



HD BHP appears to give up on Nickel West **sale**

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BHP Billiton said Friday it would likely 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.

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 would have helped attract a buyer.

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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 Friday, 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 scurrying around seeking other suppliers, notably in the Philippines.

Speaking at the Noosa **Mining** & Exploration Conference in Queensland last month, KPMG director Matt Pedley said the Indonesian ban could drive some serious **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.”

-- Paul Bartholomew

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