

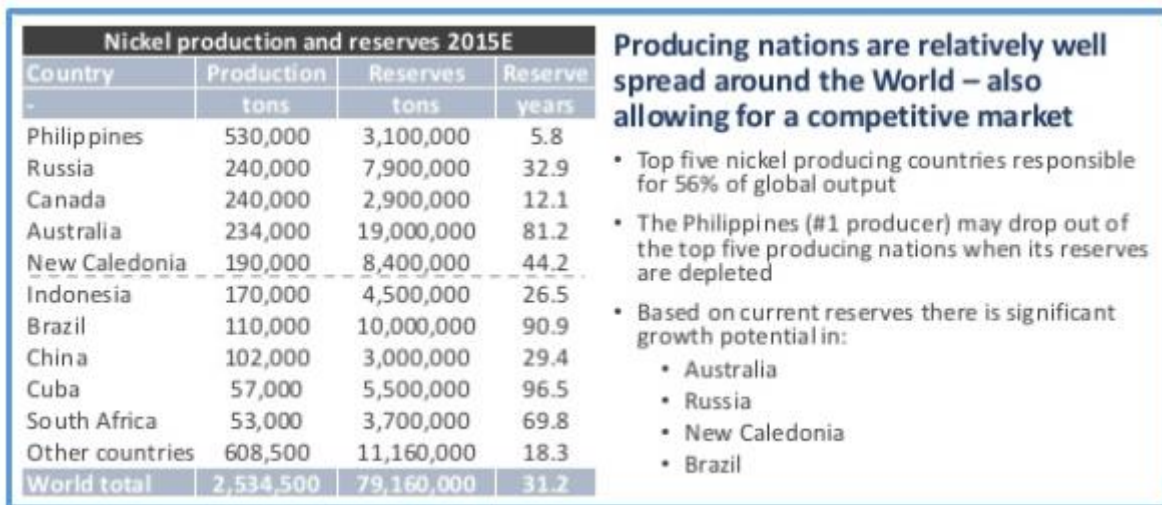
Investment Ideas

28 September 2016

Nickel: Philippine supply uncertainty offers opportunity

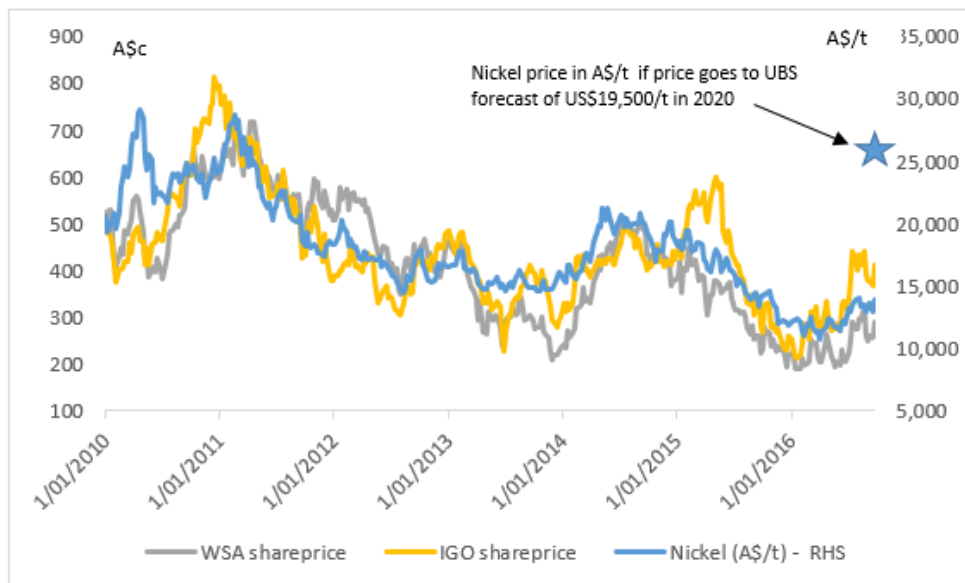
Press reports indicate that - on the back of environmental issues - the Philippines government has shut down 11 mines in the country, with 20 facing suspension. The country has 41 metallic mines, mostly nickel, along with copper and gold operations. **The potential impact on the global nickel supply (and Ni price) could be significant.** In 2015, the Philippines was the world's number one producer (of primary nickel) accounting for some 21% of global supply.

Primary nickel supply by country



Source: BME Original Source: USGS

Ni price (A\$/t) versus WSA and IGO share price (2010-Present)



Source: IRESS, compiled by State One Stockbroking

We note that UBS is forecasting a Ni price of +US\$11,000/t in 2017, +US\$13,000 in 2018, and +US\$19,500/t in 2020. Note: Current spot price is US\$10,500/t

US\$19,500/t @ the current exchange rate = a Ni price of ~A\$26,000/t.

At this price level, and based on the historical Ni price/share price relationship, we suggest that Ni-producers' Western Areas and Independence Group share prices could trade over A\$6.00.



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