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Belvedere Resources' nickel subsidiary starts bankruptcy proceedings

Finn Nickel, a 100%-owned subsidiary of Vancouver-based junior **Belvedere Resources** (BEL-V), has started bankruptcy proceedings.

The company has two producing mines and two processing plants in Finland, among other assets.

"We were caught on the back end of a bad market and we ran out of time to put together a restructuring package," David Pym, Belvedere's chief executive, said in a telephone interview.

When nickel prices collapsed last September Belvedere put the subsidiary's Hitura and Sarkiniemi nickel mines and its Hitura and Luikonlahti processing plants on care and maintenance. (Nickel prices plunged from a peak of about US\$50,000 per tonne in August 2007 to a low of around US\$9,000 per tonne in October 2008.)

Falling prices resulted in the subsidiary owing significant debt to its off-take partner, the Jinchuan Group, China's largest nickel producer.

Belvedere took on some of the debt Finn Nickel owed to Jinchuan because of cross-company guarantees, but its subsidiary remained in debt and banks weren't willing to extend more capital. "The nickel price wasn't at a point that justified restarting the mine," Pym explained. "We were stuck between a rock and a hard place and we just ran out of time."

In total Belvedere took on between 11 million and 12 million Euros worth of debt owed by Finn Nickel, Pym said.

"We may realize some of that back - it depends on how the receivers dispose of the assets," he said. "There are substantial assets so the final effect on the parent company is unknown at this time."

Jinchuan is the highest priority creditor, as it is still owed about 1.8 million Euros from Finn Nickel. Belvedere is the next in line to be repaid, after various government fees are paid.

In addition to the two mines and processing plants, Finn Nickel owned the permitted Hautalampi nickel, cobalt, copper project and a number of exploration properties. Last year Finn Nickel's total production reached 2,402 tonnes of nickel in concentrate. The majority of the production came from the Hitura mine, with about 15% from the satellite operation at Särkiniemi West.

While Pym admitted everyone at Belvedere was "shell-shocked" by the bankruptcy, he said he is upbeat about the future of Belvedere and its prospective gold properties in Finland. "We're lucky we've got a fallback position with a lot of quality gold assets to work with," he said. "We've got fairly near-term production assets."

Three of the gold assets are at the resource delineation stage and the goal is to get one or two of those properties in production in the next two or three years.

"We had the opportunity to move sideways into nickel production and there were nickel mines for sale and we bought them but before that we were a gold company with gold assets and the intention was always to turn back to those assets this year."

"The gold price is going to be trading between US\$800-US\$1,200 for the next few years so it's a very good time for gold producers."

As for where nickel prices are headed Pym argued that while nickel prices have recovered significantly, he expects a secondary dip before prices of the metal come back up in 2010. "I don't see evidence of a stainless steel recovery," he said. "There are not a lot of orders out there to support new buying of nickel. I think it's going to be 2010 before we see a recovery."


The marginal cost of production for a ton of nickel worldwide is between US\$16,000 and US\$18,000.

"It's trying times for the nickel business in particular -- it's a very small market compared with copper and zinc," he said. "For small swing producers like ourselves there are lots of opportunities but it's also a tough market when there are a lot of big boys who can produce at cost or below it and can outlast us."

Still, Pym isn't ruling out a return to nickel production some day. "We know Finland and it's a great place to be and there's a lot of potential there and we may move back into nickel at some stage," he said. "We were just getting started and were in a high capital investment phase and we just got caught short."

At presstime Belvedere was trading at 15¢ per share. The company has traded in a 52-week window of 4¢-\$1.30 per share and has 79.2 million shares outstanding.

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