

Iron Ore: Market Outlook to 2020

ARE YOU FACING BIG DECISIONS INVOLVING IRON ORE?

The market for iron ore is global, and local events can make waves across the world. If you're involved with iron ore in any way, you know that everything's important – both the small details and the big picture. A complete perspective is essential, whether you're preparing a company strategy, bringing product to market, buying, selling or investing.

MAKE THE RIGHT CHOICE

Whatever your challenge, this report gives you deep insights to help you make well-informed recommendations or decisions. It's a detailed account of:

- World production and consumption
- Eight year price forecasts
- End-use market applications
- Demand projections
- International trade patterns
- The operations of the major producers
- Potential new and expansion projects

IS THIS REPORT FOR YOU?

Our clients include anyone with an interest in the evolving iron ore market, anywhere in the world. Readers of past reports have come from a wide range of relevant industries – from extraction to end-use, from mines to consumers to banks, from existing players to new entrants. And they range from analysts and researchers to operational managers and chief executives.

To order your report, visit www.roskill.com/iron-ore or call +44 20 8417 0087 now.

WHAT READERS SAY

“When we review project or company opportunities, the most important area of review is the market place. We have always deferred to Roskill reports and their services for the prime benchmark reference point.”

Michael Kiernan,
Consolidated Minerals Limited

“Roskill has been a key reference to our industry for a long time...the best reference about the market and industries.”

Bayram AnKarali
Etimine SA, Turkey

“One of the few sources available for critical, detailed and reliable information on the industrial minerals markets.”

Emilio Lobato,
Technical Marketing Manager,
Magnesita Refratarios SA, Brazil

GET ACCURATE ANSWERS FROM INDEPENDENT EXPERTS

- Which regions are the most likely growth markets during the outlook period?
- What is the status of existing and planned operations?
- What are the trends in the intensity of use of iron ore and steel?
- What will be the driving forces behind iron ore prices through to 2020?
- What upside and downside risk factors does the iron ore industry face?

WHY READERS CHOOSE ROSKILL

We're approachable. Our sources include a large network of industry contacts: the key players talk to us because we're approachable and because they know us well.

We're independent. The information and insights in “Iron Ore: Market Outlook to 2020” are completely independent. We're privately-owned and not beholden to anyone. Our expert researchers make a thorough and objective analysis of all available data, from sources across the globe.

We're expert. You want facts from people who know what they're talking about. Roskill's experts have been analysing the iron ore industry for over 35 years and this is our 7th report on this sector.

This report gives you a full analysis of the key trends, issues and developments in the market, a clear insight into all areas of the industry and an authoritative analysis of its prospects.

Approachable. Independent. Expert.

That's why no other report can match the accuracy, depth and expertise of “Iron Ore: Market Outlook to 2020”.

WHAT ELSE CAN WE DO FOR YOU?

We also offer expert bespoke consultancy to help you tackle specific complex challenges, such as feasibility studies, market assessments or due diligence reports.

If you'd like to discuss a project, please email robert@roskill.co.uk or call +44 20 8417 0087.

What's included?

Contents: 350 pages, 182 tables, 63 figures plus trade appendix

OVERVIEW

From 2006 to 2011, the promise of a high return on investment led to a decrease in the concentration of corporate control of seaborne trade in iron ore. During this period, the share of seaborne trade controlled by Rio Tinto, BHP Billiton and Vale (the "Big Three") fell to 57.3% of the world total. This trend is expected to reverse to 2020, as the limited availability of capital will make securing project financing increasingly difficult for emerging producers.

It is estimated that 425Mtpy of nameplate capacity will be added from the middle of 2012 to the end of 2014 and that capacity additions will continue to exceed 100Mtpy through to 2020. These additions are likely to exceed demand growth and mostly represent low to medium-cost operations. Consequently, producers at the higher end of the cost curve – particularly those in China – will gradually find themselves unable to compete in the open market.

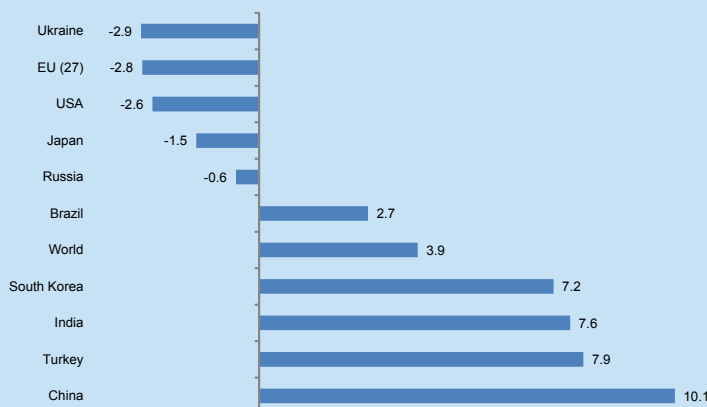
In 2012, a destocking phase among steel producers depressed demand for iron ore and the World Steel Association expects apparent consumption of finished steel products to grow by only 2.1% in 2012, down from 6.2% in 2011. During the period to 2020, however, rising demand from other emerging nations is unlikely to fully offset the slowing pace of growth in the intensity of steel use in China. Growth in apparent crude steel

use will average 2.9%py from 2012 to 2020. Owing to the on-going shift of steel production to countries with a higher use of iron ore per unit of steel, demand for iron ore, at 3.1%py, will marginally outpace steel demand.

Uncertainty over the Eurozone affects the iron ore industry through its effect on demand, as well as on the reduced availability and higher cost of capital. Revisions of figures on Chinese growth targets and performance are likely to result in further short term peaks and troughs, although much of the adjustment to a more realistic outlook has already taken place. Other risk factors include growing resource nationalism, particularly in Africa, highly unpredictable energy costs, rising labour costs, and the fate of the Indian mining industry following the mining bans in Goa and Karnataka states.

Following the slump in prices from June to September 2012, prices are expected to remain above US\$120/t cfr for 63.5% Fe content Indian fines until the end of 2014, while a restocking phase may push prices towards US\$135/t during 2013, although large fluctuations are not unlikely. As new capacity comes on-stream, the industry's price floor will gradually drop and it appears likely that the US\$100/t price level will be repeatedly tested and eventually broken towards 2015. In the baseline scenario for the iron ore industry, prices may trend towards US\$85 to US\$95/t during 2016 to 2020.

World production of crude steel: compound annual growth rates of leading producing countries, 2006-2011 (%)



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