

# QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2010



## HIGHLIGHTS DURING THE QUARTER

- **Merger announced with European Nickel PLC**
- **Bid currently values Rusina at a 41% premium to the 10 day VWAP prior to the merger announcement**
- **Creation of a potentially significant mid-tier nickel producer**
- **Scheme booklet to be mailed next week**
- **Key mining permits issued at Acoje**

## RUSINA CORPORATE

### Merger

On 3 February the Company announced that it had entered into a Merger Implementation Agreement with its Acoje joint venture partner, European Nickel PLC. The key terms of the merger as announced were as follows:

- Rusina shareholders will be offered four European Nickel new ordinary shares (“New Shares”) for every five Rusina ordinary shares they own (the “Exchange Ratio”). The Scheme is subject to Australian court approval and approval by Rusina’s shareholders.  
*Subsequent to the merger announcement European Nickel has announced that, subject to the merger being approved by Rusina shareholders, it will consolidate its share capital on a 1:4 basis in order to meet the minimum share price requirements of the ASX for its proposed Australian listing. This will have the effect of changing the merger ratio to 1 European Nickel New Share (post consolidation) to 5 Rusina ordinary shares.*
- The Exchange Ratio represents a 15.5% premium to Rusina’s last 10 day’s ASX Volume Weighted Average Share Price (“VWAP”) of A\$0.0933 per share (£0.05159 per share) and values Rusina at approximately £18.1 million (A\$32.7 million) based on European Nickel’s last 10 days VWAP of £0.0745 per share (the “Initial Offer”). Based on the last 30 days VWAP for each company the premium is 27%.  
*As of the date of this report the most recent share price of Rusina was 12.0 cents and the share price of European Nickel was 9.93 pence. Based on an exchange rate of 60.5 pence, the value of the merger to Rusina shareholders using European Nickels closing share price on 28 April of 9.93 pence, is 13.13 cents, a 41% premium to the 10 day VWAP prior to the merger announcement.*
- The ultimate value of the offer is capped at £27.1 million (the “Value Cap”), a 50% premium to the Initial Offer. The determination of whether an adjustment will be made to the Initial Offer will be made on 14 May 2010 (the “Cap Valuation Date”). If at this date, the value of the offer based on European Nickel’s 10-day VWAP prior to the Cap Valuation Date, is greater than the Value Cap then the Exchange Ratio will be adjusted to equal the Value Cap.  
*The Value Cap, based on an exchange rate of 60.5 pence, represents a potential Rusina share price of 14.78 cents, which is a potential premium over the 10 day VWAP for Rusina shares prior to the merger announcement of 58.4%.*

- Holders of Rusina share options will be offered New Shares in consideration for the cancellation of their Rusina options, based on the calculated value of each series of options. In total 6,425,329 New Shares will be offered to option holders.
- The Rusina directors unanimously recommend that Rusina shareholders vote in favour of the proposed Scheme, and each director intends to vote all of the Rusina shares they own or control at the date of the Scheme meeting in favour of the Scheme, in the absence of a superior proposal.
- Upon completion of the Scheme and the Placing, and under the terms of the Initial Offer, current Rusina shareholders will own approximately 27.3% of the merged company.
- European Nickel plans to establish an Australian listing of its shares through ASX-listed CHESS Depository Interests (CDIs) such that Rusina shareholders can trade the New Shares they receive on the ASX.
- On completion of the Scheme changes will be made to the composition of the Board of European Nickel, including the appointment of Rusina's CEO, Robert Gregory, and Rusina's CFO, Mark Hanlon, as European Nickel Managing Director and Finance Director respectively. Simon Purkiss will become Executive Deputy Chairman, David Whitehead will continue as Chairman and Paul Lush will continue as a Non-Executive Director. A further Non-Executive Director will be nominated on completion of the Scheme.
- European Nickel also announced on 3 February that it had placed 172.4 million new ordinary shares at 7.0 pence each to raise gross proceeds of approximately US\$19.4 million (£12.1 million).

Upon implementation of the merger, the combined group will have a total attributable resource base of 1.35 million tonnes of contained nickel, forecast production of 45,000 tonnes per annum from its two projects, Çaldağ and Acoje, and a strengthened management team.

<b>Combined Group Projects</b>	<b>Çaldağ</b>	<b>Acoje</b>	<b>Combined</b>
Annual nickel production (tonnes)	20,400	24,500	44,900
Total project capital cost (US\$m)	428	498	926
NPV <sub>10</sub> (US\$m) – US\$6/lb Ni price	207 <sup>1</sup>	375 <sup>2</sup>	582
NPV <sub>10</sub> (US\$m) – US\$7/lb Ni price	379 <sup>1</sup>	586 <sup>2</sup>	965
Free annual cash flow (US\$m) - US\$6/lb Ni price	51	108	159
Project IRR – US\$6/lb Ni price	20.5%	28.3%	
Project IRR – US\$7/lb Ni price	28.4%	37.2%	

Notes: 1. Geared  
2. Ungeared

The Scheme Booklet is likely to be mailed to shareholders on Monday 3 May. The booklet contains details of the scheme meeting, proxy form and all other regulatory and legal requirements. The current timetable is anticipated as follows:

First Court Hearing to approve the Scheme	30 April 2010
Mailing of Scheme Booklet to Shareholders	3 May 2010
Scheme Meeting	2 June 2010
Second Court Hearing to approve the Scheme	9 June 2010
Last day for trading in Rusina shares on ASX and AIM after close of business of the respective exchanges Scheme becomes binding (Effective Date)	10 June 2010
Record Date Time for determining entitlements to Scheme Consideration	5.00pm (WST) on 18 June 2010

Cancellation of Rusina shares on AIM	7.00am (BST) on 21 June 2010
Merger Implementation Date Scheme Consideration issued to Scheme Participants	21 June 2010
European Nickel CDIs commence trading on ASX (subject to ASX approval) and New Shares commence trading on AIM (subject to AIM approval)	24 June 2010

### Share Capital

A total of 2,470,000 unquoted options expired unexercised during the quarter. The total number of unquoted options on issue is 14,422,040 with various exercise prices between 10 and 60 cents and expiry dates between January and December 2011.

The total number of ordinary shares on issue as of 31 March 2010 was 302,963,515.

### Cash Position

Cash on hand at the end of the quarter was \$3.38 million. In addition to the cash there were receivables outstanding from our joint venture partner of \$0.83m.

## ACOJE HEAP LEACH TRIAL and TEST CENTRE

### Key Permits granted

Two additional Environmental Compliance Certificates (ECC's) were granted for the Acoje project on Luzon Island in the Philippines. An ECC sets out the guidelines and measures for the development of the intended project and is the principal permit for operation within the Philippines. It is issued by the Department of Environment and Natural Resources (DENR) through the Environmental Management Bureau (EMB).

The Acoje Project already has two existing ECC's that allow the direct shipping of nickel laterite ores in addition to the operation of a Pilot Heap Leach Facility. These additional ECC's cover the construction and operation of the full scale Heap Leach Project as well as surface / underground mining and processing of chromite ores at Acoje.

There are a number of ECC conditions and permits which are required before either the Nickel Heap Leach Project or the Chromite Mining Project could commence construction. A number of these involve the revision and/or continuation of existing conditions from the previous ECC's.

Details of the two new ECC's are set out below;

### *Nickel Heap Leach Project*

The nickel heap leach ECC covers the extraction and processing of nickel laterite ore into a mixed hydroxide product. The major components of the project which the ECC covers are as follows:

- Mining - extraction of three million dry metric tonnes of nickel laterite ore by surface mining for 10 years in 400 hectares out of the 3,675 hectares of the tenement;
- Heap Leach Processing Plant (HLPP) – processing of the nickel laterite ore through a plant comprising of an Agglomerator, Heap Leach Pads with 40 modules of approximately 63,000 cubic metres of ore per module, Five Process Ponds and a Precipitation Plant for the recovery of metals from the pregnant solution;
- Sulphuric Acid Plant – to provide up to 4,545 metric tonnes of 98.5% sulphuric acid for the HLPP as well as to provide steam for the 36 MW power plant;
- Water Storage Dam with a capacity of 1.7 million cubic metres, and
- Various storage and containment facilities as well as road and power access requirements.

### **Chromite Mining Project**

This certificate is an enhancement of and extension to the ECC issued on 22 February 2008 for the nickel Direct Shipping Ore (DSO) operations. The major components of the project are as follows: .....

- Surface and underground mining rate of 415,800 metric tonnes per annum of chromite ore and 315,000 metric tonnes of chromite laterite ore;
- Processing plant for chromite with a production capacity of 378,000 tonnes per annum;
- Construction of all access roads, storage facilities , tailings ponds and silt traps, mine facilities, power and port as relevant to the chromite project, and
- Extraction of 1 million tonnes of nickel laterite ore per annum for DSO.

### **Deed of Assignment and Economic Zone recommendation.**

Late in the quarter, the final Deed of Assignment was registered by the Secretary of the DENR for the Acoje MPSA from CRAU Mineral Resources, the claim owners, to Zambales Diversified Metals Corporation (ZDMC), a Philippine company owned and controlled by Rusina and its Philippine partners. This is principally an administrative step, as the MPSA was contractually assigned by CRAU to Rusina on 25 November 2007 and has been operated by ZDMC since that time.

In addition, the Secretary of the DENR formally endorsed the application of a Special Economic Zone for Acoje to the Philippine Economic Zone authority. The Special Economic Zone grants fiscal incentives which are key for the development of the Heap Leach Processing Facility at Acoje.

### **Acoje Test Centre and Heap Leach Trial**

The construction of the Heap Leach Trial downstream facility was completed during the quarter. Specialised Ion Exchange (IX) and Resin in Pulp (RIP) equipment has now arrived in the Philippines that will process the Pregnant Leach Solution (PLS) from the Heap Leach Trial (HLT). The HLT will not commence irrigation until after the merger is complete. Funding raised by ENK early in the quarter is contingent on the merger and it was prudent to delay ongoing liabilities/commitments with the introduction of acid to the ore until the merger is complete.

Test-work continues unabated in the Acoje Test Centre. Lab scale IX and RIP test-work is providing data on resin and equipment selection and flow-sheet design criteria. The aim of the downstream test-work is to provide more valuable final products such as separate Nickel and Cobalt Hydroxides from the Heap Leach process.



Fig. 1 - Downstream Processing Testing Facility



Fig. 2 – New 4 metre columns at Acoje Test Centre

Yours faithfully,

**Robert G M Gregory**  
*CEO & Managing Director*

For further information please visit our website – [www.rusina.com.au](http://www.rusina.com.au)  
or contact Mark Hanlon on +61 8 9226 1111