

Kalgoorlie Miner

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HD Poseidon to supply Leinster plant
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BHP Billiton yesterday turned to the historic Mt Windarra mine to feed its hungry Leinster concentrator after the **mining** giant's unloved Nickel West division signed an offtake agreement with Poseidon Nickel.

As Swiss giant Glencore and **China's** Jinchuan **firm** as the frontrunners in the long-awaited Nickel West **sale**, BHP locked in a contract until February 2017 to process Mt Windarra **ore**.

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The offtake deal, flagged by the Kalgoorlie Miner in February and hailed as "revolutionary" by Poseidon boss David Singleton, is for a minimum 350,000 tonnes of **ore** a year but can be extended to 700,000 tonnes by mutual agreement.

Nickel West will **purchase** all the concentrate produced at Leinster, in a similar arrangement to the status quo BHP maintains at Kambalda with nickel miners Mincor Resources, Independence Group and Panoramic Resources.

Mr Singleton said the Leinster concentrator is running about 10 per cent of its near 3Mtpa capacity since the closure of the earthquake-hit Perseverance mine last December.

"The fact BHP have been able to sign this contract suggests there is a lot of confidence in the Nickel West business going forward in the future," he said.

Mr Singleton said the BHP deal cuts \$240 **million** off the start-up costs for Mt Windarra, which sparked the 1960s nickel boom and has been closed since 1990.

He said financing discussions were "well advanced" but **mining** magnate Andrew Forrest, who controls 25 per cent of Poseidon shares, had already "done the hard yards" and is unlikely to bankroll the mine. Costs are expected to be less than \$20 **million**.

The first **ore** deliveries from Mt Windarra are due no later than February.

Poseidon shares were up 1.08 per cent yesterday at 18.7 cents after touching 23.5 cents mid-session.

The BHP tie-up comes as Sirius Resources moves to secure a maiden offtake agreement, expected in December, for its \$473 **million** Nova nickel-**copper** mine in the Fraser Range.

Western Areas, which supplies BHP and Jinchuan with high-grade concentrate, is also navigating muddy waters as it looks to leverage off an incoming Nickel West owner. The deal with Jinchuan, comprising 13,000 tonnes per annum shipped out of Esperance Port, expires in December.

Western Areas began a new tender process in August and will talk with short-listed parties this month.

Western Areas boss Dan Lougher said it was no secret Glencore was gung-ho in its pursuit of Nickel West. But Western Areas could benefit if Jinchuan was successful.

"We don't take sides. My job is to make sure we are across who is talking to BHP," he said.

There is still no indication of when a Nickel West **sale** will be announced.

"We are getting to the point where they need to make a decision," Mr Lougher said.

It comes amid an upbeat nickel market with a forecast supply squeeze on the London Metals Exchange and in **Chinese** stockpiles as a result of this year's Indonesian export ban.

Alto Capital's senior analyst Carey Smith yesterday pointed to **Chinese** nickel consumption which has grown 5.6 per cent since 2010.

He forecast an average nickel price of \$US20,000 per tonne in 2015, up from \$US17,250/t so far this year.

CO salmal : Panoramic Resources Ltd | wfgaus : Poseidon Nickel Limited | bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

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