Biannual Report – Nona Mills Project

January 2017 to July 2017

Issue #6

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LETTER FROM THE DIRECTOR

What looked to be a promising start to the year with December 2016 recording $50/b, but this did not live up to expectations as we hit a low of just under $45/b at the end of this six month period.

The fluxuations in the oil market have been frustrating for investors. This was reflected early in the year by the bearish nature of the market Despite this overall the industry remains positive about future growth.

World economic growth is forecasted at 3.4% for 2018, mirroring this year's prediction. This level of growth is expected to stabilise the oil market and steadily increase demand over the foreseeable future.

Where growth is concerned, primary industries which are supported include manufacturing and transportation, both big consumers of oil. Steady vehicle sales in the US, China and India are likely to drive oil consumption over the next year though there is speculation surrounding the use of alternatives such as biofuel and electric technologies.

The OPEC Agreement which was ratified on 30 November 2016 and on 10 December, 11 non-OPEC countries, including Russia, signified a reduction in global oil output. The initial response to these announcements was positive with the oil price rising to an 18-month high of $51.67/b. Though this has tapered off in the first half of 2017, the effect of reduced supply should be felt soon enough and begin to drive the price back to respectable levels.

The US Federal Reserve has been threatening to raise interest rates at the end of the year due to ongoing momentum and a generally healthy outlook on inflation in the US. Whether or not this occurs is anyone's guess, as core inflation is still below the Fed's target as is hourly earnings growth.

Despite difficulties with production due to the oil price, we at Nona Mills have a positive outlook and expect returns to increase in the near future.

Yours sincerely

W. Blazejczyk

Wayne Blazejczyk
DIRECTOR

OIL MARKET HIGHLIGHTS

Crude Oil Price Movements: six-month summary

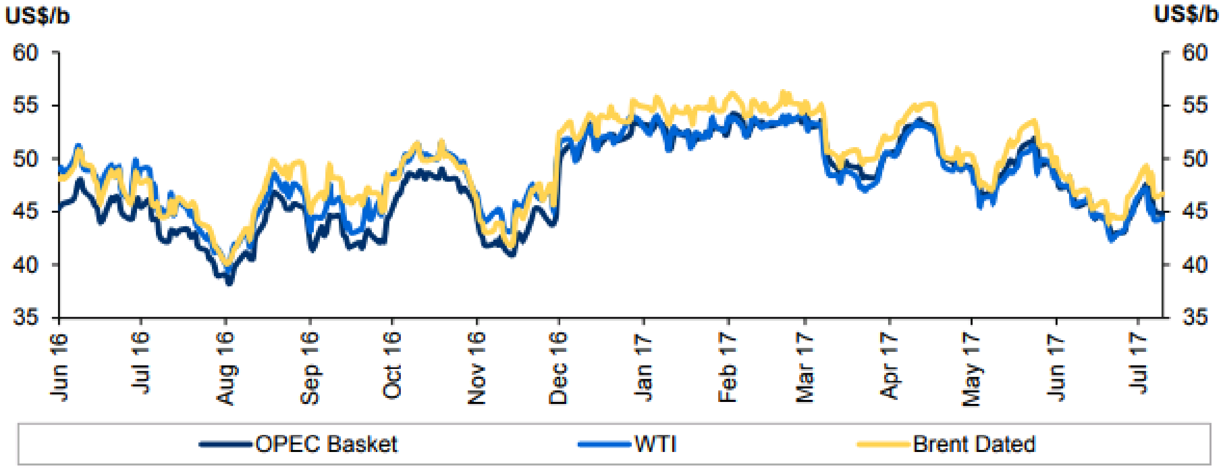
The OPEC Reference Basket (ORB) declined in June to $45.21/b, down more than 8% to its lowest value for the year. The oil market witnessed a sell-off amid significant bearish sentiment ignited by excess oil supply and still-high oil inventories. This is despite ongoing conformity by OPEC and non-OPEC participating producers to limit production.

Slow Inventory drawdown was a main contributor to the decline in price, struggling against high global supply. Since early February where the price made its peak, the ORB dropped 21% by June. By way of comparison, in June 2016 the ORB's value was 38.3% higher at $50.21/b.

By the end of the half year, ICE Brent settled below $50/b amid a new cycle of short-selling. This was based around concerns that rising global supply will counter output adjustments by OPEC and non-OPEC producers, particularly given that US crude inventories remained more than 100 mb above the five-year seasonal average. ICE Brent ended the period 7.5% lower at $47.55/b, while NYMEX WTI fell 6.9%, to stand at $45.20/b.

Reference: OPEC Monthly Oil Market Report –July 2017

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

World Economy

The world economy is set to continue its gradual recovery through the remainder of 2017 and into 2018. Current GDP growth at 3.4% is likely to remain steady and economic improvements will continue in both OECD and non-OECD economies with the exception of the UK due to Brexit. The US and India may also struggle for the first half of 2018 however this is likely temporary.

Looking closer at OECD specific countries through 2018, it remains clear that growth levels are steady and healthy. The US is expected to grow at 2.2%, Euro-zone at 1.7% and Japan at 1.1% all closely mirroring the growth experienced in 2017.

However, things are less stable in the emerging economies. India is forecast to expand its growth level to 7.5% in 2018, compared with 7.0% in the current year. This is primarily driven by ongoing structural reforms. Brazil and Russia will also continue to recover, however this is dependant upon the development of both commodity prices and politics, as well as the presidential elections in both countries in the coming year. China will continue to grow at a slightly lower rate of 6.2% in 2018, compared with 6.6% in 2017. Despite this reduction, China is still experiencing a considerable level of expansion, as the country continues to shift its growth drivers from exports and investments to domestic consumption.

Not everything in the world is positive however, and there are a number of uncertainties which threaten to destabilise the current balance. In particular, high valuations in equity and bond markets in combination with low volatility pose a risk at a time when central banks become more willing to reduce monetary stimulus measures. Debt levels remain high in some key economies; an issue that will probably require further attention if interest rates continue to rise gradually, particularly in the US. Finally, political and policy issues are of great concern, particularly with the often times unpredictable nature of the US presidency and Brexit buyout discussions.

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2017	**3.4**	**2.0**	**2.2**	**1.4**	**1.8**	**1.5**	**6.6**	**7.0**	**0.5**	**1.2**
Change from previous month	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0
2018	**3.4**	**1.9**	**2.2**	**1.1**	**1.7**	**1.4**	**6.2**	**7.5**	**1.5**	**1.4**

*Note: * 2017 and 2018 = Forecast.*
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – July 2017

World Oil Demand

World oil demand for the remainder of 2017 is unchanged from the beginning of the year. Total world oil demand growth is expected at 1.27 mb/d, with total consumption at around 96.4 mb/d.

Looking forward to 2018 world oil demand is projected to grow at a similar pace to the current year, rising by 1.26 mb/d to average 97.6 mb/d. Non-OECD countries are projected to lead oil demand growth with 1.06 mb/d, while OECD nations are anticipated to increase by 0.20 mb/d. This is in line with the average growth seen over the last five years as depicted by the below graph.

The main drivers of oil consumption for the 2018 year are expected to be world economic growth, transportation and vehicle sales. Countries like the US, China and India are likely to boast steady sales in motoring industry as well as sporting capacity additions and expansions in the petrochemical sector, though this is predominantly in the US. China has increased the capacity of their propane dehydrogenation plants which may also improve demand.

Threats to demand in 2018 include the usage and development of biofuels, efficiency gains and subsidy reductions. OECD consumption is foreseen to rise by around 0.19 mb/d in 2018. Non-OECD demand is expected to increase by 1.07 mb/d, with China and India as the major contributors.

Global Oil Demand (2015-2017)

(million barrels per day) *

	2016	1Q17	2Q17	3Q17	4Q17	2017	Change 2017/16 Growth	%
Americas	24.74	24.52	24.83	25.26	24.94	24.89	0.15	0.61
of which US	*20.01*	*19.84*	*20.12*	*20.42*	*20.19*	*20.15*	*0.14*	*0.70*
Europe	14.05	13.87	14.06	14.56	14.13	14.16	0.10	0.72
Asia Pacific	8.07	8.57	7.62	7.76	8.29	8.06	-0.01	-0.15
Total OECD	**46.86**	**46.96**	**46.50**	**47.58**	**47.35**	**47.10**	**0.24**	**0.51**
Other Asia	12.85	12.97	13.30	13.00	13.47	13.18	0.33	2.57
of which India	*4.39*	*4.53*	*4.40*	*4.32*	*4.81*	*4.51*	*0.13*	*2.91*
Latin America	6.47	6.27	6.54	6.82	6.46	6.52	0.05	0.84
Middle East	7.97	8.11	7.91	8.45	7.85	8.08	0.11	1.36
Africa	4.10	4.23	4.19	4.14	4.26	4.20	0.11	2.64
Total DCs	**31.39**	**31.57**	**31.93**	**32.41**	**32.04**	**31.99**	**0.60**	**1.91**
FSU	4.66	4.57	4.43	4.80	5.12	4.73	0.07	1.51
Other Europe	0.70	0.71	0.67	0.70	0.79	0.72	0.02	3.15
China	11.51	11.63	11.80	11.78	12.17	11.84	0.34	2.93
Total "Other regions"	**16.86**	**16.90**	**16.90**	**17.28**	**18.08**	**17.29**	**0.43**	**2.54**
Total world	**95.12**	**95.44**	**95.33**	**97.27**	**97.48**	**96.38**	**1.27**	**1.33**
Previous estimate	95.12	95.44	95.33	97.27	97.47	96.38	1.27	1.33
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*Note: * 2017 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – July 2017

World Oil Supply

Non-OPEC oil supply is forecast to grow in 2017 by 0.80 mb/d to an average of 57.82 mb/d. This figure is revised down by 0.05 mb/d from the previous Monthly Oil Market Report. It is estimated that OECD oil supply will increase by 0.74 mb/d to average 25.56 mb/d, a downward revision of 0.12 mb/d compared with the June publication. This adjustment was made following the recent output disruptions in 2Q17 in Canada. An explosion and subsequent fire occurred in Syncrude's Mildred Lake oilsands upgrader north of Fort McMurray. In response to this, Canadian oil supply growth in 2017 was revised down by 51 tb/d, to now average 0.21 mb/d. A further downward revision was made due to weak WTI prices, rising costs and breakeven levels pushing oil output lower than expected in 2Q17. The UK has also had forecast revisions for the 2H17 period following a new assessment. The production forecast for the UK was revised down by 54 tb/d.

Total non-OPEC supply is expected to grow in 2017 following the strong return of US tight oil production after last year's downturn. Higher drilling efficiencies, lower breakeven points and better well performance has led to this come back and increased investor interest. Non-OPEC supply is predicted to show a mild growth of 0.23 mb/d for the end of the year following expected growth in the US oil supply of 0.68 mb/d over the same period.

Non-OPEC oil supply in 2018 is expected to grow by 1.14 mb/d, slightly less than the expected increase in global demand. A field by field analysis was conducted on new projects which indicate that non-OPEC liquids production growth will increase next year given current global upstream activities. However, as is normally the case, the forecast for non-OPEC supply in 2018 is subject to a high level of uncertainties.

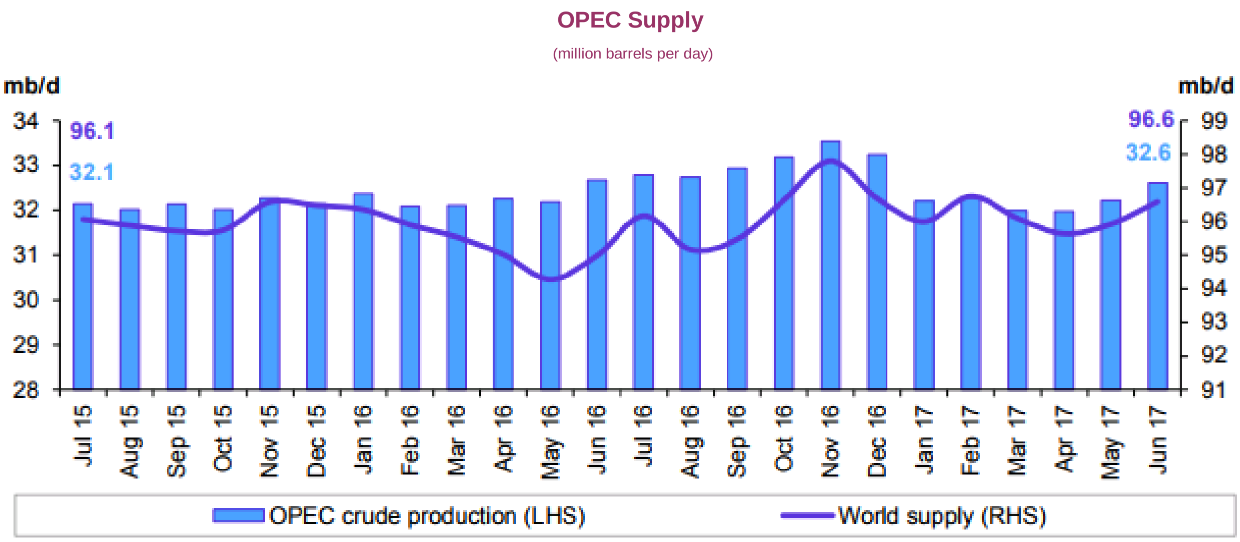
Growth in most non-OPEC regions in 2017 is expected to continue into 2018, led by

OECD Americas with 0.86 mb/d, FSU with 0.20 mb/d, Latin America with 0.12 mb/d, OECD Europe with 0.08 mb/d, Africa with 0.07 mb/d and OECD Asia Pacific with 0.04 mb/d. However, declines in 2018 are anticipated in China, Other Asia and the Middle East at 0.16 mb/d, 0.05 mb/d and 0.05 mb/d, respectively.

Looking closer, the main contributor to the growth is likely to be the US with 0.86 mb/d, followed by Brazil with 0.22 mb/d, Canada with 0.17 mb/d, Russia with 0.17 mb/d, Kazakhstan with 0.09 mb/d, the UK with 0.08 mb/d, Congo with 0.08 mb/d, Australia with 0.05 mb/d and Ghana with 0.04 mb/d. Mexico, China, Colombia, Azerbaijan, Oman, Vietnam and Indonesia are all set to decline.

Total OECD oil supply in 2017 is expected to grow by 0.74 mb/d to average 25.56 mb/d, though his figure is 0.12 mb/d less than the initial expected value from June. OECD Americas is forecast to see an increase of 0.76 mb/d year on year, while oil supply in OECD Europe and OECD Asia Pacific will reduce by 80 tb/d and 40 tb/d to average 3.80 mb/d and 0.41 mb/d, respectively.

For 2018, a yearly growth of 0.99 mb/d is anticipated for OECD oil supply, with an average of 26.55 mb/d. OECD Americas, Europe and the Asia Pacific are all expected to grow next year by 0.86 mb/d, 0.08 mb/d and 0.04 mb/d, with averages of 22.22 mb/d, 3.88 mb/d and 0.45 mb/d, respectively.



Source: OPEC Secretariat.

Non-OPEC Supply

(million barrels per day)

	2016	1Q17	2Q17	3Q17	4Q17	2017	Change 2017/16 Growth	%
Americas	20.60	21.10	21.08	21.47	21.78	21.36	0.76	3.71
of which US	*13.62*	*13.81*	*14.20*	*14.53*	*14.84*	*14.35*	*0.73*	*5.33*
Europe	3.80	3.94	3.80	3.58	3.87	3.80	-0.01	-0.17
Asia Pacific	0.42	0.39	0.39	0.44	0.41	0.41	-0.02	-4.21
Total OECD	**24.82**	**25.43**	**25.27**	**25.49**	**26.06**	**25.56**	**0.74**	**2.98**
Other Asia	3.71	3.72	3.65	3.67	3.65	3.67	-0.04	-0.95
Latin America	5.10	5.19	5.18	5.26	5.36	5.25	0.14	2.84
Middle East	1.28	1.24	1.24	1.22	1.22	1.23	-0.05	-3.90
Africa	1.82	1.83	1.86	1.89	1.91	1.87	0.05	2.92
Total DCs	**11.91**	**11.97**	**11.94**	**12.04**	**12.13**	**12.02**	**0.11**	**0.95**
FSU	13.86	14.13	13.99	13.80	13.80	13.93	0.07	0.49
of which Russia	*11.08*	*11.25*	*11.08*	*10.98*	*10.98*	*11.07*	*-0.01*	*-0.11*
Other Europe	0.13	0.12	0.12	0.13	0.13	0.13	0.00	-1.79
China	4.10	4.02	3.99	3.92	3.94	3.97	-0.13	-3.10
Total "Other regions"	**18.09**	**18.27**	**18.11**	**17.85**	**17.88**	**18.03**	**-0.06**	**-0.34**
Total non-OPEC production	**54.82**	**55.68**	**55.31**	**55.38**	**56.07**	**55.61**	**0.79**	**1.44**
Processing gains	2.19	2.21	2.21	2.21	2.21	2.21	0.01	0.50
Total non-OPEC supply	**57.01**	**57.89**	**57.52**	**57.58**	**58.28**	**57.82**	**0.80**	**1.41**
Previous estimate	57.02	57.83	57.37	57.73	58.54	57.87	0.85	1.49
Revision	0.00	0.05	0.15	-0.14	-0.27	-0.05	-0.05	-0.08

*Note: * 2017 = Forecast.*
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – July 2017

Crude Oil Price Movements

The OPEC Reference Basket (ORB) declined in June to $45.21/b, down more than 8% to its lowest value for the year. The oil market witnessed a sell-off amid significant bearish sentiment ignited by excess oil supply and still-high oil inventories, despite ongoing high conformity by OPEC and non-OPEC participating producers. Oil continued to be weighed down by the slow pace of inventory drawdown globally amid a rebound in global oil supplies. Since reaching a 2017 peak in early February, the ORB's value dropped 21% by June. Nevertheless, towards the end of the month, its value recovered. Year-to-date (Y-t-d), the ORB's value was 38.3% higher or $13.90, at $50.21/b.

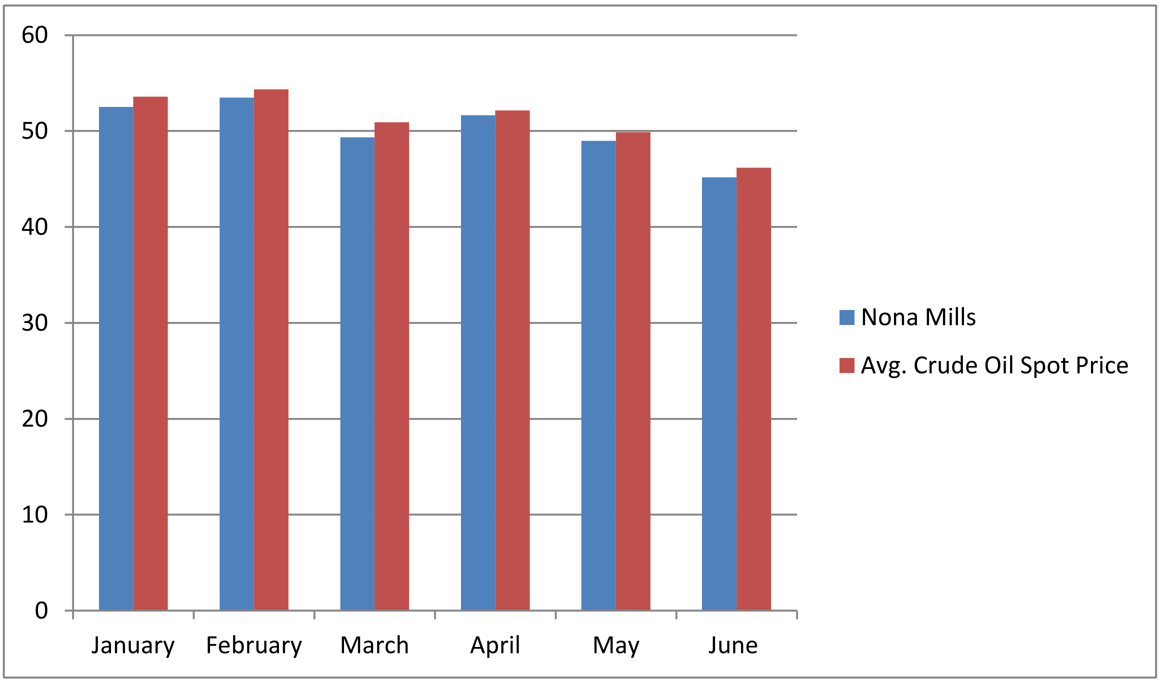
Month-on-month (m-o-m), the two main oil futures tumbled into bearish territory in June, with ICE Brent settling below $50/b for the first time this year amid a new cycle of short-selling on concerns that rising global supply will counter output adjustments by OPEC and non-OPEC producers. US crude inventories remain more than 100 mb above the five-year seasonal average. ICE Brent ended June $3.85 or 7.5% lower at $47.55/b, while NYMEX WTI plunged $3.34 or 6.9%, to stand at $45.20/b. Y-t-d, ICE Brent is $11.47, or 27.8%, higher at $52.68/b, while NYMEX WTI increased by $10.17, or 25.6%, to $49.95/b.

The ICE Brent/NYMEX WTI spread narrowed on successive weeks of US crude stock draws and ample light sweet crudes supplies in Europe. This tighter spread has weakened demand for US crude from Asian refiners. The spread narrowed to $2.36/b, a 50¢ contraction.

Money managers' bearish, or short, bets on crude oil prices have exploded further in June. In the US, crude market short positions doubled in just two months to an equivalent of nearly 180 mb, while in the Brent market investors are sitting on record short positions of nearly 177 mb.

The contango structure widened marginally in the Brent and Dubai markets on ample supplies in Europe and somewhat slower demand in Asia. However, there was a backwardation of forward market structures earlier for the second half of 2017 which has flipped into contango for the entire futures curve of both NYMEX WTI and ICE Brent.

The sweet/sour narrowing differentials trend that began earlier in the year eased on the US Gulf Coast (USGC) and in Asia. However, sour crudes continued to strengthen relative to sweet in the European market as OPEC and non-OPEC supply adjustments limited availability of the sour grade while increasing production in the US and the Atlantic Basin created a glut of light sweet crudes.

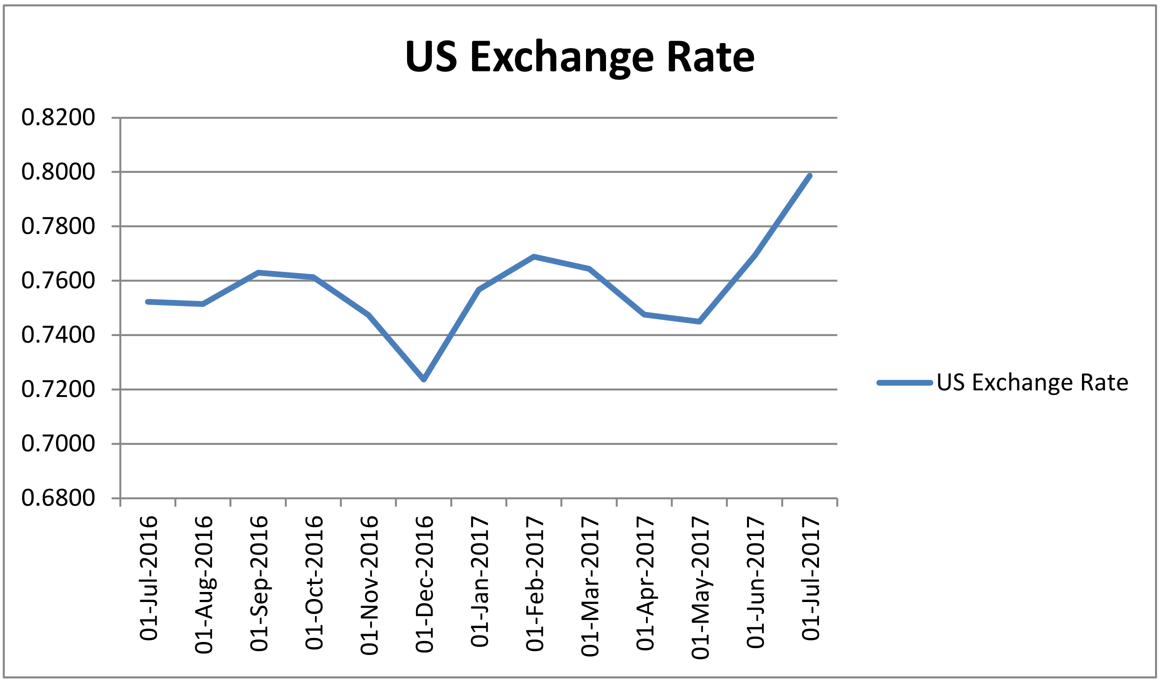


Reference: OPEC Monthly Oil Market Report – July 2016

Exchange Rate

Despite predictions of an increasingly powerful US dollar, 2017 has spelled significant reductions, dropping by at least 12% of its value. A range of factor factors have underpinned this decline, including what is comically referred to as the "Trump Slump". Failure to pass key reforms regarding healthcare, the threat of nuclear war and tax-cut reforms have raised questions over Trumps ability to lead and perform his election promises.

Interestingly enough, a weaker US dollar has been a goal of the Trump administration in order to help foster the US manufacturing industry. Trump has been quoted stating that the dollar is prohibiting the US's ability to compete in worldwide exports against other currency devaluations.



Report References: OPEC Monthly Oil Market Reports – January 2017 to July 2017, Why Has the US Dollar Been Consistently Falling Throughout 2017? https://internationalbanker.com/brokerage/us-dollar-consistently-falling-throughout-2017/.

NONA MILLS PROJECT REPORT UPDATE

The net investor revenue of the NMP has taken into account the freight, taxes, royalties and operating costs each month. Please note that payment details are received three to four months in arrears. Given the current economic climate it is important to be reminded that the Nona Mills Project is not a short-term consideration.

For the six-month period of January to July 2017 operational costs exceeded the investment, so on a month by month reconciliation there were no royalties payable. You'll note from your statements that no distribution was made for this time.

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