

SE Finance
HD Nickel's big run rekindles **sale** hope MMG, BHP PROJECTS ON BLOCK EXCLUSIVE
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SURGING nickel prices have boosted interest in a planned **sale** by **Chinese**-controlled MMG of its mothballed Avebury nickel mine on Tasmania's west coast, which was developed at a cost of \$880 **million**.

Nickel's price surge -- brought on by Indonesia's export ban on laterite nickel ores -- has already prompted BHP Billiton to put out the feelers on a **sale** of its West Australian nickel business, valued at up to \$1 **billion**, because of the strategy of chief executive Andrew Mackenzie to focus on the "four pillars" of **iron ore**, **coal**, **copper** and petroleum.

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Unlike the rest of the metals, nickel has started the year strongly, rising 13 per cent to a 12-month high of \$US7.14 a pound. The rise for the stainless steel ingredient is a response to the tightening in supplies caused by Indonesia's mineral **ore** export ban taking effect in mid-January.

The ban is an attempt to compel more value-adding to Indonesia's mineral exports through the development of onshore processing **operations**. The country is the world's biggest exporter of nickel and is the main supplier of low-grade nickel laterite ores to **China**'s nickel pig **iron** industry.

MMG chief executive Andrew Michelmores told The Australian that a restart of Avebury was not part of MMG's plans, leaving the **company** open to offers for it.

"Our issue is that its size doesn't fit in our portfolio, so it is a case of finding the group for which it becomes an important asset in their growth plans," he said. There had been "quite a bit of interest" in Avebury and people had been looking "to see how it fits in their portfolios".

MMG's hunt for a buyer of Avebury comes as its parent **company** is in talks to buy GlencoreXstrata's \$US6bn (\$6.7bn) Las Bambas **copper** development in Peru, the **sale** of which -- or other nominated **copper** assets -- was part of Beijing's approval last year of Glencore's merger with Xstrata.

MMG -- the **Hong Kong**-listed and Australian-managed offshoot of **China** Minmetals Corporation -- bought Avebury and other assets from OZ Minerals for \$1.7bn in June 2009.

Avebury, near Zeehan, was opened in August 2008 at a cost of \$880m, only to be mothballed in December 2008 when nickel prices fell below \$US4.50 a pound in response to the collapse in demand due to the global financial crisis.

Analysts say Avebury needs nickel prices to hold above \$US9 a pound to justify its reopening, with the recent weakness in the Australian dollar aiding its cause.

Avebury is a nickel sulphide operation that can produce highly sought after nickel concentrates grading more than 20 per cent-plus nickel, which is smelted and refined into 99.99 per cent nickel metal, used mainly in the production of stainless steel.

The rise of nickel pig **iron** in **China**, based on laterite **ore** from Indonesia and The Philippines, was a response to the spike in nickel prices to more than \$US24 a pound by May 2007, and it represents a cheaper alternative to pure nickel for the production of stainless steel.

But the rapid uptake of the process in **China** has effectively introduced a cap on nickel prices, with the nickel pig **iron** producers turning up their production when nickel prices reach about \$US10 a pound and turning them down at prices below that level. That is one of the reasons why BHP is not interested in having a long-term presence in the industry.

UBS says if BHP's nickel **operations** in WA were sold off, the proceeds would help BHP to cut its debt to \$US25bn by the end of the 2014 financial year. It says this would increase the probability of BHP announcing a buyback program in August.

CO bkhlp : BHP Billiton Ltd | orieml : MMG Limited | bltplc : BHP Billiton PLC | cminmc : China Minmetals Corporation | imreht : Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co Ltd | lawspr : Minmetals Land Limited

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