

**SE** News Stories; Ferroalloys & Steel

**HD** **BHP appears to wave white flag on Nickel West sale**

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**LP**

BHP Billiton said August 15 it would spin-off its unwanted assets into a separate **company** after the **mining** giant was unable to find a buyer for its Nickel West operation in Western Australia.

The Melbourne-based **company** said it would focus on its “four pillars” of **iron ore**, **copper**, **coal** and petroleum — with potentially a fifth in potash — and demerge its other assets (See Separate Story).

**TD**

BHP had reportedly been seeking around \$1 **billion** for its Nickel West operation, which comprises the Kwinana refinery, Mt Keith mine, Leinster nickel plant and Kalgoorlie smelter and concentrator. It had hoped a resurgent nickel price caused by the export ban in Indonesia from January this year would have helped attract a buyer.

But after reviewing the **company**'s portfolio since April this year, the miner decided a “demerger of its assets is our preferred option.”

In a July 14 research note resent August 15, UBS analysts said Nickel West had been “in decline for a number of years and could potentially have a \$1-2 **billion** environmental liability” that any purchaser would have to take on. UBS mentioned Glencore, which operates the nearby Murrin Murrin nickel-cobalt mine, or **Chinese** companies as potential buyers.

Nickel prices have increased around 30% since the start of the year, which has seen the share prices of nickel producers such as Perth-based Western Areas more than double over the period. Indonesia supplied around 23% of the global nickel market, and **Chinese** nickel pig **iron** producers have been seeking alternative suppliers, notably in the Philippines.

Speaking at the Noosa **Mining** and Exploration Conference in Queensland last month, KPMG director Matt Pedley said the Indonesian ban could drive some significant **M&A** activity among Australian nickel companies.

In a July research note, analysts at ANZ bank said the “supply shock” caused by the Indonesian ban that “sent nickel prices to a two year high is far from over and is likely to put further upward pressure on prices over the next few years.”

BHP produced around 143,000 mt of nickel in the 12 months to June 30, down 7% on the previous year. A Melbourne-based analyst said nickel was not a “material portion of the **company**'s earnings.”

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

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