How does the Indonesian nickel mining & industry move forward

“The alternate view”

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WHO WE ARE

Indonesian Nickel Association
Our motto to is to **Serve**, 

- Adiutores sumus ut omnibus prosunt
- We work may benefit all

Our vision is 

- to shape our industry for the benefit of mankind with hard work, determination, dedication and to be a solid organization as a non profit a non governmental industry group.
Our mission

- How to run a sustainable, a good business governance, shaping the best business climate for the Nickel Industry and securing investments
- Creating jobs, educate (add value) prospering the nation in accordance with the Constitution
- The Associations have to play a role in designing the national and regional developments like infrastructure, road, port and energy facilities for the industry
- We are aware that the nickel industry is important, a strategic sector and a non-renewable resources (ore)
- The Association prepares to face the challenges of global competition. With the vision of togetherness, and believe that together where the associations are built of, with the hope of

"together everyone achieves more."
The last few years the global nickel demand has been sharp since, the key driver for this has been and is China which represented more than 46% of global demand.

Is Indonesia, the “Saudi Arabia” of the nickel ore market supplying 15% of world nickel ore supply?

He has provided more than 2/3 of nickel ore supply growth since 2005. Its ability to further increase nickel ore output will face a number of significant challenges.

*Mark Selby Royal Nickel 2013, Singapore “Nickel Global 2013
- How does it look today here
- How is our current industry look likes and
- How does it look like tomorrow
Main growth in seaborne nickel ore demand has come from China

Share of global seaborne market, %

% of nickel supply

- S.Korea
- Ukraine
- Greece
- Australia
- Japan
- China

2007 2008 2009 2010 2011 2012

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

0.0 5.0 10.0 15.0 20.0 25.0 30.0 35.0
Seaborne nickel ore market dominated by Indonesia

Share of seaborne market %

<table>
<thead>
<tr>
<th>Year</th>
<th>New Caledonia</th>
<th>Philippines</th>
<th>Indonesia</th>
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<tbody>
<tr>
<td>2007</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
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<td>2008</td>
<td>10%</td>
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<tr>
<td>2012</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
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Share after excluding imports for carbon steel from Philippines

- Indonesia: 60%
- Philippines: 30%
- New Caledonia: 10%
Export Nickel Ore from Indonesia

In 2008 4wmt, 2011 34wmt and 2012 41 million tons. January 6 million tons
Source Ministry of Energy and Mineral Resources

Estimated 2013, over 60 million tons
The rapid growth of NPI production boosted the import of laterite nickel ore in China. The import volume of laterite nickel ore was 64.4 million tonnes in 2012. The import volume of laterite nickel ore from Philippines and Indonesia increased by 37% and 31% compared with 2011 respectively.

Source: Baosteel 2013
Chinese port stocks of nickel ore m tonnes, gross wt.,
Reuters reported that Chinese firms operating nickel mines in Indonesia are likely to step up plans to build nickel-pig-iron plants in the southeast Asian country in order to continue shipping ores back home, which would help support higher production in China next year.

- twelve to thirteen Chinese firms operate nickel mines in Indonesia currently
- and half plan to build plants to produce nickel-pig-iron or standard ferro-nickel.
- the Chinese firms were likely to sell nickel-pig-iron produced in Indonesia into Asia, rather than ship back to China,

chief nickel analyst Mr Xu Aidong at state backed research firm Beijing Antaike Information Development Co Ltd
Other options for seaborne buyers do not look attractive

- How much more can Philippines and New Caledonia supply?
- Philippine nickel ore mostly lower grade and will increase costs for RKEF producers
- New Caledonia unlikely to have large volume available - freight to China higher
- Philippine and New Caledonia looking to introduce measures to extract greater value from resources
where about us now
The Indonesia government has announced the ban of direct export of raw laterite ore starting from 2014

The Energy and Mineral Resources Minister Regulation no. 7 of 2012
6th February 2012

After a strong protest and intervention from many stakeholders and a Jurisdiction Review brought by the Indonesian Nickel Association to the Supreme Court, the government made a revise by putting a Red Tape Policy
The current Indonesian Nickel Industry

Production (2010)
26,380,000 ton

Existing
FeNi PT. Antam
2,950,000 ton
Ni in Matte
PT. Inco Vale
6,080,000 ton

On Plan
Weda Bay Nickel (2016)
6,000,000 ton
NPI PT. Antam (2014)
1,200,000 ton
FeNi PT. Antam (2014)
2,950,000 ton

Deposit
576,914,000 ton

Resources
2,633,500,434 ton

Not process and refine
7,500,000 ton

Source: Ministry of Industry Republic of Indonesia
• Indoferro's NPI facility is the first and only NPI Refinery outside China.
• Adopting China Technology
• In 2014, total production capacity: 500,000 MT/Year.
• Facility: Sintering & Blast Furnace plant
PT Antam has reached an agreement with the North Konawe Regency Government in southeast Sulawesi that allow development of its Nickel Pig Iron will process nickel ore into nickel pig iron or low grade ferronickel.

It is expected to have production capacity of about 24,000 tonnes per year, commissioning in 2018.
There are about more than 250 companies are applying and ready to set up a smelter plant but about 100 companies having a licence to export ore with a number of 20 companies dominating the ore export, it is not proven but it is said that the quota given out by the government is high. Many mine sites, nickel producers are chasing lower operating costs by producing more.
Update on Government initiatives
In order to accelerate the increasing of minerals added value through the processing and refining of minerals in the country, The President issued the Presidential Instruction (Inpres) No. 3 of 2013,

THE PRESIDENT’S INSTRUCTION OF THE REPUBLIC OF INDONESIA
NUMBER 3 OF 2013 is ABOUT
ACCELERATING AND INCREASEING VALUE ADDED OF MINERALS TREATMENT AND PURIFICATION IN THE COUNTRY

The instruction is to take the necessary steps in coordinating and integrating to enhance the minerals added value in the country through:

1. Policy coordination and synchronization,
2. Improved service and licensing, and
3. Increasing and guidance effectiveness and supervision of the the accelerating policy of minerals value-added.
This Presidential Instruction is addressed to the

| Minister of Energy & Mineral Resources | • To provide the updated data and information about the potential and distribution of mineral ore reserves through the website;  
• Facilitate the provision of energy for processing and refining; establish the liability policy needs of ore/concentrate for processing and refining.  
• To set up the domestic liability policy needs of the processing and refining results of certain minerals to the industrial sector needed, and  
• To evaluate the legislation of the mineral that inhibits efforts to accelerate the increasing of minerals value added through processing and refining in the country. |
| Coordinating Minister for Economic Affairs | Coordinate the evaluation of development policies that impede the processing and refining of minerals; the policy measures to increase the mineral value added through processing and refining in the country, and to coordinate the implementation of the Inpres. |
| Minister of Industry | Formulate a road map of mineral-based industries. |
| Minister of Trade | Determine policies on exports, imports, and trade in the country to ensure the availability of supplies, procurement and distribution of raw materials, auxiliary materials and capital goods for processing needs and refinery minerals. |
| Minister of Finance | Set the fiscal policy in order to encourage mineral processing and refining activities. |
| Minister of Home Affairs | Provide guidance and supervision, as well as evaluation of licensing policy by the Local Government to accelerate the development of processing and refining of minerals and/or the infrastructure. |
| Minister of State Owned Enterprises | Encourage the BUMN to build the processing and refining of minerals in the country; setting the priority of the state capital additional proposal to BUMN and to encourage BUMN for providing of energy in order to support the development of processing and refining of minerals in the country. |
| Minister of Environment |  |
| Governor & Regent/Mayor in the country | Expedite the process of giving permission/recommendation in the development of processing and refining of minerals and/or infrastructure. Even for Regents/Mayors, the President added in order to support and facilitate the development accelerated of the mineral processing and refining as well as the infrastructure. |
Challenges of building processing plants

How can the industry develop beyond the export
# The Important Key Factors on mineral value added Investment

## A Strong Central-, Local Government and Investor Support

<table>
<thead>
<tr>
<th>Legal Certainty</th>
<th>Financial Incentive on Investment</th>
<th>Access to International Financial Market</th>
<th>Good Track Record on Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve and Deposit</td>
<td>Infrastructure</td>
<td>Technology</td>
<td>Management</td>
</tr>
<tr>
<td>Power and Material Supply</td>
<td>Sustainable Market Demand International and Domestic</td>
<td></td>
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</tbody>
</table>
• The Political and Economic uncertainty

• The pressure of trade balance
  • Unprecise regulations
  • Lack of legal certainty
  • Lack of coordination between departments
  • Overlapping of authority
  • Chaotic overlap between local and central government
  • Bad tax policy
  • Financial constraints and Investment uncertainty
  • Not readiness of processing plant, poor in all Key factors
  • Lack of Infrastructure and Energy supply
  • The Supreme Court Verdict
  • Election year

• note at the current situation
- Nickel is the worst performer on the exchange so far this year, down nearly 20 percent.

  Three month nickel on the London Metal Exchange hit $13,205 a tonne on July 9, the lowest since May 2009 and down from nearly $19,000 in February 2013.

- The inefficient distribution system and failing infrastructure have long been on the list of fundamental issues and a contra productive policy holding back Southeast Asia's biggest economy from finally propelling itself to the next economic level.

- The inconsistency government policy and the bias

  Milton Friedman once said that “nothing is so permanent as a temporary government measure.”
- A complete Ban by the Indonesia government in 2014 would dramatically change the picture for the Nickel Market and its related industry.

What are the views of the ban from domestic nickel producers?
THANK YOU!

website
www.ani.or.id