

## Daily Iron Ore Index Report

May 11, 2018

### IRON ORE PORT STOCK INDEX (IOPI)

May 11, 2018		FOT Qingdao (inc. 16% VAT), RMB/wet tonne							CFR Qingdao Equivalent (exc. 16% VAT), USD/dry tonne <sup>1</sup>						
Index	Fe Content	Change	Change %	MTD	YTD	Low <sup>2</sup>	High <sup>2</sup>		Change	Change %	MTD	YTD	Low <sup>2</sup>	High <sup>2</sup>	
IOPI62	62% Fe Fines	483	9	1.9%	476	480	443	559	67.12	1.58	2.4%	66.05	66.57	61.36	77.89
IOPI58	58% Fe Fines	323	-3	-0.9%	328	325	304	376	43.51	-0.28	-0.6%	44.1	43.75	40.67	50.97
IOPI65	65% Fe Fines	577	9	1.6%	571	593	541	690	80.98	1.63	2.1%	79.94	83.2	75.83	97.1

### IRON ORE DOMESTIC CONCENTRATE SPOT PRICE ASSESSMENTS AND COMPOSITE INDEX

Week Ending May 4, 2018				RMB/tonne (excluding tax)				USD/tonne (excluding tax) <sup>3</sup>			
Province	Region	Product	Basis	This week	Change %	Low <sup>2</sup>	High <sup>2</sup>	This week	Change %	Low <sup>2</sup>	High <sup>2</sup>
Hebei	Hanxing	66% Fe Concentrate	Dry	602	1.0%	579	682	95.08	1.4%	91.44	107.71
Hebei	Qian'an	65% Fe Concentrate	Dry	635	0.8%	630	710	100.29	0.0%	99.50	112.13
Liaoning	Anshan	65% Fe Concentrate	Wet	455	0.0%	450	550	71.86	-0.8%	71.07	86.86
Shandong	Zibo	65% Fe Concentrate	Dry	645	0.0%	620	690	101.87	-0.8%	97.92	108.97
Week Ending May 4, 2018				This week	Change %	Low <sup>2</sup>	High <sup>2</sup>	<sup>1</sup> Exchange rate applied: RMB/USD = 6.3524 <sup>2</sup> Since March 1 <sup>3</sup> Weekly exchange rate applied: RMB/USD 6.3318			
China Mines Composite Index Price, May 2007 = 100				76.43	5.1%	76.01	89.12				

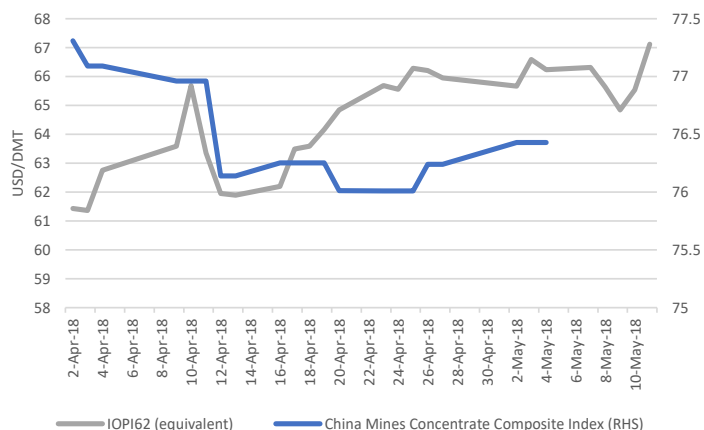
### MARKET COMMENTARY

Friday morning was a rather stale affair with little movement of note. However, as the DCE iron ore market started to heat up a little, offer activity moved in a commiserate fashion. Traders started to press the mills, sensing the pricing power in their favour and those mills who have been on the side-line the past few days found they had little recourse but increase their bids as well. Analysts at SMM seem to believe that this momentum could bleed into next week.

### PLATFORM TRADES AND TENDERS

61% Fines trades 170,000t on tender basis at 65.89USD/dmt, 27 May—5 June Laycan  
 61% Fines trades 170,000t on tender basis at 66.60USD/dmt, 13—22 June Laycan

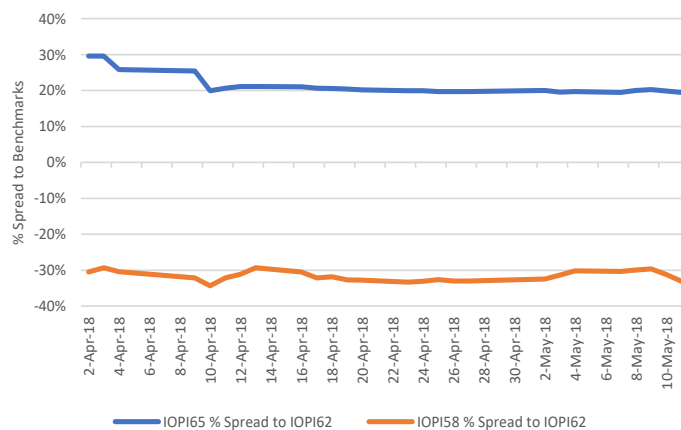
### MMi BENCHMARK IRON ORE PRICES



### IRON ORE HIGH/LOW GRADE PREMIUM/DISCOUNT

May 11, 2018		PORT STOCK INDEX (RMB/WT)	
Fe Content		Spread to IOPI62	% Spread to IOPI62
58% Fe Fines		-160	-33.13%
65% Fe Fines		94	19.46%

### IRON ORE HIGH/LOW GRADE PREMIUM/DISCOUNT



### IRON ORE FUTURES CONTRACTS

Closing Date	DCE			SGX		
	11 May 3pm close			11 May 6pm		
Contract	I1809	Change	Change %	May'18	Change	Change %
Closing Price	482.5	12.5	2.66%	67.53	1.3	1.96%
Vol traded ('000 lots)	3,327.3	917.7	38.08%	3.10	-0.5	-14.57%
Open positions ('000 lots)	2,104.4	144.7	7.38%	121.89	-0.6	-0.49%
Day Low	472.0	6.0	1.29%	66.86	0.9	1.40%
Day High	486.0	14.0	2.97%	67.61	1.3	2.02%

### FREIGHT RATES

May 10, 2018		FREIGHT RATES - DRY BULK US\$/wet tonne				
Route	Designation	Change	Change %	Low <sup>2</sup>	High <sup>2</sup>	
W. Australia - Qingdao	C5	8.25	-0.24	-2.84%	4.383	9.98
Tubarao - Qinedao	C3	18.42	-0.10	-0.55%	10.796	21.273

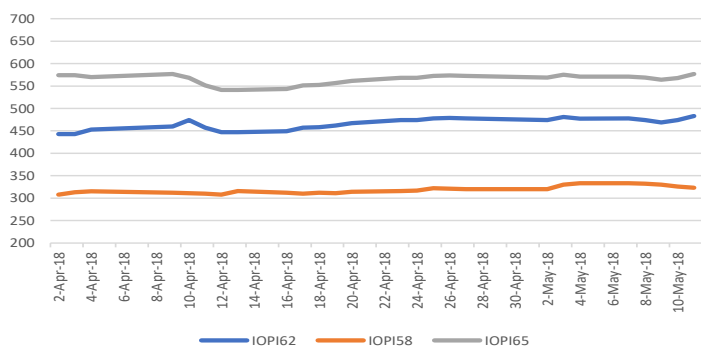
### IRON ORE PORT INVENTORIES

Week Ending May 4, 2018 (million tonnes)				
Province	This week	Change %	Low <sup>2</sup>	High <sup>2</sup>
Jingtang	17.5	2.34%	12.3	19.9
Qingdao	19.1	-1.04%	15.6	20.0
Caofeidian	23.3	0.43%	16.6	25.3
Tianjin	9.4	-9.62%	8.0	11.3
Rizhao	19	2.70%	13.1	19.0
Total (35 Ports)	146.6	0.07%	124	150

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### IRON ORE PORT INDEX, FOT QINGDAO (RMB/WT)



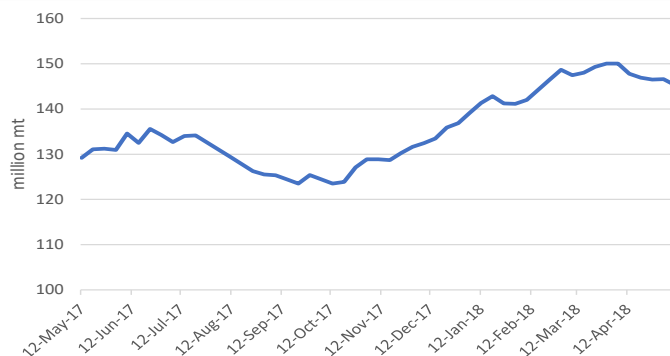
### CHINA MINES CONCENTRATE COMPOSITE INDEX, BASIS 2007 = 100



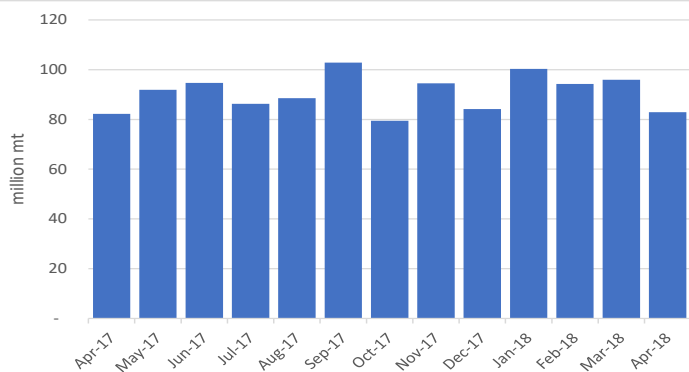
### IRON ORE BRAND SPOT PRICE ASSESSMENTS

May 11, 2018	PORT STOCK INDEX (RMB/WT)		
	Price	Diff to IOPI62	Change
Roy Hill	469	-14	9
PB Fines	476	-7	17
Newman Fines	492	9	9
MAC Fines	476	-7	9
Jimblebar Blended Fines	467	-16	17
Carajas Fines	594	111	10
Brazilian SSF	481	-2	9
Brazilian Blend Fines	498	15	9

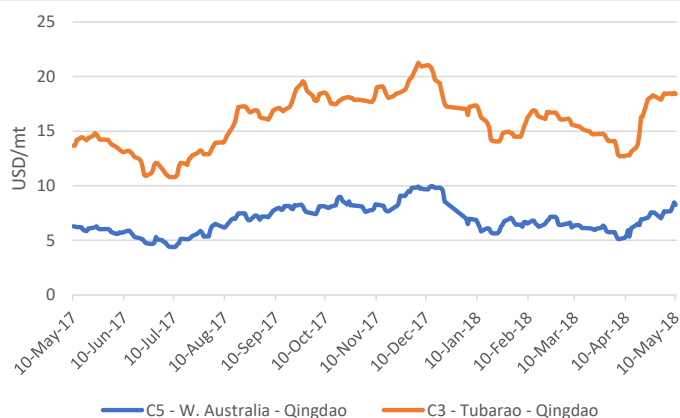
### TOTAL IRON ORE INVENTORIES AT CHINA PORTS



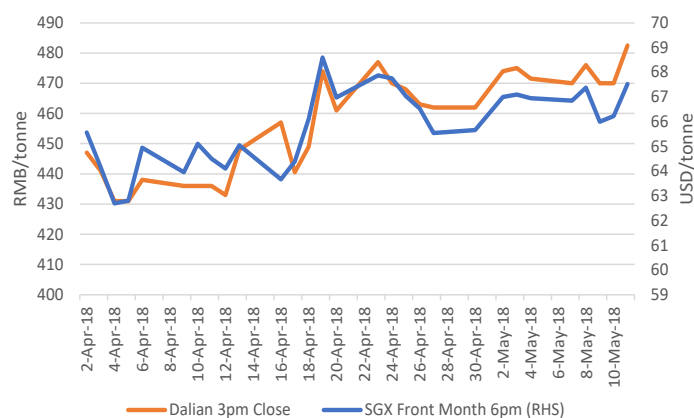
### TOTAL CHINA IRON ORE IMPORT VOLUMES



### DRY BULK FREIGHT RATES



### FUTURE TRADING—FRONT MONTH CLOSING PRICE



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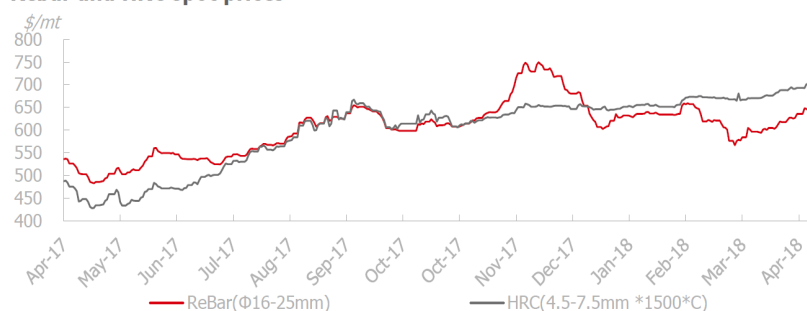
### STEEL SPOT MARKET—CHINA

#### Steel Spot Market RMB/tonne

Product	5/4/2018	Change	Change %	4/27/2018	Change	Change %
ReBar HRB400 φ18mm	4,090	117	2.93%	3,973	140	3.64%
Wirerod Q300 φ6.5mm	4,400	151	3.56%	4,249	81	1.95%
HRC Q235/SS400 5.5mm*1500*C	4,194	70	1.70%	4,124	86	2.12%
CRC SPCC/ST12 1.0mm*1250*2500	4,620	47	1.03%	4,573	43	0.95%
Medium & Heavy Plate Q235B 20mm	4,460	77	1.76%	4,383	53	1.22%
GI ST02Z 1.0mm*1000*C	5,325	25	0.47%	5,300	15	0.28%
Billet Q235 150*150mm	3,660	90	2.52%	3,570	10	0.28%

### CHINESE STEEL SPOT MARKET—REBAR & HRC IN USD/TONNE

#### Rebar and HRC spot prices



### CHINESE STEEL INVENTORIES

#### Steel Inventories<sup>3</sup> (unit: 1000 tonnes)

Product	5/4/2018	4/27/2018	Change	Change %
Rebar	6,823	7,260	-437	-6.02%
Wirerod	2,101	2,230	-129	-5.78%
Hot-rolled Coil	2,278	2,331	-53	-2.27%
Medium & Thick Plate	854	853	1	0.12%
Cold-rolled Coil	1,138	1,149	-11	-0.96%
Total	13,194	13,824	-630	-4.56%

<sup>3</sup> SMM statistics cover inventories of major steel products in China's major markets: hot-rolled steel inventories in 33 major cities; rebar and wire inventories in 35 major cities; cold-rolled steel and medium-thick plate inventories in 31 major cities.

### CHINESE STEEL MILL PROFITABILITY

#### SMM Tracking of Steel Mill P&L - Rebar and Hot-rolled Coil (RMB/tonne unless noted otherwise)

Category	Price	Change	Note
Iron ore Port Index FOT Qingdao (inc. 17% VAT), I	478	0	MMI index for 7th May 2018
Coke	1,720	50	2nd grade met coke, Tangshan, incl. tax
Steel Scrap	2,170	110	steel scrap (6mm) in Zhangjiagang, excl. tax
Billet Cost	2,571	45	Q234, incl. tax
Rebar cost - Blast furnace	2,827	42	calculated based on theoretical weight, incl. tax
Rebar profit - Blast furnace	1,183	48	based on Shanghai prices, incl. tax
Hot-rolled coil cost - Blast furnace	2,898	45	based on actual weight, incl. tax
Hot-rolled coil profit - Blast furnace	1,302	45	based on Shanghai prices, incl. tax

Note: 1 Costs in the table are calculated based on today's market prices and factor our management, sales, financial and depreciations fees.

2. The cost refers to average cost in the industry based on SMM's survey of small, medium and large mills in China

### CHINESE STEEL EXPORT PRICES

#### China Export Prices USD/tonne

Product	Specification	Export tax (+)/Vate rebate (-)	Latest transaction prices		Change
			5/4/2018	4/27/2018	
Rebar	BS4449 460B 12-25mm, + chrome	-13%	600	595	5
Wire Rod	SAE1008 6.5-10mm +chrome	-9%	565	570	-5
Hot-rolled coil	SS400/Q235 4.0-10.mm	-9%	595	595	0
Cold-rolled coil	SPCC 1.0mm	-13%	625	620	5
Medium & Heavy plate	A-level Ship plate 12-25mm	0%	610	606	4
Galvanised	ST02Z/SGCC 1.0mm	-13%	690	690	0

Note: Calculation formula for converting export prices of rebar, cold-rolled steel and galvanizing into prices in China's spot market = FOB \* exchange rate \* 1.16 / (1.16 - 0.13); Calculation formula for converting export prices of wire rod and hot-rolled steel into prices in China's spot market = FOB \* exchange rate \* 1.16 / (1.16 - 0.09); Calculation formula for converting export prices of medium-thick plate into prices in China's spot market = FOB \* exchange rate

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### IRON ORE INDEX SPECIFICATIONS, COMPILATION RATIONALE AND DATA EXCLUSIONS

Iron Ore Index Specifications (Port)				Iron Ore Index Compilation Rationale and Data Exclusions
	65% Fe Fines	62% Fe Fines	58% Fe Fines	
Fe %	65.00	62.00	58.00	
Alumina %	1.40	2.25	2.25	
Silica%	1.50	4.00	5.50	
Phosphorus %	0.06	0.09	0.05	
Sulphur %	0.01	0.02	0.02	
Moisture %	8.00	8.00	9.00	
Sizing	Granular size below 10mm for at least 90% of cargo; maximum of 40% below 150 micron			
Location	Qingdao Port			
Timing (Seaborne)	Loading within 4 weeks, Delivery within 8 weeks			
Payment Terms	L/C at sight			

### IRON ORE DOMESTIC CONCENTRATE INDEX CALCULATION METHODOLOGY

The compilation method for price index generally refers to the compilation method of CPI price index and other price indices, breakdown the price data and calculate the average value according to a certain method, taking the vertical axis as the regional composite index (average of different grade index) and the horizontal axis as the grade composite index (average of different regional index), a total composite index for domestic ore can be output ultimately. The process system is also adopted in the calculation i.e. each sub-index can be obtained as well.

### IRON ORE PORT INDEX NORMALISATION DIFFERENTIALS

Content Differentials (RMB/wet tonne)				Port Differentials to Qingdao Port RMB/wet tonne		
	Applicable range		Change	Port		Change
1% Fe	High Grade Fe 60 - 63%	8.00	0.00	Bayuquan	-10.00	0.00
	High Grade Fe 63 - 64%	32.00	0.00	Beilun	2.00	0.00
	High Grade Fe 64 - 65%	35.00	0.00	Caofeidian	-5.00	0.00
	High Grade Fe 65 - 65.5%	35.00	0.00	Dalian	0.00	0.00
	Low Grade Fe	6.00	0.00	Fangcheng	0.00	0.00
1% Alumina	High Fe Grade Al <2.25%	12.00	0.00	Jiangyin	-30.00	0.00
	High Fe Grade Al 2.25-4%	12.50	0.00	Jingtang	-5.00	0.00
	Low Fe Grade	12.50	0.00	Lanshan	5.00	0.00
1% Silica	High Fe Grade Si <4%	1.00	0.00	Lanqiao	0.00	0.00
	High Fe Grade Si <4 - 6.5%	10.50	0.00	Lianyungang	0.00	0.00
	High Fe Grade Si <6.5 - 9%	25.00	0.00	Majishan	0.00	0.00
	Low Fe Grade	24.00	0.00	Nantong	-30.00	0.00
0.01% Phosphorus	High Fe Grade 0.08%<P<0.115%	0.00	0.00	Qingdao	0.00	0.00
	High Fe grade 0.115%<P<0.15%	12.50	0.00	Rizhao	0.00	0.00
	Low Fe Grade 0.08 < P < 0.15%	0.00	0.00	Tianjin	-20.00	0.00

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