News Release

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Mirabela Q1 2010 ASX Quarterly Results Conference Call Transcript

Craig Burton, Chairman:
Thank you. Good morning to those of you in Australia and good evening to those of you in Europe. Thanks very much for joining Ian Purdy, Chris Els and myself for Mirabela's inaugural quarterly results conference call. Now that we've become a producer, we'd like this to become a regular event.

Before I begin I'd like to draw your attention to the usual disclaimer covering forward-looking statements. This call may contain reference to future expectations or prospects of the company which may or may not be achieved. They are based on certain assumptions which may be affected by known and unknown risks. The performance and operations of the company may be influenced by a number of factors many of which are outside the control of the company. Given the risks and uncertainties the company does not warrant that future results or performance will necessarily be as expected or planned.

Now moving to the update. I'm pleased to report a solid performance for the first quarter of this year with an improvement in all key production parameters. As you know we are only in month five of an operation with at least a 20 year life, so it is still early days and we are still in ramp up mode. However we've made excellent progress in ramping up all aspects of the operation during the quarter. We have all the necessary mining equipment on site now however the mining ramp up is currently four weeks behind schedule. The operations team continues working towards achieving a sustainable throughput rate of 4.6Mtpa on an annualised basis during the second quarter of 2010. From a market perspective we've seen the nickel price strengthen very nicely from around $8.00 a pound in early January to its current price of $12.00 a pound.

We believe that the medium term outlook continues to be very positive for nickel although we do note that some commentators are expecting to see a slight softening of nickel prices mid-year. I will now hand over to Ian Purdy for a more in-depth review of our operations throughout the quarter.

Ian Purdy, CEO:
Thank you Craig and good evening and good morning everyone. I understand there's a very important hockey game in Montreal in 25 minutes, so I'll try and hit all the important points up front and we'll see if we can prioritise your questions first. As Craig mentioned we continued the ramp up in all areas of our operation, mining, processing, production and sales during the quarter and I'm very pleased with the progress we've made in the first quarter. We produced just shy of 2,000 tonnes of nickel in concentrate for the quarter which measured well against our budget and that represents a three-fold improvement over our previous start up quarter. During the quarter the mining operations were predominantly in the northern end of the ore body and I'm pleased to say we now have all the necessary equipment onsite to meet the current nameplate capacity for this year and we've listed that equipment in the quarterly report.

Whilst I'm pleased with the progress we have made in ramping up, as Craig mentioned we're currently slightly behind our mine plan schedule, approximately four weeks. The key focus for the current quarter is on increasing the fleet's productivity and the operations team continue working towards our key goal of a sustainable 4.6Mtpa on an annualised basis during this quarter. We are in the process of strengthening our mining team through the recruitment of some very experienced managers and the engagement of some expert consultants. The focus for the year in the mine is on opening up the strike length of the ore body to increase the flexibility of the pit and also increase the number of working faces. Pre-stripping at the southern end of the ore body commenced here in the quarter and is progressing well. We're currently using a mixture of our own fleet and a local contractor who has smaller trucks, which we use on the upper part of the hill. We expect to get first ore from the southern pit during this quarter. Pre-stripping of the central part of the ore body is expected to commence in May and we expect to have first ore from the central part of the ore body during the last quarter of 2010.

As mentioned in our previous quarterly report and in this one, we are seeing in the transitional zone in which we're mining, higher internal dilution than expected. We expect this may continue over the next 12 to 18 months as we open up other areas of the ore body and what we're seeing is that the resultant head grades are currently and will be in the future proportionately lower than we were expecting. Weathering in the transitional zone was found to be more pervasive than anticipated particularly down two main structures in the pit. We have seen alteration products in the ore we've been mining. Investigations are continuing to determine the likely extent and depth of alteration materials that we are currently encountering in the transition zone of the north pit. During the March quarter the majority of the ore was mined from the north pit transition zone with limited access to primary ore benches. A total of 653,000 tonnes of ore was mined at an average nickel grade of 0.56%. Waste removal increased substantially with the focus on opening up the north pit ore access and pre-stripping the south pit.

We completed a review of the mine plan during the quarter. I'm pleased to say that the new mine plan has reconfirmed the physical parameters of the feasibility mine plan, but what it has highlighted is the need to catch up on a shortfall in waste removal during 2009. As such we are targeting a waste to ore mining ratio for this year of 8.5:1, which is higher than our life of mine average for 7.2:1. We would expect then, next year, to drop back to our life of mine average or slightly lower.

In order to achieve our mining plan for 2011 we are ordering essential and mining equipment, which will arrive during the remainder of this year. We've cut our fleet back but what is being ordered and will be arriving is a further three trucks, one more front end loader and one more drill rig later in the year.

Turning to safety I'm pleased to report that we have made a promising start. Since commencing operations our mining and safety performance has been ahead of the Brazilian mining average and our loss time injury frequency rate for this quarter was 1.5, which equates to one loss time injury for the quarter compared to last quarter which was 1.4 frequency rate, which again represented one loss time injury for the quarter. With our staffing levels nearly complete, the implementation of safety training and safety improvement programs will be a continuing key operational focus.

The processing plant continued to performed well with improving recovery performance and increasing production levels. During the quarter a total of 787,000 tonnes of ore was milled at an average recovery of 48% for the quarter, although for March we averaged just over 52% recovery. The new re-agent regime including a secondary collector and a dispersant, which we introduced to control the altered material which is present in the ore we're processing, has been working well and we've seen a steady month on month improvement during the first quarter. The plant ran at an average of 68% of nameplate capacity compared to 42% for December. Again the restricted mining fleet and subsequent limited ore available for processing was the limiting factor for the quarter.

Our production for the quarter was 1,991 tonnes of contained nickel in concentrate, 721 tonnes of contained copper and 35 tonnes of contained cobalt which all measure well against our budget. Again I'll mention all concentrate production was within contract specifications and I'd like to emphasise what an achievement it has been to produce in specification concentrate within the first seven days of commissioning the plant and we've held within those specifications ever since.

All of our production for the quarter was sold to our domestic customer Votorantim. We expect to start exporting to Norilsk Nickel in late Q2, early Q3 following the receipt of our environmental licence during the first quarter. Our production guidance for this year is forecast at between 10,500 to 12,500 tonnes of nickel in concentrate. Where we end up on this range will depend on how quickly we ramp up the mining rate during the current quarter and also the nickel grades we see from the top of the south pit.

Turning to financials, we will be releasing our financial results on 14 May when we issue our MD&A Report. At the end of March Mirabela had just over US$40 million in free cash which was ahead of our target of US$35 million. We also have $10 million held in a project contingency reserve account and we have a further US$14 million available for financing of mining equipment through our Caterpillar lease facility. I do make the point though that liquidity remains tight.

The nickel price has certainly been a great boost for us during our ramp up stage. As Craig said earlier we think the medium term outlook for nickel is very robust although some commentators are saying we may see a little bit of softness from where we are at the moment over the next three to six months. As we enter commercial production, we'll start focusing on optimising our costs and driving our productivities. I am pleased to announce that we have a new managing director for Brazil, Mr Luis Nepomuceno and I'm delighted to welcome Luis to the team. As you have read in the quarterly report Luis joins us with over 25 years of international and Brazilian experience within the mining sector. He's held senior roles at Vale as well as smaller mining operations as well and he has a strong track record in operational management, reducing and optimising costs, environmental management and implementing best practice across operational divisions. I look forward to introducing Luis to you on our next major roadshow, which we anticipate will be later in the year.

I've also appointed Mr Bill Bent as VP Business Development to complement the Perth executive team. Bill will start on 1 June and joins us from PriceWaterhouseCoopers where he has been a director of strategy. He has over 12 years industry and consulting experience focusing on strategy development, revenue growth and performance improvement and I look forward to his contribution on those areas.

In conclusion I'm pleased with the first quarter performance. I now have my full executive team in place, we have the required mining fleet on site, the plant is performing well and we are firmly on our way to building a profitable, long-term, sustainable nickel business. Thank you for your time and I am now happy to take questions.

Question & Answer Session

David Charles (GMP Securities):
I suppose it's good morning Ian, thanks very much for giving Montreal the first chance to ask a question. My question I think you sort of touched on it in your discussion. I'm just wondering what the chances are that you will intersect transitional ore in the southern pit or to rephrase it, do you think you'll have internal waste issues and lower feed grades when you open up the southern area in the second quarter?

Ian Purdy, CEO:
David that's our expectation. There's nothing to suggest that we won't see the same type of altered product throughout the whole strike length of the ore body but that's certainly what we're anticipating. Where we have completed the pre-strip, we have come across this chloritic altered material in the southern part of the supergene ore that we have seen. So our expectation is that it will be consistent across the strike length and we're certainly mining and adjusting our re-agent regime to deal with that issue.

David Charles (GMP Securities):
Can you give us any colour on what your balance sheet looks like in terms of let's say, what does your working capital look like at the moment given that you have $40 million in cash.

Ian Purdy, CEO:
David as I mentioned to you and I mentioned to others on the roadshow, we've got a lot of moving parts at the moment. What I can say is that we were slightly ahead of our target to the end of March, which was a good effort by the team. You know, at this nickel price, we're sitting quite well and our working capital is holding nicely. The question is obviously what will happen with the nickel price and the other key factor is how we go on our ramp up during the second quarter. Now both are holding well and tracking nicely at this stage, but it's something we're watching closely.

David Charles (GMP Securities):
Thank you very much.

Paul Young (Deutsche Bank):
Good morning gentlemen, this is some pretty comforting production, and very much welcomed. That's my first question is actually on your production guidance of between

10,500 – 12,500 tonnes of nickel in concentrate. Can you provide some basic numbers around that on throughput head grade and recovery to achieve that variance?

Ian Purdy, CEO:
Paul thanks for your question – not at this stage Paul. The reason being the major variable that I see at this point in time that is controllable if I can put it that way, is our ramp up timetable and we're working towards that. The other major variable which will impact on us is the head grade out of the ore we see at the top of the south pit. Now we're not sure whether we're going to see the same sort of level of dilution that we've seen in the north pit, so depending on where that head grade comes in with the early mining in the south pit, that could affect our head grades which obviously affects our recoveries as well. So at this stage we're not in a position to give specific parameters around that, other than to say we have got a little bit of flexibility we feel on the throughput, so possibly we may be able to do a bit of a juggling act later in the year if we do find the head grades a bit lower than we expect. But at this stage, we really do need to get that south pit open and to see what the ore's like at the top of the ore body.

Paul Young (Deutsche Bank):
Okay, thanks and the second question is on your liquidity, I'm just trying to get a handle on major capex items during the June quarter. Two questions, first of all on building up that concentrate stockpile for delivery to Norilsk can you just quantify again the size of that stockpile. Just on some basic calculations that I've done, we're looking at maybe US$8-10 million working capital drain to build that stockpile up. Have you investigated any financing options surrounding that concentrate stockpile and secondly on your mining fleet for stage two which the equipment is arriving during the June quarter, I notice your available facilities, we have A$15.5 million of available facilities for financing of the mining equipment, does that cover all the additional equipment?

Ian Purdy, CEO:
Paul, the first question in terms of the working capital for Norilsk. Number one we're going to target a shipment size of about 7,500 tonnes of concentrate which gives you an indication of the size of the build up we'll need to achieve before we do a shipment. We're expecting, and this is yet to be confirmed with our logistics arrangements, but we're expecting four to six weeks turnaround between shipments because you'll see that we've received our environmental licence for Ilheus, which is a deep water port which is only 137km away from our mine site. That port is under-utilised, so we're not expecting any demurrage issues or any scheduling issues in terms of the shipping, so we should have a very efficient logistics route through to Norilsk. But we will be required to build up somewhere between four to six weeks of working capital with 7,500 tonnes of concentrate for shipment. At this stage we have an agreement between Norilsk and Votorantim that certainly for April all of our production has gone to Votorantim and we possibly will be doing the same for May as well. Votorantim produce matt which is sent to the same refinery that we have the deal with for our concentrate. So the two off-take parties are working cooperatively. So at this stage we haven't had to build up our working capital.

In terms of our mining fleet, we do anticipate that the facility we have will cover the three trucks and the front end loader, which is due for arrival during the second quarter. Keep in mind we pay about 25% of the cost of that equipment in terms of a 10% deposit plus taxes.
In terms of the drill rig which we'll be purchasing later in the year, that will be a cash purchase. Apart from that, the only major capital item we're expecting during the second quarter is the pre-strip of the southern zone, which the contractor fleet are currently completing for us.

Paul Young (Deutsche Bank):
Okay, thank you.

Geoff Breen (RBC):
Ian, good morning. On our numbers you spent something like US$30-33 million over the quarter, is that pretty much right?

Ian Purdy, CEO:
You're a bit ahead of me I haven't got the final financials, but that's what we're expecting, that sounds about right, order of magnitude.

Geoff Breen (RBC):
I guess my question following up from the others, when will you be cash flow positive?

Ian Purdy, CEO:
Well actually Geoff, at this nickel price I could make quite a bold statement and say I'm cash flow positive now at an operating margin level. I think the real question is, when are we going to be cash flow positive at a long term sustainable nickel price is probably what you're asking me. That's a question that we're still working towards, but having said that, when we hit our full capacity of our current nameplate which is 4.6Mtpa of ore, we will be cash flow positive at an operating level. Our capital spend is reducing very rapidly, so we expect that certainly once we hit that production level we will be cash flow positive, if not immediately then quite soon afterwards with our reducing capital spend.

Geoff Breen (RBC):
The other question Ian and I think we've talked about this, can you confirm you're not capitalising the ramp up at all? In other words, on the accounts or in the accounts in May you'll have a P&L effective from 1 January 2010?

Ian Purdy, CEO:
Yeah Geoff, that's our intention, we're just finalising our accounting treatments with our auditors at the moment, but our expectation is we'll be in full financial mode from 1 January 2010.

Geoff Breen (RBC):
Will cash costs be disclosed at that time?

Ian Purdy, CEO:
We're looking to see if we can do that, but again we just need to see if we can confirm with the auditors that we agree on our accounting treatments. If we're unable to do that then certainly we'll be disclosing our cash costs at the end of the second quarter, but just leave that with us for the moment and we'll see what we can do. We'd like to – that's our intention.

Geoff Breen (RBC):
One last one, the drawdown of the reserve, just can you talk about that please, why you did it?

Ian Purdy, CEO:
Basically we drew down US$15 million because we were paying full interest on it and it was locked up so we used it to pay down some of the construction costs from 2009. That was always the plan and we anticipated that back in December. We've got US$10 million tied up which we won't be accessing – that's pretty heavily covenanted and that continue to reserve will stay in place.

Geoff Breen (RBC):
So you'll pay back the other stuff you drawdown pretty quickly?

Ian Purdy, CEO:
No sorry Geoff, that's part of our senior debt facility now, so that will be amortised over the next five years.

Geoff Breen (RBC):
Thanks very much Ian.

Onno Rutten (UBS Securities):
Good day Ian and everyone. First of all the recoveries for trending up in March, could you give a bit of a preview on how recoveries for trending in April, still that upward trends, or are you currently stuck at that 52% level?

Ian Purdy, CEO:
Onno the key driver of our recovery performance at the moment is head grade. You know we're extremely pleased with the progress we made in re-evaluating and re-implementing our re-agent regime and it's fundamentally added 20-30% extra recovery to our performance by achieving that change. So we're seeing good recoveries based on the head grade we're processing. Now again when we put in the good quality ore we're getting excellent recoveries, up around feasibility levels and sometimes even beyond. So we're very, very pleased with the ability of the operations team to manage the ore going through the plant and with the re-agent regime to actually deliver the results we were hoping for.

So I think the question has now moved from my mind from the plant back to the mine and especially now we're opening up a new part of the ore body and obviously you've got the weathering in the supergene sort of crossover area into the so-called fresh ore, the head grades are going to be what determines our recovery performance for Q2. If we see good head grades, we'll see very good recoveries.

Onno Rutten (UBS Securities):
To pose the question in another way, are you getting 0.25 or 0.2 as sustainable tailings grades?

Ian Purdy, CEO:
I don't have that detail to hand Ono, but I can certainly get back to you on that.

Onno Rutten (UBS Securities):
Okay, cool. And on the strip ratio, if I look at the number and side-ball them I get something like 7, 7.5 in Q1, the guidance for the year is 8.5, so fairly steep ramp up in strip ratio is required. Is that something you're embarking on in Q2?

Ian Purdy, CEO:
Onno the biggest change from Q1 to Q2 and Q3 is we didn't mobilise our contractor fleet until March, so the contractor fleet that is doing the pre-strip really ramped up their activities during March and they're going very well for the second quarter. So there's a natural increase in the strip with the extra contractor fleet on site now and operating well. Having said that, that's one area I'm watching very closely with our own fleet. We're four weeks behind on our current mine plan and that's an area we have to look at closely and drive hard. So we're still on track, but I guess all of the contingency that we've built into our mine plan has dried up and now we have to start hitting our targets going forward.

Onno Rutten (UBS Securities):
And then the delivery of that additional equipment is integral to getting to the 10.5-12.5, correct?

Ian Purdy, CEO:
Not necessarily, it is a key part of 2011's plans. We do have some flexibility for this year, but again the equipment is ordered and it's on its way but I must say from my point of view that the fleet that we have in the pit today is more than adequate to deliver the sustainable ore we need for 2010.

The reason for the extra fleet is obviously we've got an eye for next year where we're looking at adding another 20% volume of material out of the pit. So really the extra equipment is more about planning for 2011 than a necessity for 2010. Having said that, having a CAT994 as a backup shovel will be very handy for the rest of this year.

Onno Rutten (UBS Securities):
Indeed, okay. Then lastly, milling rates were 20% ahead of mined rates in Q1, could you give us an indication of what's on the stockpile right now, is there still flexibility there or is it straight mine mouth.

Ian Purdy, CEO:
No, I'm pleased to say we have built up our ROM stockpiles, they're currently sitting at about 90,000 tonnes of material, so we're expecting to have some more flexibility going into May. What we have found as you'd expect Onno, and you would have seen on site, it's allowed us to put our preferred blend through the mill for the first time in quite a while and again we've seen some excellent recovery in plant performance when we're able to present the ore as we like. So we're going into May with a good healthy ROM balance, but we're also looking for a substantial step up in our milling rate during May as well. So it will be a challenging month, but it will certainly show whether we're well on track for our ramp up or whether we've still got some issues.

Onno Rutten (UBS Securities):
Okay, very well, good luck.

Ian Purdy, CEO:
Thank you very much.

Len Aldridge (Macquarie):
Hi Ian, can you just clarify a bit on next year and how you're thinking about the expansion to 6.4Mtpa – you know I guess nickel price and working capital constraint and how much more gear you will need and also maybe a timeline for committing to that gear. So I guess when we'd see a decision on that?

And the second question is just with the mining rate, how are you finding the operators in terms of have you got enough operators on site and just the ability of those operators from a mining perspective?

Ian Purdy, CEO:
Thanks Len. In regard to your first question, the way I'm looking at the 6.4Mtpa expansion is really I guess quite simplistically at this point in time and what we've pencilled in internally is we're saying, look at this stage we're certainly not in a position to commit to the capital for the mill expansion during 2010 at this stage. That view may change as we move through the next two quarters. But right here and now, we're saying let's pencil in to commit and commence the mill upgrade during the first quarter of 2011. What that gives us is a pencilled in target date to have the new capacity in the mill up and running by the middle of 2011.

Now there's not a lot of science to that and that's something we'll be firming up over the next two quarters. That mill upgrade is a modular upgrade but it will involve some capital as you're aware and we already have the second ball mill on site which is probably the longest lead time item, so we're very confident that there's probably about a six month timeframe between the go decision and the implementation. So that's the framework we're working with and we're testing that assumption with an engineering study, which is currently being completed.

The question in terms of equipment, we have a preliminary equipment schedule for 2011 but again it really is going to depend on our ramp up in the performance over the next two quarters in the pit. It's not terribly different to what we previously had in our technical reports. The only difference from our previous equipment ramp up in timelines is we have deferred some equipment from 2010 into the first half of 2011, with the delay in the upgrade of the plant. But Len certainly what I can do is I can talk to you offline about some of the specifics on the equipment ramp up.

Len Aldridge (Macquarie):
Thanks and just one more question about personnel.

Ian Purdy, CEO:
In terms of the personnel – two comments. Firstly, we've been extremely pleased with the quality and the ability of the Brazilian workforce that we have in country, and the performance of the operating team in the plant has been quite outstanding. I think a comment was made to me by one of our very experienced international consultants, that it is the best ramp up and the best effort he's seen anywhere internationally by a team running a concentrator.

In terms of the mine we've got some very good operator experience. You know we've got a full contingent now on the ground and I'm expecting that over time, the operators in the mine will impress us just as much as the operators in the plant have. One area that we are strengthening though is our management team and one of the benefits of securing such a high calibre executive as Luis, who we've just secured, is he's got access and influence to bring a level of executive and manager into our business that we weren't able to do previously and one of the areas that we struggle to attract the best personnel was in the mining department. We've now managed to attract those executives and they're all starting in the next two to four weeks.

So I think the area where we're strengthening is really in the management team. I think our operators are fine and we'll find that with a bit of training and a bit of improvement in our systems, I'm expecting they'll be a very efficient world class workforce.

Len Aldridge (Macquarie):
Okay, great thanks.

Cathy Moises (Evans and Partners):
Good morning, just a few questions, most of them have already been answered, but can you give us any indication on how mining costs are tracking against feasibility. I mean I understand that milling costs will be up and down with all the stop starting but I would have thought you'd be starting to get the handle on mining costs?

Ian Purdy, CEO:
Cathy, firstly I'm hoping I can release some details on my unit costs in a couple of weeks, as I said that's just a discussion we're having with our auditors. General comment – it's really early days, we're still in the process of ramping up. We've just commissioned over 50% of our fleet in the last three months. We're still setting up our maintenance programs, we're still

ramping up our workforce. So hopefully I can give you an early indication of what our costs are like. General comment – I'd expect they'd be higher than our long term average obviously, but at this stage it is still very early days.

Cathy Moises (Evans and Partners):
In terms of that guidance, the issues with recoveries might extend 12-18 months, should we presume that in our forecast we keep recovery rates below 60% gradually eking up to that over 12-18 months, or can we factor in slightly higher than that? I mean I know it's very rubbery at this stage.

Ian Purdy, CEO:
Cathy again, let me just get into the south pit a little bit and see what the head grades are like. I think the answer to that question, whether the recoveries are going to be less or higher than 60% is one that depends on head grade. If we get the head grades, we've proven now that we can get the recovery performance. So I'd say by the end of the second quarter we'll be starting to see some more coming from the south pit and I think we'll be able to give a little bit of guidance on how we see the head grade in the early parts of the south pit.

Cathy Moises (Evans and Partners):
And the final question is clearly guidance for 2011 will be significantly higher this year, you're ramping up, any feel for a range for 2011 or just way too early days yet?

Ian Purdy, CEO:
Yeah Cathy probably a bit early, again we just want to have a completion on our engineering study, which will give us a plus or minus 25% cost estimate on the upgrade. The other interesting question is whether we go for the 6.4Mtpa or whether we can achieve something better than that and that's another question we're looking at. So I think once we've got the engineering study we can answer some of those big questions. We can then put a framework together and then I think at that stage we can start to get more of an indication of how we see 2011 panning out.

Cathy Moises (Evans and Partners):
So probably some guidance on that in the next quarterly or some time during the quarter we might get or is it later than that.

Ian Purdy, CEO:
No it will be later Cathy, I think certainly the routine I'd like to get in is I'd like to have my full operating budget completed by my team before we come with formal guidance. So like a normal production company, we'll come with our formal guidance probably in December. However if I do get some indications from my engineering studies about some of our options, that's something I would like to share with the investment community because I think it's important.

Cathy Moises (Evans and Partners):
Okay, thank you.

Daniel McConvey (Rossport Investments):
Hi good morning, most of my questions have been answered and I'd like to thank you for doing the conference call and the very good description as to what's happening in the first quarter. The pre-strip for the first quarter, what's the amount you've capitalised there?

Ian Purdy, CEO:
Daniel I don't have that figure, again we'll put out some financials in a couple of weeks. It won't be a lot, we only really mobilised the contractors in March is when they started mining. The capitalisation will really commence in earnest, second and third quarters.

Daniel McConvey (Rossport Investments):
What is your estimate for capex for this calendar year?

Ian Purdy, CEO:
Daniel we haven't provided that at this stage, the fundamental question we need to answer first with our auditors is are we in commercial production quarter one or will we take it to the P&L. Our preference is to take it to the P&L but that's a discussion we're having this week.

Daniel McConvey (Rossport Investments):
When do you get paid, forget the early shipments, but once you do the deal with Norilsk, do you get a certain payment as soon as it's shipped or how is that going to work from that perspective?

Ian Purdy, CEO:
We end up getting a 90% provisional payment within about 14 days of loading the ship and the ship sailing and then three months after that we get our final 10% plus our quotational period adjustments come through at that stage as well.

Daniel McConvey (Rossport Investments):
Okay so when you talk about turnaround time of 4-6 weeks, that's I guess from beginning of loading one ship to the next or is that ship related as tonnage related, all that tonnage you mentioned earlier, whatever that number was, is it all on one ship?

Ian Purdy, CEO:
Yes the six weeks is anticipating the sort of turnaround time on the 7,500 tonne shipment. I just caution though that we're still in the process of talking to the ship brokers and working out what vessel we will be using. But it gives you an indication. It's a very efficient logistics route. It's not like some of the other logistics channels I've had to deal with in nickel. Firstly it's 130 km trucking distance to the port which is extremely close, the port is under-utilised. It's a short sailing time to Rotterdam from Ilheus where we'll be shipping. So yeah, I'm expecting a fairly modest stock build up, however it is something we need to do for the first time when we do our first shipment.

Daniel McConvey (Rossport Investments):
So it's going to Rotterdam and then to where?

Ian Purdy, CEO:
It goes to the Harjavalta Refinery in Finland.

Daniel McConvey (Rossport Investments):
It goes to Rotterdam and then it goes from Rotterdam to there by ship too I guess?

Ian Purdy, CEO:
Yeah Norilsk are responsible for taking it from Rotterdam to their facility.

Daniel McConvey (Rossport Investments):
Okay, last question. The recovery also relates to you just getting down to the sulphide portion correct? Once you hit a transitional material even in the lower grade stuff, you should get higher recoveries?

Ian Purdy, CEO:
Sorry, repeat that question Daniel?

Daniel McConvey (Rossport Investments):
When you're through the transition and you're getting into the pure sulphide, even for the lower grade you should, this is the question, you should get higher recoveries than you're currently getting?

Ian Purdy, CEO:
Yeah absolutely.

Daniel McConvey (Rossport Investments):
Okay.

Ian Purdy, CEO:
The general comment, we've seen and we expect, as per other projects, once we get deeper into the ore body, the ore body cleans up, the mineralogy cleans up, the rock becomes more competent, we'll get access to our preferred blend of ore types and you'll just find that performance of the plant overall improves as we get deeper in the ore body.

Daniel McConvey (Rossport Investments):
Great, thank you very much.

Michael Evans (Fox Stockbroking):
Craig, Ian, Chris – thanks for the conference call and congratulations on improving everything in terms of ore milled and grade and recovery. A couple of pretty simple questions, just on that throughput ratio of 4.6Mtpa, which you're expecting to achieve in the second quarter of 2010, can I just confirm you don't expect to have a hungry mill in the second half of this calendar year, you sort of aren't budgeting 2.3Mt of mill throughput and I suppose the variance in the guidance on production is a grade thing. And the second question Ian is there's nothing in your ongoing planning and reinterpretation of the geological

model that's telling you that your long term recoveries and grade won't be sort of 70% and 0.6% nickel as the current mine plan sits?

Ian Purdy, CEO:
Thanks Michael, first question – hungry mill. Certainly our plans suggest that we'll be building up substantial ROM stocks ahead of our ramp up in processing in 2011. Now some of that buffer as I mentioned has been used up by the fact that we're currently four weeks behind our mine plan. However our expectation is that we will not have a hungry mill in the second half and that's certainly what we're working towards. We would like to see the mine ahead of the mill. It's just a much better operational dynamic and allows you to optimise your mill far more efficiently.

In terms of your second question, no we haven't seen anything in the geological model nor the mining we've done to date which will suggest we won't get our 0.6% head grade, nor 70% recovery over time. The question I guess is what is the depth and extent of this altered material we're currently seeing and that's an area we're investigating. But what is a known fact is that the quality of the ore body, the complexity of the ore body will improve as we move down a depth and these structures close up.

Michael Evans (Fox Stockbroking):
Great thanks Ian.

Ian Purdy, CEO:
Thank you everyone for joining us for this quarterly update and I think we can close it off there. Thanks very much for your time and attention.