

Iron Ore

There's a Bear in There

- **Iron Ore Downgrades** — Iron ore price downgraded US\$7/t to US\$113/t in 2014, by US\$10 to US\$90/t in 2015 and US\$10/t to \$80/t in 2016, after which we expect a modest rebound – see [Global Iron Ore - Vive La Différence!](#) Driver for downgrade is building surplus and more resilient Chinese domestic production. As with other commodities that have tipped into surplus we expect the price fall to cut deeper into the cost curve than the market expects. We have also adjusted iron ore premiums as we expect quality differentials to expand as environmental pressures in China rise.
- **Sector Strategy** — Iron ore is the dominant earnings driver for sector and only positive ray of light is that US\$80/t iron ore has already been priced in and/or multiples re-rate as long expected decline finally happens. Short term we expect rising Chinese steel production rates and inventory draw down to buoy iron ore prices and stocks, but ultimately both get dragged down by the overwhelming increase in iron ore supply.
- **RIO downgraded to Neutral, BHP retained at Neutral** — 9% fade in 2014 to 2016 earnings for RIO is driven by increased production and cost reductions being offset by lower iron ore prices. Despite strong free cash flow generation and valuation support (NPV A\$79/sh) we downgrade recommendation to Neutral, previously Buy, with a target price of A\$74/sh. BHP is Neutral rated with A\$38/sh target as gas price upgrades and diversification provide partial offset to iron ore and coking coal pain.
- **FMG downgraded to Neutral** — FMG has de-leveraged massively and balance sheet risk is greatly reduced. Net debt is expected to fall a further US\$2.2b in 2014 to US\$6.4b, but there is debt reduction in 2015-2016 on our estimates. We downgrade recommendation to Neutral, previously Buy, with a target of A\$5.90/sh.
- **Atlas downgraded to Sell, MGX Sell maintained** — Atlas continues to extend the life of the trucking model through exploration success, but our concerns over its ability to fund next stage of growth become even greater at lower iron ore prices. With our forecast of losses for Atlas from FY16+ we downgrade recommendation to Sell, previously Neutral, with a target of A90¢/share. Mt Gibson remains Sell (High Risk) rated with a lowered target price of A80¢/share. Cash backing has partially insulated MGX against iron ore price downgrades, but how cash is deployed through either extending production profile or M&A remains the key uncertainty and risk.

Clarke Wilkins

+61-2-8225-4858

clarke.wilkins@citi.com

Daniel Seeney

+61-2-8225-4862

daniel.seeney@citi.com

Matthew Schembri

+61-2-8225-3162

matthew.schembri@citi.com

Sam Heithersay

+61-2-8225-4893

sam.heithersay@citi.com

Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Atlas Iron	AGO.AX	2	3	A\$1.10	A\$0.90	A¢14.9	A¢12.2
BHP Billiton	BHP.AX	2	2	A\$39.00	A\$38.00	US¢282.8	US¢284.8
Fortescue Metals	FMG.AX	1	2	A\$6.70	A\$5.90	US\$1.17	US\$1.08
Mt Gibson Iron	MGX.AX	3H	3H	A\$0.90	A\$0.80	A¢12.6	A¢11.4
Rio Tinto	RIO.AX	1	2	A\$80.00	A\$74.00	US¢596.6	US¢578.1

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Iron Ore Price Downgrades Dominate

With a strong market consensus that iron ore prices are set to fall in the coming years, there is a sense among many that the story is already well defined with little new to add. There are several factors we consider most important in driving our price downgrade to US\$90/t in 2015 and US\$80/t in 2016, including a number we believe are underappreciated by the market:

- **Chinese iron ore mine production:** possibly the biggest area of debate in the market given the dispersion of small mines and sensitivity of the government. We see two key factors often being overlooked in the market: 70% of production is controlled by steel mills and thus less sensitive to iron ore market prices; and new mines continue to be developed with a pipeline stretching out several years.
- **Ex-China iron ore cost curve:** this is frequently misinterpreted as companies generally report costs on a FOB wmt basis. Normalizing production for freight, moisture content, grades, and product premiums yields a very different picture. We have modeled likely operational curtailments under varying price scenarios as well as likely project cancellations and postponements.
- **Indian supply rebound:** an underappreciated factor in helping to sustain prices as exports fell from ~100 Mt/y to 15 Mt in 2013. We expect exports to rebound to 40 Mt in 2014 and 50 Mt in 2016, adding to downside pressure on prices.
- **Differentiation amongst iron ore products and grades:** pricing differentials for pellets, lumps, and various grades of ore are becoming increasingly important, with premiums for quality products expected to stay structurally higher as a share of total iron ore prices. This is being driven by increased pollution controls in China, and declining Chinese iron ore grades.
- **Chinese scrap supply:** growth has been modest in recent years but is likely to accelerate and grow rapidly through the end of the decade as metal that was consumed in the early 2000s is recycled. The result is that not only is Chinese steel production growth slowing, but the share supplied by iron ore is also likely to decline.

Although the iron ore price downgrades are the most material given iron ore's dominance as a sector earnings driver in Australia, we have also made a number of other changes to our commodity and currency forecasts.

Recently Citi downgraded global growth forecasts by 0.2% in 2014 to 3.1%, with most of the downgrade driven by slower growth in emerging markets. With growth from EM being the more commodities intensive than advanced economies this has greater ripple on effect to commodity markets. Growth has also been downgraded for US (partly weather related after the severe winter) and Japan, which reverses the recent trend of upgrades to advanced economies - [Global Economic Outlook and Strategy](#).

Despite the global growth downgrades it is not all doom and gloom for commodity markets, with downgrades to iron ore, coking coal and aluminium, plus upgrades to the A\$, partially offset by upgrades to copper, gold and US gas. The key changes to our commodity price forecasts are:

- **Coking Coal** – Continued weakness in spot prices due to over supply in the market as producers maximize production to reduce costs has driven a 19% reduction in 2014 prices and 9% reduction in 2015. Despite the downgrades the trajectory of prices is the strongest of all the commodities and in complete contrast to the direction of iron ore prices.

- Thermal Coal – near-term price changes are nominal, but we have reduced our long-term forecast from a very bullish US\$105/t to more reasonable US\$90/t.
- Copper – 2014 prices upgraded 5% to US\$3.16/lb and 2015 by 4% to US\$3.23/lb, with 2-3% upgrades further out.
- Aluminium – 3-4% downgrades to 2014-15 driven by ongoing surpluses as production curtailments in the Western World are not enough to balance market.
- Henry Hub Gas – significant 34% upgrade to US\$5/MMBtu in 2014 after the cold US winter and price spike, but 2015+ prices remain unchanged.

Figure 1. Commodity Price Changes

		LT	2014	2015	2016	2017	2018
Iron Ore	Old	81	120	100	90	90	90
	New	81	113	90	80	83	85
	% Change	0.0%	-6.0%	-10.0%	-11.1%	-7.8%	-5.6%
Hard Coking Coal	Old	200	160	170	180	190	200
	New	200	130	155	180	190	200
	% Change	0.0%	-18.8%	-8.8%	0.0%	0.0%	0.0%
Thermal Coal	Old	105	79	85	85	90	100
	New	90	78	85	85	90	100
	% Change	-14.3%	-1.0%	0.0%	0.0%	0.0%	0.0%
Aluminium	Old	2,200	1,835	1,950	2,000	2,100	2,200
	New	2,200	1,780	1,870	1,950	2,100	2,200
	% Change	0.0%	-3.0%	-4.1%	-2.5%	0.0%	0.0%
Copper	Old	6,200	6,650	6,825	7,500	7,800	8,000
	New	6,200	6,975	7,125	7,700	8,000	8,200
	% Change	0.0%	4.9%	4.4%	2.7%	2.6%	2.5%
Gold	Old	1,050	1,255	1,350	1,370	1,400	1,420
	New	1,050	1,305	1,360	1,380	1,400	1,420
	% Change	0.0%	4.0%	0.7%	0.7%	0.0%	0.0%
Oil WTI	Old	81	93	86	83	78	80
	New	81	94	89	83	78	80
	% Change	0.0%	1.6%	2.9%	0.0%	0.0%	0.0%
Henry Hub	Old	4.50	3.73	4.50	4.90	4.90	5.50
	New	4.50	5.00	4.50	4.90	4.90	5.50
	% Change	0.0%	34.2%	0.0%	0.0%	0.0%	0.0%
AUDUSD	Old	0.88	0.89	0.90	0.91	0.92	0.88
	New	0.85	0.91	0.92	0.92	0.92	0.92
	% Change	-3.4%	1.9%	2.2%	1.4%	0.4%	4.5%

Source: Citi Research

Figure 2. Iron Ore S&D

Mt	Q1 2013	Q2 2013	Q3 2013	Q4 2013e	Q1 2014e	Q2 2014e	Q3 2014e	Q4 2014e	Q1 2015e	Q2 2015e	Q3 2015e	Q4 2015e	2010	2011	2012	2013e	2014e	2015e	2016e	2017e	2018e
Supply (Exports)																					
Rio Tinto	58	62	64	61	58	71	72	72	69	85	84	84	224	231	239	245	274	323	339	348	357
BHP	38	45	46	54	47	58	55	55	52	64	59	59	116	138	150	182	216	235	252	261	265
FMG	21	24	26	31	33	40	39	39	35	43	39	39	39	49	66	102	150	155	155	155	155
Australia	125	142	151	161	152	185	182	183	172	209	201	202	402	438	492	579	703	785	847	881	908
Vale	68	73	86	85	72	83	83	83	89	89	89	89	310	323	320	312	321	357	366	366	401
Brazil	68	77	90	95	76	88	90	90	96	97	99	100	311	331	327	330	344	391	419	437	472
India	4	3	4	4	5	11	7	12	11	10	7	12	105	79	30	15	35	40	45	45	45
South Africa	15	16	15	17	16	18	16	18	17	18	16	19	48	53	54	64	68	69	69	70	71
Canada	7	10	11	10	7	10	10	10	7	10	11	11	33	34	35	38	37	39	39	39	39
Others	56	58	57	61	60	62	59	63	62	65	61	65	152	159	212	231	243	252	261	275	280
Price Induced Curtailments					0	0	0	0	5	10	14	14	0	0	0	0	0	42	110	101	145
Total Seaborne Exports	275	306	328	348	316	373	363	377	360	399	381	394	1,050	1,094	1,148	1,257	1,430	1,535	1,569	1,647	1,670
Ex-China Demand (Imports)																					
Japan	32	34	35	34	34	34	34	34	34	34	34	34	134	128	131	136	137	137	136	136	136
Korea	15	14	16	18	17	17	17	17	17	17	17	17	56	65	66	63	68	69	70	71	72
Taiwan	5	6	6	5	5	5	5	5	5	5	5	5	19	21	18	22	20	20	20	20	21
EU	35	37	40	38	37	38	39	38	37	38	39	38	157	151	142	150	151	152	155	159	162
Others	7	10	8	10	9	11	8	11	9	11	9	11	51	43	38	35	38	40	43	44	46
Total Seaborne Imports	95	101	104	106	102	105	103	105	103	106	104	106	417	408	396	406	415	419	424	431	437
Trade data reconciliation	6	-7	-7	-23	14	-13	4	-12	7	-9	9	-12	-14	1	-6	-31	-7	-6	1	-13	6
Market balance ex-China (62% Fe)	163	210	198	208	216	241	249	245	250	268	269	261	536	676	746	779	951	1,048	1,082	1,135	1,169
Chinese Market																					
Crude Steel Production	194	202	206	203	194	215	215	219	202	224	224	228	655	746	755	805	843	877	910	944	976
Scrap Supply	17	20	19	20	18	21	21	22	22	25	26	28	89	91	84	76	81	100	123	155	189
Total Demand (62% Fe)	282	292	299	293	281	311	311	316	288	318	316	320	905	1,048	1,074	1,166	1,218	1,243	1,260	1,263	1,258
Surplus/(Deficit) Pre Domestic Production	-119	-82	-101	-85	-65	-70	-61	-71	-38	-50	-47	-60	-369	-372	-328	-387	-268	-195	-178	-128	-89
Domestic Production (62% Fe)	83	95	103	108	73	90	89	83	51	67	53	52	325	357	341	389	335	223	166	153	140
Market Balance	-36	13	2	23	7	20	28	12	13	17	6	-7	-44	-15	13	2	67	28	-12	25	51
% of seaborne exports + Chinese supply	-10%	3%	0%	5%	2%	4%	6%	3%	3%	4%	1%	-2%	-3%	-1%	1%	0%	4%	2%	-1%	1%	3%
Iron Ore Price & Forecast	148	125	133	135	124	112	110	105	98	92	85	85	147	168	129	135	113	90	80	83	85

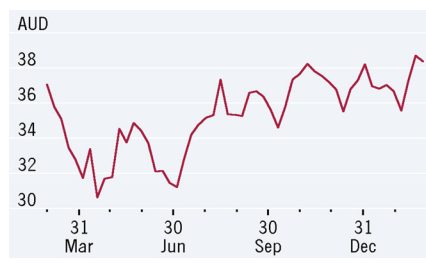
Source: Citi Research

Company Focus

- Estimate Change
- Target Price Change

Neutral	2
Price (28 Feb 14)	A\$38.66
Target price	A\$38.00
from A\$39.00	
Expected share price return	-1.7%
Expected dividend yield	3.4%
Expected total return	1.7%
Market Cap	A\$199,852M
	US\$179,167M

Price Performance
(RIC: BHP.AX, BB: BHP AU)



BHP Billiton Ltd (BHP.AX) Diversification Pays Off

- **Neutral Rated** — BHP is Neutral rated with a target price of A\$38/share, reduced from A\$39/share due to the earnings downgrades from lower iron ore and coal prices – target price is set through NPV and earnings based methodologies with a 50:50 weighting to each.
- **Diversification Pays** — The magnitude of the earnings downgrades for BHP (8% in FY15 and 9% in FY16) are less than those of RIO despite the double whammy of lower iron ore and coking coal. This is driven by the offsetting factor of US gas price upgrades, driven 1% upgrade to FY14, and broader commodity diversification.
- **Fairly Valued** — BHP trades on a 12x FY14 and 13x FY15 PE and at a premium to our NPV of A\$36/share. Although we expect the sector to re-rate once the rout in iron ore has happened, BHP already trades on a market multiple of 14x in FY16 so the upside is limited unless the market multiples expand further.
- **Cash Flow Generation** — Despite lower earnings we still forecast US\$4.4b in free cash flow generation in FY15 that can be effectively distributed to shareholders given BHP is comfortable sitting at a net debt level of US\$25b, which we expect to be reached by end-FY14. We forecast a similar level of free cash flow generation in FY16 before stepping up to almost US\$7b in FY16. The key risk to these forecasts outside of commodity prices is capex. We have capex declining to US\$13b in FY15 and US\$12b in FY16, but if additional projects were approved and capex was stretched to the upper limit of US\$15b then this would reduce the amount of free cash flow available for capital management.
- **Capital Management** — BHP will be in the position to use all available capital management tools in FY15, with deployment dependent on the views of shareholders that are being gathered in the current post-result roadshow. With the spread between the Ltd and Plc <10%, off-market buybacks where a discount of 14% can typically be achieved will become more attractive and also allow the streaming of franking credits to those shareholders who can utilize them. Despite the lower discount we still expect an on-market Plc buyback to form part of the program as can be deployed gradually through the year rather than the once off big bang you get from an off-market buyback. While Australian shareholders like special dividends due again to the tax benefit from franking, other shareholders are typically not as enamored. However, special dividends are another way of returning cash quickly and could be used as such if desired.

BHP.AU revisions (Y/E Jun)	2012A	2013A	2014E	2015E	2016E
Sales (US\$m)	72,226.0	65,968.0	68,159.5	69,263.2	70,978.9
% revision	0.0%	0.0%	-0.2%	-3.3%	-2.5%
EBIT (US\$m)	27,262.0	21,127.0	25,418.2	24,917.4	23,461.4
% revision	0.0%	0.0%	0.8%	-7.4%	-7.1%
Core Net Profit (US\$m)	17,117.0	11,798.0	15,161.1	14,032.7	13,061.7
% revision	0.0%	0.0%	0.7%	-7.9%	-9.2%
Core EPS (US¢)	321.6	221.7	284.8	263.6	245.4
% revision	0.0%	0.0%	0.7%	-7.9%	-9.2%
EPS Growth (%)	-21.1	-31.1	28.5	-7.4	-6.9
PE Ratio (x)	10.8	15.6	12.2	13.1	14.1
Dividend Yield (%)	3.2	3.3	3.6	3.9	4.2

Source: Company Reports and dataCentral, Citi Research.

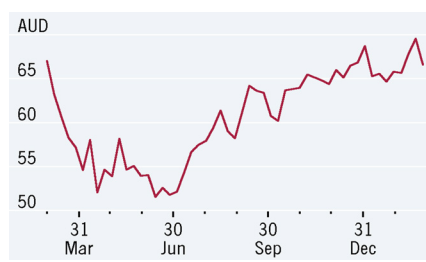
Fiscal year end 30-Jun	2012	2013	2014E	2015E	2016E
Valuation Ratios					
P/E adjusted (x)	10.8	15.6	12.2	13.1	14.1
EV/EBITDA adjusted (x)	5.5	6.9	5.8	5.7	5.6
P/NTA (x)	3.0	2.8	2.5	2.3	2.1
Dividend yield (%)	3.2	3.3	3.6	3.9	4.2
Per Share Data (US¢)					
EPS adjusted	321.6	221.7	284.8	263.6	245.4
NTAPS	1,141.5	1,229.8	1,370.9	1,533.3	1,669.9
DPS	112.0	116.0	124.0	135.0	145.0
Profit & Loss (US\$m)					
Net sales	72,226	65,968	68,160	69,263	70,979
EBITDA	33,770	28,383	33,702	33,753	33,113
EBIT	27,262	21,127	25,418	24,917	23,461
Net interest expense	-788	-1,353	-1,183	-1,397	-1,371
Non-operating/exceptionals	-3,452	-1,902	551	0	0
Pre-tax profit	23,022	17,872	24,786	23,520	22,090
Tax	-7,490	-6,797	-7,856	-8,098	-7,418
Extraord./Min.Int./Pref.div.	-115	-199	-1,423	-1,389	-1,610
Reported net income	15,417	10,876	15,507	14,033	13,062
Adjusted earnings	17,117	11,798	15,161	14,033	13,062
Growth Rates (%)					
Sales	0.7	-8.7	3.3	1.6	2.5
EPS adjusted	-21.1	-31.1	28.5	-7.4	-6.9
Cash Flow (US\$m)					
Operating cash flow	25,930	19,219	24,263	24,070	24,362
Depreciation/amortization	6,508	7,256	8,284	8,835	9,651
Net working capital	2,632	261	-1,406	0	0
Investing cash flow	-33,638	-18,893	-15,827	-12,755	-12,227
Capital expenditure	-17,912	-19,841	-13,907	-11,584	-11,037
Acquisitions/disposals	-12,801	4,006	305	0	0
Financing cash flow	1,921	-62	-4,029	-11,992	-12,809
Borrowings	8,827	7,395	2,056	-4,396	-4,683
Dividends paid	-5,933	-6,222	-6,463	-6,919	-7,452
Change in cash	-5,787	264	4,407	-677	-674
Balance Sheet (US\$m)					
Total assets	129,273	138,109	154,020	158,112	160,805
Cash & cash equivalent	5,063	6,219	11,099	11,099	11,099
Accounts receivable	7,704	6,728	6,698	6,698	6,698
Inventory	6,233	5,822	5,917	5,917	5,917
Net goodwill & intangibles	5,112	5,226	5,533	5,533	5,533
Net fixed assets	95,247	102,927	107,680	110,601	112,103
Other assets	9,914	11,187	17,093	18,264	19,455
Total liabilities	62,289	66,074	69,797	65,246	60,671
Accounts payable	12,224	11,098	9,757	9,757	9,757
Total debt	28,330	35,165	36,030	31,635	26,951
Other liabilities	21,735	19,811	24,010	23,855	23,963
Shareholders' funds	67,085	72,035	84,222	92,865	100,134
Profitability/Solvency Ratios					
EBITDA margin adjusted (%)	46.8	43.0	49.4	48.7	46.7
ROE adjusted (%)	27.9	17.3	20.3	16.9	14.4
ROIC adjusted (%)	23.9	14.1	16.2	15.1	14.1
Net debt to equity (%)	34.7	40.2	29.6	22.1	15.8
Interest coverage adjusted (x)	34.6	15.6	21.5	17.8	17.1

Company Focus

- Estimate Change
- Target Price Change
- Rating Change

Neutral	2
from Buy	
Price (28 Feb 14)	A\$67.76
Target price	A\$74.00
from A\$80.00	
Expected share price return	9.2%
Expected dividend yield	3.2%
Expected total return	12.5%
Market Cap	A\$112,175M
	US\$100,565M

Price Performance
(RIC: RIO.AX, BB: RIO AU)



Rio Tinto Ltd (RIO.AX) Getting More Diversified, but not Preferred Way

- **Downgraded to Neutral** — RIO recommendation downgraded to Neutral, previously Buy, with a target price of A\$74/share, previously A\$80. The reduction in our target price has been driven by the lower earnings and NPV from the iron ore price downgrades – target price is set through NPV and earnings based methodologies with a 50:50 weighting to each.
- **Diversification Increasing** — Iron ore is forecast to go from being 80% of RIO's divisional EBIT in 2013-14, to 70% in 2015 and <60% in 2016+. We would prefer to see if this increased diversification came from the underperforming aluminium and thermal coal assets outstripping growth in iron ore, but unfortunately this is only partly the case - divisional EBIT ex-iron ore expected to rise from US\$3.8b in 2014 to US\$7.2b in 2016. On our forecasts declining prices are expected to reduce Iron Ore EBIT from US\$14.9b in 2014, to US\$9.6b by 2016, despite volume growth of 23%.
- **Valuation Support** — Our NPV for RIO is A\$79/share, which uses a long-term iron ore price of US\$81/t and 85¢ A\$. Combined with undemanding PE of <11x in 2014 & 2015 we see valuation support as an offset to the expected trajectory and significant headwind of iron ore prices. We expect 2014 & 2015 to be an arm wrestle between the re-rating of RIO as the free cash flow increases and is returned to shareholders versus the downward trajectory in iron ore.
- **Capital Management** — Despite the downgrades we still expect RIO to reduce debt to ~US\$12.7b by the end of 2014, below the targeted range of mid-teen billions. With free cash flow of US\$5b in 2015 this opens up the potential for US\$5+b of capital management in 2015 – proportionately higher than BHP at 5% of market capitalization v 3%. The key differentiator between BHP and RIO aside from diversity remains BHP ongoing US\$4bpa investment into shale gas that is not expected to be free cash flow positive until 2016+.
- **Capex** — We expect capex to decline from US\$13b in 2013 to US\$10.2 b in 2014 and then down to US\$8.3b in 2015.
- **Asset Sales** — Additional asset sales look much less likely for RIO going forward given the improvement in the balance sheet. In our view, the position adopted by the company seems to be more attuned to sitting back and waiting for potential purchasers to bid a high enough price, rather than proactively go out and put assets out for sale by opening up data rooms.

RIO.AU revisions (Y/E Dec)	2012A	2013A	2014E	2015E	2016E
Sales (US\$m)	50,967.0	51,171.0	52,069.7	56,076.1	57,723.6
% revision	0.0%	0.0%	-2.7%	-5.3%	-5.1%
EBIT (US\$m)	9,878.0	13,028.0	16,778.5	16,105.9	15,111.3
% revision	0.0%	0.0%	-3.3%	-13.1%	-12.9%
Core Net Profit (US\$m)	9,303.0	10,217.0	10,644.2	10,380.6	9,729.7
% revision	0.0%	0.0%	-3.1%	-13.3%	-13.8%
Core EPS (US¢)	505.3	554.9	578.1	563.8	528.5
% revision	0.0%	0.0%	-3.1%	-13.3%	-13.8%
EPS Growth (%)	-39.3	9.8	4.2	-2.5	-6.3
PE Ratio (x)	12.0	10.9	10.5	10.8	11.5
Dividend Yield (%)	2.7	3.2	3.6	4.0	4.3

Source: Company Reports and dataCentral, Citi Research.

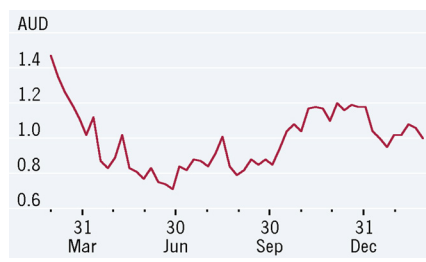
Fiscal year end 31-Dec	2012	2013	2014E	2015E	2016E
Valuation Ratios					
P/E adjusted (x)	12.0	10.9	10.5	10.8	11.5
EV/EBITDA adjusted (x)	7.7	6.6	5.1	4.9	4.8
P/NTA (x)	3.1	2.9	2.1	1.8	1.7
Dividend yield (%)	2.7	3.2	3.6	4.0	4.3
Per Share Data (US¢)					
EPS adjusted	505.3	554.9	578.1	563.8	528.5
NTAPS	1,939.5	2,078.6	2,932.0	3,317.1	3,661.9
DPS	167.0	192.0	220.0	245.0	262.5
Profit & Loss (US\$m)					
Net sales	50,967	51,171	52,070	56,076	57,724
EBITDA	14,686	18,253	22,949	22,799	21,874
EBIT	9,878	13,028	16,778	16,106	15,111
Net interest expense	-160	-425	-544	-456	-426
Non-operating/exceptionals	-15,392	-9,194	0	0	0
Pre-tax profit	-5,674	3,409	16,234	15,649	14,685
Tax	2,670	216	-5,188	-4,900	-4,590
Extraord./Min.Int./Pref.div.	14	40	-402	-369	-365
Reported net income	-2,990	3,665	10,644	10,381	9,730
Adjusted earnings	9,303	10,217	10,644	10,381	9,730
Growth Rates (%)					
Sales	-15.8	0.4	1.8	7.7	2.9
EPS adjusted	-39.3	9.8	4.2	-2.5	-6.3
Cash Flow (US\$m)					
Operating cash flow	11,125	15,377	17,281	18,882	18,355
Depreciation/amortization	4,808	5,225	6,171	6,693	6,763
Net working capital	3,932	-1,379	-3,863	-212	-92
Investing cash flow	-17,134	-11,321	-10,235	-9,380	-8,356
Capital expenditure	-16,342	-13,376	-10,217	-8,321	-7,271
Acquisitions/disposals	-792	2,055	1,015	0	0
Financing cash flow	6,247	-934	-7,791	-9,502	-9,999
Borrowings	7,888	2,122	-5,618	-5,194	-5,258
Dividends paid	-3,038	-3,322	-3,373	-4,308	-4,741
Change in cash	238	3,122	-745	0	0
Balance Sheet (US\$m)					
Total assets	117,573	111,025	118,132	120,299	121,499
Cash & cash equivalent	7,082	10,216	10,216	10,216	10,216
Accounts receivable	5,319	4,667	4,667	4,667	4,667
Inventory	6,136	5,737	6,338	6,802	7,002
Net goodwill & intangibles	0	0	0	0	0
Net fixed assets	75,131	70,827	75,152	77,065	77,865
Other assets	23,905	19,578	21,759	21,549	21,749
Total liabilities	70,708	65,139	56,533	51,610	46,462
Accounts payable	11,474	9,559	3,433	3,684	3,793
Total debt	26,865	28,597	22,933	17,739	12,481
Other liabilities	32,369	26,983	30,167	30,188	30,189
Shareholders' funds	46,865	45,886	61,599	68,688	75,037
Profitability/Solvency Ratios					
EBITDA margin adjusted (%)	28.8	35.7	44.1	40.7	37.9
ROE adjusted (%)	22.8	27.6	23.1	18.0	15.1
ROIC adjusted (%)	14.7	15.5	13.3	12.1	11.1
Net debt to equity (%)	42.2	40.1	20.6	11.0	3.0
Interest coverage adjusted (x)	61.7	30.7	30.8	35.3	35.5

Company Focus

- Estimate Change
- Target Price Change
- Rating Change

Sell	3
<i>from Neutral</i>	
Price (28 Feb 14)	A\$1.03
Target price	A\$0.90
<i>from A\$1.10</i>	
Expected share price return	-12.2%
Expected dividend yield	2.9%
Expected total return	-9.3%
Market Cap	A\$938M
	US\$841M

Price Performance
(RIC: AGO.AX, BB: AGO AU)



Atlas Iron Ltd (AGO.AX)

Rail Dilemma

■ **Downgraded to Sell** — Atlas recommendation downgraded to Sell with a target price of A90¢/share, previously Neutral with a target price of A\$1.10/share. The reduction in our target price has been driven by the lower earnings and NPV from the iron ore price downgrades – target price is set through NPV and earnings based methodologies with a 50:50 weighting to each

■ **Production Profile** — Guidance is for sales of 10.2-10.7mt in FY14 (Citi 10.5mt), which we expect to rise to 12.2mt in FY15 and 13mt in FY16 (attributable and equates to 14mtpa managed). Atlas has a targeted 15mtpa run rate by end-15 that will stretch capacity of the trucking model given the logistics of getting that much material into and through the port.

■ **Mine Capacity** — Mine capacity will be 6mtpa from Wodgina, 2mtpa from Abydos and 6mt from Mt Weber. Ability to sustain this rate through the trucking model beyond Wodgina running down at end of decade is dependent on development of additional Horizon 1 mines at Corunna Downs and Miralga Creek (initial resource expected 3Q14). We include a development of both these mines at a 50% probability (with a 40mt resource at Miralga Creek and 100mt resource at Corunna Downs) in our model. Increasing this probability to 100% would increase our Atlas NPV from A70¢ to A90¢.

■ **Rail Dilemma** — Whilst continued exploration success in “truckable” zone to Port Hedland will extend the life of this stage of operations, rail remains a dilemma for Atlas. On the one hand getting rail access will drive a production step change from stranded Horizon 2 resources up to 30+mtpa, but on the other hand funding requirement is substantial (Citi estimate A\$1.2+b). Combined with infrastructure prepayments this could be a step too far for the balance sheet given our forecast of declining iron ore prices and cash flow generation. We do not include any value in our NPV for Horizon 2 other than the notional value of A25¢/t that we apply to undeveloped resources – adds up to A28¢/share.

■ **Balance Sheet** — Higher iron ore prices and reduced costs have left Atlas in a net cash position of A\$89m, which we expect to decline to a net cash position of A\$27m at the end of 2014 due to the capex for Mt Weber. To develop Horizon 2 we estimate capex of A\$600m for McPhee Creek and A\$600m for rail spurs etc. Even without any upfront prepayments for port or main line rail this would still mean that Atlas needs to fund A\$600+m (assume 50% debt funded), which would be a big stretch at our iron ore price forecasts.

AGO.AU revisions (Y/E Jun)	2012A	2013A	2014E	2015E	2016E
Sales (A\$m)	618.1	698.3	1,163.9	1,121.2	988.5
% revision	0.0%	0.0%	-3.1%	-10.8%	-10.6%
EBIT (A\$m)	81.8	14.2	177.0	23.5	-175.0
% revision	0.0%	0.0%	-16.8%	-83.9%	-159.5%
Core Net Profit (A\$m)	72.0	13.7	111.7	13.2	-125.0
% revision	0.0%	0.0%	-18.3%	-86.7%	-162.6%
Core EPS (A¢)	8.0	1.5	12.2	1.4	-13.7
% revision	0.0%	0.0%	-18.3%	-86.7%	-162.6%
EPS Growth (%)	-67.6	-81.2	710.4	-88.2	-1,047.2
PE Ratio (x)	12.9	68.4	8.4	71.4	-7.5
Dividend Yield (%)	2.9	2.9	2.9	2.9	2.9

Source: Company Reports and dataCentral, Citi Research.

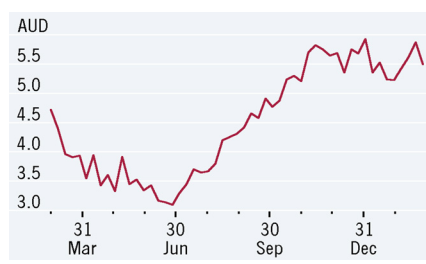
AGO.AX: Fiscal year end 30-Jun						Price:\$1.03; TP:\$0.90; # Shares: 915m; Market Cap: A\$943m; Recomm: Sell					
Profit & Loss (A\$m)	2013	2014E	2015E	2016E	2017E	Comdty & FX Forecasts	2013	2014E	2015E	2016E	2017E
Sales revenue	698	1,164	1,121	989	1,016	Lump Price (US\$/t)	114.7	115.0	91.9	71.2	70.2
Cost of sales	-606	-934	-1,047	-1,112	-1,160	Fines Price (US\$/t)	101.0	98.9	78.1	62.0	60.9
EBITDA	113	377	212	32	23	Avg Price Received (US\$/t)	85.1	90.0	72.8	58.3	57.3
Depreciation/Amortization	-99	-200	-189	-207	-220	AUDUSD (analyst) (x)	1.03	0.91	0.91	0.92	0.92
EBIT	14	177	24	-175	-197	Long Term Forecasts					
Net interest	-15	-15	-5	-4	-4	Iron Ore Lump (US¢/DMTu)					120.0
Earnings before tax	-1	162	19	-179	-201	Iron Ore Fines (US¢/DMTu)					111.1
Tax Recurring	14	-50	-6	54	60	AUDUSD average					0.85
Exceptional/Other	-259	12	0	0	0						
Reported net profit	-245	124	13	-125	-141	Production Volumes	2013	2014E	2015E	2016E	2017E
Core NPAT	14	112	13	-125	-141	Lump (mt)	0.0	0.0	0.0	0.0	0.0
Balance Sheet (A\$m)	2013	2014E	2015E	2016E	2017E	Fines (mt)	7.4	10.5	12.2	13.0	13.5
Cash & cash equiv.	417	349	367	327	286	Production Costs	2013	2014E	2015E	2016E	2017E
Net fixed & other tangibles	869	970	912	774	613	Cash Costs (US\$/t)	59.7	52.4	51.3	49.5	48.1
Total assets	2,169	2,121	2,082	1,903	1,703	Earnings Sensitivity	2013	2014E	2015E	2016E	2017E
Short-term debt	13	15	15	15	15	EPS%Δ/10% AUDUSD (%)	0.0	-28.7	-649.6	86.0	73.8
Long-term debt	275	286	286	286	286	EPS%Δ/10% Iron Ore Lump (%)	0.0	28.7	649.6	-86.0	-73.8
Total liabilities	557	591	542	542	542	EPS%Δ/10% Iron Ore Fines (%)	-25.2	111.0	1,183.4	-137.9	-124.1
Shareholders' equity	1,612	1,530	1,540	1,361	1,161						
Total equity	1,612	1,530	1,540	1,361	1,161						
Net debt	-129	-49	-67	-27	14						
Cashflow (A\$m)	2013	2014E	2015E	2016E	2017E						
Operating cashflow	126	385	195	47	38						
Capex	-284	-378	-131	-68	-59						
Net acq/disposals	-3	1	0	0	0						
Exploration exp/Other	-59	-23	-14	-15	-15						
FCF ex acqns & explor exp	-174	-5	50	-36	-36						
Net change in cash	-41	-90	17	-40	-40						
Per share data	2013	2014E	2015E	2016E	2017E						
Reported EPS (¢)	-27	14	1	-14	-15	Reserves & Resources	Reserves	Resource			
Core EPS (¢)	2	12	1	-14	-15		Amount	Grd.(%)	Amount	Grd.(%)	
DPS (¢)	3	3	3	3	3	Total Iron Ore (mt)	217	57.46	765	56.52	
CFPS (¢)	14	42	21	5	4						
BVPS (¢)	177	167	168	149	127						
Wtd avg ord shares (m)	910	915	915	915	915						
Wtd avg diluted shares (m)	910	915	915	915	915						
Valuation ratios	2013	2014E	2015E	2016E	2017E	Valuation					
PE (x)	68.4	8.4	71.4	-7.5	-6.7	WACC (%)					9.9
EV/EBIT (x)	15.7	1.2	9.5	-1.3	-1.4						
EV/EBITDA (x)	2.0	0.6	1.1	7.4	11.8	NPV Valuation				US\$M	A\$/sh.
FCF yield (%)	-17	1	7	-2	-2	Operations				536	0.69
Dividend yield (%)	3	3	3	3	3	Other Assets				216	0.28
Payout ratio (%)	199	25	nm	nm	nm	Corporate costs				-312	-0.40
Operating performance	2013	2014E	2015E	2016E	2017E	Investments				5	0.01
EBITDA margin (%)	16	32	19	3	2	Cash				331	0.43
Operating ROE (%)	1	7	1	-9	-11	Total debt				-263	-0.34
Operating ROIC (%)	20	15	2	-15	-20	Total				513	0.70
Net debt to equity (%)	-8	-3	-4	-2	1						
Debt to total capital (%)	15	16	16	18	21						

Company Focus

- Estimate Change
- Target Price Change
- Rating Change

Neutral	2
from Buy	
Price (28 Feb 14)	A\$5.53
Target price	A\$5.90
from A\$6.70	
Expected share price return	6.7%
Expected dividend yield	4.3%
Expected total return	11.0%
Market Cap	A\$17,219M
	US\$15,437M

Price Performance
(RIC: FMG.AX, BB: FMG AU)



Fortescue Metals Group Ltd (FMG.AX) De-leveraging Stops in 2015 @ US\$90/t Iron Ore

- **Recommendation Downgraded to Neutral** — Fortescue recommendation downgraded to Neutral with a target price of A\$5.90/share, previously Buy with a target price of A\$6.70/share. The reduction in our target price has been driven by the lower earnings and NPV from the iron ore price downgrades – target price is set through NPV and earnings based methodologies with a 50:50 weighting to each.
- **Higher Cost, Lower Revenue** — FMG has higher costs and lower revenue than BHP/RIO and is much more leveraged to our iron ore price downgrades. We forecast costs of US\$41/t in FY14 (including royalties but ex-freight), decreasing to US\$38/t in FY15, which is a ~US\$10/t premium to BHP/RIO's costs driven by higher strip ratios. In addition to higher costs, FMG's margins are also impacted by a US\$10+/t revenue differential to BHP/RIO due to lower grade, higher moisture and lack of lump premium – refer to Figure 3 & 4.
- **Great De-Lever** — After significantly de-levering in 2013 due to higher than expected iron ore prices, we expect FMG to reduce debt by a further US\$2.2b in 2014, reducing net debt to US\$6.4b and gearing to 41% (target gearing is <40%). However, at our iron ore price forecasts that is where the de-leveraging stops with net debt not expected to change materially again through end-16.
- **Response to Lower Prices** — This lack of cash flow begs the question of how the company will respond to a lower iron ore price environment. Costs at the Chichester Hub have been reduced dramatically as strip ratios have fallen from 4.5:1 to 3.5:1, but there could be potential to reduce costs further by reducing production and lowering strip ratios further, although only likely to be possible for a limited period of time. From a current production run rate of 90mtpa we see potential to curtail 20-30mtpa of capacity to reduce costs if the iron ore price falls further than expected, although this needs to be balanced against the impact of fixed costs of rail/port being carried across a smaller production base.
- **Capex/Growth** — We expect capex to decline from US\$2.1b in FY14 to US\$1.4b in FY15 with the key items being SIB capex of US\$1.2b and US\$0.2b for the 5th berth. We also include US\$1b in capex across FY16-17 for de-bottlenecking of capacity up to 180mtpa. At a capex cost of US\$40/t these projects still generate an IRR of >30%, but if cash needed to be preserved then even these high returning projects could be cut, reduce debt by US\$1b over 2015-16.

FMG.AU revisions (Y/E Jun)	2012A	2013A	2014E	2015E	2016E
Sales (US\$m)	6,681.0	8,120.0	12,662.8	12,568.5	10,523.2
% revision	0.0%	0.0%	-3.0%	-8.8%	-8.2%
EBIT (US\$m)	2,612.0	3,019.0	5,490.1	4,009.3	1,881.5
% revision	0.0%	0.0%	-6.8%	-19.9%	-36.2%
Core Net Profit (US\$m)	1,449.8	1,746.0	3,378.0	2,471.2	999.9
% revision	0.0%	0.0%	-7.7%	-22.1%	-43.3%
Core EPS (US¢)	46.6	56.1	108.5	79.4	32.1
% revision	0.0%	0.0%	-7.7%	-22.1%	-43.3%
EPS Growth (%)	-11.3	20.4	93.5	-26.8	-59.5
PE Ratio (x)	10.6	8.8	4.6	6.2	15.4
Dividend Yield (%)	1.6	2.0	4.4	4.8	2.4

Source: Company Reports and dataCentral, Citi Research.

FMG.AX: Fiscal year end 30-Jun						Price:\$5.53; TP:\$5.90; # Shares: 3114m; Market Cap: A\$17219m; Recomm: Neutral					
Profit & Loss (US\$m)	2013	2014E	2015E	2016E	2017E	Comdty & FX Forecasts	2013	2014E	2015E	2016E	2017E
Sales revenue	8,120	12,663	12,568	10,523	10,926	Lump Price (US\$/t)	110.0	114.5	90.6	70.1	69.2
Cost of sales	-5,347	-7,319	-8,619	-8,703	-9,319	Fines Price (US\$/t)	95.8	97.4	76.1	60.4	59.4
EBITDA	3,482	6,389	5,251	3,183	3,069	Avg Price Received (US\$/t)	92.9	95.0	74.3	58.9	58.0
Depreciation/Amortization	-463	-899	-1,242	-1,301	-1,399	AUDUSD (analyst) (x)	1.04	0.97	0.91	0.92	0.92
EBIT	3,019	5,490	4,009	1,882	1,670	Long Term Forecasts					
Net interest	-553	-696	-474	-447	-432	Iron Ore Spot (US\$/mt)					81.0
Earnings before tax	2,466	4,794	3,535	1,435	1,239	AUDUSD average					0.85
Tax Recurring	-720	-1,407	-1,060	-430	-372						
Exceptional/Other	0	-9	-3	-5	-3	Production Volumes	2013	2014E	2015E	2016E	2017E
Reported net profit	1,746	3,378	2,471	1,000	864	Chichester Fines (mt)	66.0	80.9	89.0	89.0	89.0
Core NPAT	1,746	3,378	2,471	1,000	864	Solomon Yandi (mt)	0.0	16.7	40.0	41.3	46.3
Balance Sheet (US\$m)	2013	2014E	2015E	2016E	2017E	Solomon Lump (mt)	0.0	0.0	0.0	0.0	0.0
Cash & cash equiv.	2,158	2,792	3,887	3,515	3,706	Solomon Fines (mt)	10.0	25.7	20.0	20.6	23.1
Net fixed & other tangibles	17,159	18,322	18,511	18,849	19,174	Nullagine Fines (mt)	1.8	1.5	1.5	1.5	1.5
Total assets	20,867	23,102	24,380	24,347	24,863						
Short-term debt	205	219	219	219	219	Total Production (mt)	77.8	124.7	150.5	152.4	159.9
Long-term debt	12,486	9,694	9,694	9,694	9,694	Total Sales (mt)	77.8	121.7	150.5	152.4	159.9
Total liabilities	15,578	15,021	14,765	14,477	14,521						
Shareholders' equity	5,285	8,080	9,615	9,869	10,341	Production Costs	2013	2014E	2015E	2016E	2017E
Total equity	5,298	8,080	9,615	9,869	10,341	Cash Costs (US\$/t)	49.9	41.2	39.1	38.0	38.7
Net debt	10,533	7,121	6,026	6,398	6,207						
						Earnings Sensitivity	2013	2014E	2015E	2016E	2017E
Cashflow (US\$m)	2013	2014E	2015E	2016E	2017E	EPS%Δ/10% AUDUSD (%)	6.0	14.6	-30.9	-206.5	-203.1
Operating cashflow	1,806	5,563	3,074	1,678	2,085	EPS%Δ/10% Iron Ore Lump (%)	10.2	-5.5	42.7	235.5	235.6
Capex	-6,288	-2,101	-1,405	-1,639	-1,724	EPS%Δ/10% Iron Ore Fines (%)	5.1	-2.8	51.4	259.7	262.6
Net acq/disposals	345	590	0	0	0						
Exploration exp/Other	-209	-138	0	0	0						
FCF ex acqns & explor exp	-4,159	4,059	1,669	39	361						
Net change in cash	-173	650	1,095	-372	192						
Per share data	2013	2014E	2015E	2016E	2017E						
Reported EPS (¢)	56	108	79	32	28	Reserves & Resources	Reserves		Resource		
Core EPS (¢)	56	108	79	32	28		Amount	Grd.(%)	Amount	Grd.(%)	
DPS (¢)	10	22	24	12	11	Chichester (mt)	1,547	58.28	2,550	57.32	
CFPS (¢)	58	179	99	54	67	Solomon (mt)	716	56.30	3,070	56.50	
BVPS (¢)	170	260	309	317	332						
Wtd avg ord shares (m)	3,114	3,114	3,114	3,114	3,114						
Wtd avg diluted shares (m)	3,114	3,114	3,114	3,114	3,114						
Valuation ratios	2013	2014E	2015E	2016E	2017E	Valuation					
PE (x)	8.8	4.6	6.2	15.4	17.9	WACC (%)					7.8
EV/EBIT (x)	7.9	4.4	5.5	11.5	13.0						
EV/EBITDA (x)	6.8	3.8	4.2	6.8	7.1	NPV Valuation				US\$m	A\$/sh.
FCF yield (%)	-29	22	11	0	2	Iron Ore				20,376	7.70
Dividend yield (%)	2	4	5	2	2	Iron Bridge				226	0.09
Payout ratio (%)	18	20	30	37	40	Other				785	0.30
Operating performance	2013	2014E	2015E	2016E	2017E	Corporate Costs				-1,099	-0.42
EBITDA margin (%)	43	50	42	30	28	Net Debt				-8,218	-3.11
Operating ROE (%)	39	51	28	10	9	Total				12,070	4.56
Operating ROIC (%)	16	23	16	8	7						
Net debt to equity (%)	199	88	63	65	60						
Debt to total capital (%)	71	55	51	50	49						

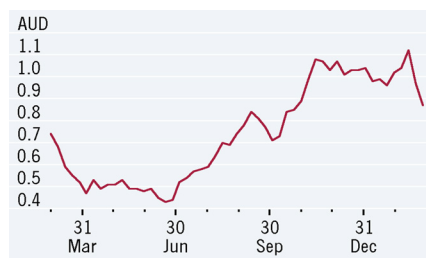
Company Focus

- Estimate Change
- Target Price Change

Sell/High Risk	3H
Price (28 Feb 14)	A\$0.87
Target price	A\$0.80
from A\$0.90	
Expected share price return	-8.3%
Expected dividend yield	5.7%
Expected total return	-2.5%
Market Cap	A\$951M
	US\$853M

Price Performance

(RIC: MGX.AX, BB: MGX AU)



Mount Gibson Iron (MGX.AX) Catalyst Needed: Distributing cash a good start

- **Sell Rated** — We retain our Sell/High Risk rating on Mt Gibson with a lowered target price of A\$0.80/share, previously A\$0.90/share. The reduction in our target price has been driven by the lower earnings and NPV from the iron ore price downgrades – target price is set through NPV and earnings based methodologies with a 50:50 weighting to each
- **Significant Earnings Downgrades** — The iron ore price downgrades have driven significant earnings downgrades for Mt Gibson with FY14 down 9%, FY15 down 67% and the company is expected to report losses in FY16+ at our iron ore price forecasts.
- **Production Profile** — Shipments are expected to peak at 9-9.5mt in FY14 (Citi 9.3mt), but decline to 7.9mt in FY15 and 7mt in FY16 after closure of Prominent Hill. Development of Shine, Fields Find and satellite deposits at Extension Hill could maintain sales at this 7-8mt level beyond EH closure in 2018, but look unlikely to restore to FY14 peak and are marginal at our iron ore price forecasts.
- **Cash of A\$484m** — MGX has A\$484m in cash that has partly insulated our forecasts from the iron ore price declines. We expect cash to peak at ~A\$600m by end-FY15, before lower prices start to eat away gradually at cash reserves. Despite this cash never drops below A\$500m, so what the company does with this excess cash is still one of the most pertinent questions.
- **Give the Cash Back** — A commitment to start returning a larger portion of the excess cash to shareholders would certainly be a positive catalyst to offset Citi's and the market's view of declining iron ore prices. Unfortunately this does not appear to be a priority for the board and new Chairman Lee Seng Hui who is a representative of APAC Resources. This maintains the risk that rather than be returned to shareholders the cash is deployed into M&A.
- **M&A Risk** — A\$500m may seem like a lot of cash and represent >A\$40/share of value to Mt Gibson, but in the capex intensive mining world does not really buy that much. For a diversification into coking coal this could buy a development project, but any such project is likely to require significant further capex to bring into production. The greatest value that Mt Gibson can add in our view is by buying resources close to existing infrastructure in the mid-West. As the A\$15m acquisition of Shine shows though, these deposits don't require huge outlays due to small scale and lack of infrastructure in the region, so still leave scope to return cash to shareholders.

MGX.AU revisions (Y/E Jun)	2012A	2013A	2014E	2015E	2016E
Sales (A\$m)	669.1	853.0	929.4	689.2	461.8
% revision	0.0%	0.0%	-2.0%	-10.5%	-13.2%
EBIT (A\$m)	226.5	123.8	170.0	31.7	-133.5
% revision	0.0%	0.0%	-9.4%	-70.5%	-95.4%
Core Net Profit (A\$m)	172.5	92.9	124.6	26.4	-122.2
% revision	0.0%	0.0%	-9.0%	-67.4%	-212.4%
Core EPS (A¢)	15.9	8.5	11.4	2.4	-11.2
% revision	0.0%	0.0%	-9.0%	-67.4%	-212.4%
EPS Growth (%)	-28.0	-46.5	34.2	-78.8	-562.4
PE Ratio (x)	5.5	10.2	7.6	35.9	-7.8
Dividend Yield (%)	4.6	4.6	5.7	6.9	8.0

Source: Company Reports and dataCentral, Citi Research.

MGX.AX: Fiscal year end 30-Jun						Price:\$0.87; TP:\$0.80; # Shares: 1091m; Market Cap: A\$949m; Recomm: Sell/High Risk					
Profit & Loss (A\$m)	2013	2014E	2015E	2016E	2017E	Comdty & FX Forecasts	2013	2014E	2015E	2016E	2017E
Sales revenue	853	929	689	462	452	Lump Price (US\$/t)	113.3	113.2	88.3	65.5	64.2
Cost of sales	-799	-780	-638	-575	-588	Fines Price (US\$/t)	102.0	100.0	77.0	57.9	56.5
EBITDA	319	360	195	14	-4	Avg Price Received (US\$/t)	98.8	90.5	78.9	60.7	59.5
Depreciation/Amortization	-195	-190	-163	-148	-152	AUDUSD (analyst) (x)	1.03	0.91	0.91	0.92	0.92
EBIT	124	170	32	-134	-156	Long Term Forecasts					
Net interest	5	8	8	11	14	Iron Ore Lump (US\$/DMTu)					120.0
Earnings before tax	128	178	40	-122	-142	Iron Ore Fines (US\$/DMTu)					111.1
Tax Recurring	-36	-53	-13	0	0	AUDUSD average					0.85
Exceptional/Other	64	0	0	0	0						
Reported net profit	157	125	26	-122	-142	Production Volumes	2013	2014E	2015E	2016E	2017E
Core NPAT	93	125	26	-122	-142	Lump (mt) (mt)	4.0	3.7	3.4	3.1	3.1
Balance Sheet (A\$m)	2013	2014E	2015E	2016E	2017E	Fines (mt) (mt)	3.9	3.9	4.1	3.9	3.9
Cash & cash equiv.	376	554	598	576	539	Production Costs	2013	2014E	2015E	2016E	2017E
Net fixed & other tangibles	910	838	746	645	542	Cash Costs (US\$/t)	70.9	57.4	54.6	56.2	57.4
Total assets	1,555	1,628	1,580	1,457	1,316						
Short-term debt	19	0	0	0	0	Earnings Sensitivity	2013	2014E	2015E	2016E	2017E
Long-term debt	9	21	21	21	21	EPS%Δ/10% AUDUSD (%)	19.2	82.0	137.0	92.9	95.8
Total liabilities	373	348	328	328	328	EPS%Δ/10% Iron Ore Lump (%)	-19.2	-82.0	-137.0	-92.9	-95.8
Shareholders' equity	1,182	1,280	1,252	1,130	988	EPS%Δ/10% Iron Ore Fines (%)	-19.2	-82.0	-137.0	-92.9	-95.8
Total equity	1,182	1,280	1,252	1,130	988						
Net debt	-348	-533	-576	-555	-517						
Cashflow (A\$m)	2013	2014E	2015E	2016E	2017E						
Operating cashflow	183	287	162	14	-4						
Capex	-45	-79	-72	-47	-48						
Net acq/disposals	0	1	0	0	0						
Exploration exp/Other	0	-2	0	0	0						
FCF ex acqns & explor exp	138	208	90	-33	-52						
Net change in cash	22	114	43	-21	-38						
Per share data	2013	2014E	2015E	2016E	2017E						
Reported EPS (¢)	14	11	2	-11	-13	Reserves & Resources	Reserves	Resource			
Core EPS (¢)	9	11	2	-11	-13		Amount	Grd.(%)	Amount	Grd.(%)	
DPS (¢)	4	5	6	7	0	Total Iron Ore (mt)	45	62.13	89	61.88	
CFPS (¢)	17	26	15	1	0						
BVPS (¢)	108	117	115	104	91						
Wtd avg ord shares (m)	1,091	1,091	1,091	1,091	1,091						
Wtd avg diluted shares (m)	1,091	1,091	1,091	1,091	1,091						
Valuation ratios	2013	2014E	2015E	2016E	2017E	Valuation					
PE (x)	10.2	7.6	35.9	-7.8	-6.7	WACC (%)					7.8
EV/EBIT (x)	5.0	2.6	10.5	-2.4	-2.3						
EV/EBITDA (x)	1.9	1.2	1.7	22.3	-87.8	NPV Valuation				US\$M	A\$/sh.
FCF yield (%)	15	22	9	-3	-5	Operations				227	0.25
Dividend yield (%)	5	6	7	8	0	Corporate costs				-89	-0.10
Payout ratio (%)	47	44	nm	nm	0	Cash				411	0.44
Operating performance	2013	2014E	2015E	2016E	2017E	Total debt				-18	-0.02
EBITDA margin (%)	37	39	28	3	-1	Arbitration proceeds				27	0.03
Operating ROE (%)	8	10	2	-10	-13	Total				558	0.60
Operating ROIC (%)	13	13	2	-18	-24						
Net debt to equity (%)	-29	-42	-46	-49	-52						
Debt to total capital (%)	2	2	2	2	2						

Price Impact on Production Growth

With iron ore prices expected to fall significantly over the next few years, two of the key uncertainties that this will create are:

- Will this derail the production growth being delivered?
- What does it mean for future projects?

The vast majority of Australian production growth shown in Figure 2 is being delivered by RIO, BHP and FMG. With production costs of <US\$40/t we do not see any significant risk to our production forecasts for 2015-2019 from iron ore prices at US\$80/t.

If prices were to breach this level then the story could become quite different. Firstly, a price of US\$80/t for the benchmark level in equates to a realised price of ~US\$67/t for BHP/RIO, but only US\$57/t for FMG. (prices are as bigger driver of the margin gap between BHP/RIO and FMG as costs are).

The gap between index and realised prices is driven by freight, moisture and grade adjustments, with BHP and RIO getting a partial offset from lump premiums.

Figure 3. BHP v RIO v FMG Forecast Realised Price, Cost and Margin – Revenue and Costs on FOB US\$/t basis

		1H14e	2H14e	1H15e	2H15e	1H16e	2H16e	1H17e	2H17e	L/T - 2021 Real
Iron Ore price	CFR China DMT	118	108	95	85	80	80	83	83	81
BHP Billiton	Revenue	104	94	82	72	67	67	70	70	66
	Costs	36	35	32	31	29	27	28	28	24
	Margin	68	60	50	41	38	40	43	42	42
		66%	63%	61%	57%	56%	59%	60%	60%	63%
Rio Tinto	Revenue	101	91	82	72	67	67	70	70	66
	Costs	27	27	27	26	26	27	27	27	23
	Margin	73	64	55	46	41	41	43	43	42
		73%	70%	68%	63%	61%	61%	62%	61%	64%
FMG	Revenue	88	79	69	61	57	57	59	59	56
	Costs	42	41	38	38	38	38	39	39	33
	Margin	45	38	32	23	19	18	20	20	22
		52%	48%	46%	38%	33%	32%	34%	33%	40%
Spread - BHP/RIO v FMG										
	Price	15	14	13	11	10	11	11	11	10
	Price Premium	15%	15%	15%	15%	16%	16%	16%	16%	15%
	Costs	-10	-10	-8	-9	-10	-12	-12	-12	-10
	Cost premium	33%	32%	28%	33%	36%	43%	42%	42%	41%
	Margin Spread	25	23	21	21	21	22	23	23	20

Source: Citi Research

Although costs are expected to be less than <US\$30/t for BHP and RIO and <US\$40/t for FMG, there are a number of mines that make up the Pilbara operations of each company and some of these would have costs over US\$40/t and potentially be susceptible to curtailment.

With Pilbara sustaining capex typically running at US\$5-7/t these operations would not generate any cash flow at less than US\$80/t iron ore.

Figure 4. BHP v RIO v FMG Historical Realised Price, Cost and Margin – Revenue and Costs on FOB US\$/t basis

		1H08	2H08	1H09	2H09	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13	Average
Iron Ore price	CFR China DMT	186	119	72	104	145	148	177	159	141	116	137	134	137
BHP Billiton	Revenue	82	87	65	63	97	131	151	142	124	101	115	113	106
	Costs	28	17	24	24	29	40	35	38	38	38	37	38	32
	Margin	55	71	41	38	68	91	116	104	87	63	78	75	74
		66%	81%	63%	61%	70%	69%	77%	73%	70%	62%	68%	66%	70%
Rio Tinto	Revenue	82	91	59	59	92	128	141	140	123	102	114	111	103
	Costs	26	23	20	21	23	32	33	33	34	32	35	27	28
	Margin	56	68	40	38	69	97	108	108	89	70	79	84	75
		69%	75%	67%	64%	75%	75%	77%	77%	72%	69%	69%	76%	73%
FMG	Revenue	73	72	44	52	81	110	137	111	105	85	100	103	89
	Costs	37	30	27	30	37	44	62	54	57	54	46	40	43
	Margin	37	42	18	22	44	66	75	57	48	31	55	62	46
		50%	58%	40%	42%	54%	60%	55%	51%	46%	37%	54%	61%	52%

Source: Company Reports and Citi Research Estimates

Impact of lower prices on Production Growth

The impact of US\$80/t iron ore on projects will be a very different story.

In the first instance we expect there are unlikely to be any greenfield iron ore projects that will work at this price, especially not the more capex intensive magnetite projects. You could basically say goodbye to all the hopefuls who have yet to get a project funded. Additionally, any major projects for the majors will also stay on hold.

The big three iron ore producers in Australia have already taken a considerably more conservative stance on capex spend as they seek to reduce debt with BHP's Outer Harbour and FMG's Western Hub delayed indefinitely. At US\$80/t we would not expect RIO to add the potential further 100mtpa through doubling capacity of the new Robe port or for BHP to incur the capex for the additional 2 berths approved in Port Hedland.

What could still work and be a source of additional production growth at these prices would be low cost brownfield expansions to further lower operating costs. These expansions will have to be extremely capital efficient to get up, but with the margins that will still be generated even at US\$80/t iron ore they still generate a high enough return.

If BHP and RIO can add brownfield capacity at ~US\$50/t then this still generates IRR's of a highly attractive ~40%. For FMG with a lower price and higher cost, brownfield expansions with a capex intensity of US\$50/t will have an IRR of >20%, which would increase to >30% if they could lower capex to US\$40/t as we expect.

Figure 5. IRR for Brownfield Projects with Capex of US\$50/t

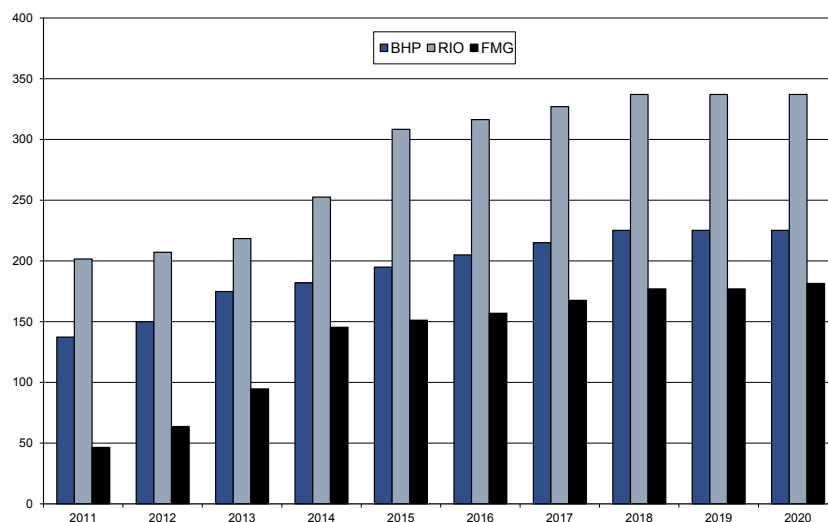
	Margin	Capex	IRR
BHP	29	50	41%
RIO	30	50	42%
FMG	15	50	22%

Source: Citi Research

Production Growth

On an absolute basis, we expect RIO remains its position as the largest Australian iron ore producer, and depending on the success of Vale in finally being able to expand Brazilian production, it could take the title of the largest global producer.

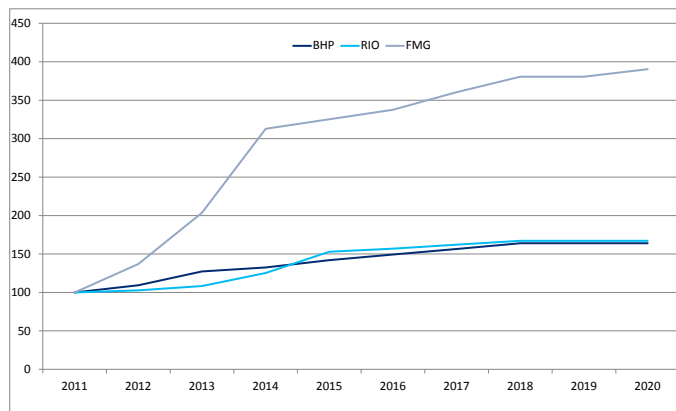
Figure 6. Attributable Iron Ore Production



Source: Company Reports and Citi Research Estimates

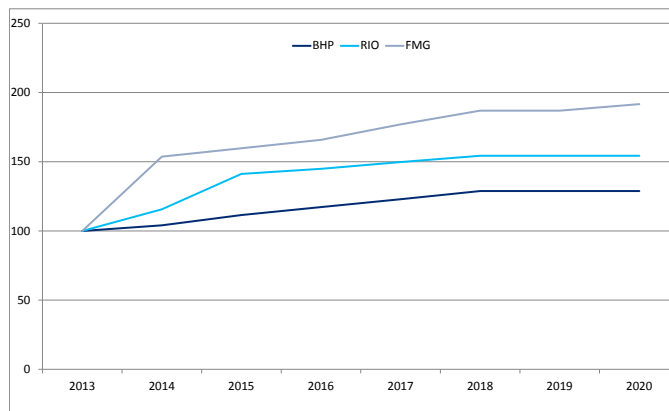
Off a 2011 starting base FMG wins the title for the largest absolute production growth by a mile, albeit coming off a much lower base. If we roll forward to using 2013 production as the starting point the story is not that different, although the relativity between BHP and RIO switches, due on part to RIO's relatively poor showing in 2013.

Figure 7. Relative Production Growth – 2011 Base



Source: Company Reports and Citi Research Estimates

Figure 8. Relative Production Growth – 2013 Base



Source: Company Reports and Citi Research Estimates

BHP Billiton Ltd

Company description

BHP Billiton is the world's largest mining company, formed by the merger of BHP Ltd and Billiton plc in 2001. The group comprises six major business units, Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Energy Coal and Stainless Steel Materials. The company retains a dual listed corporate structure between the UK and Australian markets.

Investment strategy

We rate BHP Billiton Neutral on valuation basis. Key positive drivers include: 1) production growth - We forecast strong organic production growth across the group's petroleum, coal and iron ore assets as projects are delivered, subject to market conditions. 2) Strong balance sheet - BHP has a strong balance sheet that could be used to acquire assets or return it to shareholders through the reactivation of the buyback programme.

Valuation

Our target price is A\$38.00. Our BHP valuation (NPV) of A\$36.00 is partly based on DCF analysis using a 7.8% real, after tax, unlevered discount rate and a beta of 1.1. Our long-term equilibrium commodity prices and other key assumptions are available in our Metals & Mining Strategy reports. We calculate a one-year target price using a 50% weighting of: 1) a target price based on a 10% premium to NPV; and 2) a multiple-based target price using FY14/FY15E (11x P/E and 7x EV/EBITDA).

Risks

We see these risk factors to the share price reaching our target price. However, if the impact of these risk factors is less negative than we currently anticipate, then the share price might rise above our target price.

Country risk is a significant consideration with about 40% by NPV of operations in Africa, South America and Asia. Operating risk is lower than in smaller metals and mining companies with fewer operations.

The ongoing global economic slowdown could deteriorate further, providing further downside risk to commodity prices.

Rio Tinto Ltd

Company description

Rio Tinto is a diversified metals and mining company. Wholly-owned subsidiaries include Borax, Rio Tinto Alcan, Hamersley, Rio Tinto Coal Australia, Kennecott Utah Copper and Rio Tinto Iron & Titanium. There are also partly-owned subsidiaries (Coal & Allied) and non-managed joint ventures (Escondida and Grasberg).

Investment strategy

We rate Rio Tinto Neutral. Citi's declining iron ore price profile largely offsets the significant production growth in Rio Tinto's iron ore division. Growth in Rio's copper and coal divisions could pose upside risk to our forecasts but with ~70% of earnings derived from iron ore, it remains the key driver in our recommendation.

Valuation

Our RIO target price is A\$74. Our RIO valuation (NPV) of A\$79 is based on DCF analysis using a 7.8% real, after-tax, unlevered discount rate. Our long-term equilibrium commodity price estimates and key assumptions are available in our Metals & Mining Strategy reports. We calculate our one-year target price using a combination of: 1) a valuation based on 0% premium to NPV; and 2) a multiple-based valuation (a combination of 10x PE and 6x EV/EBITDA multiples for FY14E & FY15E), with a 50/50 weighting between each methodology. We round the result to derive our target price of A\$74.

Risks

Key risks to our projected earnings, cash flows and target price relate to weaker-than-expected commodity prices/economic growth and currency fluctuations. Country risk is a consideration with about 20% of operations by NPV in Africa, South America and Indonesia. Operating risk in RIO is lower than for smaller metals and mining companies with fewer operations. An upside risk is if bulk prices rise further than anticipated in the current round of negotiations. If the impact on the company from any of these factors proves to be greater or less than we anticipate, the stock will likely have difficulty achieving our target price. However, should they be less than anticipated, the stock could trade above our target price.

Atlas Iron Ltd

Company description

Atlas Iron is a Western Australian iron ore producer with DSO production from mines located near Port Hedland in the Pilbara region. The company also has a number of DSO projects near Newman and in the emerging Midwest region, in addition to a couple of magnetite projects. Production in FY12 was 5.5mt, but this is expected to increase to 11mt by the end of FY15.

Investment strategy

We rate AGO shares Sell, with a target price of A\$0.90. Atlas is expected to grow production to a rate of 12mtpa by mid-15. However, to grow beyond this Atlas requires access to rail and port infrastructure that we expect to be challenging to secure. Additionally, even if access is secured we see significant challenges in funding the capex required under Citi's iron ore price forecasts of ~US\$80/t.

Valuation

We derive our target price of A\$0.90 from a 50:50 weighting of NPV and multiples analysis. Our AGO valuation (NPV) of A\$0.70 is based on DCF analysis using a 7.8% real, after-tax, unlevered discount rate using a beta of 1.1, US\$81/t (dry FOB) long-term iron ore price forecast and a A\$/US\$ exchange rate of US85¢. Our multiples analysis focuses on 7x P/E and 4x EV/EBITDA multiples based on FY15 forecasts.

Risks

AGO is exposed to a single commodity and four mines, leaving it highly exposed to operational and commissioning delays. However, a successful ramp-up and planned sales should generate strong cash flows. AGO is highly leveraged to the iron ore price, but a higher A\$ is a key risk to our projected earnings and valuation.

The key negative risk we see to Atlas is the ability to secure rail access and then be able to fund the capex for growth beyond 12mtpa that we estimate at A\$1.2+b.

The key positive risk is higher than expected iron ore prices that would generate additional cash flow to reduce the funding risk. Securing rail access on acceptable terms is also a potential near-term positive catalyst for the stock.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Fortescue Metals Group Ltd

Company description

Fortescue Metals is Australia's 3rd largest iron ore producer and is expanding capacity to 155mtpa by end-2014 through an expansion of the existing Chichester operations and development of the Solomon projects (Firetail and Kings). In addition to increasing production/shipments, the Solomon project will also lower cost significantly due to the lower strip ratio. Fortescue also has potential growth options beyond 155mtpa if additional port capacity is constructed.

Investment strategy

We rate FMG shares Neutral. FMG has rapidly de-leveraged the balance sheet and greatly reduced the company's risk profile. But with minimal cash generation on Citi's iron ore forecasts we struggle to see significant upside at these levels.

Valuation

We derive our target price of A\$5.90 from a 50/50 weighting of NPV and multiples analysis.

Our FMG valuation (NPV) of A\$4.56 is based on DCF analysis using a 7.8% real, after-tax, unlevered discount rate using a beta of 1.1, long-term iron ore price forecast and a A\$/US\$ exchange rate of US85¢.

Our multiples analysis focuses on P/E and EV/EBITDA multiples (based on FY15 forecasts).

Risks

FMG is exposed to a single commodity with two mines, leaving it highly exposed to operational and commissioning delays.

However, a successful ramp-up and planned sales should generate strong cashflows.

FMG is highly leveraged to the iron ore price and a lower A\$ is beneficial to earnings.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Mount Gibson Iron

Company description

Mt Gibson Iron is a Western Australian iron ore producer with DSO production from 3 mines in Western Australia – Tallering Peak and Extension Hill in the Midwest and Koolan Island off the Kimberley coast.

Investment strategy

We rate MGX shares Sell/High Risk, with a target price of A\$0.80/share. We believe the relatively high cost operations, which now suffer from relatively high impurities leave the company highly leveraged to any downturn in the iron ore market. Without any clarity around intentions for the cash balance of \$484m at 30-June, we struggle to see value in MGX.

Valuation

We derive our target price of A\$0.80 from a combination of NPV and earnings based methodologies, with a 50:50 weighting to each. Our MGX valuation (NPV) of A\$0.60 is based on DCF analysis using a 7.8% real, after-tax, unlevered discount rate using a beta of 1.1, US\$81/t (dry FOB) long-term iron ore price forecast and a A\$/US\$ exchange rate of US85¢. We apply a discount to the valuation based on the uncertainty from the lingering corporate governance issues. Our multiple based valuation is based on FY14 and FY15 estimates using 6x PE and 3x EV/EBITDA multiples.

Risks

We rate MGX as High Risk referencing a number of quantitative and qualitative screens, in particular, the single commodity and two mines, leaving it highly exposed to operational and commissioning delays.

However, a successful ramp-up and planned sales should generate strong cash flows.

MGX is highly leveraged to the iron ore price, but a higher A\$ is a key risk to earnings.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Rio Tinto Ltd (RIO.AX)

Ratings and Target Price History Fundamental Research

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	4-Apr-11	1M	*110.00	85.50
2	4-Sep-11	1M	*100.00	72.05
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	100.00	66.40
5	8-Jan-12	1	*95.00	62.52
6	18-May-12	1	*86.00	55.20

* Indicates change

	Date	Rating	Target Price	Closing Price
7	16-Jul-12	1	*80.00	54.49
8	2-Sep-12	1	*73.00	49.24
9	14-Feb-13	1	*78.00	72.07
10	14-Apr-13	1	*71.00	56.90
11	14-Jul-13	1	*67.00	54.74
12	8-Aug-13	1	*71.00	59.48

	Date	Rating	Target Price	Closing Price
13	13-Sep-13	1	*74.00	63.08
14	22-Sep-13	1	*73.00	62.91
15	15-Oct-13	1	*74.00	63.20
16	16-Jan-14	1	*75.00	65.58
17	13-Feb-14	1	*80.00	67.83

Rating/target price changes above reflect Eastern Standard Time

Rio Tinto Ltd (RIO.AX)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	15-May-11	*ADD MP	-	80.15

* Indicates change

	Date	Rating	Target Price	Closing Price
2	30-Jan-14	*REM MP	-	65.80

Rating/target price changes above reflect Eastern Standard Time

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	4-Apr-11	2H	*2.30	2.09
2	28-Apr-11	2H	*2.20	1.92
3	11-Aug-11	*1H	2.20	1.54
4	7-Oct-11	Stock rating system changed		

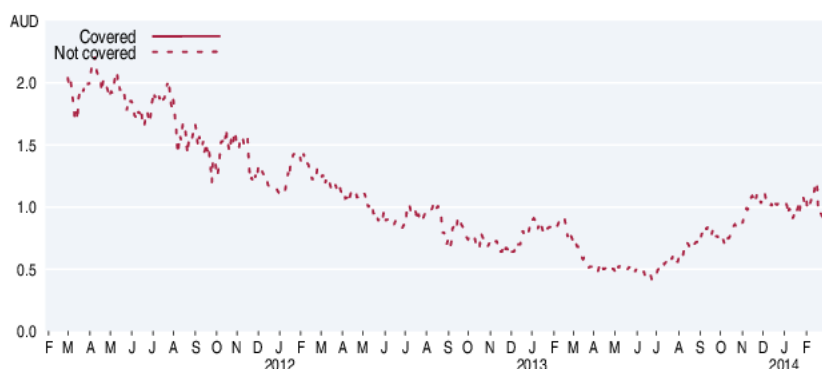
* Indicates change

	Date	Rating	Target Price	Closing Price
5	18-Nov-11	*2H	*1.40	1.28
6	9-Feb-12	2H	*1.50	1.40
7	27-Apr-12	*1H	1.50	1.08
8	2-Sep-12	1H	*1.20	0.73

	Date	Rating	Target Price	Closing Price
9	22-Jan-13	1H	*1.15	0.85
10	19-Feb-13	1H	*1.00	0.86
11	22-Nov-13	*2H	*1.10	1.11
12	18-Feb-14	*3H	*0.90	1.20

Rating/target price changes above reflect Eastern Standard Time

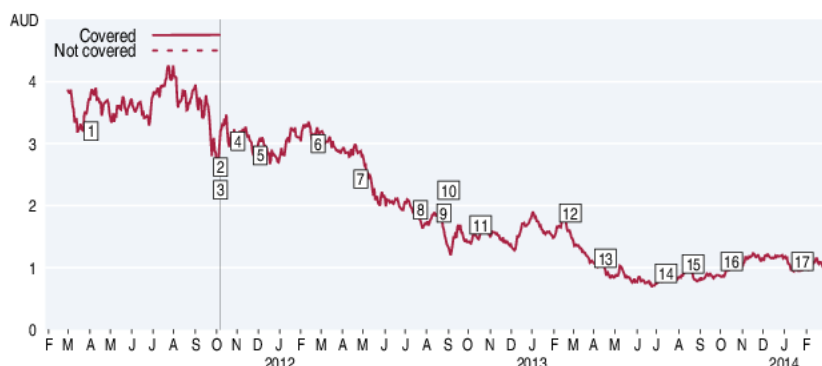
Analyst: Clarke Wilkins



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	4-Apr-11	*1H	*4.70	3.83
2	7-Oct-11	Stock rating system changed		
3	7-Oct-11	*1	4.70	3.21
4	2-Nov-11	1	*4.30	3.04
5	4-Dec-11	1	*4.00	3.06
6	27-Feb-12	1	*3.70	3.18

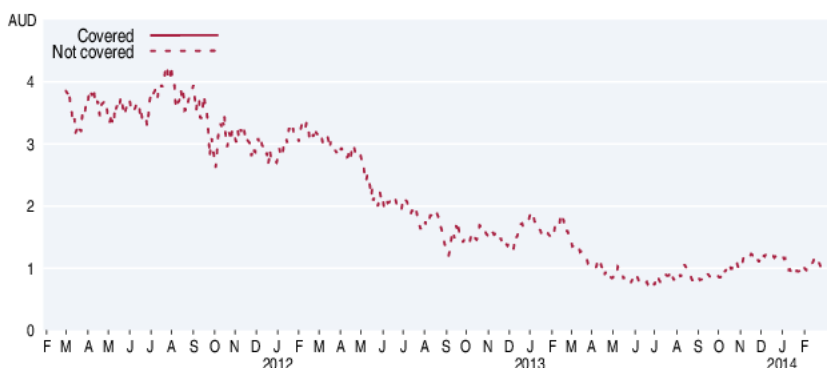
* Indicates change

	Date	Rating	Target Price	Closing Price
7	27-Apr-12	1	*3.50	2.88
8	24-Jul-12	1	*2.40	1.75
9	27-Aug-12	1	*2.00	1.61
10	2-Sep-12	*2	*1.50	1.35
11	18-Oct-12	2	*1.70	1.58
12	26-Feb-13	2	*1.60	1.55

	Date	Rating	Target Price	Closing Price
13	17-Apr-13	2	*1.10	0.96
14	14-Jul-13	*1	1.10	0.83
15	22-Aug-13	*2	*0.90	0.84
16	17-Oct-13	*3	0.90	1.04
17	28-Jan-14	*2	*1.10	0.96

Rating/target price changes above reflect Eastern Standard Time

Analyst: Clarke Wilkins



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	7-Oct-11	Stock rating system changed		
2	7-Oct-11	*1	8.00	4.90
3	11-Nov-11	1	*6.50	4.82
4	18-Apr-12	1	*7.50	5.93
5	18-May-12	1	*7.10	4.66

* Indicates change

	Date	Rating	Target Price	Closing Price
6	2-Sep-12	1	*5.00	3.54
7	4-Sep-12	1	*4.90	3.41
8	19-Sep-12	1	*5.10	3.69
9	22-Aug-13	1	*5.40	4.26
10	22-Sep-13	1	*5.60	4.56

	Date	Rating	Target Price	Closing Price
11	14-Oct-13	1	\$5.80	4.97
12	22-Nov-13	*2	*6.40	5.78
13	30-Jan-14	*1	*6.70	5.23

Rating/target price changes above reflect Eastern Standard Time

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	15-May-11	*ADD MP	-	6.28

* Indicates change

Date	Rating	Target Price	Closing Price
20-Jul-11	*REM MP	-	6.53

Rating/target price changes above reflect Eastern Standard Time

BHP Billiton Ltd (BHP.AX) **Ratings and Target Price History** **Fundamental Research**

Analyst: Clarke Wilkins



	Date	Rating	Target Price	Closing Price
1	4-Sep-11	1M	*48.00	39.04
2	7-Oct-11	Stock rating system changed		
3	7-Oct-11	*1	48.00	37.20
4	9-Jan-12	1	*45.00	35.20
5	18-Apr-12	1	*43.00	35.10

* Indicates change

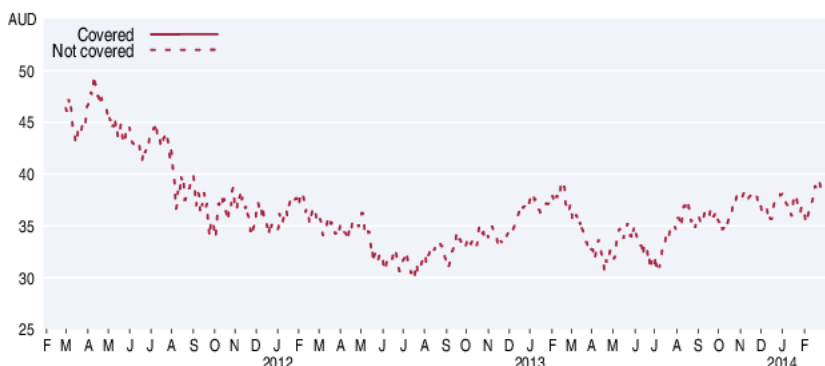
	Date	Rating	Target Price	Closing Price
6	18-May-12	1	*41.00	31.46
7	16-Jul-12	1	*37.00	30.77
8	2-Sep-12	1	*36.00	31.79
9	23-Jan-13	*2	36.00	37.06
10	14-Apr-13	2	*35.00	33.35

	Date	Rating	Target Price	Closing Price
11	21-Aug-13	2	*36.00	35.74
12	22-Sep-13	2	*37.00	36.39
13	22-Oct-13	2	*38.00	37.05
14	18-Feb-14	2	*39.00	38.89

Rating/target price changes above reflect Eastern Standard Time

BHP Billiton Ltd (BHP.AX) **Ratings and Target Price History** **Best Ideas Research** **Relative Call (3 Month)**

Analyst: Clarke Wilkins



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 31 Dec 2013

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell

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