

Ivanhoe Australia Limited: Merlin Feasibility Study Completed

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Substantial Improvement in Major Attributes of Project Including Mining Costs and Roaster Options

Robust Project Financials with After-Tax Cashflows of A\$1,091 and NPV of A\$397 million

New Understanding of Geological Model Provides Strong Potential for Repeat Discoveries

MELBOURNE, AUSTRALIA -- (Marketwire - April 15, 2012) - Robert Friedland, Chairman, and Peter Reeve, Chief Executive Officer, of [Ivanhoe Australia Limited](#) (TSX: IVA) (ASX: IVA) are pleased to announce the completion of the Merlin Feasibility Study, a defining milestone in the development of the Merlin Molybdenum & Rhenium Project in northwestern Queensland.

The Merlin Project is based on the world's highest-grade molybdenum and rhenium deposit, discovered by Ivanhoe Australia in late 2008. Merlin is a key plank in Ivanhoe Australia's strategy of developing mining projects to create a major Australian base-metals company. Cash flows from Merlin will continue to fund the exploration of the company's tenements with the aim of finding further major minerals discoveries.

"The Feasibility Study has demonstrated that Merlin is an exceptional project with strong exploration upside, unlocking two specialist metals, particularly rhenium, which are of global interest. Merlin's production of rhenium will be a first for Australia," Mr Reeve said.

"This study has confirmed the project's excellent financial and technical strengths with strong, long-term cashflows generated from Merlin supported by an exceptionally high-grade deposit.

"The Feasibility Study has largely confirmed the outcomes from the pre-feasibility study, while improving the economics of the project. In addition, there is further potential upside to the study through options surrounding the plant's Roaster1, which could be located outside of Australia for significant savings on up-front capital and operating costs," Mr Reeve added.

"We also are encouraged by the quite profound advances in the geological interpretation of the formation model for Merlin, which has been enhanced with the gaining of physical access to the Little Wizard ore zone. This, combined with the high-grade intercepts of molybdenum and rhenium found within the mineral belt that contains Merlin, provides strong potential for repeats of a Merlin-style deposit."

The processing plant for Merlin will be a new, separate mill and processing facility constructed at the Osborne complex (see Figure 1), leveraging off shared infrastructure including power, water, village accommodation and maintenance facilities. The Osborne copper-gold mill was recently re-commissioned and now is a fully operating processing plant, with a throughput capacity of two million tonnes per year, producing copper-gold concentrate.

On a like-for-like basis, the feasibility study results demonstrate a financially superior outcome to the Merlin Pre-Feasibility Study (PFS). The initial capital expenditure to first production of A\$345 million compares to the PFS capital expenditure to first production of A\$337 million. An additional A\$52 million of capital in year 1 is scheduled for an optimised molybdenum trioxide purification plant as detailed in the Merlin Feasibility Study. This higher-grade molybdenum product receives a premium price, and thus increases the overall returns to the project. Please see Figure 2 for a summary construction schedule for the Merlin Project.

The Merlin Feasibility Study reflects 2012 revised forecasts from the independent consultants (Roskill2) (See Appendix 1 for the Roskill forecast molybdenum and rhenium prices).

The Merlin Feasibility Study outcomes include:

Operational outcomes

- A mine life of 15 years;
- Location of a processing plant at the Osborne complex, with a throughput rate of 500,000 tonnes per year;
- Average production of 5,100 tonnes of molybdenum and 7,300 kilograms of rhenium per year for the first seven years following ramp-up, as molybdenum trioxide (MoO₃) and ammonium perrhenate (APR)(NH₄ReO₄), respectively;
- Mining methods include drift-and-fill (approx. 60% by ore tonnes) and long-hole- open-stoping (approx. 40%) (see Figure 3); and
- An assumption that the roaster would be located on site at the Osborne plant, with potential capital and operating expenditure savings if located outside of Australia.

Financial outcomes

- A project IRR of approximately 23%;
Total after-tax cashflow of A\$1,091;
- Annual steady-state after-tax cash flows of A\$109 million;
- NPV8 of A\$397 million³;
- Initial capital expenditure to first production of \$345 million;
- Operating costs of approximately US\$6.66 per pound of molybdenum, after by- product credits and including royalties.

Sensitivity analyses are included in Appendix 2 for the Merlin Project's after-tax cashflow and net present value.

Construction of the decline at Merlin was commenced in late 2010 with Phase 1 completed on time and on budget in January 2012. Over 1,700 metres of the decline have been completed (see Figure 4).

Mining capital costs have been reduced significantly in the Merlin Feasibility Study by changing from owner to contractor mining, while mining operating costs are similar due to optimisations of mine stoping layout and mining methodology.

Options remain to further reduce capital costs, particularly with regard to the Roaster. The Merlin Feasibility Study assumes that the Roaster would be situated on-site at Osborne; however management is investigating the potential to locate the Roaster offshore, which would yield substantial potential up-front capital savings and lower operating costs.

Mineral Reserve

The Merlin Feasibility Study is based on an updated Probable Mineral Reserve for Merlin of:

- 7.1 million tonnes @ 1.1% molybdenum and 18.1 grams per tonne of rhenium.

The updated Mineral Reserve was declared for Merlin in April 2012, and is based on an updated Mineral Resource for the Merlin Deposit (see Appendices 3 & 4 for the details of the Merlin Molybdenum/Rhenium Project Mineral Resource and Mineral Reserve statements) (see Figure 5 for a cross section of the Merlin deposit).

Upside Potential From Merlin Structural Model Study

In December 2011, access to the Little Wizard exceptionally-high-grade ore body was achieved with a cross-cut through the top section of the deposit (see Figures 6 & 7). Gaining access to the ore body, along with a detailed structural geology analysis, has allowed Ivanhoe Australia's geologists to substantially improve their knowledge of the model that caused the Merlin mineralisation (see Figure 8 for images of high-grade Little Wizard core).

Mineralisation at Merlin is focussed along thrust faults at the contact of oxidised calc-silicates and reduced black shale with the thrust-fault breccia providing optimum conditions for the metals to be deposited (see Figure 9).

Similar geological conditions have been identified along an eight-kilometre trend to the north of Merlin where there are repeats of the calc-silicate/black shale contact. Exploration of this belt will be focussed on where this contact has been intersected by faults, potentially allowing mineralising fluids to be deposited (see Figure 10).

In addition, there is potential that the Merlin Deposit could extend along strike and down-dip from the current ore body, with structural targets identified as potential feeder thrust faults below the currently identified mineralisation (see Figure 11). These will be further tested by diamond-drilling programs.

Project Development and Funding

The development of the Merlin Project remains subject to board approval and achievement of funding objectives for Merlin and other Ivanhoe Australia projects. A Strategic Partnership process, as announced by Ivanhoe Australia on 31 January, 2012, is continuing and is expected, along with other financing options, to achieve the required level of funding support to progress the Merlin Project.

Further details about the Merlin Feasibility Study will be released in a NI 43-101 Technical Report to be filed on Ivanhoe Australia's profile on SEDAR at www.sedar.com within 45 days.

MOUNT DORE CATHODE COPPER PROJECT UPDATE

The outcomes achieved to date on the Mount Dore Pre-Feasibility Study (Mount Dore PFS) have identified that this project requires further analysis before progressing with further studies. Capital costs estimates identified during the Mount Dore PFS have increased from the outcomes of the initial scoping study.

Given the strength of Ivanhoe Australia's key projects it has been decided to focus on advancing Osborne, Merlin and the large-scale Mount Elliott Project, and proceed at a lower level of activity on Mount Dore. Finalisation of the Mount Dore PFS will be deferred until further testwork has been concluded.

An updated Mount Dore Mineral Resource Estimate has been published and is available in Ivanhoe Australia's 2011 Annual Report.

[Ivanhoe Mines](http://www.ivanhoe.com) (TSX:IVN) (NYSE:IVN) (NASDAQ:IVN) is Ivanhoe Australia's largest shareholder and currently owns, directly and indirectly, approximately 59% of Ivanhoe Australia's issued and outstanding shares.

Qualified & Competent Persons Statement

The scientific and technical information in this news release regarding the Merlin Project was approved by:

- Neil Lincoln, P.Eng (PEO, Canada) as study manager for the Feasibility Study, who is a full time employee of Lycopodium Minerals QLD Pty Ltd;
- Mehmet Yumlu MAusIMM (CP) for the Mineral Reserve, who is a full time employee of AMC Consultants Pty Ltd;
- John Horton, FAusIMM (CP), MAIG for geological resources, who is a full time employee of Golder Associates Pty Ltd; and

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 this report. The Qualified Persons have verified the relevant data disclosed herein, as further described in the Merlin Feasibility Study, to be filed on SEDAR within 45 days.

John Horton and Mehmet Yumlu are a Fellow and Member (respectively) of the Australian 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. Both John Horton and Mehmet Yumlu consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.

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", "potential" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking statements relate to any 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, including, without limitation, statements with respect to:

- the economic analysis contained in the Merlin Feasibility Study;
- the development plan of the Merlin Feasibility Study and results thereof;
- the timing for completion of development and mining;
- capital expenditure programs;
- expenditures to be made by the company to meet certain work commitments; and
- work plans to be conducted by the company.

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.

QA/QC Statement

Ivanhoe Australia's core sampling within mineralised zones is generally taken on continuous one-metre intervals down each drill hole, or on smaller lengths over narrow geological units, for large disseminated or weakly mineralised zones sample lengths may increase to a maximum of two metres. The core is marked with a continuous cutting line along the middle, parallel to the long axis for the purpose of preventing a sampling bias during splitting. Core is cut with a rock saw flushed continually with fresh water and one-half of NQ/HQ core or one-quarter of PQ core is taken for analysis. Reverse circulation (RC) samples are taken on continuous one- or two-metre intervals down each drill hole and collected from a rig-based cone splitter.

Sample dispatches include Certified Reference Materials (CRMs), Field Blanks, Field Duplicates, Crushed Duplicates, and Pulp Duplicates. The CRMs, Field Duplicates, and Field Blanks are randomly inserted during sampling, whereas the Crushed and Pulp Duplicates are inserted at the laboratory. CRMs are certified for gold, copper, molybdenum, and/or rhenium.

Samples are placed in plastic bags, sealed, and collected in large, labelled shipping bags that are secured and sealed with numbered tamper-proof security tags. Samples are shipped to ALS Laboratory Group's Mineral Division at Mount Isa for preparation. Gold, copper, molybdenum, and rhenium assays, and multi-element geochemical analyses are conducted at ALS Mount Isa, Townsville, and Brisbane laboratories. ALS operates in accordance with ISO/IEC 17025.

Reference material assay values are tabulated and compared to those from established Round Robin programs. Values outside of pre-set tolerance limits are rejected and samples subject to re-assay. A reference material assay fails when the value is beyond the 3SD limit and any two consecutive assays fail when the values are beyond the 2SD limit on the same side of the mean. A Field Blank fails if the assay is over a pre-set limit.

Ivanhoe Australia also regularly performs check assays at an independent third party laboratory, conducts onsite internal QA/QC reviews, and laboratory reviews to ensure procedural compliance for maintaining industry standard best practices.

APPENDIX 1 - Roskill Forecasts

Ivanhoe Australia appointed Roskill in early 2012 as independent consultants to provide an updated expert

opinion on the outlook for the molybdenum and rhenium markets including pricing forecasts for the Merlin Feasibility Study.

The mid-point of Roskill's 2012 forecast molybdenum price is US\$15.88/lb (US\$15.53/lb in real terms). Roskill expects molybdenum prices to increase over the next five years, increasing from US\$15.53/lb (real) in 2012 to US\$16.92/lb (real) in 2016. Roskill forecasts spot rhenium prices to increase from a mid-point of US\$4,648/kg (real) to US\$5,773/kg (real) in 2016.

Ivanhoe Australia's analysis for the Merlin Feasibility Study was based on Roskill's updated molybdenum and rhenium price forecasts (real terms) to 2016. Ivanhoe Australia then assumed these 2016 prices held constant thereafter.

The 2012 revised molybdenum price forecasts used in the Merlin Feasibility Study are substantially more conservative than those used in the PFS.

Roskill were also appointed in 2011 for the PFS. Roskill's 2011 forecasts were for molybdenum prices to increase from US\$16.50/lb in 2011 to US\$27.00/lb (US\$23.77/lb in real terms) in 2016. The mid-point of Roskill's 2011 forecasts for rhenium metal was US\$4,350/kg in 2011 increasing to US\$5,700/kg (US\$5,018/kg) in 2016.

Ivanhoe Australia's analysis for the PFS was based on Roskill's 2011 molybdenum and rhenium price forecasts (real terms) to 2016. Ivanhoe Australia then assumed for the purposes of the PFS that the 2016 prices remained constant thereafter.

Please click the following link to view "APPENDIX 2 - Financial Sensitivity Analyses":
<http://media3.marketwire.com/docs/IVA0065MR%20-%20Merlin%20Feasibility%20Study%208.pdf>.

Appendix 3

MINERAL RESOURCE ESTIMATE FOR THE MERLIN MOLYBDENUM/RHENIUM PROJECT, CLONCURRY, NORTH QUEENSLAND

A Mineral Resource estimate as outlined in the table below has been estimated for the Merlin Project by Mr John Horton, FAusIMM (CP) who is a full time employee of Golder Associates Pty Ltd. The Merlin 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 estimate for the Merlin Project is outlined in Table 1. This estimate was recently updated and is classified in accordance with the NI 43-101 and JORC guidelines. This updated Mineral Resources estimate shows a small increase over the previous estimate and this is a consequence of the inclusion of 10 additional diamond drill holes that target the Merlin mineralisation.

Table 1 - Merlin Mineral Resource Update

Date	Cut-off	Indicated		Inferred		
		Tonnes	Grade	Tonnes	Grade	Million
		Million		Mo %	Re g/t	
Aug - 10	0.3% Mo		6.5	1.35	23.4	0.2
Apr - 12	0.3% Mo		6.7	1.39	23.4	0.2

Date	Cut-off	Contained Metal			
		Indicated	Inferred	Re tonnes	Mo k tonnes
		Mo k tonnes			
Aug - 10	0.3% Mo	88	152	1.7	3.0
Apr - 12	0.3% Mo	93	157	1.6	2.6

Notes: Some totals may not add due to the effects of rounding. Mineral Resource estimates above are inclusive of the Mineral Reserves.

Qualified & Competent Persons Statement

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

Mr Horton, by virtue of his education, experience and professional association, is considered Qualified Persons (QP) as defined in the NI 43-101 standard, for this statement and has verified the relevant data disclosed herein, as further described in the Technical Report in preparation for the Merlin Project.

Mr Horton, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a 'Competent Person' as defined in the JORC code Mr Horton consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Appendix 4

MINERAL RESERVE ESTIMATE FOR THE MERLIN MOLYBDENUM/RHENIUM PROJECT, CLONCURRY, NORTH QUEENSLAND

A Probable Mineral Reserve of 7.1Mt at 1.1% Molybdenum (Mo) and 18.1g/t Rhenium (Re) containing approximately 78kt of Molybdenum and 129t of Rhenium, has been estimated for the Merlin Project by Mr Mehmet Yumlu MAusIMM (CP) of AMC Consultants Pty Ltd. The Merlin Mineral Reserve has been classified and reported in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101). Mineral Reserves under NI 43-101 are equivalent to Ore Reserves used by the JORC code.

The Mineral Reserve is based on two mining methods, underhand drift-and-fill (UDAF) and longhole stoping (LHOS) using break-even grades of A\$200/t and A\$150/t respectively (inclusive of mining, ore handling and processing). The break-even grades for the respective mining methods are based on the metal prices (Table 1) and metallurgical recoveries (Table 2) and a AUD:USD exchange rate of 0.83.

Table 1: Metal Prices

Metal	Unit	Metal Price
Mo	US\$ / lb	13.50
Re	US\$ / kg	5,600
Cu	US\$ / lb	3.00
Zn	US\$ / lb	0.85
Ag	US\$ / oz	15.00
Au	US\$ / oz	1000

Table 2: Metallurgical Recoveries

Metal	Recovery (%)
Mo	87%
Re	76%
Cu	85%
Zn	50%
Ag	50%
Au	50%

The Mineral Reserve estimate is based on the Golder Indicated Mineral Resource of 6.7Mt at 1.4% Molybdenum, 23.2g/t Rhenium as at April 2012, containing 92kt of Molybdenum and 156t of Rhenium. The Mineral Resource was derived at a break-even grade of 0.3% Molybdenum and has been classified and reported in accordance with Canada's NI 43-101 standard and the JORC code.

This Mineral Reserve represents small increase over the first Mineral Reserve prepared for the Merlin Project. The change in the Mineral Reserves is a consequence of the impact of the inclusion of additional diamond drilling in the Mineral Resource and optimised FS mine design constrained to 28100mN to 29055mN northing and 4288mRL to 3820mRL elevation.

Table 3 - Merlin Mineral Reserve Update

Date	Cut-off tonnes	Proved		Probable		Total Reserves Tonnes
		Million	Mo %	Grade	Grade	
Sep-11		0.3%	Mo	6.7	1.10	19.1
Apr-12		0.3%	Mo	7.1	1.09	18.1

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

Qualified & Competent Persons Statement

The scientific and technical information in this reserve statement regarding the Merlin Project was approved by Mr Mehmet Yumlu MAusIMM (CP) who is a full time employee of AMC Consultants Pty Ltd.

Mr Yumlu, by virtue of his education, experience and professional association, is considered a Qualified Person (QP) as defined in the NI 43-101 standard, for this statement and has verified the relevant data disclosed herein, as further described in the Technical Report in preparation for the Merlin Project.

Mr Yumlu is a Member of the Australasian Institute of Mining and Metallurgy with Chartered Professional status and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a 'Qualified Person' as defined in NI 43-101 and also as a 'Competent Person' under the JORC code. Mr Yumlu consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

1 The Roaster signifies the molybdenum/rhenium concentrate treatment plant, including a roaster and back-end molybdenum purification and rhenium extraction plant.

2 Roskill were appointed in 2012 as independent consultants to provide Ivanhoe Australia an updated expert opinion on Mo and Re pricing and forecasts for the Merlin Feasibility Study. See Appendix 1 for Roskill's 2012 Mo and Re forecast prices.

3 Analysis is based on Roskill's March 2012 Mo & Re price forecasts (real terms) to 2016 (see Appendix 1). Ivanhoe has held 2016 prices constant thereafter and has selected an AUD:USD exchange rate of 1.00 for 2012-2013 and 0.83 thereafter. NPV8 means the net present value calculated with an 8% discount rate. Analysis does not include any carbon tax implications.

To view Figures 1 through 12 associated with this news release, please click the following link:
http://media3.marketwire.com/docs/Merlin_Figs1-12.pdf.

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