

# Osborne Copper Gold Project on Track to Advance Ivanhoe Australia From Explorer to Producer

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- **Production set to begin in March 2012**
- **Osborne Preliminary Economic Statement Completed**
- **10+ Year Mine Life Targeted**
- **Initial Four-Year Mine Plan Provides Robust Economics**

MELBOURNE, AUSTRALIA -- (Marketwire - Oct. 28, 2011) - Peter Reeve, Chief Executive Officer, and Robert Friedland, Chairman of [Ivanhoe Australia Limited](#) (IAL) (ASX:IVA) (TSX:IVA), are pleased to announce the completion of the Osborne Copper-gold Study and the results of the Preliminary Economic Assessment of the company's Osborne Project in north-western Queensland.

"The study confirms our view that Ivanhoe Australia is firmly on track to begin production from the Osborne complex within approximately five months, in what will be a major milestone in the evolution of our company," Mr Reeve said.

"A great deal has been accomplished since we purchased Osborne from Barrick (PD) Australia one year ago. A principal focus for Ivanhoe Australia now is to achieve producer status through the relaunch of Osborne in March 2012."

"Importantly, the cashflow generated from the operations at Osborne will support the development of our other projects in the Cloncurry field and enable us to continue our aggressive exploration campaign." Mr. Reeve said

Ivanhoe Australia's goal has been to bring Osborne production on stream as quickly as possible to enable the company to utilise the full benefit of the resulting cashflows.

"Thanks to the hard work of our dedicated team, we have made significant progress to date on the Osborne Project and soon we will see very positive outcomes."

Ivanhoe Australia's Osborne Copper Gold project is targeting a mine life of approximately 15 to 20 years with a number of prospects identified as potential ore sources across Ivanhoe Australia's tenements. The Preliminary Economic Assessment(1) (independent Canadian NI 43-101-compliant report) evaluates ore sources for an initial four-year period only and was prepared by SRK Consulting with input from Golder Associates and Lewis Mineral Resource Consulting. Ore included in the initial mine plan is to be sourced from the Osborne and Kulthor underground mines, the Osborne open-pit and the Starra 276 underground mine.

The Preliminary Economic Assessment identified key features of the planned Osborne Project.

## Projected Operational Highlights

- Ore to be treated at the existing two-million-tonne per annum Osborne processing facility.
- Average steady-state annual metal in concentrate production of approximately 21,000 tonnes of copper and approximately 34,000 ounces of gold.
- Measured and Indicated Mineral Resources of 13.1 million tonnes at 1.4% copper and 0.9 grams per tonne gold and Inferred Mineral Resources of 7.9 million tonnes at 1.3% copper and 1.0 grams per tonne gold(2).
- Proposed mill feed(2)(3) of 6.6 million tonnes at 1.3% copper and 0.8 grams per tonne gold.
- Initial four-year mine plan.
- Overall copper and gold-in-concentrate recoveries expected to be approximately 82% and 66%

respectively.

### **Projected Financial Highlights**

- Total project after-tax cashflow of approximately A\$162 million and project IRR of 51%(4).
- Average cash cost, including royalties and after by-product credits, of US\$1.67/lb.
- Total capital cost of approximately A\$137 million (from July 2011).

Underground development work at Kulthor and Osborne began in Q2 2011. Access to the Kulthor ore body was achieved in late August 2011 (Figure 2). Access to the Kulthor ore body also will enable further work on resource delineation and mine planning to progress.

The extension of the Osborne decline is continuing at depth. Access has been completed to the first of three planned production levels and ore development is underway. Development ore has been stockpiled on the ROM (run-of-mine) pad. Stockpiled ore and planned production is expected to provide sufficient ore for sustainable mill production from March 2012.

An important part of the ongoing work program is seeking to optimise the ore sources and identify higher-grade feed. Of particular interest is the potential to extend the Kulthor deposit to the southwest (Figure 3).

### **Exploration upside to increase ore sources**

Exploration is focused on a number of highly prospective target areas, with the goal of extending the mine plan of the Osborne Copper Gold project beyond the initial four years detailed in the Copper-gold study. The initial target is to identify additional ore sources around the existing Osborne complex.

An underground drilling program is underway as part of the company's focus on seeking to extend both the Osborne and Kulthor underground resources. This program will test for significant extensions of the Osborne Deeps mineralisation immediately north of the planned mining area and existing decline, where recent interpretations allow for a steep body of mineralisation to exist and where no previous drilling has been undertaken.

At Kulthor, the underground drilling program will define stoping blocks within the known resource, whereas a surface drilling program will commence in Q4 2011 to test the southwest strike and down-plunge extension of the Kulthor mineralisation at depth, outside the known resource.

The underground drilling in the Osborne system has an exploration target of between two and four million tonnes of resources at a grade of between 1.2%-1.6% copper and 0.8-1.0 gram of gold per tonne. At Kulthor, the exploration target is between five and 10 million tonnes of resource at a grade of between 1.2%-1.6% copper and 0.8-1.0 gram of gold per tonne. These exploration targets are conceptual in nature. There has been insufficient exploration to define the targets as mineral resources and it is uncertain if further exploration will result in the targets being delineated as mineral resources.

Geophysical analysis using downhole Sub-Audio Magnetics (SAM) will target the extension of the Kulthor trend, further to the southwest, and the nearby Avalon prospect, west of Kulthor. The Avalon prospect is a substantial five-kilometre-long magnetic and gravity target that extends for more than two kilometres in depth. Avalon is located two kilometres west of Kulthor and, with a coincidental magnetic and gravity response to Osborne and Kulthor, has strong potential to be mineralised (Figure 4). Only limited drilling in the upper zone of the system has been undertaken to this stage, with several holes intersecting mineralisation (Figure 5).

The targeted, prospective extensions of the Osborne Deeps and Kulthor, and the bulk of the Avalon prospect, are within Ivanhoe Australia's current Mining Leases. They potentially could be accessed from the existing underground development, which would be a cost effective development option if these targets are realised.

Further resources for the Osborne Copper Gold project also are being targeted from a number of prospective areas on Ivanhoe's tenements within economic trucking distance of the Osborne concentrator. High-priority targets include the recently announced Houdini discovery, Starra Line, Southern Extensions of the Starra Line and Lucky Luke (Figure 6).

Further details about the NI 43-101 Osborne Copper-gold Study Preliminary Economic Assessment can be

found in a NI 43-101 technical report (the Technical Report) to be filed in due course on Ivanhoe Australia's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

[Ivanhoe Mines](#) (TSX:IVN) (NYSE:IVN) (NASDAQ:IVN) is Ivanhoe Australia's largest shareholder.

### **Forward-looking statements**

*Certain statements made herein, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking information and statements are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will," "believe" and similar expressions suggesting future outcomes or statements regarding an outlook. These include, but are not limited to the Company's expectations that the results and outcomes of the Merlin prefeasibility study are achievable.*

*All such forward-looking information and statements are based on certain assumptions and analyses made by Ivanhoe Australia's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. The reader is cautioned not to place undue reliance on forward-looking information or statements.*

### **Qualified & Competent Persons Statement**

The scientific and technical information in this news release regarding:

The Osborne Copper-Gold Project was reviewed and approved by:

- Peter Fairfield, FAusIMM who is a full time employee of SRK Consulting Pty Ltd;
- John Horton, FAusIMM (CP), MAIG for Starra 276 Mineral Resource, who is a full time employee of Golder Associates Pty Ltd;
- Mr. Richard W Lewis FAusIMM for Osborne and Kulthor Mineral Resources who is a full time employee of Lewis Mineral Resource Consulting Pty Ltd.

The Osborne Deeps and Kulthor exploration targets were reviewed and approved by:

- Mathew Brown, FAusIMM (CP) who is a full time employee of Ivanhoe Australia

These individuals, by virtue of their education, experience and professional association, are considered Qualified Persons (QP) as defined in the NI 43-101 standard, for the relevant report. The Qualified Persons have verified the relevant data disclosed herein during their participation in the preparation of the relevant technical reports relating to the disclosure, and as further described in the Technical Report.

Peter Fairfield, Richard Lewis, John Horton and Mathew Brown are all Fellows of the Australasian Institute of Mining and Metallurgy and each has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a 'Competent Person' as defined in the JORC code. Peter Fairfield, Richard Lewis, John Horton and Mathew Brown consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

## **Appendix 1**

### **MINERAL RESOURCE ESTIMATE FOR THE OSBORNE COPPER GOLD PROJECT**

#### **CLONCURRY, NORTH QUEENSLAND**

A Mineral Resource estimate as outlined in the table below has been estimated for the Osborne Copper Gold

Project by Mr. Richard W Lewis FAusIMM who is a full time employee of Lewis Mineral Resource Consulting Pty Ltd and Mr. John Horton, FAusIMM (CP) who is a full time employee of Golder Associates Pty Ltd. The Osborne Project Mineral Resource has been classified and reported in accordance with the National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101). The Mineral Resource term under NI 43-101 is equivalent to Mineral Resource used by the JORC code.

The Mineral Resource estimates outlined in Table 1 and Table 2 for the Osborne Copper Gold Project include a combination of Osborne, Kulthor and Starra 276 estimates. These estimates were recently updated and are classified in accordance with JORC guidelines and with the National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101). The resources are quoted at a different equivalent copper (eCu) cut-offs depending on expected mining costs, where  $eCu\% = Cu\% + 0.6 \times Au \text{ g/t}$ . This equivalence is based on assumed metals prices of 3.75 US\$/lb copper and 1400 US\$/oz gold at Osborne and 1300 US\$/oz at Starra 276 with comparable concentrator recoveries of 85%. Recovery of gold in copper concentrates has previously been demonstrated at separate mining operations at Starra (Selwyn Mine) and Osborne.

	eCu % Cut-off	Tonnes (Mt)	Copper (%)	Gold (g/t)	QP
Osborne Open Pit					Lewis
Measured	0.5% eCu		2.2	0.7	0.6
Indicated			0.2	0.7	0.6
Osborne Underground					Lewis
Measured	1.2% eCu		2.1	1.5	0.9
Indicated			0.8	1.2	0.9
Kulthor Underground					Lewis
Measured	1.2% eCu		0.3	1.6	1.0
Indicated			4.3	1.5	1.0
Starra 276 Underground					Horton
Measured	1.5% eCu		0.0	0.0	0.0
Indicated			3.1	1.6	1.1
Total					
Measured		4.6	1.1	0.8	
Indicated			8.4	1.5	1.0
Total Measured + Indicated			13.1	1.4	0.9

**Table 1 - Measured and Indicated Mineral Resources** ( $eCu\% = Cu\% + 0.6 \times Au \text{ g/t}$ )

	eCu% Cut-off	Tonnes (Mt)	Copper (%)	Gold (g/t)	QP	
Osborne Open Pit	0.5% eCu		0.1	0.6	0.6	
Osborne Underground	1.2% eCu		0.5	1.2	0.9	Lewis
Kulthor Underground	1.2% eCu		5.5	1.2	0.8	Lewis
Starra 276 Underground	1.5% eCu		1.8	1.5	1.5	Hort
Total Inferred		7.9	1.3	1.0		

**Table 2 - Inferred Mineral Resources** ( $eCu\% = Cu\% + 0.6 \times Au \text{ g/t}$ )

*Note: some totals may not add due to the effects of rounding*

### Qualified & Competent Persons Statement

The scientific and technical information in this Mineral Resource statement regarding the Osborne Project was reviewed and approved by Mr. Richard W Lewis, FAusIMM who is a full time employee of Lewis Mineral Resource Consulting Pty Ltd and Mr. John Horton, FAusIMM (CP) who is a full time employee of Golder Associates Pty Ltd.

Mr. Lewis and Mr. Horton, by virtue of their education, experience and professional association, are considered Qualified Persons (QP) as defined in the NI 43-101 standard, for this report and have verified the relevant data disclosed herein.

Mr. Lewis and Mr. Horton are Fellows of the Australasian Institute of Mining and Metallurgy and each has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a 'Competent Person' as defined in the JORC code. Mr. Lewis and Mr. Horton consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

To view the figures associated with this press release, please visit the following link:

<http://media3.marketwire.com/docs/7395871027.pdf>

*(1) The Osborne Copper-gold Study Preliminary Economic Assessment is preliminary in nature and includes Inferred Mineral Resources. Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as Mineral Reserves. There is no certainty that the preliminary economic assessment will be realised.*

*(2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. The Mineral Resources statement for the Osborne Copper Gold project is included in Appendix 1.*

*(3) The proposed mill feed is derived from the application of modifying factors (for mining recovery & dilution) to Mineral Resources. The Mineral Resources used include Inferred Mineral Resources.*

*(4) Assumes US\$4.00/lb copper, US\$1,500/oz gold and AUD:USD exchange rates of 1.06(2011), 1.00 (2012-13) and 0.83 thereafter. Analysis does not include any carbon tax implications.*

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