing Resources for Success

In WWII, American submarine commanders endured despite being outclassed by superior equipment and outgunned (fully functioning torpedoes weren’t available to them for the first 21 months of the Pacific War). In the fog of war, as often is the case in business, decisions with long impacting outcomes have to be made without the luxury of complete or definitive information.

Steel-Insights was formed to assist executive management teams navigate the “noise of battle” by more effectively managing the abundant resources available today and harnessing those resources to explore thought provoking and penetrating issues in order to magnify the pivotal decisions required for the long-term success of their companies in arguably tough industries that must survive challenging cycles, i.e. training and empowering submarine commanders.

