

# Quarterly Activities Report

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## QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2010

### HIGHLIGHTS DURING THE QUARTER

- \* Merger completed with Rusina Mining NL with overwhelming support from shareholders
- \* Second tranche of equity raising completed raising US\$10m
- \* Consolidation of share capital completed
- \* Successful listing on the ASX
- \* Western Bank debt financing process commenced and proceeding as planned
- \* Changes to the Board of Directors and Management
- \* Owners team established for Çalda?
- \* Acoje DFS test-work continues

### ENK CORPORATE

#### Merger and ASX Listing

On 14 June 2010 the Company completed a merger with Rusina Mining NL (Rusina) by way of a court ordered Scheme of Arrangement wherein Rusina shareholders received four European Nickel shares for every five Rusina shares (pre consolidation). Highlights of the merger were as follows:

- \* Rusina shareholders voted overwhelmingly to approve the merger with 99.56% of votes cast, and 94.01% of shareholders voting in favour of the merger.
- \* On a post consolidation basis, a total of 60,481,480 new shares were issued to Rusina share and option holders of which 41,434,201 shares were issued in the form of Chess Depositary Interests (CDI's) to holders outside of the United Kingdom.
- \* The CDI's, which are equivalent on a one for one basis with the Company's ordinary shares, were listed on the Australian Securities Exchange (ASX) on 29 June 2010 and trade under the symbol ENK.

#### Consolidation

As a consequence of the listing requirements of the ASX, the Company undertook a consolidation of its share capital on 23 June 2010 on a four for one basis. Post merger the Company had 221,589,003 shares on issue, of which 180,154,802 are quoted on AIM and the balance of 41,434,201 are quoted on the ASX as CDI's.

#### Placement

On 17 June 2010, the Company completed the second tranche of a placement raising £6.7 million (approximately A\$11.8m) by the placing, on a pre consolidation basis, of 96,057,000 shares at seven pence.

#### Directors

As a consequence of the merger with Rusina, the following changes were made to the Board and senior management team:

- \* Appointment of Neil Herbert as a non-executive director;

- \* Resignation of Sir David Logan and Euan Worthington as non-executive directors;
- \* Appointment of Robert Gregory and Mark Hanlon as Managing Director and Finance Director respectively;
- \* Resignation of Andrew Lindsay as Finance Director; and
- \* Appointment of Simon Purkiss as Executive Deputy Chairman.

### Çalda? Project Financing

In May 2010 the Company announced that it had negotiated an indicative term sheet and signed a joint mandate letter with Société Générale and UniCredit Bank as the Mandated Lead Arrangers (MLA's) for funding of the Çalda? nickel laterite project in Turkey. The debt requirement is for a US\$300 million term loan facility and US\$25 million overrun facility, of which the MLA's intend to commit US\$50 million each (subject to credit approval).

The Company has continued to advance the financing arrangements. It is expected that the MLA's will be ready to approach the debt market with a package of documentation including the facility agreement and major contracts during September 2010.

### Subsequent Events

Subsequent to the end of the quarter, the Company announced that it had entered into a strategic partnership with Hunter Dickinson affiliate Constantia Resources Ltd, to raise US\$60 million of which US\$50 million will provide the equity portion of the Çalda? project financing and US\$10 million for working capital.

Hunter Dickinson is a private mineral development company based in Vancouver, Canada. It is associated with a suite of publicly-traded companies engaged in mineral exploration, development and mine operations around the world. The Company's multi-disciplinary team of 120 financial and technical specialists provides professional services to successful mine operators and developers on four continents, with interests in gold, copper, platinum group metals, zinc, molybdenum and silver. Their expertise will complement European Nickel's management team and technological know-how to assist the successful delivery of the Çalda? project.

The placement, subject to shareholder approval, is in two tranches. The first tranche is for US\$5m at a price of 32 pence (~A\$55cents) per share and was completed on July 2010. The second tranche is for US\$55m at a share price of 44 pence (~A\$76cents) and is conditional upon the completion of the Çalda? debt financing package, and payable within 30 days of the completion of this package.

### Çalda? OPERATIONS - TURKEY

#### Construction

An owners team for the construction of Çalda? was established during the quarter, headed by Ric Burns of GBM consultants as the Project Manager. The reappointment of the Engineering Procurement (EP) contractor, Aker Solutions, and the Construction Management (CM) contractor, Merit Engineers, is underway. This is the same EP/CM team who undertook the previous phase of development at Çalda? in 2006/07.

Negotiations for all principal construction contracts are also underway and are expected to be finalised during the third quarter 2010 as a pre-requisite for the project financing.

During June 2010, a "construction recommencement" workshop was held on site involving the EP/CM representatives, the owners team and China Tianchen Engineering Corp (TCC), who are building the "turnkey" acid plant for the project. As a result, co-ordination for pre-finance activities and mobilisation

planning is well advanced to ensure a smooth and rapid transition to construction.

#### Permits

On 14 May 2010 the Company became aware that, due to a technical legal conflict under the current Turkish legislation between the Forestry Law and the mining regulations, the procedure for issuing new forestry permits to mining companies in Turkey since 11 June 2009 was deemed unconstitutional. This resulted in the cancellation of the forestry permits by the regional court which was considering an unrelated case. The decision was based on a separate constitutional court decision made on 15 January 2009, which was published on 11 June 2009 but was not to be effective until 11 June 2010, in order to allow a new mining law to be enacted. The Company's forestry permits, approved by the Ministry of Environment and Forestry on 3 April 2009, fell between the constitutional court's hearing and the published dates.

On 10( ) June 2010, the Turkish Parliament passed the new mining law, which was ratified by the Turkish President on 24 June 2010. The Company has now re-applied for the permits and expects them to be re-issued during the coming quarter.

#### ACOJE OPERATIONS - PHILIPPINES

##### Acoje Heap Leach Trial & Test Centre

The commencement of the heap leach trial at Acoje was deferred until the merger between Rusina and European Nickel was completed. Due to the commencement of the rainy season the heap leach trial has been deferred until the dry season, at which time the precise commencement date will be assessed in light of the construction timetable for Çalda? and the Company's personnel resources.

Work in the Acoje Test Centre (ATC) continues apace. The test-work program for the 4m full column tests, now at the 100 day mark, is progressing in line with expectation. The ATC will provide all the metallurgical data required for the definitive feasibility study (DFS), whilst the heap leach trial will demonstrate the operability of the process under Philippines equatorial conditions, such as the use of raincoats over heaps and ponds.

A significant benefit of the merger with Rusina is to enable further development of the downstream processing research currently underway at ATC to provide a more optimal inclusion in the Acoje DFS. This was not previously possible due to the joint venture obligations previously in place. The additional downstream processing research includes examining the opportunity to produce separate nickel and cobalt hydroxides rather than the base case Mixed Hydroxide Product (MHP), which will be produced at Çalda?. It is possible that the new products could bypass the refinery stage and they should have increased marketability and higher payability than the MHP. Test-work to date has been very encouraging at laboratory level. A larger pilot plant has been assembled to operate with the full commercial height Heap Leach Trial facility.

##### Other Properties

The Company is conducting a thorough review of all of its non core exploration assets and tenements. Options include sale or farm out, as well as the transfer of Philippine assets to the Philippine partner Montemina.

Yours faithfully,

Robert G M Gregory  
Managing Director

For further information please visit: [www.enickel.co.uk](http://www.enickel.co.uk)

or contact:

Mark Hanlon, Finance Director Tel: +61 8 9226 1111  
Simon Purkiss, Deputy Executive Chairman Tel: +44 (0)20 7290 3130  
Andrew Chubb or Tarica Mpinga, Canaccord Genuity Tel: +44 (0)20 7050 6500  
Alex Buck, BuckBias Tel: +44 (0)7932 740 452

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