

HD **BHP misses out to China's Jinchuan on nickel pact**

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SYDNEY, Nov 26 (Reuters) - BHP Billiton's struggling Nickel West smelter in Australia lost out on a potential key supply source of nickel when rival Jinchuan Group of China signed a purchase agreement with an Australian miner.

Australia's no. 3 nickel miner, Western Areas, on Wednesday said it reached a two-year agreement to supply Jinchuan with 26,000 tonnes of nickel concentrate following a competitive tender process that began in August.

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The agreement narrows the number of supply sources available to BHP as it strives to run the 42-year-old Nickel West smelter at its maximum capacity of just over 100,000 tonnes per year.

BHP has been redoubling efforts to secure supplies for the smelter after failing to find a buyer for Nickel West.

The nickel business sits outside of BHP's designated core growth divisions. It was excluded from a proposed \$15 billion spin-off of other businesses into a separate company next year over concerns it would discourage investors.

BHP buys 12,000 tonnes of nickel a year in concentrate from Western Areas under a contract running until 2017, and it was seen as a logical contender for the additional supply.

Nickel prices are being driven on bets that China is running short of the metal used to make stainless steel because of a ban imposed by Indonesia on exports of ore.

"The tender process involved many new participants and was incredibly competitive against the backdrop of the Indonesian export ban," Western Areas Managing Director, Dan Lougher said.

Other potential suppliers to Nickel West include Sirius Resources, Fraser Range Metals and Matsa Resources. (Reporting by James Regan; Editing by Tom Hogue)

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CO bkhlp : BHP Billiton Ltd | wearea : Western Areas Limited | bltpc : BHP Billiton PLC

IN i2114 : Copper Ore/Nickel Ore Mining | imet : Mining/Quarrying | i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources

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