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Stockpiles of iron ore at Chinese ports have grown to 67.44mt, an increase of 2.44mt (3.7%) from last week

Conservative estimates suggest as many as 45 dry bulk vessels are waiting to unload recently purchased ore; 78 more vessels are expected to arrive within the next 14 days

Iron ore fixtures in the dry bulk market have decreased in recent weeks but still make up a moderate amount of total spot chartering activity

New reports suggest Chinese steel mills and Australian and Brazilian miners have agreed to a 40% cut in 2009 iron ore contract prices; Vale has denied the 40% price cut

Rizhao will become home to China's first iron ore trade center - the center will help facilitate the trade of iron ore

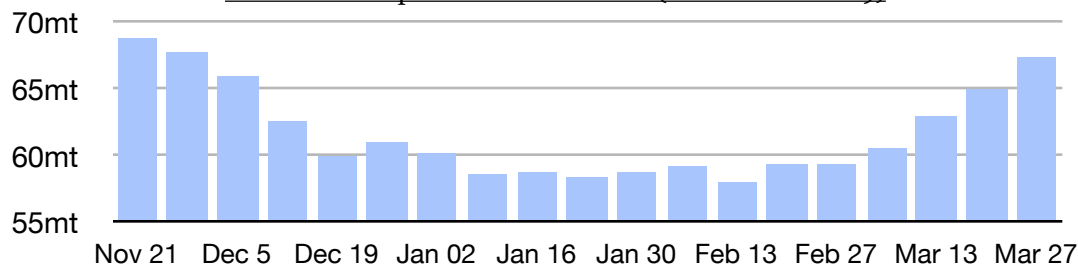
Nine Chinese steel future contracts are now tradeable

Iron Ore Port Stockpiles Continue to Rise

Iron ore stockpiles at Chinese ports have increased to 67.44 million tons, 2.44mt (3.7%) more than last week's already lofty 65 million tons. Iron ore stocks have grown in recent weeks due to declining domestic demand for iron ore and steel coinciding with large spot purchases of iron ore made over a month ago, when buyers were able to obtain ore on a spot basis at very cheap prices. Iron ore stockpiles are expected to grow more in the next few days, with conservative estimates suggesting there are 20 to 45 vessels moored off the Chinese coast waiting to unload recently purchased ore. Additional iron ore-laden vessels are making their way to China, with 78 Capesize vessels (carrying various cargo) expected to arrive at Chinese ports within the next 14 days (up from 73 last week).

Iron ore fixtures (for delivery in China) have decreased in recent weeks, but ore fixtures continue to make up a healthy portion of total dry bulk activity. Iron ore-related fixtures made up about one third of last week's total dry bulk fixtures. Less iron ore fixtures have been observed this week but it is too early to tell if this trend will continue. News has also surfaced that Chinese steel mills have secured a 40% cut in 2009 iron ore contract prices. More on this as developments go forward, Vale has recently denied the report.

Iron Ore Stockpiles at Chinese Ports (Nov '08 - Mar '09)



Iron Ore Trade Center to be Housed in Rizhao

Plans are in motion to build China's first iron ore trade center in Rizhao, one of China's largest ore ports (which is currently home to 8.7 million tons of imported iron ore). The center will help facilitate trade between foreign miners, Chinese steel plants, and traders by providing information on Rizhao's iron inventory and offering assistance with logistics, warehousing, and other related concerns. The trade center is expected to begin operation in May and will help ensure Rizhao continues to handle a large amount of iron ore imports.

Chinese Steel Futures Make Their Debut

Chinese steel futures have finally made their long-awaited debut on the Shanghai Futures Exchange. Nine rebar and wide rod contracts have been made available to traders looking to speculate or hedge against the volatility in Chinese steel prices.

Several Chinese cities continue to build new subway systems; other cities planning to start construction in the next few years; additional cities adding to existing subway lines

2,811 schools expected to be rebuilt in Sichuan by the end of the year (4,553 by 2010); over \$11 billion will be needed for construction

China to raise steel export tax rebates by a yet to be disclosed amount; tax rebate increase may be ineffective

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Subway Construction Continues

The global recession has not yet hindered subway construction in China. Several cities including Chengdu (southeast China), Hangzhou (east), Shenyang (northeast), Suzhou (east), Xi'an (central), and Zhengzhou (central) are currently constructing new subway systems and over a dozen cities are planning to build new subways in the next few years. In addition, cities including Guangzhou (south east) are adding new lines, with workers in Guangzhou working twelve-hour shifts each week to ensure 83 miles of additional rail are added to an existing 71 miles by the end of the year.

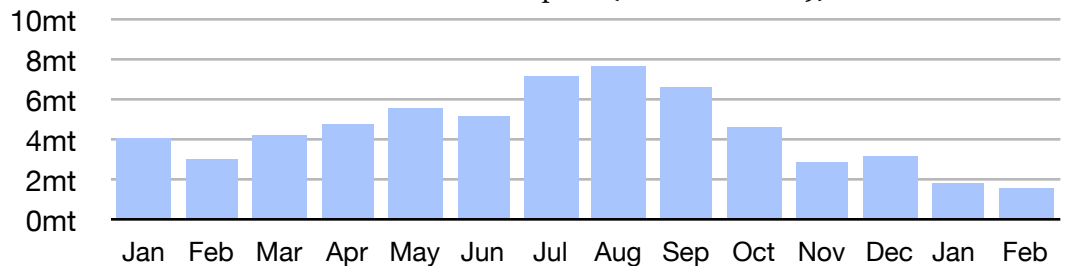
Sichuan Plans to Rebuild Over 4,500 Schools

Sichuan's local government plans to build at least 4,553 schools, 2,811 of which expected to be built by the end of the year. The construction will provide students with permanent place of study after countless schools and buildings were destroyed during a catastrophic earthquake last May. Sichuan's government has put aside 11.7 billion yuan (\$1.7 billion) for school construction. An additional 50 billion yuan (\$7.3 billion) is likely needed.

Tax Rebate on Steel Exports to Increase

In an effort to boost Chinese steel exports, the steel export tax rebate will increase starting April 1. The exact amount of the rebate has not yet been announced, a previous increase in February boosted the rebate from 14 to 15%. China's steel exports have significantly decreased as a result of the global recession. Most analysts do not expect the rebate to have much of an effect on China's steel export market.

Chinese Steel Product Exports (Jan '08 - Feb '09)



Various industry sources are used when compiling data for this report including public disclosures by the Chinese government, local newspapers, and colleagues in and working with China.