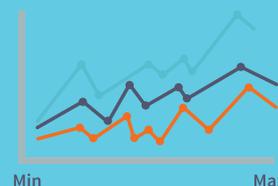


COMMODITIES OUTLOOK 2016



Based on the discussions at Mining Indaba 2016 BDO SA and BDO Australia's Natural Resources teams provide an outlook on the trends in commodities:



GOLD

Gold as a commodity is keeping its head above water, bouyed by a weak Rand and a better than expected spot price there remains an over supply. However gold companies in general have faired better than the diversifieds.

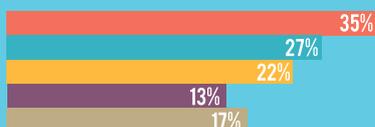
Gold price has seen an improvement due to poorer global economic conditions (when investors get scared they buy gold as a safety play) since the start of 2016.

COAL

Cost of coal in SA seems to be a concern for Eskom, however it is expected that Eskom will try and follow more of a free market model for its purchasing of coal through junior miners, possibly driving the costs of coal down as a result of efficiencies in the industry

PLATINUM GROUP METALS (PGM)

Platinum Group Metals in general still face tough conditions i.e. weak demand from China, ever increasing platinum recycling, and poor manufacturing growth globally



IRON ORE

Iron Ore is a concern. The spot price has dropped well below the 40USD/tonne mark and the industry is under massive cost pressures as a result. Only those that can sustain the down swing will last

DIAMONDS

Although the price is relatively low per carat, demand remains robust in the US and is increasing in key growth areas such as China and India in particular with diamonds for jewellery. Cost pressures remain but the Rand volatility could lessen this.

JUNIOR MINING THE NEXT BEST THING

The mining industry as a whole can expect to see more deals being made ie buying and selling as non profitable assets get sold off and bought. Financing of opportunities does remain a challenge, but it is a buyers' market. Assets to look out for will either be from junior miners or diversifieds.

Juniors' will sell better though, due to cost pressures, while diversifieds will sell based on non-core assets. For services companies the weak Natural Resources Industry has a downstream effect placing pressure on margins and capacity utilization.

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