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Nickel fall hits Acoje DSO project

Plunging nickel prices have brought the Acoje DSO project tenement on the Philippines island of Luzon to a stand still.

DMCI Mining Corp notified its JV partner, ASX-listed Rusina Mining NL, of its decision to suspend activities in July and Rusina has confirmed there will be no resumption in the near future.

"We've foreseen this in the last nine months and have stated in our quarterly reports that it has been a difficult market. It's not something that's concerned us because it hasn't cost us any money. We don't anticipate seeing any resumption in the near future," said Rusina chief financial officer Mark Hanlon.

Hanlon believed there was an abundant supply of nickel in China, with about 8mt of laterite nickel ore perched on the docks, a remnant of trader purchases over the last year.

The company has noted in its last three quarterly reports that DSO shipments had virtually stopped in mid-2008 with DMCI making a few sporadic shipments, principally clearing stockpiles, since then.

Rusina made no capital outlay and DMCI was responsible for all funding, mining, grade control, rehabilitation, road and port developments.

"By the time all that happened by March 2008, our first shipment went out when nickel prices were already sliding down. We sold 350,000t of nickel ore to that stage and the market was definitely sliding."

However, there was some good revenue raised towards the share alliance and Rusina recorded a modest profit.

The DSO venture was never viewed as a

long term, sustainable project by the company compared to its nickel heap leach project it shares with European Nickel plc at Acoje.

Hanlon said the partners were approaching the project "full steam ahead" and had recently completed the set up of trial leaching pads at Acoje, about 250km north of Manila.

It plans on stacking the leach pad and finalising irrigation to move the project forward in the next few months.

Capital costs published in the pre-feasibility study in November 2008 estimated the project would cost \$US498 million, including \$US45 million on a working capital facility.

The capital costs have been reviewed by the China Tianchen Engineering Corporation and the company is anticipating, without working capital, the cost to be reduced to \$US400 million to produce 24,500t of contained nickel a year.

A NPV of \$US375 million was forecast in the pre-feasibility study and with the nickel price at \$US3.10/lb the company is comfortable for it to stay there, taking into account its direct operating cash forecast is around \$US1.60/lb.

European Nickel has bought into the project by spending \$US10 million on the full feasibility study, currently under way and due for completion by mid-2010.

The company hopes to be in full production by mid-2011.

European Nickel is funding the majority of operations at the moment, minimising Rusina's operating costs.

On the financing side European Nickel is using its heap leaching project in Turkey to or-

ganise a full Chinese engineering off-take and financing and Rusina is keen to use the same parties to fund the construction of the facility going forward.

"The heap leach has been the focus in the last nine months because we are looking at where we can generate cash flow as early as possible."

Hanlon said the heap leach technology it planned to implement was much more simple and robust than the high cost, high powered, high pressure acid leach system BHP Billiton Ltd tried at Ravensthorpe.

European Nickel has an arrangement with BHP Billiton to refine its patented technology, which it has done over the last five years, and has been operating full scale trial facilities in Turkey.

"They have proven that it works but what is not proven is that it works at full commercial scale. That's where the operation is at Turkey and subsequently we hope to use it at Acoje. Our view is that European Nickel and ourselves, through this project, will show it does work."

Hanlon said the company did have significant underground chromite reserves and prospective copper-gold tenements around Acoje, making it a multi-use property.

Acoje was once the largest chromite mine in South-East Asia, operating for 50 years before closing in the 1990s.

Hanlon said the locals were behind the company's heap leach project which would provide employment opportunities for them in the future.

- Mark Andrews



Rusina's chromite ore buying station at Acoje. The company says it has significant underground chromite reserves it will explore in the future