

Looming Nickel Mines IPO ends 11-year wait **EXCLUSIVE**

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An 11-year journey will end and another longer one will begin for Nickel Mines Ltd. when potentially the world's largest pure-play nickel IPO by production lists on the ASX in five weeks.

It has been over a decade since [Bolnisi Gold Pty Ltd.](#) was sold to U.S. group [Coeur d'Alene Mines Corp.](#) for A\$930 million in 2007, and Bolnisi investors including Norm Seckold and Cameron Peacock started Nickel Mines which they planned to list shortly after with a key asset on Santa Isabel Island, the longest of the Solomon Islands.

However, Nickel Mines experienced landholder issues there, and when the global financial crisis of 2007-08 occurred and nickel prices hit a low of US\$8,810/tonne in October 2008, they abandoned Santa Isabel and searched elsewhere, reviewing a project in Queensland and elsewhere before settling on Indonesia, known for high grades, in 2009 when prices started recovering.

Today, nickel markets have the dual demand story from not only stainless steel, which market research firm Roskill says accounted for nearly 70% of all primary nickel consumption in 2017, but the battery sector, the rising importance of which is expected to lead to a decline in stainless steel's share of nickel consumption over the coming decade.

David Coates, senior resources analyst with the Nickel Mines IPO's lead manager Bell Potter Securities, said nickel's primary supply and demand balance has continued to tighten, having been in primary supply deficit since about October 2016, and is expected to stay that way until 2027.

"However, importantly we've started to see [LME] stockpiles, which have been overhang on the price for a few years, come down," Coates, who also covers Australian nickel players [Western Areas Ltd.](#) and [Independence Group NL](#), told S&P Global Market Intelligence.

Research firm AME Group also recently reported that exchange nickel stocks were down for a ninth consecutive month by 25,000 tonnes to 318,000 tonnes at the end of May, with LME stocks at 291,000 tonnes, their lowest end of month level in four years.

It is for these reasons that Seckold says his fellow founders often joke among themselves that they are an "11-year overnight success story", as its looming ASX listing coincides with LME stockpiles at [record lows](#) and with nickel prices are widely expected to continue rising.

Serendipity and timing

Having floated and run junior companies for nearly four decades, the self-described "lapsed economist" was attracted to the Hengjaya nickel mine in Sulawesi due to his natural bias toward "low-tech", particularly given many of his early mines involved gold heap leaching where direct shipping allows "handsome" payback.

However, a nickel bear market foiled that plan, as the mine had been running for just six months when Indonesia banned the export of unprocessed nickel ores at the start of 2014, which Seckold said was "very frustrating at the time but was the best thing that could have happened to us."

This is because the ban led to the world's biggest stainless steel producer, [Tsingshan Holding Group Co. Ltd.](#), spending US\$5 billion on the Morowali Industrial Park only 20 kilometers from Hengjaya.

"You need a bit of luck in life in any endeavor, and while they say the harder you work the luckier you get, sometimes you do need a bit of serendipity," he told S&P Global Market Intelligence.

A period which Seckold describes as a "long flirtation and dance" ensued; and having initially discussed ore supply, Tsingshan bought 20% of Nickel Mines, which initially acquired 25% of two rotary kiln electric furnace (RKEF) lines, which are used to process nickel laterites, and the looming IPO will fund the next 35% of those lines.

Nickel Mines then signed a memorandum of understanding to acquire a further two lines from Tsingshan which will Seckold says will be turned into a contract "shortly", and has the right to go to 100% over four lines, which equates to 33,000 tonnes of contained nickel a year.

"Given that's all we're going to produce, I think that will go pretty close to making us the biggest pure nickel company by production listed anywhere," Seckold said.

"There are much bigger companies producing a lot more nickel, but [Vale SA](#), [PJSC Norilsk Nickel Co.](#) and [Anglo American PLC](#) have a suite of commodities, so if you're looking for a pure nickel play, this will be the biggest listed one by the time we reach full production."

There is also potential to grow substantially beyond that in terms of other production opportunities, particularly given Tsingshan is currently producing 2 million tonnes of stainless steel a year and plans on going up to 3 million tonnes. To feed that, Tsingshan needs 26 RKEF lines producing around 8,000 tonnes of nickel in nickel pig iron a year.