

Rusina Mining

Hold RML

Fat Mining 108, 16 Jan, 2008

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Nickel resource jumps by 163%

SYMBOL DEFINITIONS		
 BASE METALS	 HIGH RISK	 MARKET CAP \$39 million
CLICK FOR ALL SYMBOL DEFINITIONS		

One of our favourite emerging nickel players, Rusina Mining, has announced a substantial jump in its Philippine nickel resource base. The news is welcome and should help offset the unfortunate delays associated with initial nickel exports from its Acoje project. These sorts of things are commonplace with respect to mining projects are we encourage our Members to remain patient. We remain very encouraged by the company's potential upside and the outlook for nickel prices, contrary to many market sceptics.

"We are encouraged by the significant growth in the contained nickel resource at Acoje and its eventual potential to host three separate nickel mining developments."

Fat Prophets initially recommended buying Rusina Mining at 23 cents in March 2007 (Fat Mining 69). Our last review of this stock was in October (Fat Mining 99).



A promising rally saw Rusina Mining lift to a high of 49 cents in November. However, this rise was relatively short-lived and recent price softness has seen these gains eroded.

In the weeks ahead, we anticipate a period of consolidation and base building. The August low of 20 cents provides initial support with the February 2007 low of 15 cents providing an additional level of support below.

Rusina Mining has recently announced the completion of upgraded resource estimation on both its Acoje

and Zambales Chromite Mining Corporation (ZCMC) projects, situated in close proximity to each other on the west coast of Luzon in The Philippines.



The increase represents a substantial 163% jump in the overall contained nickel content of both projects as compared to the last resource estimate, which was completed almost 12 months ago in February 2007.

Rusina has announced that the combined Indicated and Inferred JORC-compliant resource estimate for both properties is 72 million tonnes grading 1.15% nickel (Ni) and 0.06% cobalt (Co), which represents 830,000 tonnes of contained nickel metal.

This upgrade follows the completion of an extensive saprolite drilling program at Acoje and the evaluation of the recently acquired ZCMC Project. We have tremendous confidence in the integrity of the resource estimate, as it was undertaken independently by renowned industry experts SRK Consultants in Perth.

Property	JORC Category	Million Tonnes	Ni (%)	Co (%)
Acoje Limonite	Indicated	21.5	1.04	0.08
	Inferred	4.2	1.03	0.08
Acoje Saprolite	Indicated	20.9	1.25	0.04
	Inferred	2.2	1.03	0.06
Total Acoje		48.8	1.13	0.06
ZCMC Laterite	Inferred	23.5	1.18	0.05
Total Combined		72.3	1.15	0.06

Cut-off grade Ni = 0.75%

Rounding may introduce minor computational errors

The resource for the Acoje nickel laterite deposit has been re-estimated using all drill holes and test pits

available as at 17 December 2007. The estimate is based on 1,349 1 metre x 0.8 metre test pits and 294 HQ diamond drill holes, spaced on a nominal 100 metre x 100 metre grid.

Two weathering zones were interpreted: an upper limonite zone and a lower saprolite zone, on the basis of geological logging and multi-element geochemistry.

Rusina plans to drill the ZCMC property during 2008 to upgrade the resource to Indicated status and test for possible saprolite ore beneath the previous Falconbridge test-pitting.

As a reminder to Members, Rusina has a threefold strategy for the development of its nickel laterite resource base at Acoje, whilst at the same time examining ways of developing its ZCMC chromite resource.

Let us start with nickel.

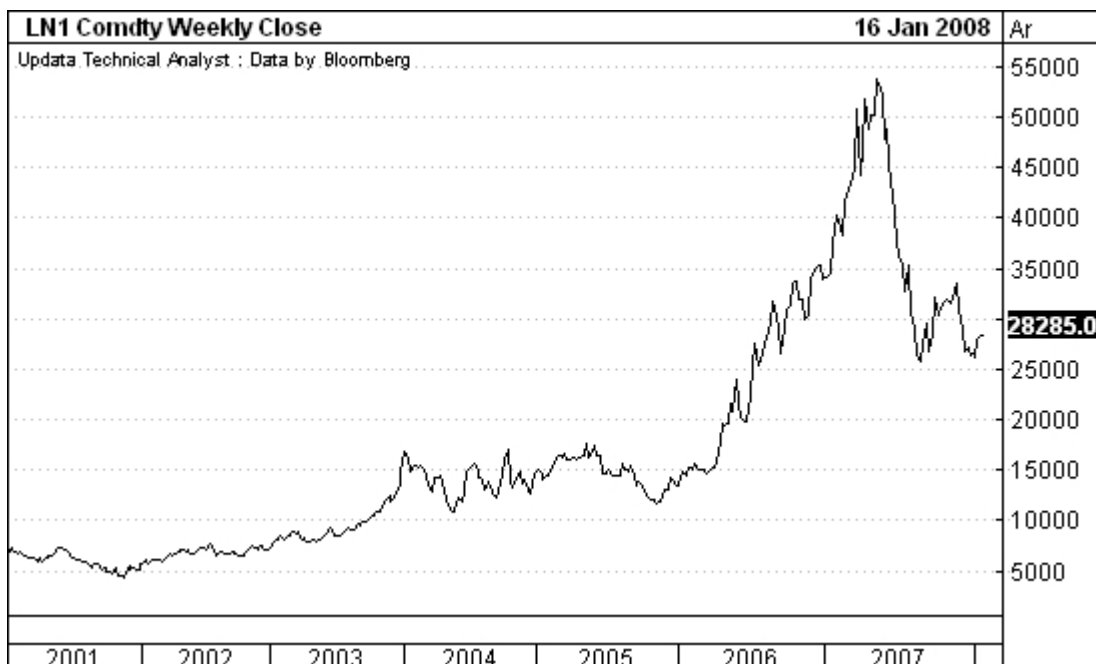
The initial plan is to develop a first phase operation that will generate early cash flow through direct shipping of nickel ore in joint venture with DMCI.

Once this is established, the same joint venture will look to over the medium-term to develop more highly value-added nickel opportunities as part of a second phase. This will be through the proposed development of a ferro-nickel (pig iron) smelter on nearby Semirara Island.

Finally, the third phase will involve a longer-term feasibility study to assess the development of an acid heap leach project in conjunction with European Nickel Plc on the Acoje site.

As a reminder to Members, the Acoje tenement hosts three different styles of mineralization: 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.

First shipments began in late 2007, however DMCI have recently advised Rusina that the December shipment for the lower grade 1.2% Ni laterite ore has been cancelled and a replacement cargo is being organised for January 2008.

The January 2008 shipment to the Australian buyer has also been postponed to late February while some additional client specific test work on the ore is being carried out. This test work cannot unfortunately be completed prior to the January shipping date.

DMCI has apparently advised Rusina that they will now ship the higher grade 1.4% ore that has now become available as a result of the deferred January 2008 shipment and leave the lower grade 1.0-1.2% ore stockpiles to blend in with future shipments.

DMCI also plan to ship smaller tonnage (5,000-10,000 tonnes), high-value saprolite cargos now that the concrete vertical fending is complete at the end of the Santa Cruz Port.

In conjunction with the obvious initial disappointment associated with export delays, Rusina has reiterated that the low-grade limonite direct-shipping market is quite volatile, which is the principle reason the company chose to partner the DSO shipping with DMCI.

DMCI, a larger Philippine company, is apparently quite comfortable with the current market risks and remains very confident that their flexible strategy with an efficient port and multiple grade stockpiles remains on target.

Bloomberg reported this week that Philippine nickel-ore shipments to China, the biggest producer of stainless steel, fell by almost a half during the month of December, as prices of refined nickel dropped, reducing the appeal of the cheaper alternative raw material.

On the other hand, there are expectations that stainless-steel production could expand by as much as eight times faster than last year, as mills replenish stockpiles. China is expanding output from 7.5 million tons during 2007 after building up capacity to supply export industries, and we also anticipate strong production and demand growth in Europe.

We encourage Members to remain patient with Rusina, as it remains in our view a very cheap base metals exposure with outstanding longer-term growth prospects.

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

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