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HD RPT-INTERVIEW-Australian nickel explorer aims to squeeze more out of big find

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(Repeats story published late Thursday; no change to text)

* Sirius CEO says nickel recovery can wait

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* Sees its low-cost Nova mine up and running in 2017

* Owes its discovery to hunt for NASA Skylab debris

* Nickel's fortunes set to turn once high-cost miners exit

By James Regan

SYDNEY, Feb 6 (Reuters) - The last thing Australian nickel explorer Sirius Resources wants is a quick recovery in the price of the metal.

Sirius chief executive, Mark Bennett, figures it will be 2017 before the outback discovery he made in 2012 will begin producing the first of the 28,000 tonnes of nickel it plans to produce annually.

By then, according to Bennett, many established producers would be forced to curtail or abandon **operations**, eliminating a global supply glut and enabling nickel prices to turn up.

"We are in a unique bubble given the state of the market," Bennett said in an interview.

Sirius's stock had been mostly flat lining along at 5 Australian cents a share for two years before soaring to a high of A\$5 in early 2013 as the **company** released more details of its discovery.

The Nova find so resembled the giant discoveries in Canada controlled by sector majors Glencore Xstrata and Vale that investors rushed in, pushing Sirius as high as \$5 by March 2013. Sirius was the best performing stock on the benchmark S&P/ASX 200 index in 2013.

The shares have since recoiled to around A\$2 but nickel buyers have already started courting the **company**, anxious to sign life-of-mine supply contracts to secure all of the mine's future production, Bennett says.

The president of the world's top nickel refining **company**, Jinchuan Group, was waiting for the Sirius boss at the airport to discuss business on a recent trip to **China**, he said.

"We'd rather wait, let some tension build in the market and see prices go up," Bennett said.

London Metal Exchange nickel is trading near four-year lows of \$13,205 a tonne, a legacy of boom-time investment in new mines from Australia to Madagascar that boosted supply after nickel prices rocketed to \$50,000 in 2007. LME stockpiles are at record highs.

A ban on nickel **ore** exports last month from Indonesia, a major supply source for **China**, has done little to ignite the metal's price.

"That's because there are large stocks of Indonesian **ore** in **China** that will take a year **ore** more to wear off," says Bennett.

Bennett estimates 40 percent of the world's nickel mines are losing money at today's prices.

The shakeout of unprofitable mines has already started.

Mirabela Nickel has idled a mine in Brazil and mines in Australia owned by Glencore Xstrata and Norilsk Nickel have also been closed.

Mark Creasy, a prospector who's made **billions** staking claims in the outback, unearthed evidence of the Nova deposit in 1979 from geological data while looking for debris from NASA's Skylab space station strewn across the Western Australian desert.

Two decades later when nickel prices took off, Creasy staked the claim for himself. He eventually gave up control to Sirius, retaining a large chunk of shares and 30 percent of the project.

When it comes time to finance the mine, it will be mostly debt, not shareholder **equity** that will foot the roughly A\$470 **million** (\$420 **million**) construction bill, according to Bennett.

A share placement in November designed to raise A\$83 **million** sold out in an hour and was oversubscribed by A\$100 **million**. (\$1 = 1.1214 Australian dollars) (Editing by Ed Davies)

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