


Rusina Mining

Buy RML around 22 cents

An emerging multi-metal producer

[Fat Mining 69](#), 21 Mar, 2007
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SYMBOL DEFINITIONS

 BASE METALS	 HIGH RISK	 MARKET CAP 36.5m
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Rusina Mining represents a new, relatively cheap base and precious metals exposure for our Members. Given the prospectivity and development potential of its Acoje Project in The Philippines, we find it very difficult to ignore the inherent value in this company. First cash flow is now possible within months, following negotiation of a contract mining agreement with a local group that will see all profits from initial mining of the nickel laterites split 50:50.

"We anticipate first mining cash flow well before the end of 2007."

This is our first report on Rusina Mining.



For nearly two years, Rusina Mining has been consolidating in a range between 12.5 cents and 30 cents. However, since February there have been noticeable signs of strength in the shares.

As shown on the daily chart, Rusina Mining rallied as much as 63% between February and the March high of 24.5 cents. The high trading volumes that accompanied these gains reflect growing investor support for the stock, in our opinion.

With investor support holding firm, we believe that Rusina Mining retains the potential to extend higher in the weeks ahead. Such a move would initially target a retest of the two-year high of May 2006 at 30 cents. In time, we believe that prices will break above here to revive longer term upward momentum.



In recent weeks there has been steady stream of good news for investors.

Firstly, just a few weeks ago there was exciting news of encouraging nickel results from work aimed at deepening its test pit at its Acoje Project. As a follow up, Rusina has now announced the signing of a nickel mining agreement with a well known Philippines mining and civil contracting group.

The deal is important as it is likely to see Rusina become a nickel miner within a matter of months. Let us now examine the deal in detail.

Rusina last week announced the signing of an agreement with DMCI Holdings (DMCI), a well known Manila-based and listed mining and civil contractor. The deal involves nickel mining at Rusina's Acoje deposit, a multi-layered deposit that hosts nickel, chromite and platinum group metals (PGMs).

The agreement will see the mining of 5 million tonnes of Acoje's surface nickel laterites over the next five years under a profit-sharing, partnering contract signed with DMCI. The agreement will effectively share all net profits 50:50 from the sale of the mined laterites.

Importantly, there is no requirement for any capital injection by Rusina into this mining operation, the first at Acoje. Furthermore, the agreement does not entail either the sale of project equity or dilution of shareholders.

The contract commits upon DMCI responsibility for all funding, mining, grade control, rehabilitation, road and port development work, as well as the marketing and sales obligations for the 5 million tonne ore volume.

The initial mining will focus on the high iron (>40% Fe) low nickel (>0.9% Ni) ferro-nickel limonite ore that currently commands premium prices of around US\$18-\$29 a tonne.

Rusina immediately plans a trial shipment following granting of all requisite permits. Full time mining operations will commence following the granting of the Environmental Compliance Certificate, anticipated in the third quarter of 2007.

The agreement means the mining of nickel laterites has now overtaken the company's recent study on the feasibility of mining the remaining chromite ore on the Acoje Project, expected in May.

We anticipate that Rusina will use the cash generated from the nickel laterite mining to fund further exploration at Acoje, particularly the deeper potential of the PGM mineralisation.

With respect to DMCI, it apparently has proven expertise in project start-ups, including management of the

3.5 million tonne per annum Semirara coal mine in the southern Philippines. DMCI plans to develop a local ferro-nickel plant, ensuring a long-term sales opportunity for Acoje's high iron content nickel limonites.

Under the terms of the deal, DMCO will mine Acoje for 5 million tonnes of laterite ores of five years, whichever comes first, but can continue under mutual consent. It applies only to Acoje's surface laterites, but mining of chromite is possible under agreed mine plans between both parties. DMCI will have no equity in the project itself.

Any infrastructure developed by DMCI on the property will revert to Rusina. Rusina retains the right to authorise all activities, particularly best practice clauses on environmental and community responsibilities.

The two parties have also agreed first right of refusal terms on a non-Acoje property in the Philippines where Rusina will be the exploration leader and DMCI will take a 60% stake. This will potentially service DMCI's long-term ferronickel requirements as a feedstock for a pig iron smelter near its Semirara coal mine.

Based on a 5 million tonne operation and assuming net margins of around US\$10 a tonne, Rusina's 50% stake would be worth US\$25 million in net cash flow.

By way of some background on the company, Rusina's flagship asset is its Acoje platinum, nickel and chromite project, situated in the Zambales Province on Luzon Island, in the Philippines.

The Acoje tenement hosts three different styles of mineralization. These comprise primary chromite; primary PGM (platinum group metals) and nickel mineralization; and nickel, cobalt, chromite, platinum and palladium in tropical laterite soils.

The Acoje property itself is quite large, measuring 11km x 5km. Significantly, previously reported resources have only focused on a small 1.2 sq km area, so there is enormous potential in our view for the discovery of further mineralization.

The Acoje mine was one of the world's largest metallurgical chromite suppliers, producing more than 3.3 million tonnes of chromium concentrate between 1935 and 1991.

Early in the mine's history, distinctive black dunite horizons were located several hundred metres east of the extensive and thick chromite zones. Sampling confirmed that the black dunite contained appreciable quantities of nickel sulphides, PGMs (platinum, palladium, rhodium, ruthenium, osmium and iridium), copper, gold, cobalt and chromite.

High nickel prices during the late 1960s prompted surface and underground exploration, mine development and the establishment of a sulphide concentrate plant. Mining took place between 1971 and 1975, with nickel concentrate containing platinum and palladium sold to Japan for smelting.

Acoje was one of South East Asia's largest metallurgical chromite mines until its forced closure in 1993 due to low commodity prices and a lack of development capital. We are confident that significant chromite resources remain.

The geology of Acoje has many similarities to the world's major platinum (Pt) and palladium (Pd) producing provinces, comprising a sequence of ultramafic-mafic rocks with nickel sulphide and chromite rich horizons.

In fact, Acoje is one of the few projects that have produced PGM-rich nickel sulphide outside of the major producing areas of South Africa's Bushveld, Zimbabwe, the Stillwater complex in Montana, USA and Siberia.

With reference to the results of Rusina's recent test pit deepening program, the Acoje nickel laterite contains two layers: an upper red iron rich soil or limonite horizon and an underlying nickel-rich rock saprolite horizon.

Rusina recently defined a JORC-compliant resource estimate of 33.15 million tons @ 0.95% nickel and 0.07% cobalt, within the upper limonite zone. Rusina estimated the limonite resource using manually

excavated test pits. Many of these pits terminated in the harder saprolite mineralisation.

The company initiated a deepening program of the test pits during January, however the majority of pits were unable to reach the bottom of the saprolite horizon to allow resource estimation. However, the company has now received final results from the saprolite test pit deepening program, with significant nickel grades including 3.2 metres @ 2.94% nickel and 4.5 metres @ 2.71% nickel.

The results show that there is a distinct difference in the nickel mineralisation between the limonite and saprolite horizons at Acoje. Furthermore, there is current high demand for high iron (>40% Fe), low nickel (>0.9% Ni) ferronickel 'pig iron' ore feed, of which Acoje limonite is suitable.

Rusina Mining represents a speculative but very exciting emerging metals producer, in our view. We believe the potential upside justifies any risk concerns. The potential for first cash flow in 2007 is very attractive in our opinion.

We recommend Rusina Mining as a Buy to all Members around 22 cents.

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