

Rusina Mining

Hold RML

Positive meeting with management

[Fat Mining 78](#), 30 May, 2007
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SYMBOL DEFINITIONS

 BASE METALS	 HIGH RISK	 MARKET CAP	\$91 million
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On Wednesday, we were lucky enough to meet with Mark Hanlon, CFO of Rusina Mining. The company is pursuing three separate developments related to its Acoje nickel-chromite-platinum project in The Philippines. We took great comfort from the meeting and were particularly impressed by the company's simple business strategy, its strong growth ambitions and the excellent management team it has assembled.

"Our meeting reinforced how achievable Rusina's strong growth plans are."

Fat Prophets initially recommended buying RML at 22 cents in March (Fat Mining 69). Our last review of this stock was in May in Fat Mining 75.



From a charting perspective, consolidation has been the major theme since our last review a month ago. As visible on the daily chart, prices have gradually been moving higher within a broad range between support at 39 cents and the all time high of April at 60 cents.

With upward momentum remaining firm, it is our view that near term downside risks are limited. Last week's low of 45 cents provides initial support, with the range low of 39 cents underpinning the stock.

In the weeks ahead, we believe buoyant investor support will see prices retest the high of 60 cents. A decisive break above here will provide another boost to upward momentum, triggering further substantial gains.



We had the opportunity to meet on Wednesday in our Sydney office with the company's Chief Financial Officer, Mark Hanlon. He is the company's only Australian-based executive, as the rest of the board and management are located in The Philippines.

We had a very positive meeting, with Mr Hanlon outlining several key aspects of the company's business strategy. As we have previously highlighted to Members, Rusina is developing a staged, triple-pronged business model.

Perhaps the most significant point Mr Hanlon made was to say that Rusina is constantly looking to progress from the exploration stage to the production stage, and quickly. The company is not interested in long lead-time developments.

He also highlighted that Rusina is looking to keep its capital structure as tight as possible, meaning it will continue to seek deals where project funding is undertaken by partnerships. This is certainly the case with the three deals the company has negotiated over its Acoje project so far.

All of this is backed up by a very strong board and management team that is based in The Philippines and thus with excellent local connections. The company's Managing Director, Robert Gregory, has extensive Asian mining experience with big companies and has lived in The Philippines for more than a decade.

The company will not be resting on its laurels with respect to its exploration activity. Mr Hanlon also assured us that Rusina would continue to aggressively explore its existing Acoje acreage, as well as looking at deals on new acreage within The Philippines.

He also emphasised that the Acoje Project's location close to China (just two days sailing time) provides a big advantage, in terms of costs and gaining access to that surging market.

Let us now give our Members a reminder about Rusina's great business potential. The company's flagship asset is its Acoje platinum, nickel and chromite project which is 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 for the discovery of further mineralization.

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. The company estimated the limonite resource using manually excavated test pits. Many of these pits terminated in the harder saprolite mineralisation.

Continuously promising nickel exploration results from work aimed at deepening the test pit at Acoje have recently led to the signing of a nickel mining agreement with a renowned Philippines mining and civil contracting group. DMCI Holdings (DMCI) is a well known Manila-based and listed mining and civil contractor.

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.

The deal currently 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.

The contract means DMCI is responsible for all funding, mining, grade control, rehabilitation, road and port development work for the project. This, as well as marketing and sales obligations for the 5 million tonne ore volume.

The initial mining will focus on the high iron (>40% Fe content) low nickel (>0.9% Ni content) ferro-nickel limonite ore. This ore currently commands a premium price of around US\$40 a tonne. In its March quarter report, Rusina comments that while the longer-term market for low-grade ore remains uncertain, it believes the market for the higher-grade nickel laterites will remain strong for the medium term.

DMCI has purchased land for the port and is currently mobilising equipment and a laboratory to site. Rusina anticipates the first bulk shipment to be on schedule for the third quarter of 2007.

We predict 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.

One of the major reasons that Rusina aligned itself with DMCI, is DMCI's desire to leverage off the proposed Acoje laterite project and develop a second, bigger project involving the development of a ferro nickel smelter. This would ensure a long-term sales opportunity for Acoje's high iron content nickel limonites.

So let us explain this bigger, second phase opportunity for Rusina.

DMCI's vision is to develop a ferro-nickel 'pig iron' smelter at their Semirara coal mine, as referred to previously. Both companies have been jointly investigating the feasibility of jointly developing such a facility. The mine is in an ideal location with abundant limestone resources situated nearby and a coal-fired power station.

Since Rusina and DMCI can sufficiently supply all of the raw material inputs, a ferro-nickel smelter at Semirara would be more cost competitive than other smelters.

Accordingly, the parties have just confirmed an arrangement to pursue such a development, with DMCI also agreeing to take a 10% stake in the entire Acoje Project. We regard this as a major vote of confidence

by DMCI!

As part of the deal, DMCI will subscribe for 3.7 million Rusina shares at a price of A40 cents each, kicking US\$1.2 million into Rusina's coffers. DMCI will also have a similar number of options exercisable at A50 cents within a two year period.



Encouragingly, Rusina also has a third, even longer-term project proposal based on the Acoje deposit. This concept is based on the results of initial metallurgical testwork that shows the Acoje nickel laterites may be suitable for heap leach or atmospheric leaching.

A feasibility study including a pilot plant is required to demonstrate the economics of this process and Rusina has just confirmed a deal with UK nickel group, European Nickel. The deal will see the company fund Rusina through a heap leach trial and full feasibility study on the project.

European Nickel will acquire 5.9 million Rusina shares at A40 cents each, representing A\$2.5 million. In addition, it will hold a similar number of options, with an exercise price of A50 cents within two years. Rusina will use the funds to compile a JORC-compliant Resource estimate for Acoje.

European Nickel will also fund a feasibility study over a two to three year period on the potential development of a heap leach operation on the nickel laterite resource, spending up to US\$10 million to earn a 40% stake in this aspect of the property.

There is obviously an amazing amount of work to be undertaken on Rusina's Acoje project, which we are very excited about. Our meeting with the company's Chief Financial Officer, Mark Hanlon, reinforced our positive opinion of the company.

Accordingly, Rusina Mining will remain held within the Fat Prophets Mining & Resources portfolio.

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