East & Partners Pty Ltd
Level 39, 2 Park St Sydney NSW 2000 Australia
p: +61 2 9004 7848 **f:** +61 2 9004 7070
abn: 23 151 025 599 www.east.com.au

Media Release

Iron Ore Export Revenue Surges while Fading Coal Price Bites

(6 January 2014 – Australia) Australia stands to earn over A$21 billion from booming iron ore exports in the final quarter of 2013, while revenues from both thermal and coking coal are forecast to soften.

The forecasts are from East & Partners Iron Ore and Coal (IOC) index, sourced directly from major exporting ports and official government data. The IOC index aggregates data from all exporting ports to produce future forecasts of iron ore and coal export volumes and revenues.

In terms of iron ore, third quarter 2013 shipments of 151.4 million tonnes are 20.9 percent higher than the volume of iron ore shipments for the corresponding third quarter last year. The IOC index fourth quarter 2013 forecast of 161.0 million tonnes is the most bullish guidance yet considering the usual weather interruptions and production delays experienced over the Australian summer.

Australian ports continue to surpass iron ore shipment records, clearly indicating Chinese steel demand, inventory levels and pricing changes will not impact headline capacity.

As the world's largest iron ore exporting port, Port Hedland represents over half of total iron exports. Primarily used by Fortescue and BHP, the West Australian port ships twice the amount of Dampier (Kings Bay), utilised predominantly by the London based mining giant Rio Tinto.

Iron Ore & Coal Export Volume and Revenue Forecasts

	Q4 2013 Forecast	Q3/Q4 % Change
Iron Ore Shipped (Million Tonnes)	**161.0**	**6.3**
Median Price (USD)	136.0	1.3
Export Revenue (USD – Billion)	21.9	7.9
Thermal Coal Shipped (Million Tonnes)	**50.1**	**3.1**
Median Price (USD)	80.3	(3.4)
Export Revenue (USD – Billion)	4.02	(0.5)
Coking Coal Shipped (Million Tonnes)	**44.1**	**3.3**
Median Price (USD)	140	(3.4)
Export Revenue (USD – Billion)	6.1	(1.6)

Source: East & Partners IOC Index, Bloomberg, DFAT, BREE

In terms of coal, the IOC index shows that while Q4 2013 volumes are expected to be marginally higher, falls in median pricing are forecast to see revenues soften.

Thermal Coal shipment volume in Q3 2013 remained steady at 48.5 million tonnes, reflecting a significant pro rata 15.0 percent improvement over the 2012 calendar year export volumes. Newcastle and Gladstone collectively ship over 80 percent of thermal coal volume. Improved efficiency at the port of Newcastle, resulting in significantly lower average waiting times per ship, is reflected in an upwardly revised forecast tonnage of 50.1 million tonnes for Q4 2013.

Metallurgical Coal exports continued a trend of subdued growth, as Q3 2013 shipments totalling 42.7 million tonnes indicate an increase of only 1.0 percent over the June 2013 quarter. Hay Point and Gladstone currently account for over half of all Coking coal shipments. Forecasted Q4 2013 Coking Coal tonnage is expected to trend higher despite falling prices, surpassing 44.0 million tonnes.

The variation between the Index's quarterly forecasts and actual volume shipments continues to narrow, particularly in the case of iron ore.

Senior Markets Analyst Martin Smith views the latest forecasts as promising for an iron ore and coal industry shifting from greater capital expenditure in capacity and efficiency improvements to outright production, evidenced by Rio Tinto slashing capital spending over the next two years.

"The majority of industry analysts expected growing iron ore stockpiles and declining Chinese economic growth to drag on iron ore prices, however this has not eventuated. The price for ore with 62 percent content delivered to the Chinese port of Tianjin remaining persistently over US$130 is reflected in substantially improved export revenue."

"Annual iron ore revenue growth now exceeds six percent as the IOC Index forecasts fourth quarter iron ore revenue surpassing US$21.9 billion."

"A combination of supply and price action resulted in higher iron ore export revenue, however metallurgical and thermal coal shipments are not lifting enough to offset rapidly deteriorating coal prices. Thermal coal revenue is forecast to record a quarterly fall of 3.4 percent to US$4.02 billion, compared to a declining US$6.1 billion revenue expectation for metallurgical coal, a decrease of 1.6 percent."

About the East & Partners IOC Index

Historical and forecast volumes of iron ore and coal exports represent a vital influence on the broader Australian economy. East & Partners IOC Index provides an accurate, aggregated analysis of iron ore, thermal coal and coking coal exports both in terms of recent shipments, but also – and more importantly – forecasted future volumes for the following quarter. The data is calculated from the direct, active participation of several key ports in addition to the latest official government data releases.

Released: Quarterly

For more information or for further interview based insights from East & Partners on the IOC Index, please contact:

Sian Dowling
Marcomms & Client Services
East & Partners
t: 02 9004 7848
m: 0420 583 553
e: sian.d@east.com.au