



Eurasian Resources Group

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MARKET COMMENT

Eurasian Resources Group: Metals Roundup

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Mr Benedikt Sobotka, CEO of Eurasian Resources Group (ERG), one of the world's leading diversified natural resources groups, gives his review of the year 2017 and predicts what will be the industry's stand out performers for the coming year.

2017 has been a break-out year for the commodities market. Many major industrial commodities posted multi-year highs and showed strong gains of 15-25%. We have seen global growth pick up pace and learned that China is able to maintain a stable economy, balancing reforms and growth; generally surprising skeptics with stronger than expected demand and overall performance. We feel a renewed sense of confidence and optimism about the future of the sector, and believe in a continued commodities bull market.

The role of China

One of the most important developments over this year has been a dramatic shift in China's commitment to protect the environment, which has transformed the steel, iron ore and aluminium industries. Environmental closures and supply side reform have triggered extraordinary iron ore rallies, and a substantial increase in the aluminium price. Nevertheless, the exact implications of the reforms and the number of potential production restarts next year, are both still uncertain. As both iron ore and aluminium markets adjust to the new environment, prices next year are likely to be volatile.

Rising interest in the EV sector drives growth in copper and cobalt

Another noteworthy takeaway from 2017 is the growing interest in the electric vehicle sector and its potential to be a significant driver of metals demand. EVs look set to continue growing in popularity certainly which is great news to drive the demand of commodities essential to their production, particularly cobalt and copper.

Copper prices have remained firmly above USD 6,500/t in recent months. This is a clear indication that copper has settled into its new trading range, despite initial concerns of prices running ahead of fundamentals. Looking into 2018, although we expect a natural slowdown in China's copper demand, we still foresee healthy growth in the region of 3% YoY. What's more, China's new regulations surrounding imports of copper scrap may significantly reduce secondary feed availability, serving as a major upside risk to demand and prices.

On the supply side, we anticipate underperformance from copper mines as potential labour disruptions continue to loom and as mine operators bear the burden of years of underinvestment. Longer term, we maintain our view that copper offers some of the best fundamentals across the commodities spectrum. If the mood at the recent LME Week London and Asia Copper Week gatherings is anything to go by, the rest of the industry shares our sentiment. Our view remains unchanged that copper supply growth will slow sharply over the next decade.

Perhaps the biggest standard success of 2017 has been the cobalt market, with prices up more than 100% across all benchmarks. Prices will continue their upward trend next year despite more supply coming online; the cobalt boom will not go away. 2018 will be the tipping-point for electric vehicles when many of the new EV model announcements made over the past 12 months by major producers will start coming into production. We count more than 200 new models in the pipeline for the 2018 to 2020 period. At ERG we are facilitating the electric vehicle revolution by supplying the battery industry with high-quality, ethical cobalt. Our world-class Roan Tailings Reclamation (RTR) Project will come on stream end of 2018, helping to support the automotive industry in their quest for a greener planet.

We feel that 2018 will be even more exciting than 2017. Electric vehicle legislation is moving from carrot to stick, with governments beginning to enforce bans on production and/or sales of traditional internal combustion engine vehicles over the next two decades. Everything is falling in place to make cobalt possibly the best long-term performer in metal history.

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About Eurasian Resources Group:

Eurasian Resources Group (ERG) is a leading diversified natural resources producer with integrated mining, processing, energy, logistics and marketing operations. It has a portfolio of production assets and development projects in 14 countries crossing four continents, and is represented by more than 80,000 people globally, being a major employer in the industry.

Today ERG is the world's largest ferrochrome producer on a chrome content basis and a key supplier of iron ore. The Group is also among the global top-10 alumina producers and a principal copper and cobalt manufacturer.

In the Republic of Kazakhstan ERG represents about one third of the country's metals & mining industry. It is also a key power supplier and a large railway operator in Central Asia. Kazchrome, SSGPO, Aluminium of Kazakhstan, Kazakhstan Aluminium Smelter (KAS), Eurasian Energy Corporation (EEC), ShubarkolKomir and Transportation Group TransCom LLP are among the Group's major assets located in Kazakhstan.

In the Democratic Republic of Congo ERG mines copper and cobalt and processes the ore at Boss Mining, Frontier and Comide. Some other key development and near-production assets, including the Metalkol Roan Tailings Reclamation (RTR) Project, are also located in the DRC.

ERG's smelter, Chambishi Metals PLC, is a major enterprise in Zambia and a large producer of copper and cobalt metal. The Company also has a number of development projects in coal, manganese, platinum, bauxite and fluorspar across the African continent, embracing the Republic of South Africa, Zimbabwe, Mali and Mozambique.

In Brazil ERG continues development of Pedra de Ferro project, a 20mtpa iron ore production complex.