

**HD** **Glencore, Jinchuan front runners to buy BHP's Nickel West**

**BY** By Silvia Antonioli

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LONDON, Aug 26 (Reuters) - Commodity trader and miner Glencore and **Chinese** nickel producer Jinchuan Group are the front runners to buy BHP Billiton's Australian Nickel West division, a source close to the situation said.

BHP, the world's largest **mining company**, announced plans last week to spin off businesses worth an estimated \$16 **billion** but said Nickel West in western Australia would not be part of the demerger.

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Chief Executive Andrew Mackenzie has said the **company** was in talks with potential buyers for all or part of Nickel West.

"It's a race between Glencore and Jinchuan now," the source with knowledge of the situation said.

Estimates of the value of Nickel West vary greatly, with some analysts and industry sources putting it at anything up to a \$1 **billion** and others tagging negative figures to the asset, that they say is burning cash.

Other companies initially said to be interested in the asset were X2, a **mining firm** founded by former Xstrata chief executive Mick Davis, and commodity trader Trafigura but two sources said they both lost interest after reviewing the asset.

Glencore, X2, BHP and Trafigura declined to comment while Jinchuan was not immediately available to comment.

#### **CHINESE** COMPETITION

London-listed Glencore completed the **acquisition** of its rival Xstrata a little more than a year ago.

It recently received \$6.5 **billion** from the **sale** of its Peruvian **copper** project Las Bambas to a **Chinese** consortium.

The **mining company** said it intended to use about a third of it for acquisitions and already has used about \$1.5 **billion** to buy Chad-focused **oil firm** Caracal.

**China's** Jinchuan tough, it also keen to get the asset, according to the source.

Even as demand growth has slowed in the last couple of years, **China's** appetite for metals, which are strategic for its development, remains high.

The **sale** of Las Bambas was a condition imposed by **Chinese** regulators to give Glencore the green-light for its **acquisition** of Xstrata, for example.

Interest in nickel projects has shot up since previously top exporter of nickel **ore** Indonesia introduced a ban on exports of unprocessed nickel earlier this year to encourage investment in smelters within the country.

Indonesia was a key supplier to **Chinese** nickel pig **iron** producers and the ban caused a strong increase in prices for the stainless steel ingredient, up by more than one third this year.

BHP in May started its review of Nickel West, which is made up of the Mt Keith, Cliffs and Leinster mines, concentrators, and the 100,000 tonne-per-year Kalgoorlie smelter and the 60,000 tonne-per-year Kwinana refinery in Western Australia. (Editing by David Evans)

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**CO** bkhlp : BHP Billiton Ltd | march : Glencore PLC | bltplc : BHP Billiton PLC

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