

## Year-End Review

### MIMAROPA Nickel Production Hits 5-Year Low

Large-scale mining is undoubtedly one of the main economic drivers in MIMAROPA. However, the past few years have proved to be difficult as the region's supply of nickel direct shipping ore further slipped by 24% in 2019 relative to the preceding year.

Figure 1 shows the production of Nickel direct shipping ore by the 3 large-scale mining companies operating in the southern part of Palawan. Rio Tuba Nickel Mining Corporation (RTNMC) - the largest producer of Nickel ore in the region - has further decreased their production by 42% from 1.44 million dmt in 2018 to 0.83 million dmt in 2019. This decline can be attributed to the depleting mineral reserve in the company's initial contract area of 990 hectares.

Meanwhile, the extraction activities of Citinickel Mines and Development Corporation's (CMDC) has been suspended since 2016. Therefore, the company's monthly production is derived from existing stockpiles of extracted materials prior to the suspension. For 2019, CMDC reported a total production of 274,859.52 dmt; almost less than half of what they reported the previous year.

Only Berong Nickel Corporation (BNC) was able to record growth in their production which further expanded by 80% from 389,223.00 dmt to 692,026.00 dmt. However, this was not able to balance the drop in the production from the two other companies as the region's nickel production hits a 5-year low.

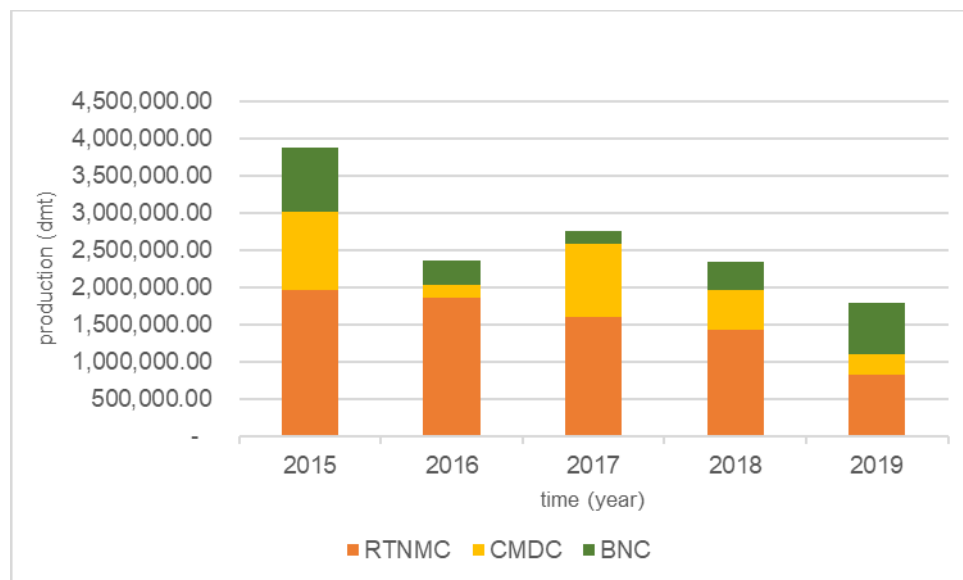


Figure 1. Production of Nickel Direct Shipping Ore in MIMAROPA, 2015-2019  
Source: MGB MIMAROPA

Coming from a heavy downtrend in the latter part of 2018, the start of the year presented positive outlook for Nickel mining contractors and operators. Figure 2 shows that the metal price at the London Metal Exchange steadily rose from its previous level of \$10,590.00 per tonne of Nickel. Price reached its five-year peak after hitting the \$18,000.00 mark in early

September. Despite the seasonal volatility, it has established strong support levels at \$11,500.00 for the first half of 2019, and at \$13,000.00 for the second half of the year.



Figure 2. Daily price of nickel at the London Metal Exchange, 2019  
Source: London Metal Exchange

The price rally experienced in 2019 was greatly influenced by supply woes as Indonesia – the world’s largest supplier of Nickel ore – dropped out of the competition and expedited their ban on Nickel ore exports starting January 2020.

Overall, Nickel price remains robust as it maintained a sideways trend based on its 5-year daily price chart demonstrated in Figure 3. The use of Nickel for the rechargeable batteries of electric vehicles was likewise forecasted to increase the long-term demand for the metal which may keep the price afloat.

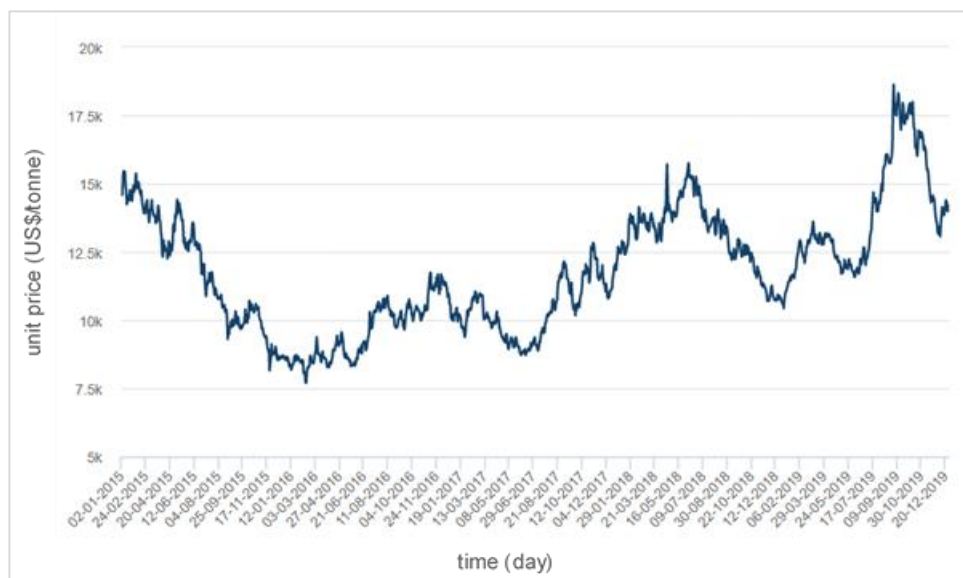


Figure 3. Daily price of nickel at the London Metal Exchange, 2015-2019  
Source: London Metal Exchange

Although the year was described as a solid bull run, mining companies in the region were only able to complete 57 export shipments with a total volume of 1.97 million dmt; 8 shipments less and approximately 16% lower than the total volume exported last year.

Figure 4 details each company's shipments based on the ore's grade analysis and export destination. It is evident that the region's major trading partners are China and Japan, with the bulk of the ores going to the former. Ninety-five percent (95%) the shipments carried out by BNC were exported to China, with varying grades of: 1.8% Ni, 1.5% Ni, and 0.9% Ni. Similarly, ores from RTNMC were mostly sold to China. The company delivered an average grade of 1.51% Ni for both China and Japan. Meanwhile, all those from CMDC had a grade of 1.3% Ni. Seventy percent (70%) of their sales went to Japan.

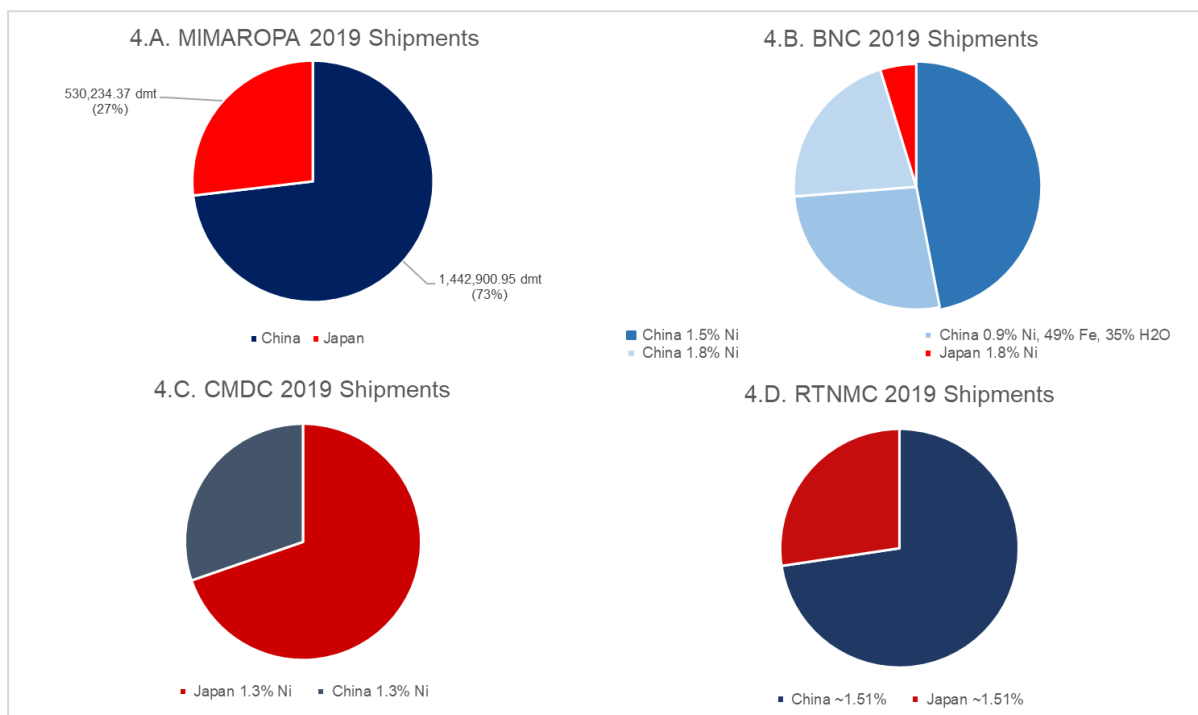


Figure 4. Destination of nickel ore shipments per country, grade and company, 2019  
Source: MGB MIMAROPA

Meanwhile, low-grade ores from RTNMC's contract area were supplied to the High-Pressure Acid Leach facility of Coral Bay Nickel Corporation (CBNC) to produce mixed sulfide of Nickel and Cobalt. For 2019, the company's production output was estimated at 34,360 dmt of mixed sulfide worth PhP11.6 billion generated from 2.2 million dmt of limonite ore. Production volume was relatively steady, however, the supposed increase in the commodity's value brought about by the robust price of Nickel in the world market may have been offset by the decreasing price of Cobalt in the same exchange.

Aside from this, the limestone quarry of RTNMC also supplies crushed limestone to CBNC. Seventy percent (70%) of its sales or 264,120.00 mt amounting to PhP233.46 million was sold to CBNC, while the remaining 30% or 109,765.00 mt worth PhP93.82 million was utilized by Unichamp Mineral Philippines, Inc. (UMPI) for the production of milk of lime necessary for the operations of CBNC.

On a lighter note, stakeholders are positive that 2020 will present great opportunities for the Philippine Nickel industry. In fact, the Business World (2019) mentions that the Philippine Nickel Industry Association has partnered up with the China Industrial Association of Power Sources (CIAPS) through its Power Battery Application committee in order to tap the growing demand from the electric vehicle industry. Such opportunity coupled with positive government action regarding the revenue-sharing scheme from mineral extraction as well as the moratorium on the issuance of new Mineral Agreements may just be elements essential for a stronger 2020.

Sources:

Galang, V. M. P. (2019, November 25). Nickel miners see stronger 2020 due to Indonesian export ban. Retrieved from: <https://www.bworldonline.com/nickel-miners-see-stronger-2020-due-to-indonesian-export-ban/>

London Metal Exchange. (n.d). [LME Nickel Historical Price Graph] Retrieved 2020, April 15 from: <https://www.lme.com/en-GB/Metals/Non-ferrous/Nickel#tabIndex=2>