

SE Business
HD **KNOCKOUT PRICE FOR SELLERS IN A BARE-NICKEL FIGHT**
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WC 1,179 words
PD 12 May 2014
SN The Australian
SC AUSTLN
ED Australian
PG 19
LA English
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It is up nearly 40pc this year thanks to supply constraints

"EVERYBODY in **China** is bullish nickel and everybody is hoarding nickel of any kind," said one commodity strategist during the week.

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Reuters, quoting Ivan Szpakowski from Citi's Shanghai office on the frenzy which seems to have engulfed **Chinese** metal buyers, also reported that nickel demand may get a further boost from stockpiling in **China**, with refined imports due to begin arriving at State Reserve Bureau warehouses before the end of next month.

In Thursday's session at the London Metal Exchange, intraday trading had the metal up over \$US1000 a tonne (it finished up \$US750/tonne) and Friday saw another \$US1000/tonne jump during the session (nickel completed the day at \$US19,905/tonne, ahead by \$US505).

Deutsche Bank strategists entertain no doubts: they say nickel won't move into surplus until 2018. Wow!

As BNP Paribas points out, nickel is up an astonishing 39.6 per cent this year (6.2 per cent in just the past week). Under the heading, "Nickel — Splendid Isolation", referring to the rest of the base metals complex, analyst Stephen Briggs writes that "nickel is entirely a supply story". He argues that the divergence in performance between **copper** (down 8.6 per cent since January 1) and nickel provides a salutary reminder to investors that the supply side often has a bigger impact than the macro-demand side.

The supply side is, of course, the Indonesia export ban. The country produces almost a quarter of the world's nickel and has banned the export of the metal below the 4 per cent grade, which effectively covers almost all the **ore** mined in Indonesia.

You can't blame the Indonesians: unlike the crowd in Canberra, Jakarta is anxious to become something more than a quarry for **China** and wants to force the users of its minerals to do the processing and refining in Indonesia, with all the economic multipliers that implies.

This supply situation was exacerbated during the week by Vale, the world's second largest nickel player, closing its Goro operation in New Caledonia after an acid leak found its way to a river.

New Caledonia is the world's sixth largest nickel producer. There are also concerns further sanctions on Russia could interrupt exports from the No 2 producer of the metal.

As Danske Bank in Copenhagen points out, the Goro situation could not have come at a worse time. Not only is there the Indonesia export ban and the black cloud hanging over Russian supplies, the **Chinese** economy seems to be stabilising. Danske sees **China**'s demand for commodities rebounding.

Pure Speculation is never one to rain on anyone's parade and is certainly not brave enough to take on any of the weighty opinion outlined above. But one news report during the week did plant a seed of

doubt. It was about bauxite in Indonesia, not nickel, but since the former is also caught up in the bans imposed by Jakarta, the implications could apply.

The report focused on one bauxite mine at which 5000 people have been laid off due to the export ban. Meanwhile, the World Bank has warned Indonesia's export earnings will fall by \$US6 billion (\$6.4bn) this year due to the ban. Then we read that Bank Indonesia, the country's central bank, has revised downwards its economic growth forecast, also due to falling mineral revenues.

The policy, though, seems to be producing results. A Chinese company is now building Indonesia's first bauxite refinery and Chinese nickel pig-iron users will be setting up processing in Indonesia. It will all depend on whether Indonesian politicians have the nerves of steel necessary to stick with the policy until some of the dividends are delivered.

As Deutsche reports, none of the main political parties contesting the national elections has questioned the ban or indicated it would be seeking changes. Yeah, right, just like no one here mentioned a debt levy beforehand. Let's wait and see what happens post-election.

But the nickel rise has given nickel plays here a much-needed boost. Just room to mention a few announcements. Boadicea Resources (BOA) whose Symons Hill project lies just 5km from the massive discovery at Nova by Sirius Resources (SIR), says results from 141 holes have identified an anomalous nickel corridor. And Matsa Resources (MAT) also has a project called Symons Hill, but this is just 2km from Nova. MAT reported a pretty strong sniff of nickel-copper on its ground. And it may be 120km away from Nova, but Segue Resources (SEG) says it has identified indicators of mineralisation at its Plumridge nickel property.

Elsewhere in WA, Red River Resources (RVR) increased its nickel exploration ground in the East Laverton area from 166sq km to 635sq km, while poor old Cullen Resources (CUL) no sooner announced on Monday the start of drilling at the Mt Eureka nickel project than we got the news on Thursday that heavy rain had forced the crew to leave.

Top explorers SNL Metals & Mining, based in Charlottesville, Virginia, has compiled the top-ranked assays for the March quarter covering mainly Australian and North American explorers.

Opening the envelope, we find the award for copper goes to Newcrest Mining (NCM) for 1.44 per cent over 943m at its Golpu project in Papua New Guinea. Its stock closed Friday at \$10.41. The second best effort by an Australian company was from Great Western Exploration (GTE) which was earning a stake in the Spasskaya project in Kazakhstan; its winning drill core was 2.5 per cent copper over 78m. Less than two months later GTE withdrew from the joint venture after reviewing all the results.

Beadell Resources (BDR) was the world's best gold explorer in the March quarter in terms of top assays with one at the Duckhead target in Brazil intersecting 143g/tonne over 29m. Others to make the top 10 gold hits were NCM (again at Golpu), Northern Star Resources (NST) with 73.2g/t over 8.9m and Gold Road Resources (GOR) with 1.2g/t over 560.2m. With silver, the top Aussie was KGL Resources (KGL) with 732g/tonne over 18m at its Marshall-Reward deposit in the Northern Territory; the company also reported the world's top lead assay from the same project with 19.6 per cent over that 18m intersection. Musgrave Minerals (MGV) came in at No 5 with 990g/t silver over 10m at Menninnie Dam.

Australia took out the two top placings in zinc assays for the March quarter. Precious Metals Resources (PMR) hit 7.2 per cent zinc over 48m at Halls Peak, south of Armidale, NSW, while Robust Resources (ROL) reported 2.04 per cent over an impressive 144.8m on Romang Island, Indonesia.

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