

Afferro Mining Inc. - Preliminary Economic Assessment for Nkout Indicates Project Economically Viable

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LONDON, May 28, 2012 /CNW/ - [Afferro Mining Inc.](#) ("Afferro" or "the Company"), is pleased to announce details of its NI 43-101 compliant Preliminary Economic Assessment ("PEA") for the Nkout Iron Ore Project ("Nkout") in Cameroon. The PEA, led by AMC Consultants ("AMC"), indicates that the project is economically viable. A number of potential production scenarios have been examined and the Company is also exploring options for a fast track DSO operation to provide early cash flows. Subject to further metallurgical testwork Afferro will advance Nkout to a pre-feasibility study ("PFS") and examine the fast track production option during 2013.

Table 1: Project economics under various production scenarios (100% basis)

Production mtpa	Project NPV (post-tax) US\$bn 1	Project IRR (post-tax) %	Operating Cost US\$/t	Funding Required US\$bn	Payback yrs
15	1.1	15	37.8	2.5	6
25	2.6	18	34.8	3.3	5
35	4.6	24	32.7	3.9	4

1 using a 10% discount factor

Highlights

- Net Present Value ("NPV") post-tax between US\$1.1bn and US\$4.6bn
- Based on an average production rate of 15 to 35 million tonnes per annum ("mtpa")
- Internal Rate of Return ("IRR") post-tax between 15% and 24% on an un-g geared basis
- Life of mine between 21 and 48 years
- Production anticipated to commence H2 2017
- Funding required of between US\$2.5bn and US\$3.9bn on a shared infrastructure basis
- Payback period from production ("payback") is between 4 and 6 years
- Competitive cash operating costs of between US\$32.7 and US\$37.8 per tonne of product (pre-royalty)
- PEA based on the NI 43-101 Mineral Resource Estimate of November 2011. A further resource statement will be published imminently
- Third party access confirmed by Government of Cameroon in the joint infrastructure vehicle with Sundance Resources
- Significant interest from potential strategic partners with a number of confidentiality agreements signed and discussions ongoing
- Detailed metallurgical testwork commissioned with SGS in Western Australia

Luis da Silva, Chief Executive Officer, commented:

"We are very pleased to report that Nkout is an economically viable project. The study is the culmination of months of technical, economic and socio-political work. The PEA considers various material handling and production scenarios from 15mtpa to 35mtpa. The study is predominantly based on the magnetite banded iron formation ("BIF") resource which represents 88% of the existing total resource. By potentially adding additional direct shipping ore ("DSO") type material and saprolite ("SAP") from the current exploration programme, Afferro would be able to defer the initial capital intensive phase of the project, thereby improving the economics further. Ultimately we believe the project could be developed to an output of 35mtpa. The pre-feasibility study ("PFS") will consider this in detail.

Afferro is also investigating an early cash flow scenario that would involve a fast track 1-2 mtpa DSO

operation utilising existing road, rail and port infrastructure. This scenario is currently outside the PEA.

An extensive exploration programme is underway with a target to enhance the current DSO and SAP resource, supported by comprehensive metallurgical testwork.

The progress we have made with the Government of Cameroon and Sundance Resources regarding development of the south Cameroon iron infrastructure further supports Nkout as an economically viable and well-positioned contributor to the emergent iron ore mining region.

Afferro is in discussion with various strategic partners with a keen interest in the project. Negotiations are ongoing and demonstrate the attractiveness of a project that is being progressively de-risked."

Overview

Afferro has taken another step towards unlocking the potential of Nkout with delivery of a PEA by AMC Mining Consultants (Canada) Ltd., which acted as lead consultant together with SRK Consulting (UK) Ltd for the geology and metallurgy, Atkins Limited for the rail and port infrastructure, Rainbow Consult for the environmental and social aspects and CRU Strategies for market studies. The PEA covers all aspects of Nkout including the geology, mining, infrastructure, engineering, construction and economics as they relate to development and production.

The NI 43-101 compliant technical report, to be filed on SEDAR, details production scenarios ranging from 15mtpa to 35mtpa. It considers various pit-to-port solutions through the proposed iron ore terminal adjacent to the deep sea port, currently being constructed at Kribi. The PEA utilises the 14 November 2011 Mineral Resource Estimate ("MRE3").

Along with Sundance Resources' Mbarga Project, Nkout is strategically located at the heart of the emerging south Cameroon iron ore province and is expected to generate strong cash margins and significant returns for shareholders in the project company. Afferro is well placed to be a participating stakeholder with the Government of Cameroon, Sundance Resources and other mining companies to develop the south Cameroon iron rail and port infrastructure.

Nkout would provide a significant economic stimulus to the south of Cameroon creating employment opportunities for thousands of people and helping foster small and medium sized enterprises in the construction and service industries with substantial benefits for the country.

Early cash flow scenario

Outside of the PEA the Company is investigating a fast track production scenario involving a 1-2 mtpa DSO operation, utilising existing road haulage and rail to the port of Douala, which could accelerate cash flow from 2014 if economically viable. The Company is in discussions with Bolloré Africa (which has a 35 year concession to operate 910 km of railway owned by CAMRAIL on behalf of the Government of Cameroon) to assess the economic viability of transporting DSO using existing rail capacity to the port facility.

Mineral Resource

MRE3 is used as the basis for the PEA. The NI 43-101 compliant statement released on 14 November 2011 details an indicated mineral resource estimate of 944Mt at 32.7% Fe and an inferred mineral resource estimate of 1.05Bt at 31.6% Fe. This contains 18.5mt of high-grade ore with DSO potential at 60.3% Fe. The total metres now drilled at Nkout since inception is 40,615m representing 380 holes, as of 20 May 2012. MRE4 will be published imminently and will incorporate Nkout West for the first time. The delay in publishing MRE4 is due to a small number of assays that are outstanding from the laboratories.

Mining

The Nkout deposit is composed of three distinct areas suited to a bulk open-pit, truck-and-shovel mining method. Saleable products being considered over the project life include DSO, SAP and BIF with the following product specifications:

- DSO 61.5% Fe sinter fines
- SAP 64.5% Fe sinter fines
- BIF1 65.0% Fe sinter fines
- BIF2 68.0% Fe pellet feed

Based on the preliminary testwork completed to date, 25% of the BIF is considered to be BIF1 and 75% is considered to be BIF2. Preliminary mining studies have been completed based on financial and geotechnical parameters. The selected pit volume contains approximately 1.7Bt of plant feed ore yielding 703Mt of product. This results in a 48 to 21 year mine life for the 15 to 35mtpa range of production rates.

Processing

DSO will be produced by crushing and screening out the finer size fractions from the run of mine ore. SAP will require a combination of gravity and magnetic separation; the BIF magnetic separation only.

Infrastructure

Afferro will be responsible for funding 100% of all incremental infrastructure associated with production, including a rail spur, rolling stock, passing loops, loading and off-loading, and stock yard facilities. Funding for the shared portion of the port and rail infrastructure facility will be as follows:

- For the 35mtpa case: a 105mtpa facility is assumed with Nkout expected to absorb 33% of that capacity and Afferro contributing a proportionate amount of funding
- For the 15mtpa and 25mtpa cases: a 70mtpa facility is assumed with Nkout expected to absorb 21% and 36% respectively of that capacity and Afferro contributing the corresponding proportionate amount of funding. Note that the 70mtpa infrastructure is scalable to 105mtpa.

This scenario was envisaged prior to recent announcements made by the Government of Cameroon and Sundance Resources and may provide for further upside.

Waste dumps, water source and tailings storage facilities would be developed close to the mine. On-site generators would provide power to develop the mine and produce the DSO product while grid supply has been assumed for production of the SAP and BIF concentrates.

Pricing Assumptions

The selling prices used in the preliminary mining studies and financial modelling are presented in Table 2 below and represent a view of the long term average selling price in real dollars predicted from 2016 over the life of mine.

Table 2: Average Selling Price Assumptions from 2016

Product	15mtpa	25mtpa	35mtpa
DSO (US\$/mt)	77.2	78.2	77.4
SAP (US\$/mt)	78.8	80.1	83.9
BIF1 (US\$/mt)	72.7	73.0	73.1
BIF2 (US\$/mt)	82.9	83.0	83.2

Funding and Operating Costs

The funding required ranges from approximately US\$2.5bn to US\$3.9bn with an estimated accuracy of $\pm 35\%$ and includes development of the mine and pro rata contributions to common infrastructure. An allowance of 12% is made for engineering procurement construction management ("EPCM") and a 20% contingency has been provisioned.

Direct operating costs (excluding royalties) for the project are estimated at between US\$32.7/t and US\$37.8/t of product for 35mtpa and 15mtpa respectively. The cost includes mining, crushing and screening, rail haulage, ship loading, selling, general and administrative costs.

Economics

For a mine producing 15mtpa of product the post-tax NPV for the project is US\$1.1bn with an IRR of 15% at

a discount rate of 10.0% and payback of 6 years. At 35mtpa the NPV is US\$4.6bn with an IRR of 24% and payback of 4 years.

Fiscal Regime

Afferro anticipates the Government of Cameroon will extend fiscal incentives under the Investment Code to include the following which have been included in the PEA:

- Royalty fee of 2.5% of mine gate revenue
- Minimum of a 5 year tax holiday during the exploitation phase of the project
- Maximum corporation tax rate of 25% after the tax holiday
- Maximum of 5% tax on dividends after the tax holiday

2012 Work Programmes

Exploration continues at Nkout and Ntem to identify additional or maiden mineral resource quantities of DSO. Drilling for DSO at Ngoa and Akonolinga will commence in H2 2012. 5t of DSO samples have been air freighted to SGS Lakefield Orestest Pty Ltd., Western Australia for metallurgical testing. A further 20t of SAP and BIF samples will be sent during H2 2012.

Strategic Partners

The Company has broadened its discussions with strategic partners to accelerate the development of the Nkout Project. A number of parties have been identified and discussions are on-going. This PEA marks a significant milestone for these negotiations. It is anticipated that an investment by a strategic partner will be structured in such a way as to minimise shareholder dilution.

About Afferro Mining Inc.

[Afferro](#) is an established exploration and development company listed on the TSX-V (AFF) and AIM (AFF). Afferro's portfolio includes the 100% owned Nkout, Ntem and Akonolinga iron ore projects. It also holds a 70% interest in Ngoa, an exploration target bordering Nkout. Nkout comprises an NI 43-101 compliant indicated mineral resource estimate of 944Mt at 32.7% Fe and an inferred mineral resource estimate of 1.05Bt at 31.6% Fe.

Qualified Person

The technical contents of this release relating to the PEA have been reviewed by Ms. Julia Martin, P.Eng., MAusIMM (CP) and a Qualified Person in accordance with NI 43-101, who is a full-time employee of AMC Mining Consultants (Canada) Ltd. and independent of Afferro Mining Inc. The technical contents of this release relating to the PEA have been reviewed by Anthony Iles, MSc, BSc Associate Director - Industry Group and a Qualified Person in accordance with NI 43-101, who is a full-time employee of Atkins Ltd and independent of Afferro Mining Inc. Neither AMC nor Atkins is aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues that would materially affect the PEA.

Howard Baker has 18 years experience in the mining industry and 10 years' experience in the exploration, definition and mining of iron ore Mineral Resources. Howard Baker is a full-time employee of SRK Consulting (UK) Ltd, an independent consultancy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the type of activity which he is undertaking to qualify as a Qualified Person in accordance with NI 43-101 and a Competent Person as defined in the June 2009 Edition of the AIM Note for Mining and Oil & Gas Companies. Howard Baker consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears and confirms that this information is accurate and not false or misleading. An NI 43-101 technical report titled "Mineral Resource Estimate for the Nkout Iron Ore Project", dated 15 November 2011, has been filed on SEDAR.

Note that the PEA is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves. By the very nature of the PEA, there is no certainty that the economic value of this project will be realised.

Forward-looking Statements

This announcement includes certain forward-looking statements. All statements, other than statements of historical fact, included herein are forward-looking statements that involve various known and unknown risks and uncertainties as well as other factors. Such forward looking statements are subject to a number of risks and uncertainties that may cause actual results or events to differ materially from current expectations, including delays in obtaining or failure to obtain required regulatory approvals. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Information about the risks and uncertainties of the Company's business is provided in its disclosure materials, including its Annual Information Form and the MD&A for the 12 months ended 31 December 2011, available under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein, speaks only as of the date hereof (unless stated otherwise) and, except as may be required by applicable law, Afferro disclaims any obligation to update or modify such forward-looking statements, either as a result of new information, future events or for any other reason.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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