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Nickel Market Update

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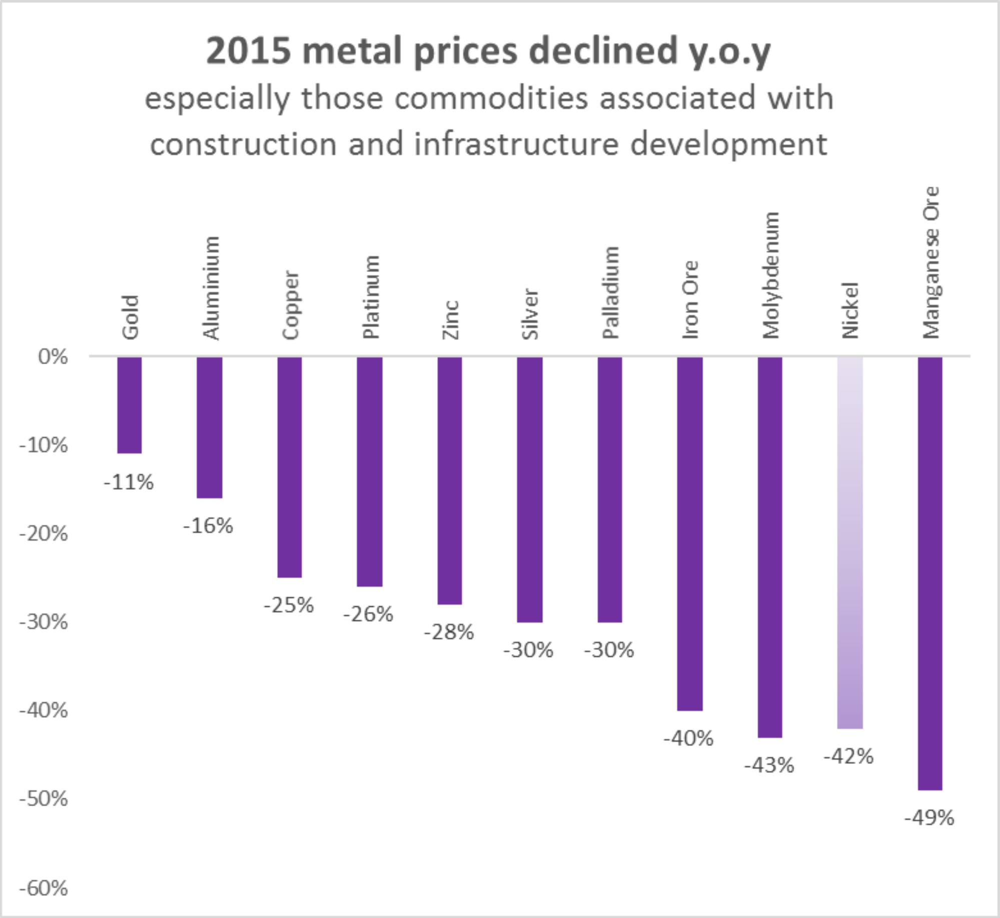
Metal prices of the last year

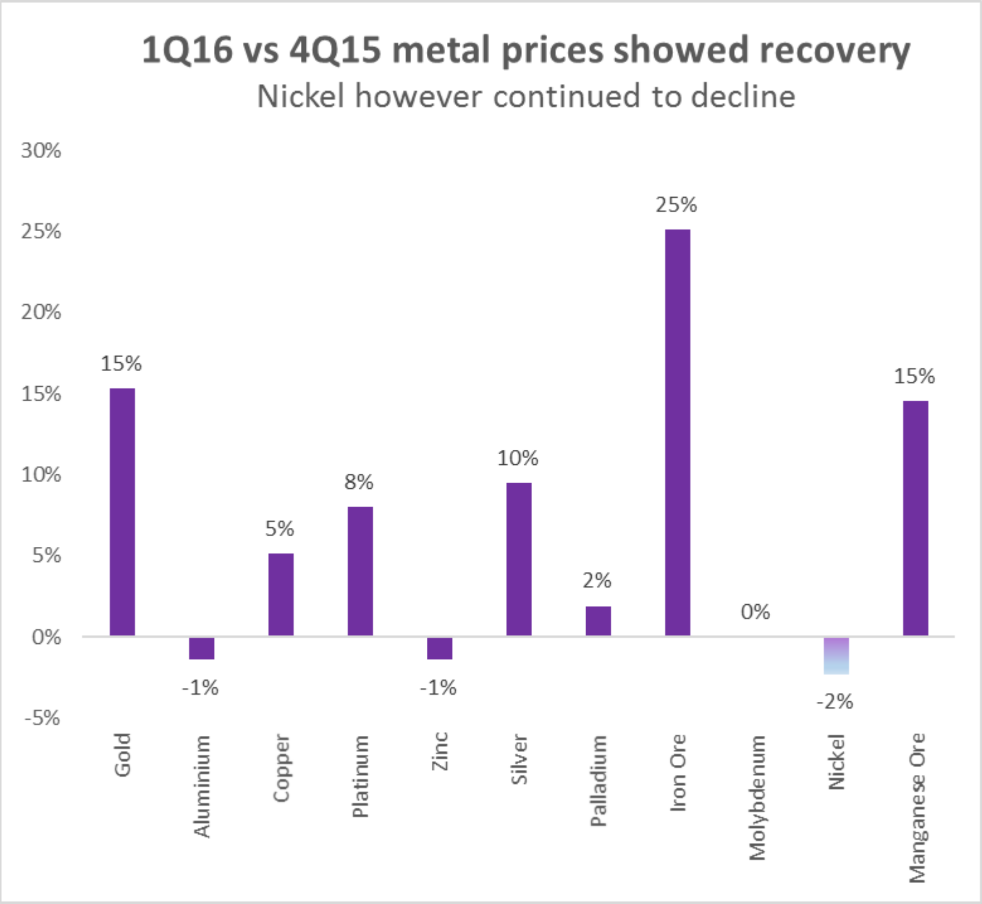
A consideration of the raw material sector indicates that prices in 2015 fell between 11-49%. Gold showed the most resilience, due to relative macroeconomic uncertainty, while bulk commodities and metals associated with construction and infrastructure activity fell by over 40%.



Nothing cures low prices like low prices

Some prices have rebounded, albeit off a low base. However nickel prices are still heading lower if we compare 1Q16 to 4Q15.

Why did nickel not improve?



Factors impacting nickel market

- Questions surrounding demand for Chinese stainless steel places downward pressure on nickel prices.
- Higher cost stainless steel producers are expected to shut operations which will remain a key factor in demand for nickel and nickel prices.
- Similarly on the supply side, higher cost nickel producers expected to shut operations, which will affect prices.
- 2Q15 Indonesia reaffirmed its nickel ore ban, some of the impact has been offset in the past by higher supply from the Philippines.
- However in around March this year, the Philippines announced it would reduce output by 20%, along with a reduction in Chinese NPI production.
- LME inventories have fallen, though for now are in surplus- which is the reason prices haven't recovered. The expectation was for a deficit market in 2016, though this has yet to materialise!

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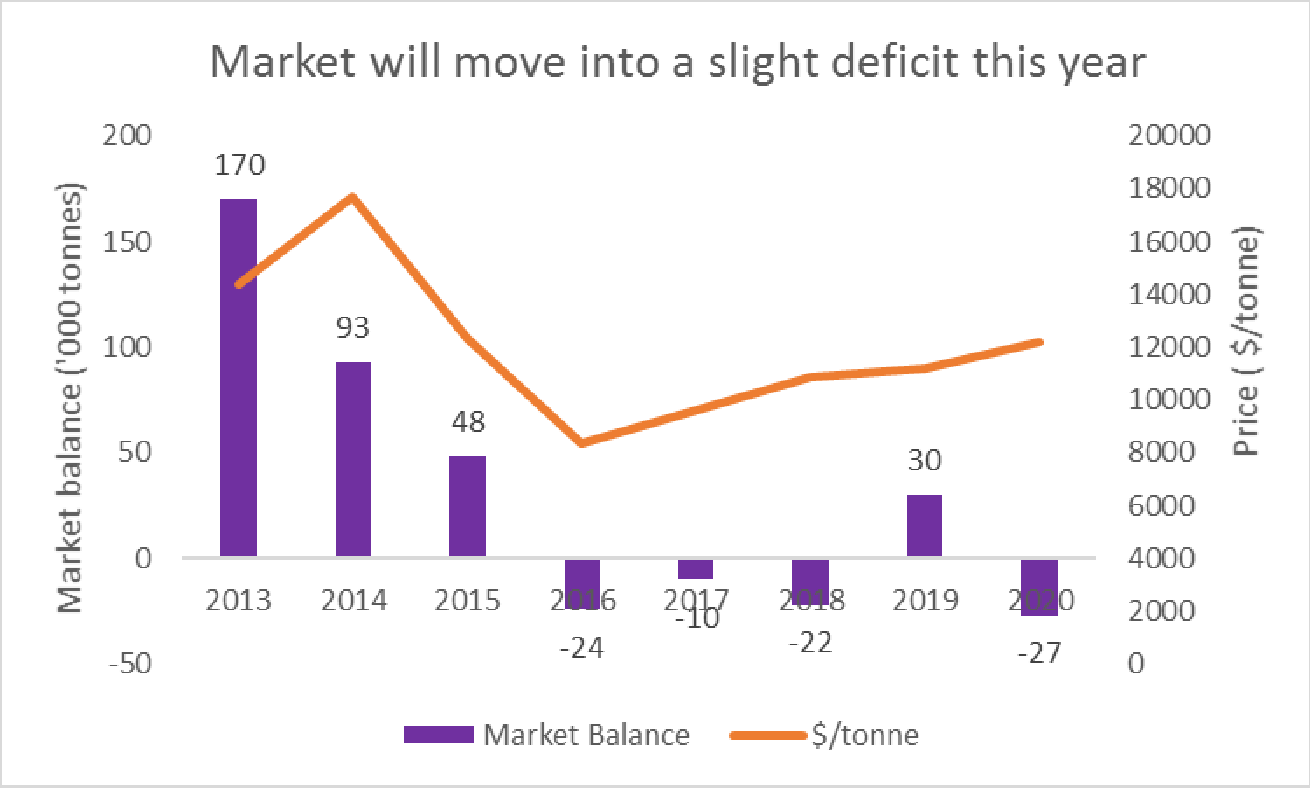
Will Nickel be in deficit this year???



We expect the market to go into deficit and we have a positive view on nickel for the next few years.

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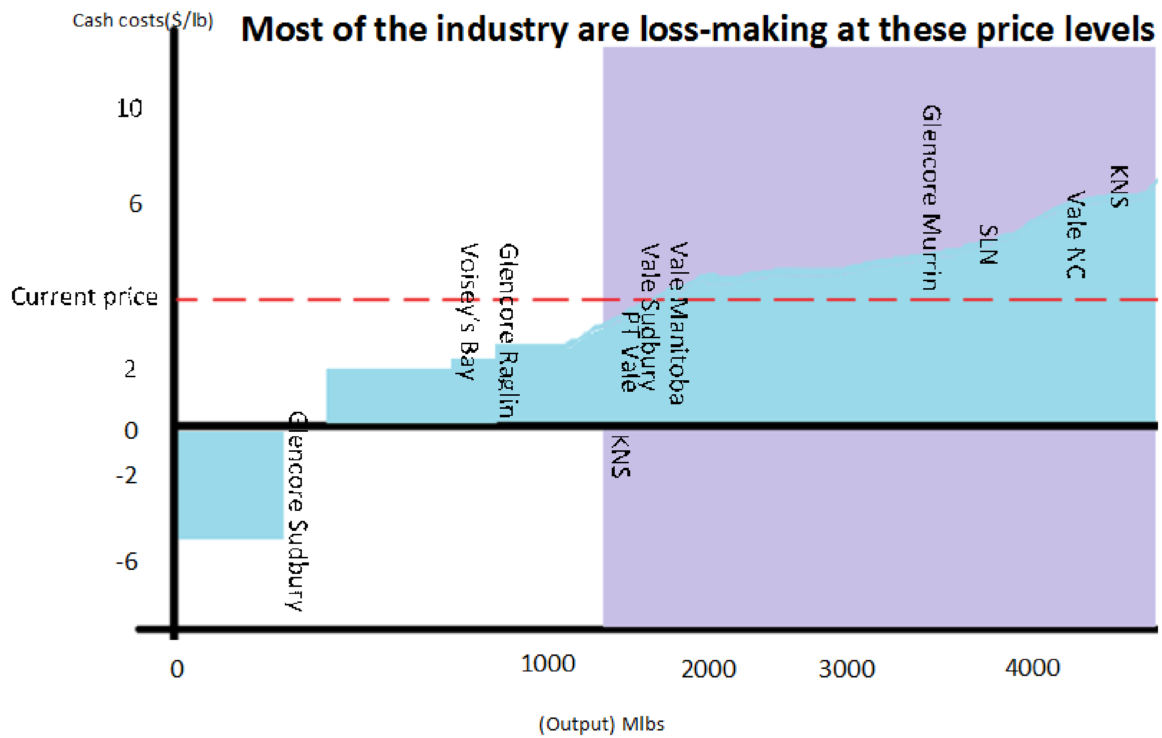
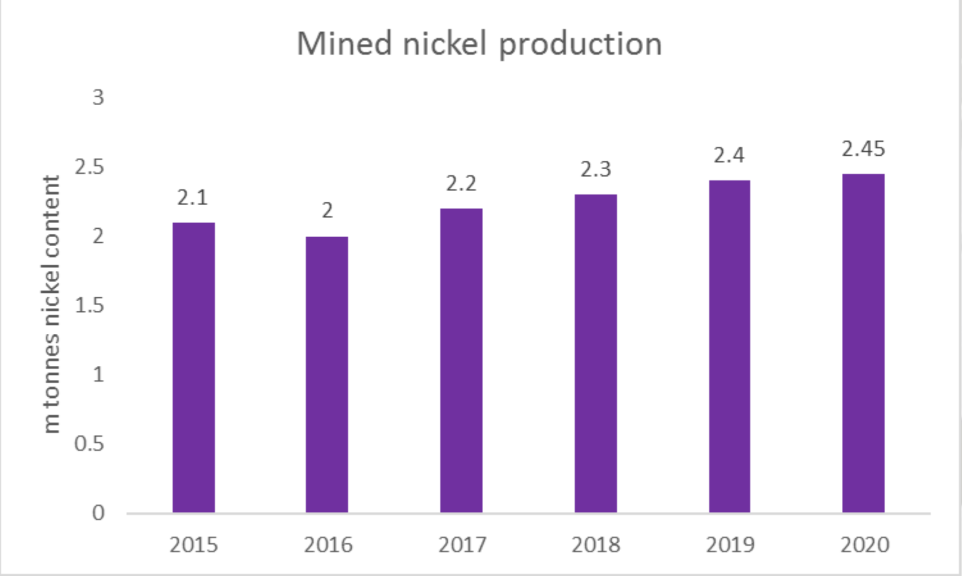
Where are we now?

- Global supply has declined by 1% y.o.y in 2015 to 2.1m tonnes and is expected to fall to 2m tonnes in 2016
- Higher productions in US, New Caledonia is insufficient to offset reductions in Botswana, Indonesia and now the Philippines



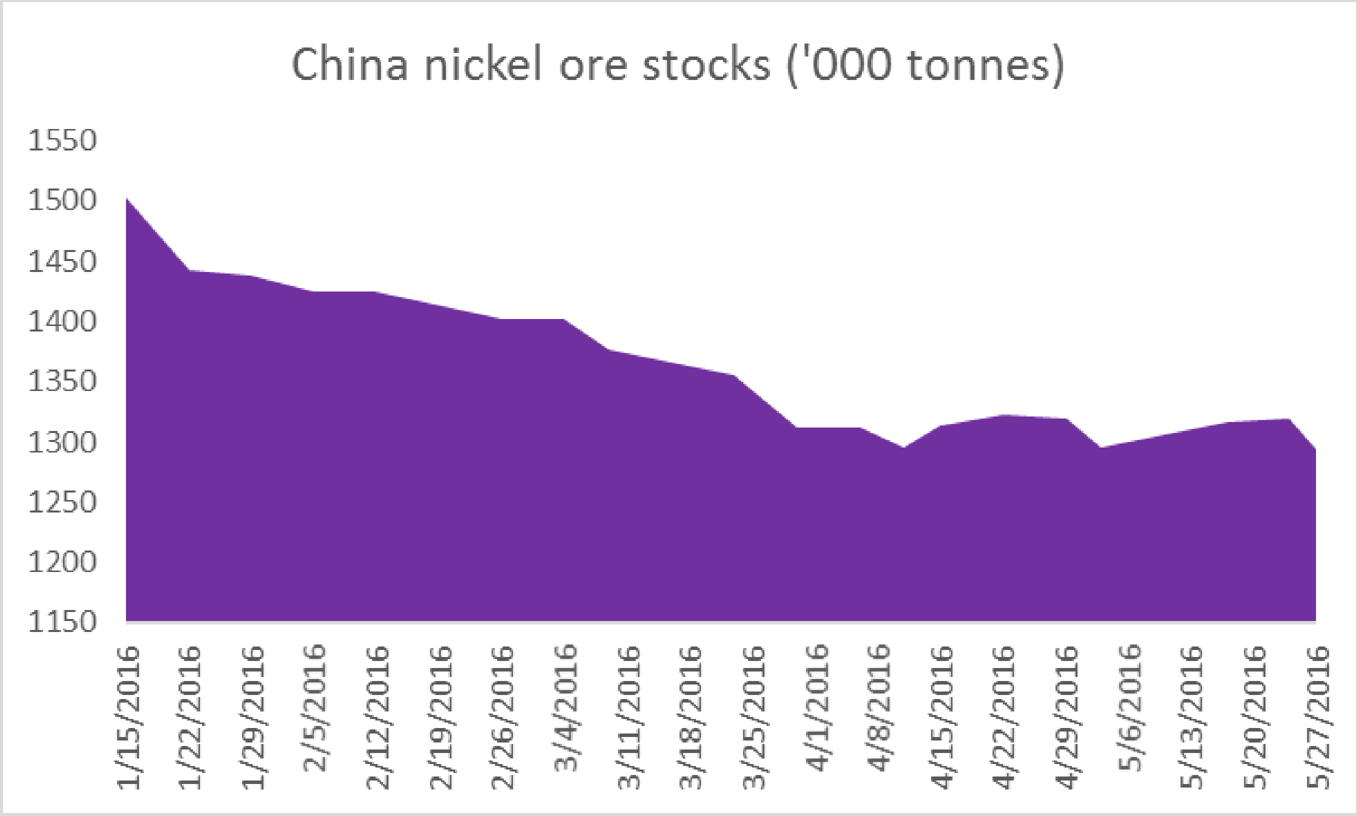
Where are we now?

- Lower production expected in 2016, but overall growth in output over the next four years as expansion offset planned closures
- Short term, global miners are risking low profitability, delays in commissioning of new projects. Closures of major mines such as Raventhorpe's plant, Murrin Murrin, Koniambo



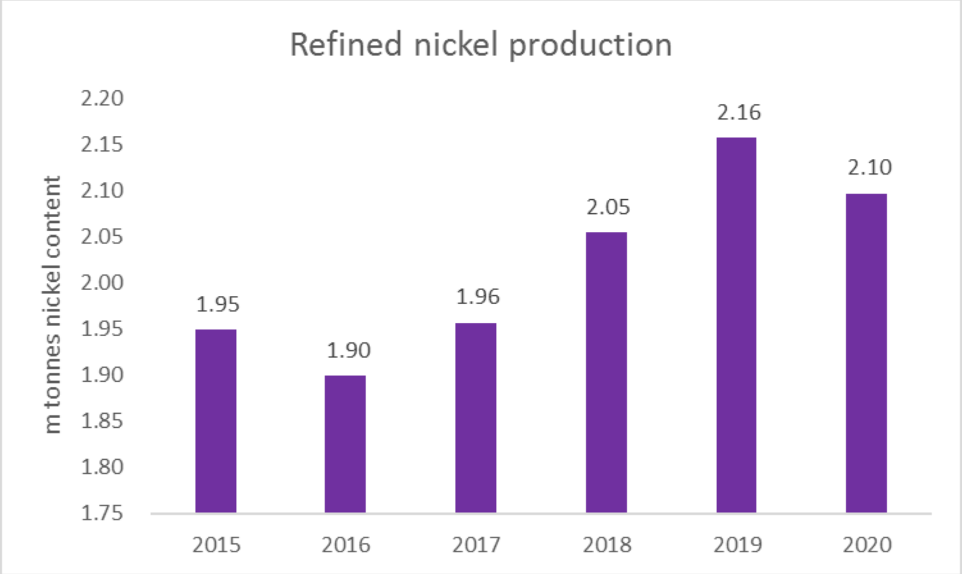
Where are we now?

- Port stocks in China have been falling the whole year and is expected to continue this trajectory, which should help stimulate mine production in 2017



Where are we now?

- Lower expected output in China will reduce the overall refined nickel production this year to around 1.9m tonnes from 1.95m tonnes in 2015
- Beyond 2016, refined nickel is forecast to grow 2.5% CAGR to 2020, driven by new ferronickel and pig iron operations, particularly in Asia, such as Indonesia. These increases are expected to offset losses in production caused by shut-downs of non-profitable operations.
- However we bear in mind that despite Low prices, there has been investment in The sector. In 1Q16, over $2.46bn was Channeled into Nickel-M&A activity, Including the acquisition of Freeport Indonesia PT in January 2016.



Where are we now?

- Nickel consumption expected to increase slightly in 2016, driven by:
  - low stocks in China
  - Adoption of EU anti-dumping measures and elsewhere should to some extent see a rebound in stainless production outside of China, leading to higher nickel consumption.
  - Going forward, developing countries including India, China, other Asian economies are expanding infrastructure and industrial output which should lead to higher levels of consumption.