



# Laterite deals proliferate

Against a background of soaring nickel prices, major miners are snapping up some of the more promising nickel laterite projects and promoters.

**Q**UANTITY NICKEL LATERITE projects and players have gone from pariah to must-have status in little over a year. Heating up the market are nickel prices at all time highs of over \$20,000/ton (as the *AJM* went to press), easily surpassing the previous record of \$18,750/ton, set in February 1989. At the same time, healthy demand for nickel of over 4%pa is outstripping supply, necessitating the arrival on the market every year of one, large-scale, greenfields laterite project of 50,000tpa – 60,000 tpa. Finally, technical confidence is growing in various screening processes that can simply upgrade sub-1% ores to leach feed grades of well over 1.5%; these cheap, physical processes promise to be a major fillip to laterite project economics.

In a sign of sentiment turning towards the sector, in late 2005 CVRD paid \$C939m for Canadian junior Canico, in the process securing the large and high grade Onca Puma nickel project in Brazil. That project will comprise the iron ore giant's second sizeable homegrown nickel laterite project, with the 46,000 tpa Vermelho project already under construction and set for first production in late 2008.

In March 2006, momentum accelerated when Eramet swooped on the junior Weda Bay Minerals, in an agreed deal worth A\$320m that will deliver the French giant the Halmahera project in Indonesia. This deposit, with total resources of 278mt @ 1.49% nickel, will cost around US\$1.2bn to develop for a project of 53,000 tpa.

Closer to home, Mathew Longworth, chief operating officer, Heron Resources, has been spruiking the company and its massive Kalgoorlie Nickel Project (KNP). It was Inco's entry on to Heron's share register in March 2005 that provided the clearest indication that major miners were once again on the hunt for high quality, sizeable laterite deposits.

Assiduously buying straw hats in winter, Heron began piecing together tenements over nickel laterite deposits in the Kalgoorlie region in 1997. As the woes of the first generation of nickel laterite producers – Murrin Murrin, Cawse and Bulong – intensified, and investor interest evaporated, Heron bravely stepped up its land assembly, picking up ground for very little cash. By 2004, when it added the Bulong mineral rights, Heron had pegged nearly 5,000 square kilometres of tenure covering the ultramafic sequences north and east of Kalgoorlie, now comprising the KNP.

In March 2005, Inco did its first deal with Heron to earn up to 60% of the KNP. A few days later BHP Billiton swooped, buying 11.2% of Heron on market, prompting Inco to subscribe to a placement in the junior company a week later.



In the wash up of that deal making, Inco has emerged with 9.9% of Heron, while BHP Billiton owns 9.6%. Mr Longworth has pointed out that these two nickel powerhouses, along with other major miners like Rio Tinto and Falconbridge, have analysed in detail every major laterite deposit worldwide, the inference being that the KNP is one of the most attractive laterite deposits globally.

In other laterite news, cost rises and project delays are acting to further support nickel prices.

In March and April, construction activity was halted at Inco's Goro project in New Caledonia, when protestors vandalised equipment causing millions of dollars in damage. Analysts have pencilled in production from Goro beginning in late 2007, and further disruption in what is a volatile political and community environment can only serve to bolster nickel prices.

Around the same time as Goro ground to a halt, Chris Pointon, president, stainless steel materials, BHP Billiton indicated that another small price rise is likely for the company's Ravensthorpe nickel laterite project, due to a shortage of skilled workers and rising costs for raw materials. This admission followed previous blow-outs in the costs for Ravensthorpe and an associated expansion of the Yabulu refinery, with the combined cost now around US\$1.8bn. □