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## Rising Nevsun declares first dividend

BY IAN BICKIS

VANCOUVER — **Nevsun Resources** (NSU-T, NSU-X) has followed up a successful ramp-up to production at its 60%-owned Bisha polymetallic mine in Eritrea by declaring a modest first dividend.

The company announced the dividend, set at 3¢ a share and to be paid twice annually, less than three months after it declared commercial production at the copper-gold-zinc-silver mine.

“We’ve had a very successful start-up, we are making a lot of money, and we think we should return some of it to the shareholders,” Nevsun CEO Cliff Davis told *The Northern Miner* in a phone interview.

“Perhaps it’s not that common in the industry, but we’re really not a junior producer anymore at all, we’re producing at a fair clip and we’ve jumped right into being a mid-tier producer,” Davis added.

In the first four months of 2011, which includes close to two months of ramp-up, Nevsun produced over 105,000 oz. gold at a cash cost of US\$299 per oz. gold. The company has already exceeded mill targets, achieving recoveries of 88% compared to a target of 87%.

From when it declared commercial production on Feb. 22 to March 31, Nevsun recorded operating income of US\$39.6 million and net after-tax income of US\$21.9 million. At the end of March, the company had US\$103 million in cash on hand.

Stefan Ioannou, a mining analyst at Haywood Securities, said in a phone interview that the speed of the dividend was a little surprising, but that it speaks to the management’s comfort level going forward.

“Most mines would probably have waited a couple quarters just to make sure everything’s running smoothly, but it goes to show the confidence the manage-



NEVSUN RESOURCES

Workers and machinery in action at Nevsun Resources Bisha polymetallic mine in Eritrea.

ment has in the mine’s performance so far to date and going forward,” Ioannou said.

Nevsun still only has the single producing asset, but Davis said the dividend should not get in the way of growth opportunities.

Ioannou noted the dividend only runs between 1-2% yield, equating to about \$12 million a year in royalty payments or 5-10% of operation cash flow, based on his model.

“There’s still a lot of cash left on the table to grow organically with their existing asset base or to buy something else,” Ioannou said.

Nevsun is indeed actively looking for acquisitions, but Davis did not want to reveal details about possible targets, saying only that the company is not limiting itself geographically.

And while the company is looking to diversify its asset base, it is also investing heavily in its current holdings. Nevsun plans to spend roughly \$10 million on Bisha this year with a target of doubling the mine’s reserves.

In the first quarter of 2011, the company completed 5,400 metres of drilling on the Hanging wall copper zone, just west of the Bisha Main deposit, and has since launched a 14,000-metre drill program on the main deposit to upgrade inferred resources.

In late March Nevsun announced it had already achieved a 40% reserve increase compared with the 2006 figure, thanks to higher metal prices that allowed a higher throughput and lower cut-off grades.

Bisha now hosts 4.65 million proven

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and probable tonnes grading 7.06 grams gold per tonne and 29.56 grams silver in a near-surface oxide layer to be mined in the first two years. The supergene zone below hosts 7.38 million reserve tonnes grading 0.78 gram gold, 32.68 grams silver and 3.9% copper. And finally, the primary zone hosts 16.28 million reserve tonnes grading 0.72 gram gold, 44.4 grams silver, 0.97% copper and 5.4% zinc.

Nevsun also continues to work on developing its Harena target, 9.5 km southwest of the Bisha Main deposit. Highlights from a 34-hole drill program completed last fall included 12 metres grading 5.62% copper, 6 metres carrying 3.9% copper, 27 metres averaging 7.37% zinc and 7.5 metres grading 7.26% zinc, all starting between 68 and 85 metres downhole.

The company's continued investments in the country underline management's faith in working with Eritrea's unelected

government. Davis said that the government-owned Eritrean National Mining Corp., which owns the other 40% of the mine, has been a fine partner.

Nevsun and the Eritrean government have set June 30 as the deadline to set the sale price of the government's 30% share of the mine, as part of a deal reached in 2007. The government will pay for its stake through the mine's operating revenue, with Davis noting that Nevsun will get the "lion's share" of the revenue until the payment has been settled. The government's remaining 10% is free-carried, as per Eritrean law.

Ioannou said he expects the total payment for the government's share to be roughly \$312 million. Because the money is being paid-out over an extended period, Ioannou said the actual agreed-upon price is not so significant for Nevsun, but will be an indication of the government's reliability.

"It's a final vote of confidence, that the government of Eritrea has good intentions for foreign investment in their country," Ioannou said.

Eritrea has recently seen investments by majors like **Lundin Mining** (LUN-T), **Newmont Mining** (NEM-N) and **Antofagasta** (ANTO-L). The Chilean base metal major, however, recently informed **Sunridge Gold** (SGC-V) that it had ended its option agreement on Sunridge's Asmara project in Eritrea. Both David and Ioannou said that the move reflected Antofagasta's failed goal of finding a major porphyry deposit in a country known for its volcanogenic massive sulphide deposits, and not a reflection on the country.

Nevsun's share price was up 69¢ or 13.3% to \$5.87 on the day the dividend was announced. The company has a 52-week share price range between \$7.54 and \$2.75, and 197 million shares outstanding.