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Metals Exploration Aims to Produce 1 Million Tons of Nickel Ore

By Claudia Carpenter

Oct. 11 (Bloomberg) -- Metals Exploration Plc, developer of a gold and molybdenum mine in the Philippines, plans to produce 1 million tons of nickel ore from Waigeo Island in Indonesia next year, Chief Executive Officer Jonathan Beardsworth said.

The price of nickel, used to make stainless steel, has risen eightfold in the past five years and traded at a record \$51,800 a metric ton in May. Demand will increase at a 4.6 percent annual rate through 2011, London-based consulting company CRU said.

``At 1 million tons a year that's more than we would ever need because this strange imbalance in the nickel market cannot last," Beardsworth said in an interview in London today. ``It's a nice short-term cash flow."

Metals Exploration bought operating rights to the Indonesian deposit for \$100,000 in August. Output of 1 million tons of ore with 1.5 percent metal would produce two 50,000-ton shipments a month, each generating about \$1 million, Beardsworth said.

``I don't think it's unrealistic to hope we could be digging it up and putting it on a boat and selling it next year," he said. ``This would be our first revenue."

Nickel for delivery in three months on the London Metal Exchange rose \$1,030, or 3.3 percent, to \$32,525 a ton as of 3:25 p.m. in London. Prices have climbed 8 percent in the past year.

Toledo Mining Corp. agreed last month to sell its nickel ore to BHP Billiton Ltd. for five years, with an option to extend the contract for another five.

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