

SE Business
HD **Sale** needs Barnett's blessing
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BHP Billiton will need State Government approval for any **sale** of its Nickel West business, with the consent of Premier Colin Barnett required for a transfer of the business because of provisions of the last remaining State Agreement covering the Goldfields-centric operation.

Although BHP is understood to have appointed Goldman Sachs to gauge interest from third-parties in its loss-making nickel **operations**, Mr Barnett told WestBusiness the State Government was yet to be advised of plans to sell Nickel West.

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While most of the State Agreements covering Nickel West had been repealed earlier, the Nickel (Agnew) Agreement — first signed in 1974 — remains in place. As Minister for State Development, Mr Barnett's consent is required before BHP can transfer rights and obligations to a potential buyer.

It is understood the State Agreement covers BHP's Leinster **operations**, including the concentrator, power plant and mines. The agreement is understood to guarantee BHP rail haulage for Leinster **ore**, as well as access to water for its processing plant.

The timetable for any **sale** is unclear. BHP has consistently refused to confirm or deny it has put Nickel West on the market.

The integrated operation suffered a major blow late last year, when safety concerns forced the closure of its Perseverance mine at Leinster. Concentrate from BHP's Mt Keith operation has **iron**-to-magnesium levels far lower than the ratio most smelters prefer, and Perseverance **ore** was used to partially offset that.

Without the Leinster mine any potential buyer would need to lock up new sources of low-magnesium **ore** to feed the Nickel West smelter in Kalgoorlie.

That could come from Western Areas, which already supplies high-grade concentrate to BHP and has an offtake tender due to go to market later this year, or from alternate suppliers.

BHP is also believed to have been experimenting with its production options within Nickel West to cope with that problem.

Industry sources say BHP has recently been sending trial shipments of **ore** to Glencore Xstrata's Murrin Murrin operation. The reason is unclear, but the move could be a sign BHP is testing a split in production at Mount Keith, sending higher-impurity feed to the Murrin autoclave and higher-grade concentrate to the Kalgoorlie smelter.

That would lend weight to comments by Glencore chief executive Ivan Glasenberg, who this month said the proximity of Nickel West assets to Murrin Murrin mine meant an **acquisition** could make sense. Glencore would "kick the (Nickel West) tyres", Mr Glasenberg said.

Mr Barnett's priority in any discussions with BHP will be to ensure a Nickel West **sale** preserves existing jobs and, more importantly, the infrastructure BHP inherited when it bought WMC in 2005.

Nickel West operates the only nickel smelter and refinery in WA and many WA juniors rely on sales to its Kambalda nickel concentrator.

Industry sources suggest Canada's Sherritt is a likely starter in the Nickel West data room after cashing by selling **coal** assets.

China's Jinchuan has been linked with due diligence investigations, and CITIC Resources is tipped as an outside runner.

Others possibly interested include **China**-backed Minmetals and Canada's First Quantum Minerals.

Although the nickel price has had a strong run over the past month, touching 11-month highs of \$8.60 a pound last week, potential buyers would still be taking a bet on a far higher long-term nickel price.

UBS analysts suggest a \$10/lb price would be needed for Nickel West to break-even as an integrated operation, though individual components would have lower break-even points.

Potential buyers would also be taking on a big liability for rehabilitation and monitoring of BHP's ageing sites, with estimates of the liability ranging from several hundred **million** to UBS' suggestion of \$1 **billion** to \$2 **billion**.

Despite a downtrodden metal price, there has been some excitement in the WA nickel industry.

Sirius Resources' Nova discovery is one of the best global finds in many years and insiders at BHP suggest their own Venus discovery — possibly a major prize in a Nickel West **sale** — is not far behind. Panoramic has also surged on exploration success at its Savannah operation and explorers such as Rox Resources have thrown up intriguing early-stage exploration results.

With WA producing as much as 20 per cent of the world's nickel supply the industry is far from dead. The **sale** of Nickel West to a smaller, more nimble operator could even help to reinvigorate the sector.

CO bkhlp : BHP Billiton Ltd | bltpc : BHP Billiton PLC

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