Nickel Mines leading the way

Nickel Mines has successfully transitioned from being a project developer, to becoming a globally significant nickel producer from operations in Indonesia – all within a year of the company listing on the Australian Securities Exchange.

As full production is achieved, Managing Director Justin Werner says Nickel Mines is looking forward to reporting 'strong financial results' from its nickel pig iron (NPI) interests in Central Sulawesi.

Originally a producer of laterite nickel ores from its 80 per cent owned Hengjaya mine, Nickel Mines was prompted to seek out a bigger future as an NPI producer following Indonesia's 2014 ban on the export of unprocessed ores.

Nickel Mines' listing on the ASX in 2018 and the formation of a strategic partnership with the world's biggest steelmaker, China's Tsingshan, have been key elements in the company's transformation.

The company's NPI interests are located in the integrated stainless steel facility known as Indonesian Morowali Industrial Park (IMIP), which was developed by Tsingshan – a response to the export ban and now home to 24 rotary kiln electric furnace (RKEF) lines.

NPI is produced in a pyrometallurgical process (perfected in China in the early 2000s) using laterite nickel ores like that produced by Nickel Mines at its 80 per cent owned (and since resumed) Hengjaya mine, which barges ore around the coast to the IMIP.

Nickel Mines' recasting as an integrated NPI producer at the IMIP has seen it emerge with a 60 per cent interest in two RKEF lines owned in the Hengjaya Nickel joint venture with local interests, and a 60 per cent interest in two RKEF lines held by the Ranger Nickel joint venture with a Tsingshan subsidiary.

Nickel Mines reported in July that the June 2019 quarter 'saw a continuation of Hengjaya Nickel's seamless ramp-up towards full capacity, with the current production run rate now comfortably exceeding the targeted run rate'.

Nickel production for the June quarter was 4386 tonnes at an average NPI grade of 14 per cent, at an average cash cost of US$7725 per tonne (the company's attributable share was US$2632 per tonne). The company's average realised price for the quarter for its nickel in NPI was US$12,059 per tonne compared with the LME average of US$12,266 per tonne.

Importantly, and as reflected in those figures, NPI producers enjoy superior payabilities on the contained nickel in their product than is the case with nickel concentrate producers.

That is because the stainless steel producers pay near market price for the nickel in NPI because they are essentially getting their iron ore units for free. In nickel concentrates, they pay for 65–75 per cent of the contained nickel.

The Ranger kilns are in the process of being ramped-up to full production.

'The June quarter was a remarkably busy period for the company that saw significant advances made towards fulfilling our growth objectives,' Werner says. AR&I