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Rusina waits to cash in on Olympic downside

The questions surrounding post-Olympics growth in China remains unanswered, but at least one Australian company is expecting demand for its product to increase this month.

In the lead up to the games, air quality was as controversial a subject as an independent Tibet but unlike that growing dispute, the Chinese authorities did react to Western pressure on the issue of smog over Beijing.

The Government ordered a number of high-emission industrial facilities to close down for the duration of the Games as it battled to improve air quality in an effort to put an end to claims that pollution would harm the athletes.

For nickel miner Rusina Mining NL the political decision put a hold on its steadily increasing revenues from its Acoje DSO nickel project in the Philippines.

Rusina and its JV partner, Philippines based civil and mining engineer DMCI, are shipping nickel laterite ore from Acoje to China for sale to the various ferronickel furnaces that abound in the steel hungry nation.

But demand from China has been stripped back as the Government tries to reduce its emissions, if only for the short-term.

Rusina said in its June quarterly that demand had slowed as the Games approached.

"The DSO market to China has greatly contracted since June due to the shutdown of furnaces ahead of the Olympics coupled with discounting of the large laterite stockpiles at Chinese ports," Rusina said. "The traders who imported these ores are writing down the prices to clear the stocks due to ongoing holding costs and current reduced demand."

DMCI – which is responsible for all funding, mining, grade control, rehabilitation, and road and port developments at Acoje – made three shipments for a total of 160,148 wet metric tonnes @ 1.7% nickel in the June quarter, but shipping forecasts for the September quarter

have been revised to less than 100,000t. However, Rusina said this was expected to pick up again in the December quarter.

To cover this shortfall, the JV partners are investigating other marketing alternatives.

"Acoje has the required ore grades to supply the Japanese and Australian markets and negotiations continue on these initiatives."

The DSO operation is just the first in a three-stage strategy Rusina has for Acoje and unlike many of its nickel junior counterparts the company appears to have found a way of negating the fall in nickel prices. Once again in JV with DMCI, Rusina has plans to build its own ferronickel (pig-iron) facility at Acoje.

Rusina's 40% interest in this project will be free-carried by DMCI, which said last month that it was fast-tracking the feasibility study into the project.

China has dominated the pig-iron market for many years, but rising coking coal and iron ore prices have drastically changed the economics of the industry in recent months.

Fat Prophets head analyst, Gavin Wendt said last month that these changes had played into the Rusina-DMCI JV's hands.

"Rising prices have made construction of a ferronickel facility as close as possible to the various ore sources a significantly more attractive proposition than is the situation with many furnaces presently in China," Wendt said.

"For emerging producers like Rusina, rising iron ore prices mean the iron content in ferronickel (pig-iron) is now being credited, whereas previously it was considered free to the end-users. All of the above factors have assisted the decision to build a ferronickel facility close to Acoje."

DMCI is currently identifying a suitable property close to Acoje and is in detailed talks with technology partners.

Dominic Piper



Rusina Mining's Acoje project in the Philippines is expected to see increased sales after the Beijing Olympics