

Mincor to acquire Otter Juan mine

Monday, 14 May 2007
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MINCOR Resources will add the Otter Juan nickel mine to its list of Kambalda-based nickel operations after today announcing its intention to purchase private outfit Goldfields Mine Management for \$68.5 million cash.

The new transaction includes the \$30 million price tag Mincor proposed to pay for GMM's Kambalda-based McMahon and Durkin nickel projects in December.

Mincor managing director David Moore said the new transaction not only provided strong and early financial returns, but it consolidated the company's hold on the northern Kambalda Dome in Western Australia and would generate strong synergies with proposed mine developments in the area.

"Although settlement is scheduled for July 1, 2007, the sale agreement allows us immediate access to McMahon and Durkin areas," he said, adding that "this will allow us to rapidly progress our feasibility studies on those two projects and also to immediately start exploration drilling on high quality nickel targets that we have already identified".

"We see the combined Otter Juan, McMahon and Durkin projects as forming a major new production and exploration centre for Mincor, putting within reach our target of 20,000 tonnes per annum of sustainable nickel production," he said.

According to Mincor, the Otter Juan mine is regarded as Kambalda's oldest producing mine and has produced 8.3 million tonnes of ore at 3.56% nickel for 297,000t of nickel metal.

Ore production at the mine is currently underway at a depth of 1400m via airleg mining. The operation currently produces nickel at a cash cost of \$A6.70 per pound of payable nickel.

Mincor said there were currently no publishable JORC standard ore reserves for Otter Juan.

However, the company believes that mining at the project would likely continue at a rate of approximately 100,000t of ore per annum (3600t of nickel metal in ore) for the next three to four years, with upside potential beyond that.

According to Mincor, the first two years of mining at Otter Juan are estimated to generate a cash flow before tax of \$85 million based on nickel prices forecast by Royal Bank of Canada at an \$A:\$US exchange rate of 83c.

"If the current London Metal Exchange forward curves for nickel are used, this rises to \$135 million, with a payback period on the purchase price of less than one year," the company said.

Mincor said there were strong operational synergies with the purchase of Otter Juan, which would materially benefit its proposed mine developments at McMahon and Durkin.

"This is due to the close proximity of the three projects, allowing them to run essentially as a single operation," Mincor said.

"The existing mining equipment and workshop (all included in the purchase price) will also greatly assist the initial start-up process at McMahon and Durkin."

Mincor said as with McMahon and Durkin, the Otter Juan mine already had in place a functioning offtake agreement with BHP Billiton (Nickel West) with ore delivered to the concentrator plant at Kambalda and is toll-processed at the plant, with the concentrate sold to BHP.

The deal is subject to a number of conditions and is expected to be completed by July 1.

A royalty of 3% of nickel revenue will be payable to GMM shareholders.

Shares in Mincor have gained 16c to \$4.02 in morning trade.