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Japanese Integrated Offer \$110-120 Markups In Heavy Plate Exports To ROK

Nippon Steel Corp and other Japanese integrated steelmakers have offered price increases of US\$110-120/ton in their heavy plate export negotiations with South Korea's major shipbuilding companies such as Hyundai Heavy Industries Co for shipments in April-September 2004. If the price increases go through, the new price level will hit US\$450/ton FOB to meet the highest price of US\$450/ton FOB in 1998.

Behind the price increases this time are two main factors, according to Japanese steel industry sources. First, the heavy plate market in Asia is forecast to hit US\$450/ton FOB for shipments in the April-June quarter. The negotiated price level of ship plate is US\$420/ton FOB for China for shipments in the January-March quarter. Second, with an advanced appreciation of the yen to the US dollar, the Japanese steelmakers find it necessary to get an increased price level of US\$450/ton FOB for stable heavy plate supplies to the Korean shipbuilding companies.

For the Japanese steelmakers, the trouble with their export deals is an advanced appreciation of the yen. Take heavy plate exports to South Korea. The existing price settlement of US\$340/ton FOB would amount to only Y34,000/ton at an exchange rate of US\$1.00-Y100. The yen equivalent would amount to only Y40,000/ton if the new price is settled at US\$400/ton FOB. Besides, a more appreciation of the yen than the present level could bring higher domestic prices for heavy plates in Japan than export prices.

Meanwhile, slab transaction prices look set to move up further in Asia for shipments in the April-June quarter. Then, South Korea's major electric steelmaker Dongkuk Steel Mill Co is expected to respond with a price increase in its domestic sales of heavy plates. Besides, integrated steel giant Posco Co is likely to follow suit.

Under the circumstances, there are prospects of a major price increase becoming the norm of heavy plate deals in Asia for shipments in the April-June quarter.

Japanese GI Sheet Prices For SE Asia Close To \$560/Ton C&F

Japan's integrated steelmakers see prices going up by nearly US\$20/ton so far toward a level of US\$560/ton C&F in their deals of GI sheet exports to Southeast Asia. There are repercussions of tightening supplies of imported GI sheets in SE Asia as a result of decreased GI sheet exports there by South Korea's steel rerollers.

By comparison, the Japanese steelmakers face a flat price level of US\$560-570/ton C&F in the GI sheet exports they negotiate to China. Having a major impact is a domestic price policy of China's top integrated steelmaker Baoshan Iron & Steel Co (Baosteel). Baosteel keeps the asking price unchanged so far in its domestic sales of colored GI sheets. Besides, it is understood that stocks still occur in China of imported GI sheets in large amounts.

As a result, the Japanese steelmakers are poised to hold back on GI sheet export deals with Chinese users right after the lunar New Year holidays while responding in earnest to inquiries from late February for shipments in the April-June quarter. In this connection, Baosteel is expected to disclose its domestic sales prices for various steel products in late February for April-June shipments.

In South Korea, local steel rerollers find themselves busy catering to domestic demand for GI sheets at a time when integrated steel giant Posco Co is focused on the auto industry in its domestic sales of GI sheets.

Apart from South Korean steel rerollers, Indian steel mills are putting voluntary restrictions on their GI sheet exports to East Asia as a result of increased domestic demand for GI sheets in India, according to market sources.

Nisshin Concludes Tech Cooperation Contract India's Jindal

Japan's Nisshin Steel Co has concluded a technological cooperation contract with India's major stainless steel producer Jindal Stainless Ltd on steelmaking, hot rolling and cold rolling of general-purpose stainless steel products. There are provisions for technological cooperation to cover two years from January 2004.

The contract is the result of Jindal's strong request for Nisshin's technological cooperation to help Jindal achieve more growth in its stainless steel operations.

Jindal Stainless Ltd was established in 1970 under its former corporate name of Jindal Strips Ltd. The company moved into stainless steel production in 1977 and changed its corporate name to Jindal Stainless Ltd in 2003.

Nisshin Steel Co has a track record of technological cooperation in stainless steel production to various steelmakers in foreign lands. Among those steelmakers are Spain's Acerinox SA, South Korea's Posco Co, South Africa's Columbus Joint Venture, China's Taiyuan Iron & Steel Co (Group) Ltd, the USA's North American Stainless LP, and Taiwan's Yieh United Steel Corp.

Tight Supply Position Of Coal Coke Becoming Serious In USA
 =US Steel Declared Force Majeure With Shortage of Metallurgical Coal=

Tightness in supply of coal coke in the United States has become very serious because one of major coal coke producers in this country US Steel drastically reduced coal coke production due to shortage of availability of raw materials, low volatile (LV) hard coking coal.

The reason why US Steel decreased its coke production should be attributed to suspension of coal supply due to outbreak of a fire accident in September at Pinnacle coal mine in West Virginia which had been supplying LV hard coking coal to the company.

From last September US Steel managed to maintain working rate of the coke ovens by way of emergency imports of LV hard coking coal from Australia and other sources, but it seems to have been compelled to drastically cut its coke production resulting from difficulties in procurements of LV hard coking coal in these days.

US Steel holds the largest coke oven in this country (with four million MT of annual production capacity) in Clairton in Pennsylvania. Coke produced there has been delivered by barge to its Gary iron plant as well as to the other iron producers like Rouge Steel, ISG, Weirton Steel and so on.

Recently US Steel has declared force majeure on the ground that it could not maintain coke deliveries as before due to shortage of coking coal, but even after the declaration it seems to have been maintaining deliveries of small quantity of coke to the traditional consumers.

Consumers to whom supplies from US Steel were cut, however, are obliged to import coke from China and Japan regardless of the price in order to maintain their blast furnace operations. In effect these consumers seem to be trying to import metallurgical coal coke as an emergency measure from China and Japan.

Reflecting worldwide shortage of coke, export prices of coke from China and Japan are rapidly rising, which will be further pushed up if and when iron and steel producers in the United States expand imports from China and Japan.

Main Topics In Indonesian Coal Industry In 2003 (3)
 =Emerging New Powers Leading Coal Industry into New Era=

(continued from page 2 Vol.36, No.8437 of January 14)

In Indonesia Banpu Public, one of major energy concerns in Thailand, is rapidly expanding its power, whereas major foreign capital enterprises such as BHP Billiton, Rio Tinto and so on retreat from coal business.

Presently Banpu is actively deploying coal business in Indonesia through its subsidiaries Jurong Barutama Greston, PT Indominco Mandiri and PT Kitadin, whose coal production in 2003 stood at three million MT of Jorong, six million MT of Indominco and three million MT of Kitadin with the total coal production by these three subsidiaries of 12 million MT.

Banpu will expand its coal production in Indonesia to more than 20 million MT by 2006 by developing new coal mines. Since its production in 2003 is estimated to be 14,500,000 MT, it plans to increase coal production by more than six million MT as compared with 2003.

The coal mine Banpu plans to develop is Trubaindo where coal production is scheduled to commence at the end of 2004 to achieve full scale production of five million MT per annum in 2006. The company also intends to raise coal production of Indominco to 8.5 million MT in 2004.

Since 2004 onward, privatization of the state-owned coal company is to be promoted thereby leading to a new era coal industry in this country hitherto supported by major foreign capital enterprises and the state-owned coal company. The core companies in the new era consisted of newly emerging powers such as Bumi Resources, Bunpu and so on.

Among coal exporting countries in Asia, since the turn of 2000s, China expanded its coal exports by leaps and bounds by way of enlargement of thermal coal exports to the Asian region wielding price competitiveness taking advantage of shorter distance from the destinations. Its coal exports exceeded 90 million MT line in 2001 all at once jumping up to the position of the second coal exporting country after Australia.

Indonesia as well, however, has been steadily increasing coal exports although not so conspicuously behind the pall of China. In effect its coal exports in 2002 reached 73,557,000 MT (up 6,799,000 MT=10.2% from one year earlier) growing up to the third exporting country after Australia and China.

Conspicuous difference as coal exporting countries between China and Indonesia lies on that China consumes most of the coal production domestically leaving mere 10 percent for exports, while Indonesia exports more than 70 percent of its coal production.

In China coal export capacity has been rapidly declining as coal demand mounts up with a higher pace than that of production reflecting high growth rate of the economy. Since in this country the domestic demand steadily increases in the days ahead, its coal exports may turn downward. At least coal exports would not grow so much.

On the other hand, even if its domestic demand keeps on growing, Indonesia will be able to expand coal exports because expansion of the existing mines and development of new coal mines are actively undertaken.

(To Be Continued On Next Page)

Since in Indonesia, with rapid recovery of thermal coal market, major coal producers such as Adaro, KPC, Arutmin and so forth are actively increasing coal production with the objective of expanding coal exports, its coal exports will break through 100 million MT line within two or three years time. In this respect Indonesia seems very likely to become the second largest coal exporter in the world after Australia by catching up with China.

For reference, Indonesia scarcely imports coal, while China imports more than 10 million MT of coal every year. In this sense Indonesia has already surpassed China in net coal exports after subtraction of imports from exports.

In Indonesia, however, from its geological aspect, reserves of semi-bituminous coal abound and almost all the coal mines to be developed from now are composed of semi-bituminous coal. In this respect, in this country semi-bituminous coal production enlarges from now, while that of bituminous coal (high quality thermal coal) falls down and its coal exports will be mainly composed of semi-bituminous coal.

In this country, since 2004 new brand of semi-soft coking coal join the world export market. New brand of MGM semi-soft coking coal from the Central Kalimantan is exported to Japan through Itohchu, which is the first coal brand exported from the Central Kalimantan.

MGM coal mine is opencut mine located at Kabupaten Barito Utara (about 600 meters up from the estuary of Barito River) developed by PT Marunda Grahamineral (MGM) which is 20 percent owned by Itochu.

The coal production at the MGM mine is expected to be one million MT per year in 2004, 1.2 million MT in 2005, 1.8 million MT in 2006 and two million MT at full scale production from 2007 onward.

The features of MGM coal are represented by its lower ash and sulphur contents coupled with caking property and in this respect this coal is planned to be exported to Japanese blast furnace steel producers and others as blending semi-soft coking coal for coke making.

In Indonesia beside MGM, PT Garda Tujuh, PT Mandiri Perkasa, PT Kalimantan Eneri Lestari and so on will launch coal production one after another at new coal mines in the days ahead.

Results Of Spot Bituminous Coal Tender By Taipower

=Winning Price Rose by US\$6.58=

On 14th Taiwan Electric Power (Taipower) announced the results of the re-invitation for spot supply of bituminous coal with a closing date of January 7 (Bid No.TPC9302-retender).

According to the above, out of the total tonnage required of 945,000 MT (by 15 voyages of Panamax size vessel) 252,000 MT (by four voyages) was won by Indonesian coal and tender call for the remaining 693,000 MT (11 voyages) was cancelled.

The average C&F winning price after the evaluation turned out to be US\$58 with an increase of US\$6.58 from the previous tender.

The table below shows the details of the tender results.

| Shipment No. | Successful Offeror | Origin | Quantity (+/-10%) | As Offered C&F (US\$/MT) | Eva. C&F (US\$/MT) |
|--|---------------------------|-----------|----------------------|-----------------------------|-----------------------|
| 1 | Cancelled | | | | |
| 2 | Pt Anugerah Bara Kaltim | Indonesia | 63,000 | 47.25 | 58.00 |
| 3 | Cancelled | | | | |
| 4 | Cancelled | | | | |
| 5 | Cancelled | | | | |
| 6 | Cancelled | | | | |
| 7 | Cancelled | | | | |
| 8 | Cancelled | | | | |
| 9 | Cancelled | | | | |
| 10 | Glencore International AG | Indonesia | 63,000 | 46.22 | 58.00 |
| 11 | Pt Anugerah Bara Kaltim | Indonesia | 63,000 | 47.25 | 58.00 |
| 12 | Cancelled | | | | |
| 13 | Cancelled | | | | |
| 14 | Cancelled | | | | |
| 15 | Glencore International AG | Indonesia | 63,000 | 46.22 | 58.00 |
| Total/Average (TPC9302 retender) | Total/Average (A) | | 252,000 | 46.74 | 58.00 |
| | Indonesia/Average | | 252,000 | 46.74 | 58.00 |
| | China/Average | | 0 | - | - |
| Previous Tender (TPC9302) | Total/Average (B) | | 315,000 | 42.55 | 51.42 |
| | A-B | | -63,000 | 4.19 | 6.58 |
| | A/B(%) | | | 9.8 | 12.8 |

General Review Of Ferro-Chrome In 2003 And Its Outlook For New Year
 = South African Producers Have Been Swung By Strengthened Exchange Rate Of Rand / Dollar
 = Such Third Powers As India And Kazakhstan Have To Be Marked

The year of 2003 was that South African producers of ferro-chrome had faced an unexpected severity for the steeply strengthened exchange rate of South African Rand against US-Dollar. The exchange rate of Rand against Dollar in January of 2003 was US\$1.00 : R8 - 9 but that in December of 2003 was strengthened to US\$1.00 : R6.3. Also, the exchange rate of Rand / Dollar in autumn of 2001 was US\$1.00 : R13 as the lowest line and, accordingly, the exchange rate of Rand / Dollar in December of 2003 had been strengthened by more than two times in comparison with the lowest one seen in autumn of 2001.

A heavier weight for South African producers is the strong possibility, which the strengthened exchange rate of Rand against Dollar is anticipated to continue for a long period, and South African Government has allowed the strengthened exchange rate of Rand against Dollar in order to restrain the inflation in this country. This strengthened exchange rate of Rand / Dollar has caused to deteriorate a profitability for production of ferro-chrome and South African enterprises, which have acknowledged themselves as the base to supply ferro-chrome to the world market, will retreat their intention to invest in new projects by this aspect of the production. Also, while the world production of stainless steel is estimated to grow by 4 - 5% on an annualized base, the problem of ferro-chrome in parallel with that of nickel has included a danger to become the hampers for a growth of the stainless steel industry owing to an increase of production costs for stainless steel and difficulties to secure raw materials.

The price (per lb. of Cr contained on CIF base) of South African charge chrome moved in 2003 as follows (the figures in parentheses were those in the same quarters of 2002) ;

(1) Benchmark price = \diamond January - March quarter : 39 US-Cents (33 US-Cents), \diamond April - June quarter : 46 US-Cents (33 US-Cents), \diamond July - September quarter : 53 US-Cents (36 US-Cents), \diamond October - December quarter : 55 US-Cents (39 US-Cents) and January - March 2004 quarter : 62 US-Cents (39 US-Cents).

(2) Spot price = \diamond January - March quarter : 35 - 40 US-Cents (26 - 27 US-Cents), \diamond April - June quarter : 39 - 40 US-Cents (27 - 31 US-Cents), \diamond July - September quarter : 45 - 47 US-Cents (31 - 33 US-Cents) and \diamond October - December quarter : 49 - 52 US-Cents (32 - 35 US-Cents).

For a reference, since Samancor, as a major producer of ferro-chrome in South Africa, has already withdrawn from 2 years ago to indicate their benchmark price of charge chrome, there is no actual business to be concluded at so-called benchmark price but, in relation to the fact that the contract on high carbon ferro-chrome (charge chrome) to be concluded in Japan has been based on this benchmark price with an allowance of discount and the price to be contracted (net price) is settled, the indication of benchmark price has come to an essential existence. At present, this net price is 4 to 5 US-Cents per lb. lower than benchmark price.

Reflecting the strengthened exchange rate of Rand against Dollar in South Africa as the main country for production of ferro-chrome, the international price of high carbon ferro-chrome (charge chrome) has risen by 41% (16 US-Cents per lb.) throughout one year of 2003. However, South African producers said that, under the strengthened exchange rate of Rand against Dollar which came to a level of US\$1.00 : R6 seen in December of 2003, even the total rise of 9 US-Cents per lb. materialized in the second half of 2003 (risen by 6 US-Cents for July - September quarter and by 3 US-Cents for October - December quarter) is still unable to avoid a loss on production of charge chrome. In view of this aspect, the price of regular charge chrome for shipments in January - March quarter of 2004 was settled in mid December of 2003 by a rise of 7 US-Cents per lb. in Europe. However, the producers' side said that even this rise of the price for the first quarter of 2004 is still required a further rise of several US-Cents per lb. for shipments in the second quarter (April - June).

The world output of crude stainless steel in 2003 is estimated at 21.50 million as an expansion of 5.8% compared to that in 2002. In view of the fact that the output of crude stainless steel in 2002 had also an increase of 5.6% from that in 2001, a growth on production of stainless steel in the last two years has finally tightened the supply of high carbon ferro-chrome (charge chrome) in the world. Owing to the fact that South African producers were compelled to maintain the structure to decrease their production of ferro-chrome for one year and six months from November of 2000, the existing producers had held back their new investments. In South Africa, only SA Chrome started to produce 230,000 tons per year ferro-chrome from June of 2002 as new producer. However, during June of 2002 to March of 2003, Elkem of Norway (with annual capacity of 160,000 tons) and Shunan Denko of Japan (with annual capacity of 80,000 tons) stopped to produce ferro-chrome and, accordingly, the new source to supply ferro-chrome as mentioned above is offset by these two stoppages of the production.

In consequence, the world balance of ferro-chrome in 2003 was \diamond supply : 5,110,000 tons, \diamond consumption : 5,240,000 tons and \diamond balance : short supply of 130,000 tons. From a macro point of view, a considerable shortage of 600,000 tons for ferro-chrome was recorded in 2002. However, in 2002, producers released their stocks of ferro-chrome and this arrangement became a shock-absorber to loosen a serious shortage of the supply.

(To Be Continued On Next Page)

It makes no doubt that the supply of high carbon ferro-chrome (charge chrome) in 2004 should be short. The reasons are new sources to be able to supply ferro-chrome in 2004 are expected only on the followings ; (1) ASA Metals of South Africa started to operate new No.2 electric furnace (with annual capacity of 72,000 tons) from December of 2003., (2) Kazchrome of Kazakhstan resumed to operate one electric furnace idled to produce 80,000 tons per year of high carbon ferro-chrome., and (3) Indian producers are anticipated to increase their production of high carbon ferro-chrome (produced 350,000 tons in 2003 and will produce 400,000 tons in 2004).

According to a forecast by ISSF (International Stainless Steel Federation), the world output of stainless steel in 2004 is estimated at 22.90 million tons as a strong growth of 6.5% compared with that (21.50 million tons) in 2003. Although the supplies of nickel and chrome as raw materials for production of stainless steel have been restricted, an aggressive anticipation for production of stainless steel in 2004, including a considerable expansion of the production in China, has been made up, because new facilities for melting and rolling installed at mills of Europe and Asia (South Korea and China) in 2003 are expected to be operated at full capacity in 2004. New investments to be put in practice in South Africa for 2004 are only (A) Xstrata plans to produce 330,000 tons per year of ferro-chrome by two electric furnaces (transformer capacity of 63 MVA) to be installed at Steelpoort plant (former plant of Vantech Vanadium) and is scheduled to operate these furnaces from early 2006., and (B) Hernic Ferrochrome will construct new No.4 electric furnace (with transformer capacity of 75 MVA) with its completion in 2005. (For a reference, apart from South African producers, Kazchrome of Kazakhstan said that they have planned to set up the structure to produce 1,100,000 tons per year of high carbon ferro-chrome from 2006. Kazchrome will produce 650,000 tons of high carbon material in 2004 and, accordingly, this new structure is able to increase the production by 400,000 - 500,000 tons per year. In parallel with two South African producers (Samancor and Xstrata), Kazchrome sets up the structure to produce more than one million tons of ferro-chrome for a year).

Electric Power Corporation of South Africa (ESKOM) has put in practice from 2003 to charge higher fee of electric power than normal one for winter time (June to August). Consequently, this higher fee affects the production of 100,000 tons per year of charge chrome. In order to avoid an increase of production costs, South African producers suspend some of their operations together with performance of maintenance in that time. This suspension of operations causes to decrease their production of charge chrome and this trend will be stabilized in 2004 and afterwards. Stainless steel mills of Europe and the USA reduce their production of stainless steel for summer vacation season (July - September quarter) and, therefore, the timing to decrease the production of stainless steel in Europe and the USA accords with that to reduce the production of charge chrome in South Africa but it is certain that this aspect will become a factor to retreat the production of ferro-chrome in South Africa throughout one year.

Chinese Thermal Coal Shipments For Jan.-Mar. Period Further Aggravated

=Shipments for Toso As Well Decreasing by 50%=

With tightening supply of thermal coal in the Asian region, coal procurements by prompt shipments of general industries consumers have come to face difficulties. Since Chinese coal export prices have become lower than those for domestic market due to increasing domestic demand, full performance in shipments based on the contract has already become very hard.

Toso of Japan consuming 1.8 million MT of coal every year depends on Chinese coal such as Shenhua, Yanzhou and other coal for half its consumption and has already covered the consumption for the current fiscal year by year term contracts. Since the end last year, however, deliveries of Chinese coal have been conspicuously declining. In consequence, the contract tonnage has become quite another matter from actual deliveries. About 50 percent of committed shipments during January-March for this company is apprehended to be not performed.

The company imports Indonesian and Australian coal in addition to Chinese coal. In this regard it will be theoretically possible to replace Chinese coal with coal from these sources. As reported already, however, shipments of Indonesian coal to Japan as well have been deteriorating due to severe rainfalls without any assurance that the company could procure necessary tonnage on spot basis during January-March. At the same time, Australian thermal coal with rapidly rising spot prices coupled with rising freight rate cannot be deemed as a possible candidate for replacement of Chinese thermal coal. In consequence the company would like to import Chinese coal by all means.

The company estimates its coal consumption in the fiscal year 2004 will remain 1.8 million MT or so and would like to secure necessary tonnage at an early stage because tightness in supply of thermal coal is apprehended to continue for time being. Before solution of the problem of supply during January-March 2004, however, it cannot enter serious negotiations on shipments in the next fiscal year.

Under such circumstances it wishes export initiative more than export capacity by coal suppliers.

**Prices Of Chinese Ferro-Alloys Rose To US\$680 / Ton CIF For Fe-Si And US\$950 For Si-Mn
= Fe-Si Producers Intend To Offer At Same Price Of US\$650 Per Ton FOB**

Prices of Chinese bulk ferro-alloys (ferro-silicon and silico-manganese) offered for Japan have risen from the beginning of 2004 and even Chinese ferro-silicon was delayed to rise its price but is now being offered at US\$680 per ton CIF Japan. Also, the actual cargoes of Chinese silico-manganese are scarce and, reflecting a feeling of the crisis held by steel mills of China, price of this ferro-alloy is rising further

Chinese ferro-silicon was only the material, price of which had been stabilized throughout the second half of 2003. However, owing to the facts that price of ferro-silicon has been stimulated by higher price of silico-manganese and the cost to export ferro-silicon from China has been increased by a reduction of export tax rebate (decreased from 13% to 8%), price of Chinese ferro-silicon was risen to a level of US\$630 - 640 per ton CIF Japan from December of 2003.

By riding on this current, Chinese producers of ferro-silicon have intended from January of 2004 to rise price of this ferro-alloy to the unified level for export to Japan and their idea is to set up the lowest price of US\$650 per ton FOB China. By adding ocean freight to this FOB price, Chinese ferro-silicon has come to an offer of US\$680 per ton CIF Japan. Apart from silico-manganese, the supply of ferro-silicon to domestic market of China is not felt to be tight and, therefore, a rise of price for ferro-silicon seems to have taken advantage of soared price for silico-manganese.

On the other hand, the actual cargoes of Chinese silico-manganese are short and, consequently, price of this ferro-alloy changes in one week or 2 to 3 days. Therefore, the importers concerned have been swung by the rapid movements of price for silico-manganese in domestic market of China. From the beginning of January, spot price of Chinese silico-manganese in domestic market has risen to RMB Yuan 8,500 - 9,000 per ton (corresponding to US\$1,029 - 1,089) and a power to rise further price of silico-manganese has been still kept.

The contracts to import silico-manganese into Japan from other countries than China were concluded in late December of 2003 at higher prices of US\$820 - 840 per ton CIF for arrivals in March - April of 2004. At that time these prices were felt as considerable high levels but, under the current situation, many of the trading companies concerned have now felt as these contracts are good ones, because a power to rise further price of silico-manganese is hardly possible to foresee.

One of the reasons is that, prior to Lunar New Year which enters from the 22nd of January, Chinese side has held back to make new offer for silico-manganese and this aspect is supposed to push up psychologically price of Chinese silico-manganese. Spot cargoes of silico-manganese for prompt shipment were supposedly offered at US\$950 per ton CIF Japan. On the other hand, Yen price of silico-manganese contracted in last week with a major electric furnace mill of Knato area for deliveries in January - February was Yen 95,000 per ton delivered to mills. Therefore, there is a large possibility that Yen price of silico-manganese to be contracted for delivery in a single month of February will rise to Yen 100,000 per ton (compared to a level of Yen 80,000 for January delivery). The price of Yen 100,000 per ton delivered for silico-manganese corresponds to US\$840 - 850 per ton CIF Japan. Even Yen price of silico-manganese is now approaching a level of US\$850 CIF.

Press Release

=BMA to Build New Coal Handling and Processing Plant at Blackwater, Central Queensland=

BHP Billiton Mitsubishi Alliance (BMA) announced plans to build a new coal handling and processing facility at the Blackwater coal mine in Central Queensland.

The A\$234 million (US\$180M) plant will have the capacity to process over 14 million tonnes of high quality coking and thermal coal a year.

Located adjacent to the current North preparation plant at Blackwater, the plant will enable processing of Blackwater Mine's entire production through one centrally-located facility, and will replace the existing high cost North, South and Thermal coal plants.

The new plant will substantially enhance Blackwater Mine's ability to compete with both overseas and domestic producers through the application of advanced technology and reduced operating costs.

Blackwater Mine will benefit from considerable improvements in efficiency from the new generation preparation plant, which will contribute significantly to the mine's long-term sustainability, a major benefit for the Blackwater region.

With a construction workforce of 400, the project will also provide a significant financial boost to the Central Queensland region throughout the two-year construction period.

A small, highly specialised work team will be required to operate and maintain the new facility. This will result in a reduction in Blackwater's workforce by 72 full time positions, with the majority of positions to be phased out towards the end of the two year construction and commissioning period.

There will be no forced redundancies, and plans are in place to ensure that affected employees are provided with a number of career and training options.

(To Be Continued On Next Page)

One of the key benefits of the new plant will be its capacity to respond to market requirements, including an ability to optimise product quality through improved blending.

Construction of the new plant is scheduled to start in the second quarter of 2004, and the facility is expected to be operational by late 2005.

BMA, which is jointly owned by BHP Billiton and Mitsubishi Development, operates seven coal mines and the Hay Point Coal Terminal in Central Queensland.

The mines have the capacity to produce more than 50 million tonnes of coal a year, which is exported to over 70 customers in 24 countries. Blackwater mine also supplies coal to domestic customers including Stanwell, NRG and QCL.

Japan's Imports Of Stainless Steel Products In November 2003

= Imported 6,965 Tons As Decreased, Total Quantity To Be Imported In 2003 Will Reach Level Of 90,000 Tons

The Japan Iron and Steel Federation compiled the data on imports of stainless steel products into Japan in January - November of 2003 as well as in a single month of November on the basis of the statistics released by The Ministry of Finance and the contents were as per the table attached hereto.

Namely, Japan imported 6,965 tons of stainless steel products in November of 2003 with amount of US\$15.527 million. This quantity of stainless steel products imported in November of 2003 was an increase of 13.5% compared with that (6,139 tons) in the same month of 2002 but decreased by 32.0% compared to that (10,238 tons) in the previous month - October. The total quantity of stainless steel products imported into Japan in January - November of 2003 was 85,198 tons, having increased by 20.3% compared with that (70,844 tons) in the same period of 2002.

Japan imported 5,826 tons of stainless steel products from South Korea in November of 2003, which decreased by 24.9% compared with that (4,665 tons) in the same month of 2002 but decreased by 30.0% compared to that (8,308 tons) in the previous month. Since Posco of South Korea has expanded from this spring their capacity to melt stainless steel, this company is in direction to export more stainless steel products for Japan.

| | Total | | S. Korea | | Taiwan | | China | |
|----------------|----------|---------|----------|---------|----------|-------|----------|-------|
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| 1 9 9 8 | 62,064 | 125,413 | 41,332 | - | 2,137 | - | 300 | - |
| 1 9 9 9 | 92,837 | 161,476 | 70,267 | - | 6,116 | - | 268 | - |
| 2 0 0 0 | 120,376 | 252,995 | 92,622 | 167,620 | 4,839 | 9,329 | 760 | 2,033 |
| 2 0 0 1 | 129,108 | 228,901 | 99,665 | 145,545 | 5,674 | 9,189 | 748 | 2,399 |
| 2 0 0 2 | 78,099 | 142,919 | 59,300 | 85,859 | 2,689 | 5,071 | 693 | 1,986 |
| Jan. -Nov. '03 | 85,200 | 168,730 | 65,566 | 109,435 | 4,095 | 8,514 | 1,689 | 3,980 |
| '02 January | 8,594 | 14,010 | 6,111 | 8,164 | 468 | 724 | 47 | 131 |
| February | 5,425 | 9,099 | 4,125 | 5,243 | 96 | 151 | 13 | 29 |
| March | 7,129 | 11,748 | 5,883 | 7,383 | 155 | 322 | 77 | 193 |
| April | 6,906 | 10,753 | 5,727 | 7,298 | 86 | 176 | 79 | 202 |
| May | 5,455 | 10,112 | 3,864 | 5,480 | 292 | 509 | 84 | 186 |
| June | 7,335 | 11,657 | 5,839 | 9,852 | 107 | 219 | 6 | 41 |
| July | 6,149 | 11,292 | 4,799 | 6,873 | 127 | 326 | 86 | 237 |
| August | 4,163 | 10,105 | 2,782 | 4,516 | 117 | 271 | 64 | 173 |
| September | 5,982 | 12,978 | 4,096 | 6,717 | 336 | 666 | 57 | 192 |
| October | 7,567 | 14,706 | 5,731 | 8,540 | 352 | 611 | 71 | 258 |
| November | 6,139 | 11,879 | 4,665 | 7,230 | 274 | 552 | 62 | 209 |
| December | 7,256 | 14,580 | 5,678 | 8,563 | 279 | 544 | 47 | 135 |
| '03 January | 7,632 | 14,379 | 5,058 | 8,063 | 824 | 1,337 | 50 | 169 |
| February | 6,070 | 11,299 | 4,664 | 7,439 | 341 | 645 | 40 | 109 |
| March | 7,243 | 13,087 | 5,368 | 8,298 | 346 | 640 | 73 | 173 |
| April | 5,848 | 12,573 | 4,192 | 6,968 | 307 | 709 | 177 | 457 |
| May | 7,246 | 15,267 | 5,275 | 8,957 | 411 | 878 | 88 | 302 |
| June | 7,662 | 15,351 | 5,770 | 10,047 | 240 | 542 | 265 | 541 |
| July | 8,578 | 16,992 | 6,625 | 10,866 | 428 | 869 | 112 | 262 |
| August | 9,486 | 17,658 | 7,958 | 12,495 | 168 | 441 | 237 | 478 |
| September | 8,232 | 16,235 | 6,522 | 10,846 | 356 | 774 | 299 | 629 |
| October | 10,238 | 20,362 | 8,308 | 14,259 | 524 | 982 | 133 | 416 |
| November | 6,965 | 15,527 | 5,826 | 11,197 | 150 | 697 | 215 | 444 |

(Note: Total figuris didn't match as some adjustment periods.

(USA) EIA Statistics-Quarterly Coal Exports./Imports

The table hereunder compiled from the data released by the Energy Information Administration of the United States Department of Energy shows quarterly coal exports and imports of this country since 1996.

(in 1000 ST)

| Year | January - March | | April - June | | July - September | | October - December | | Year to Date | |
|-------------|-----------------|--------------|---------------|--------------|------------------|--------------|--------------------|---------|--------------|---------|
| | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports | Exports | Imports |
| 1996 | 20,516 | 1,968 | 23,039 | 1,688 | 23,504 | 2,423 | 23,414 | 2,036 | 90,473 | 8,115 |
| 1997 | 20,011 | 1,331 | 20,603 | 1,708 | 22,354 | 2,222 | 20,576 | 2,226 | 83,544 | 7,487 |
| 1998 | 18,621 | 1,839 | 20,749 | 2,193 | 19,898 | 2,145 | 18,780 | 2,547 | 78,048 | 8,724 |
| 1999 | 12,961 | 2,248 | 14,449 | 2,098 | 16,075 | 2,387 | 14,991 | 2,357 | 58,476 | 9,089 |
| 2000 | 13,598 | 2,815 | 14,379 | 2,745 | 15,799 | 3,562 | 14,713 | 3,391 | 58,489 | 12,513 |
| 2001 | 11,841 | 3,910 | 13,500 | 4,124 | 11,655 | 6,047 | 11,671 | 5,707 | 48,666 | 19,787 |
| 2002 | 9,253 | 4,000 | 11,043 | 3,857 | 9,257 | 4,654 | 10,050 | 4,365 | 39,601 | 16,875 |
| 2003 | 8,518 | 4,954 | 11,450 | 6,393 | 12,094 | 7,051 | - | - | - | - |
| 2003-2002 | -735 | 954 | 407 | 2,536 | 2,837 | 2,397 | - | - | - | - |
| 03/02 (%) | -7.9 | 23.9 | 3.7 | 65.8 | 30.6 | 51.5 | - | - | - | - |

(US\$/ ST)

| Year | January - March | | April - June | | July - September | | October - December | | Year to Date | |
|-------------|-----------------|--------------|--------------|--------------|------------------|--------------|--------------------|--------------|--------------|--------------|
| | Exports(FAS) | Imports(CIF) | Exports(FAS) | Imports(CIF) | Exports(FAS) | Imports(CIF) | Exports(FAS) | Imports(CIF) | Exports(FAS) | Imports(CIF) |
| 1996 | 41.77 | 34.26 | 40.78 | 33.07 | 40.53 | 33.56 | 40.08 | 34.15 | 40.76 | 33.78 |
| 1997 | 41.72 | 33.85 | 40.80 | 35.26 | 39.42 | 33.69 | 40.40 | 34.49 | 40.55 | 34.32 |
| 1998 | 41.66 | 33.98 | 38.49 | 31.43 | 37.83 | 32.38 | 37.73 | 31.38 | 38.89 | 32.18 |
| 1999 | 40.55 | 30.86 | 36.70 | 30.06 | 33.97 | 30.01 | 35.54 | 32.10 | 36.50 | 30.77 |
| 2000 | 35.82 | 29.81 | 34.31 | 31.16 | 35.03 | 29.71 | 34.48 | 29.90 | 34.90 | 30.10 |
| 2001 | 35.47 | 32.00 | 35.88 | 33.84 | 38.22 | 34.04 | 38.50 | 35.46 | 36.97 | 34.00 |
| 2002 | 39.57 | 36.17 | 40.77 | 35.83 | 42.93 | 35.38 | 38.58 | 34.78 | 40.44 | 35.51 |
| 2003 | 39.72 | 31.65 | 35.67 | 31.17 | 33.19 | 31.23 | - | - | - | - |
| 2003-2002 | 0.15 | -4.52 | -5.10 | -4.66 | -9.74 | -4.15 | - | - | - | - |
| 03/02 (%) | 0.4 | -12.5 | -12.5 | -13.0 | -22.7 | -11.7 | - | - | - | - |

(USA) EIA Statistics-Coal Imports (July-September 2003)

The table hereunder compiled from the data released by the Energy Information Administration (EIA) of the United States Department of Energy shows coal imports of this country from each source during July-September and January-September 2003.

(in ST)

| Coal Exports Total | Jul-Sep 2003 | Apr-Jun 2003 | Jul-Sep 2002 | Year to Data 2003 | Year to Data 2002 | 2003-2002 | 03/02 (%) |
|--------------------------------------|------------------|--------------|--------------|-------------------|-------------------|-----------|-----------|
| North America Total | 576,309 | 504,770 | 553,266 | 1,486,066 | 1,591,651 | -105,585 | -6.6 |
| Canada | 576,211 | 504,587 | 552,989 | 1,485,739 | 1,549,313 | -63,574 | -4.1 |
| Dominican Republic | 98 | 183 | 277 | 327 | 506 | -179 | -35.4 |
| Mexico | 0 | 0 | 0 | 0 | 41,832 | -41,832 | - |
| South America Total | 5,930,169 | 5,036,649 | 3,545,078 | 14,902,275 | 9,183,307 | 5,718,968 | 62.3 |
| Argentina | 0 | 0 | 0 | 23 | 0 | 23 | - |
| Colombia | 4,392,892 | 3,640,986 | 2,476,570 | 11,349,941 | 6,575,170 | 4,774,771 | 72.6 |
| Ecuador | 0 | 52,191 | 0 | 52,191 | 0 | 52,191 | - |
| Venezuela | 1,537,277 | 1,343,472 | 1,068,508 | 3,500,120 | 2,608,137 | 891,983 | 34.2 |
| Europe Total | 606 | 46,630 | 0 | 47,236 | 165,731 | -118,495 | -71.5 |
| Italy | 0 | 0 | 0 | 0 | 121 | -121 | - |
| Netherlands | 0 | 152 | 0 | 152 | 0 | 152 | - |
| Poland | 0 | 0 | 0 | 0 | 77,817 | -77,817 | - |
| Russia | 0 | 46,455 | 0 | 46,455 | 87,586 | -41,131 | -47.0 |
| United Kingdom | 606 | 23 | 0 | 629 | 207 | 422 | 203.9 |
| Asia Total | 516,789 | 656,771 | 331,199 | 1,746,714 | 851,567 | 895,147 | 105.1 |
| China | 30,846 | 92,308 | 18,364 | 129,086 | 24,127 | 104,959 | 435.0 |
| India | 0 | 0 | 376 | 0 | 1,882 | -1,882 | - |
| Indonesia | 485,943 | 564,462 | 312,459 | 1,617,627 | 825,558 | 792,069 | 95.9 |
| Syria | 0 | 1 | 0 | 1 | 0 | 1 | - |
| Oceania & Australia Total | 27,448 | 148,501 | 224,281 | 216,461 | 641,354 | -424,893 | -66.2 |
| Australia | 27,448 | 96,648 | 224,281 | 163,785 | 641,354 | -477,569 | -74.5 |
| NewZealand | 0 | 51,853 | 0 | 52,676 | 0 | 52,676 | - |
| Africa Total | 0 | 0 | 0 | 0 | 77,314 | -77,314 | - |
| South Africa | 0 | 0 | 0 | 0 | 77,314 | -77,314 | - |
| Total | 7,051,321 | 6,393,321 | 4,653,824 | 18,398,752 | 12,510,924 | 5,887,828 | 47.1 |

(USA) EIA Statistics-Coal Exports (July-September 2003)

The table hereunder compiled from the data released by the Energy Information Administration (EIA) of the United States Department of Energy shows coal exports of this country to each destination during July-September and January-September 2003.

(in ST)

| Coal Exports Total | Jul-Sep 2003 | Apr-Jun 2003 | Jul-Sep 2002 | Year to Data 2003 | Year to Data 2002 | 2003-2002 | 03/02 (%) |
|---------------------------|-------------------|--------------|--------------|-------------------|-------------------|------------|-----------|
| North America Total | 7,324,868 | 6,283,855 | 4,609,994 | 16,098,838 | 12,275,492 | 3,823,346 | 31.1 |
| Canada | 7,065,867 | 5,956,990 | 4,299,499 | 15,139,227 | 11,565,352 | 3,573,875 | 30.9 |
| Dominican Republic | 4,705 | 31,237 | 593 | 35,942 | 47,080 | -11,138 | -23.7 |
| Mexico | 253,942 | 294,902 | 286,164 | 874,528 | 627,780 | 246,748 | 39.3 |
| Others | 354 | 726 | 23,738 | 49,141 | 35,280 | 13,861 | 39.3 |
| South America Total | 660,252 | 997,961 | 865,544 | 2,695,088 | 2,599,993 | 95,095 | 3.7 |
| Argentina | 101,814 | 47,934 | 1,039 | 198,756 | 89,826 | 108,930 | 121.3 |
| Brazil | 544,679 | 937,500 | 860,271 | 2,467,011 | 2,484,097 | -17,086 | -0.7 |
| Others | 13,759 | 12,527 | 4,234 | 29,321 | 26,070 | 3,251 | 12.5 |
| Europe Total | 3,709,480 | 3,856,178 | 3,623,053 | 11,813,730 | 12,364,808 | -551,078 | -4.5 |
| Belgium | 276,726 | 649,813 | 733,437 | 1,460,348 | 1,832,709 | -372,361 | -20.3 |
| Bulgaria | 74,666 | 74,951 | 117,513 | 441,025 | 161,518 | 279,507 | 173.1 |
| Finland | 169,876 | 122,565 | 123,538 | 292,441 | 123,538 | 168,903 | 136.7 |
| France | 231,921 | 424,807 | 159,068 | 1,025,061 | 752,954 | 272,107 | 36.1 |
| Germany | 154,843 | 319 | 892 | 227,092 | 958,094 | -731,002 | -76.3 |
| Iceland | 15,467 | 23,772 | 20,940 | 61,274 | 67,038 | -5,764 | -8.6 |
| Ireland | - | 238,216 | 138,509 | 238,216 | 434,194 | -195,978 | -45.1 |
| Italy | 614,508 | 714,045 | 550,186 | 2,147,840 | 2,605,989 | -458,149 | -17.6 |
| Netherlands | 425,602 | 577,702 | 386,329 | 1,500,248 | 1,352,277 | 147,971 | 10.9 |
| Portugal | 252,913 | - | - | 390,715 | 126,319 | 264,396 | 209.3 |
| Spain | 511,932 | 364,883 | 527,419 | 1,381,454 | 1,547,727 | -166,273 | -10.7 |
| Sweden | 164,835 | 83,427 | 164,314 | 302,331 | 375,025 | -72,694 | -19.4 |
| Turkey | 361,088 | 272,602 | 169,948 | 974,557 | 333,505 | 641,052 | 192.2 |
| United Kingdom | 298,832 | 307,433 | 527,080 | 1,127,206 | 1,649,173 | -521,967 | -31.7 |
| Others | 156,271 | 1,643 | 3,880 | 243,922 | 44,748 | 199,174 | 445.1 |
| Asia Total | 13,283 | 15,533 | 90,575 | 49,491 | 1,658,341 | -1,608,850 | -97.0 |
| Israel | - | 22 | - | 22 | 130,715 | -130,693 | - |
| Japan | 344 | 1,220 | 339 | 4,392 | 1,252,267 | -1,247,875 | -99.6 |
| S.Korea | 8 | 214 | 84,030 | 446 | 231,126 | -230,680 | -99.8 |
| Others | 12,931 | 14,077 | 6,206 | 44,631 | 44,233 | 398 | 0.9 |
| Oceania & Australia Total | 44 | 44 | 2,754 | 510 | 2,973 | -2,463 | -82.8 |
| Others | 44 | 44 | 2,754 | 510 | 2,973 | -2,463 | -82.8 |
| Africa Total | 386,017 | 296,227 | 64,634 | 1,403,863 | 650,050 | 753,813 | 116.0 |
| Algeria | 141,813 | 70,539 | 62,931 | 340,877 | 192,236 | 148,641 | 77.3 |
| Egypt | 239,282 | 152,981 | 1,703 | 631,174 | 302,344 | 328,830 | 108.8 |
| Morocco | - | 68,728 | - | 420,505 | 140,166 | 280,339 | 200.0 |
| Others | 4,922 | 3,979 | - | 11,307 | 15,304 | -3,997 | -26.1 |
| Total | 12,093,944 | 11,449,798 | 9,256,554 | 32,061,520 | 29,551,657 | 2,509,863 | 8.5 |

EXCHANGE QUOTATIONS, Tokyo (Opening)

| | TTS | TTB | MIDDLE |
|-----|--------|--------|--------|
| | yen | yen | yen |
| USD | 107.30 | 105.30 | 106.30 |
| GBP | 200.33 | 192.33 | 196.33 |
| EUR | 137.15 | 134.15 | 135.65 |
| CAD | 85.06 | 81.86 | 83.46 |
| CHF | 87.84 | 86.04 | 86.94 |
| SEK | 15.24 | 14.44 | 14.84 |
| DKK | 18.52 | 17.92 | 18.22 |
| NOK | 16.15 | 15.55 | 15.85 |
| AUD | 85.12 | 80.12 | 82.62 |

| | TTS | TTB | MIDDLE |
|----------|--------|--------|--------|
| | yen | yen | yen |
| NZD | 75.08 | 69.98 | 72.53 |
| ZAR | 18.02 | 13.02 | 15.52 |
| BHD | 290.56 | 274.56 | 282.56 |
| IDR(100) | - | - | - |
| KRW | 9.21 | 8.81 | 9.01 |
| CNY | - | - | - |
| HKD | 14.12 | 13.26 | 13.69 |
| INR | 2.72 | 1.98 | 2.35 |
| MYR | - | - | - |

| | TTS | TTB | MIDDLE |
|-----|--------|--------|--------|
| | yen | yen | yen |
| PHP | 2.05 | 1.81 | 1.93 |
| SGD | 63.60 | 61.94 | 62.77 |
| THB | 2.81 | 2.65 | 2.73 |
| KWD | 369.69 | 353.69 | 361.69 |
| SAR | 29.17 | 27.57 | 28.37 |
| AED | 29.63 | 28.27 | 28.95 |
| MXN | 13.50 | 6.10 | 9.80 |
| PGK | - | - | - |

Mizuho Bank, Ltd.

Nippon Steel Has Settled New Prices Of Iron Ore Fines For FY2004

= Price Negotiations On Lump Ore Are Continuing For Early Settlement In Japan

On January 14, 2004, Nippon Steel Corporation, leading Japanese integrated steelmaker, has reached an agreement on new iron ore prices for fiscal 2004 (April 1, 2004 - March 31, 2003) with Australian iron ore producers of BHP Billiton and Hamersley Iron Pty., and a Brazilian iron ore producer of CVRD, respectively. The new price of Australian representative Hematite fines was agreed at 35.99 US cents/DMTU FOB, up 18.62% over that in fiscal 2003. This time, Nippon Steel changed price per DLTU (Dry Long Ton Fe Unit) to price per DMTU (Dry Metric Ton Fe Unit) only for Australian iron ore.

Furthermore, Nippon Steel Corporation settled new iron ore prices for fiscal 2004 with CVRD, the world's largest iron ore producer on the same day. The new price for SSF (Southern System Sinter Feed) which is CVRD's representative Hematite fines, was agreed at 32.79 US cents/DMTU FOB Tubarao, up 18.62% over that in the previous fiscal year.

On January 13, 2004, the first price of Carajas fines for 2004 was settled at an increase by 18.62% over 2003 price between CVRD and Arcelor, the largest integrated steelmaker in Europe. Following the first settlement in Europe, Nippon Steel Corporation entered promptly price negotiations on Australian and Brazilian iron ore producers in the morning of January 14, and reached an agreement with these iron ore producers, respectively. JFE Steel and other Japanese steelmakers held iron ore price negotiations and reached an agreement with Australian and Brazilian iron ore producers, individually.

On the other hand, as far as prices for lump ore are concerned, Japanese steelmakers are progressing negotiations in an aim of early settlement. Negotiators of Robe River Limited In Australia will visit Japanese integrated steelmakers for iron ore price negotiations on January 15, 2004.

New Iron Ore Prices for FY 2004 in Japanese Market

| | | in US cents/DMTU FOB | | | | |
|--------------------|---------------|----------------------|-------|-------|-------|----------|
| | Ore Brand | Ore Type | 2004 | 2003 | 2002 | % Change |
| AUSTRALIA | | | | | | |
| Hamersley Iron Pty | Hamersley | Fines | 36.57 | 30.83 | 28.28 | +18.62% |
| | HI Yandi | Fines | 34.38 | 28.98 | 26.58 | |
| BHP Billiton | Mt. Newman | Fines | 36.57 | 30.83 | 28.28 | |
| | BHP Yandi | Fines | 34.38 | 28.98 | 26.58 | |
| BRAZIL | | | | | | |
| CVRD | Itabira (SSF) | Fines | 32.79 | 27.64 | 25.36 | +18.62% |
| | Carajas (CJF) | Fines | 33.29 | 28.14 | 25.86 | +18.30% |

It is noted that a new price of iron ore fines of 36.57 US cents/DMTU (35.99 US cents/DMTU) is an all-time high level, and an increase percentage also ranked within the fifth in the past. Price of coal for fiscal 2004 also rose largely.

In light of the Japanese steel industry for 2004, price hike of steelmaking raw materials such as iron ore and coal as well as upsurge of freight rates are large and remarkable. Cost increase of iron ore due to the price hike for fiscal 2004 will be 55,000 million yen compared with fiscal 2003, and cost increase of coal will be 70,000 million yen. In addition to iron ore and coal, prices of nickel, chrome, zinc, and aluminium for 2004 rose up to the highest level, respectively. As a result, entire costs of the Japanese steel industry for raw materials will be pushed up by 30 million yen (estimation by sources concerned). Therefore, cost reduction for steel production will be a serious issue for Japanese integrated steelmakers.

Hereinafter, Japanese integrated steelmakers are likely to review and progress work on the use ratio of lump ore to fines, sintering ratio, use ratio of pellets, and use ratio of coke.

European Market Has Played Role Of First Price Setter For Consecutive 5 Years

= Price Of Carajas Fines Agreed At 37.90 US Cents/DMTU, Up 18.92% Over 2003 Price

Iron ore price negotiations for 2004 have settled in the European market. On January 13, 2004, CVRD, the world's largest iron ore producer, and Arcelor, the world's largest steelmaker, have settled the price of Carajas fines (CJF), at 37.90 US cents per DMTU (Dry Metric Ton Fe Unit), FOB Ponta da Madeira, Brazil. The price represented a 18.62% increase over the price in 2003. The price for the Standard Sinter Feed was settled at 36.45 US cents/DMTU FOB Tubarao, Brazil, representing an increase of 17.43% over 2003 price. In the European market, the second-round iron ore price negotiations resumed on January 12, 2004, and reached an agreement on new iron ore prices between the selling side and the buying side.

(To Be Continued On Next Page)

European Market Played a Role of the First Price Setter for Consecutive Five Years

CVRD and Arcelor played a role of the first price settler for consecutive two years in the European market. Furthermore, the European market played a role of the first price setter for consecutive five years. Both of price increase and new iron ore prices for 2004 recorded an all-time high, respectively in the past 20 years, reflected by rapidly increasing demand for iron ore in China and other Asian countries.

First Price Setters for Iron Ore Price Negotiations for Past 5 Years

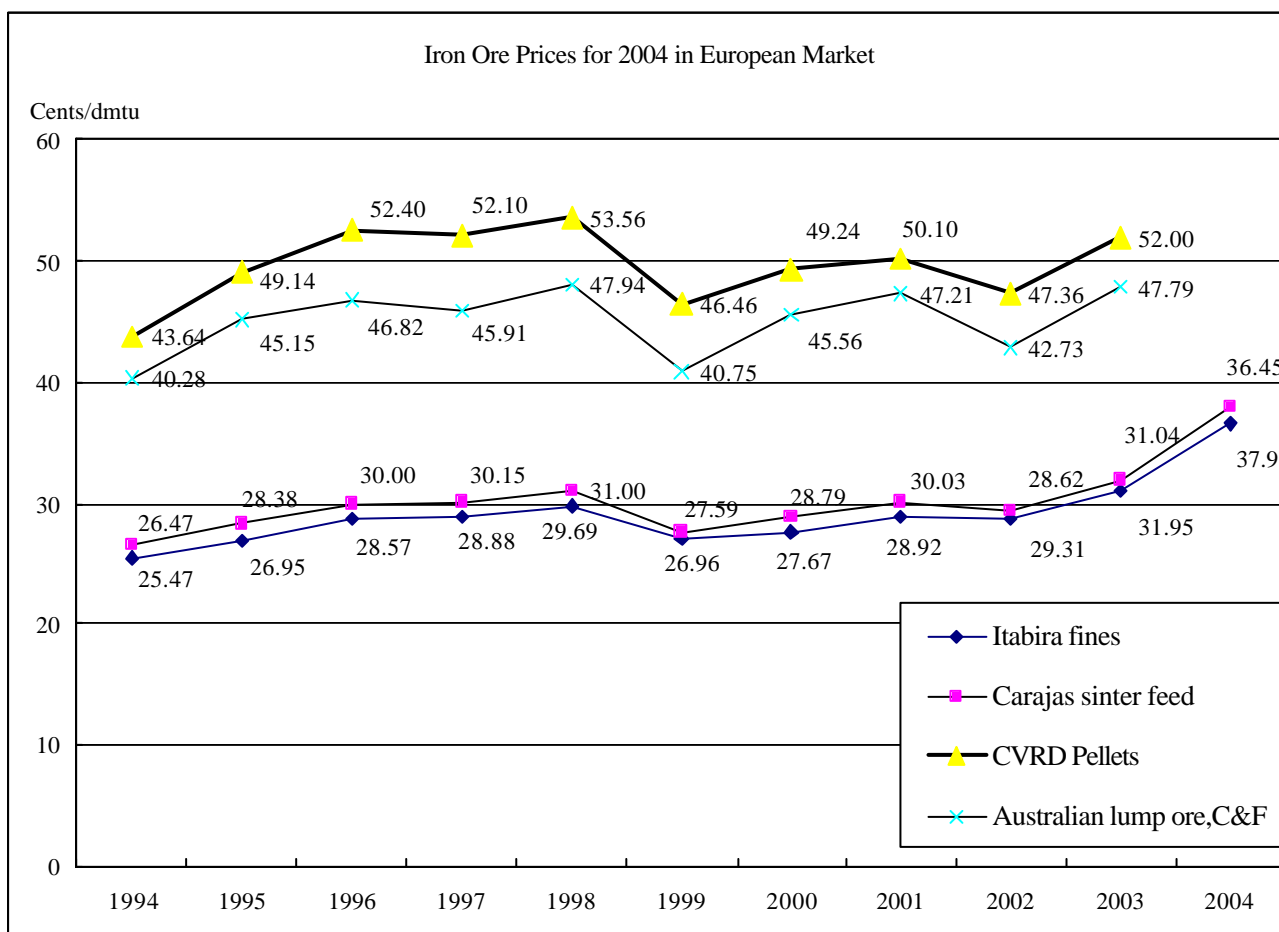
| CY | Set Date | First Price Setters |
|------|----------|---|
| 2000 | Jan 27 | Usinor (France) and SNIM (Mauritania) |
| 2001 | Mar 20 | ILVA (Italy) and CVRD (Brazil) |
| 2002 | May 29 | Thyssen Krupp (Germany) and CVRD (Brazil) |
| 2003 | May 16 | Arcelor (Europe) and CVRD (Brazil) |
| 2004 | Jan 13 | Arcelor (Europe) and CVRD (Brazil) |

Change of Iron Ore Prices by Year in European Market

| | 2004 | | 2003 | | 2002 | |
|--|-------|----------|-------|----------|-------|----------|
| | Price | % change | Price | % change | Price | % change |
| Price fob Ponta da Madeira for Carajas fines (CJF) | 37.90 | +18.62% | 31.95 | +9.00% | 29.31 | -2.40% |
| Price fob Tubarao for Itabira fines (SSF) | 36.45 | +17.43% | 31.04 | +8.46% | 28.62 | -1.04% |

CJF: Carajas Sinter Feed

SSF: Southern System Standard Sinter Feed



Shipping Market For Capesize Vessels Has Been Recording High Levels

Time charterage for bulk carriers of iron ore and coal exceeded the level of \$100,000 per day. Freight rates for voyage charter posted a record of \$23 per ton for a Capesize vessel from Brazil to Rotterdam.

Capesize Vessels

◇ T.K. Sil chartered the Capesize vessel "PERGAMOS" to carry 160,000 tons of iron ore from Ponta da Madeira, shipping port of CVRD iron ore to Rotterdam of the Netherlands at the freight rates of \$23.00 per ton. Laycan period is February 10 - 25.

◇ Noble Chart, a Chinese shipping company, chartered the Capesize vessel "AMERICANA" to carry 140,000 tons of iron ore from Tubarao, shipping port of CVRD iron ore, to Xingang of China at the freight rates of \$46.50 per ton. Laycan period is February 1 - 15.

◇ Coe & Cleric fixed time charter of the Capesize vessel "XINGANG HAI" (175,000 DWT) for coal haulage at the time charterage of \$100,000 per day. The vessel will be delivered Immingham of the U.K., and will return to Skaw and Cape Passero of Italy. Laycan period of the vessel is January 20 - 30.

◇ Coe & Cleric, an Italian shipping company fixed time e charter of the Capesize vessel "HENG SHAN" (169,168 DWT) for coal haulage at the time charterage of \$100,000 per day. The vessel will be delivered at Monloir and will return to Skaw and Cape Passero of Italy. Laycan period of the vessel is January 21 - 22.

◇ Coe & Cleric fixed time charter of the Capesize vessel "XIN PLANG HAI" (175,000 DWT) for coal haulage at the time charterage of \$10,000 per day. The vessel will be delivered at Immingham of the U.K., and will return to Cape Passero via the Atlantic route. Laycan period of the vessel is January 20 - 30.

Panamaxsize Vessels

◇ CSC, steelmaker in Taiwan, chartered the Panamaxsize vessel to carry 70,000 tons of iron ore from Brazil to Kaohsiung of Taiwan at the freight rates of \$34 per ton (loading scale of 40,000 tons and unloading scale of 38,000 tons). Laycan period of the vessel is January 23 - 30.

Handymaxsize Vessels

◇ Pan Ocean fixed time charter of the Handymaxsize vessel "AKMI" (52,300 DWT) at the time charterage of \$34,000 per day. The vessel will be delivered in Europe, and will return to East Asia via Brazil. It is supposed that the vessel will carry Brazilian pig iron.

OME Nickel: Official Prices On January 14

| Primary Nickel | January 14 (Unit :Yen/kg) | | | | | | The Total Turnover 1/13 9,813 |
|---------------------------------|---------------------------|----------|----------|----------|----------|----------|----------------------------------|
| | Jan.2004 | Mar.2004 | May.2004 | Jul.2004 | Sep.2004 | Nov.2004 | |
| the day before closing question | 1,711 | 1,759 | 1,766 | 1,732 | 1,773 | 1,739 | 2,539 |
| Morning 1st Ring | 1,603 | 1,699 | 1,706 | 1,672 | 1,713 | 1,679 | 246 |
| Morning 2nd Ring | 1,603 | 1,699 | 1,706 | 1,672 | 1,713 | 1,679 | 326 |
| Afternoon 1st Ring | 1,603 | 1,699 | 1,706 | 1,672 | 1,713 | 1,679 | 444 |
| Afternoon 2nd Ring | 1,603 | 1,699 | 1,706 | 1,672 | 1,713 | 1,679 | 380 |
| Afternoon 3rd Ring | 1,620 | 1,699 | 1,706 | 1,672 | 1,713 | 1,679 | 1,447 |
| Turnover (MT) | 5 | 5 | 31 | 119 | 823 | 1,860 | 2,843 |

LME Nickel: Official Prices For January 12-13

| Turnover | | Cash | | 3-Month | | 15-Month |
|----------|-----------------|------------------|--------------------|------------------|--------------------|------------------|
| | | Morning (Seller) | Afternoon (Seller) | Morning (Seller) | Afternoon (Seller) | Morning (Seller) |
| Jan.12 | Cathode per lb | * \$7.171 | \$6.908 | \$7.159 | \$6.894 | \$6.166 |
| | Cathode per ton | * \$15,810 | \$15,230 | \$15,785 | \$15,200 | \$13,595 |
| Jan.13 | Cathode per lb | * \$7.003 | \$6.719 | \$6.964 | \$6.701 | \$6.025 |
| | Cathode per ton | * \$15,440 | \$14,815 | \$15,355 | \$14,775 | \$13,285 |

* Cash Settlement

Tokuyama's Coal Consumption Increasing To 1.9 Mil MT In FY2004

=Up 100,000-200,000MT Form Current FY=

Coal consumption by Tokuyama in the fiscal year 2004 is expected to reach 1.9 million MT or so including that for cement manufacturing (about half a million). Since the company converted in July 2003 one boiler at Tokuyama plant to coal burning from petroleum burning making its total number of coal burning boilers four (three at Tokuyama plant and one at the East plant) resulting in prospect for increasing coal consumption by 100,000 MT to 200,000 MT from the previous fiscal year (1.7 to 1.8 million MT).

Coal consumed by the company is imported from nearby sources of China and Indonesia all based on year term contracts without spot or two fiscal years contracts, which means coal for the fiscal year 2003 has already been contracted.

Under tightening supply position of thermal coal in the Asian region, however, export capacity of both Indonesia and China to Japan has been steeply declining. Shipments of Yanzhou coal from China in particular have been conspicuously deteriorated since around December 2003 with lower performance rate of the contractual obligations. As reported already January shipments of this coal to Japan was cut to 160,000 MT from 400,000 MT by the contracts.

Its comparatively higher depending ratio on Yanzhou coal is disturbing its overall coal procurement and in this respect the company advances imports of Indonesian coal for time being. As for procurements in the fiscal year 2003, January shipments have already been settled and February shipments as well are expected to be possible, while it undertakes new contract negotiations for March shipments.

In the next fiscal year as well it intends to import Chinese and Indonesian coal, but price negotiations have not started yet because those with electric companies on Australian thermal coal and Chinese LT thermal coal have not yet entered a serious stage.

The company pledges that coal consumption in the next fiscal year will remain unchanged even if coal prices rise considerably.

Japanese Investors Like JCD Retreating From Laxt In USA

=By Transferring All Japanese Shares Free of Charge to Oxbow=

Japanese investors in Los Angeles Export Terminal (LAXT) have almost decided to withdraw by releasing all the holding shares charge free to Oxbow Carbon.

Japanese partners including Japan Coal Development (JCD) and Oxbow already signed an contract on release of LAXT shares by free of charge at the end last year, which becomes effective after two months moratorium in case there emerge no objections from other shareholders.

US enterprises except the Port of Los Angeles (POLA) owning 15 percent seem to release all their shares to Oxbow charge free. In this respect, Oxbow seems to eventually become 85 percent owner of LAXT.

CSC's Scrap Import Tender Ends In No Deal

Taiwan's integrated steelmaker China Steel Corp (CSC) has ended up with no deal in the import tender the company held Jan 13 to take 30,000-33,000 tons of bonus grade ferrous scrap, according to market sources.

In the import tender, only US metal merchant Hugo Neu Schnitzer Global Trade LLC made an offer of US\$298/MT C&F for the bonus grade. But CSC is believed to have rejected a surprisingly high bid and canceled its planned purchase.

Earlier speculation was that CSC's import tender this time would end in less offers than expected. In this connection, US metal merchants face a continued supply shortage of ferrous scrap cargoes for export in tight supply-demand conditions for domestic ferrous scrap. For an indicator, the composite price stood at US\$166.17/LT for No1 HMS as of Jan 5, 2004, up US\$7.67 from the fourth week of December 2003.

Kanto Tetsugen To Hold Scrap Export Tender Jan 16

Japan's Kanto Tetsugen cooperative association of ferrous scrap dealers is contemplating a Jan 16 sales tender to export 10,000-15,000 tons of locally available ferrous scrap from the Kanto area for shipments in February 2004. As a result, the trading companies concerned are being requested to bid for separate purchases.

In the previous tender held on Dec 16 last year, the highest bid was Y20,310/ton FAS for No2 HMS. Kanto Tetsugen sold a total of 16,000 tons at an average Y20,100/ton FAS then.

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