

Kalgoorlie Miner

SE WestReg
HD **Western Areas to close Jinchuan nickel agreement two months early**
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Western Areas has moved to take advantage of a surging nickel market and ongoing speculation about a **sale** of BHP Billiton's Nickel West assets by closing out its offtake agreement with **China's** Jinchuan Group two months early.

Nickel hit 14-month highs this week and, despite a minor blip on the London Metals Exchange overnight on Monday, is still trading comfortably above \$US8 a pound.

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With Western Areas' quarterly report on Tuesday showing a cash production cost of \$US2.26/lb for the three months to March 31, the miner is forecasting a bumper fourth quarter as a resurgent nickel price flows to its bottom line.

But Western Areas is also moving to take advantage of its position as a potential kingmaker in the **sale** or float of BHP Billiton's Nickel West **operations**.

The **company** said it would close out its 13,000-tonne-a-year contract with Jinchuan Group in December. It can now open tenders for a replacement deal as early as July.

Western Areas already supplies Nickel West with 12,000t of nickel concentrate but the closure of BHP's Perseverance mine has left the operation short of **ore** with low magnesium to **iron** levels, which are needed to keep down costs at its Kalgoorlie nickel smelter.

One of the main problems for BHP, or any Nickel West buyer, will be finding an alternative supply of feed for blending, with Western Areas' concentrate the first major option to market.

Western Areas said it was already fielding offers for the offtake, flagging the possibility it would reach a deal before opening a formal tender process.

Despite the nickel price not taking full flight until late in the March quarter, Western Areas said it generated \$13 **million** in free cash flow for the period, after producing 6709t of nickel in **ore** at an average grade of 4.4 per cent.

Also announcing a good quarter yesterday was Panoramic Resources, which increased annual production guidance by 500t to between 21,500t and 22,000t after record production of 5731t in the three months to March 31.

Panoramic operates the Lanfranchi mine near Kambalda and the Savannah project in the Kimberley.

With a \$400,000 reduction in total site costs to \$23.8 **million**, higher production led to a 23 per cent fall in average cash costs to \$4.81/lb.

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

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