Ivanhoe Australia Limited: Quarterly Report For the Three Months Ending 31 December 2012

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MELBOURNE, AUSTRALIA -- (Marketwire - Jan. 31, 2013) - Ivanhoe Australia Limited (TSX:IVA) (ASX:IVA) -

KEY HIGHLIGHTS

- Production at the Osborne Copper-Gold operation continued to perform well with mill throughput for 2012 of 789,000 tonnes of ore, within the announced target range of 700,000 to 800,000 tonnes.

- Copper and gold production for the December quarter totalled 4,322 tonnes and 6,013 ounces, respectively.

- Operating costs (C1) for the quarter averaged A$2.03 (US$2.11) per pound of copper produced.

- Since commencement of Osborne operations, concentrate sales have met plan with four shipments by year end and sufficient concentrate stock available for a fifth shipment.

- Experienced mining company executive, Bob Vassie, appointed as Managing Director & CEO in January 2013, replacing interim CEO Inés Scotland.

- Accelerated non-renounceable entitlement issue completed in December 2012 raising a total of A$76m.

- Starra 276 mine is on track to deliver ore to Osborne in February 2013.

- Contract mining tender was awarded to Pybar Mining Services, to consolidate all underground mining and maintenance activities at Osborne, Kulthor and Starra 276.

- Exploration work is continuing at Yeti, Amethyst Castle and in the Osborne/Kulthor region, where 3-Dimensional Induced Polarisation (3DIP) geophysical surveys have identified undrilled anomalies with characteristics similar and nearby to Kulthor.

- Savings identified during the 2012 Strategic Review of a $69 million - $74 million capital expenditure reduction and a $44 million - $46 million operating and overhead expenditure reduction have been delivered or are on target for delivery during 2013.

- The quarter closed with a cash balance of $45.6 million.

OPERATIONS - OSBORNE COPPER-GOLD

MINING - OSBORNE AND KULTHOR

Underground development continued to progress well during the December quarter with 1,256 metres advanced. Stope ore production from Kulthor (see Figure 1) is underway and continues to ramp up to meet forecast tonnes. A total of 253,211 tonnes of ore was mined and delivered to the mill during the quarter.

Mined and milled grades during the quarter reflected a combination of Osborne and Kulthor stopes in conjunction with continued development ore from Kulthor. The average grade of ore processed during the quarter was 1.86% copper and 0.95 grams per tonne gold.

PROCESSING

Performance of the processing plant for the quarter was excellent, with consistent ore feed and uniform

blending of material from the Osborne and Kulthor mines. Recovery rates for the quarter averaged 95% for copper and 80.5% for gold. Table 1 details key production information for the December quarter.

The mill processed 245,209 tonnes of ore in the quarter. Total 2012 production throughput since the commencement of processing at Osborne in late February was 788,820 tonnes of ore at a grade of 1.67% copper and 0.88 grams per tonne of gold. This is within the guidance range previously provided of 700,000 to 800,000 tonnes.

The fourth shipment of copper-gold concentrate departed port in early December. A fifth shipment scheduled for late December was deferred until January due to transport constraints around the holiday period. Ten shipments are planned for 2013.

Table 2 details costs for the Osborne Copper-Gold operation. C1 cash costs of A$2.03 per pound were achieved for the quarter and reflect the processing rate of approximately 1 million tonnes per annum.

By-product credits increased due to higher gold grades and recoveries during the period together with a higher average gold price.

The C1 cash costs reflect the ramp-up at Kulthor and the current campaign processing rate. Following the move to full stope production at Kulthor and the inclusion of Starra 276 ore, mill throughput will transition to continuous processing at Osborne, increasing to between 1.4 and 1.6 million tonnes per annum which is planned to deliver higher absorption of general and administration costs. This higher throughput rate is expected to be reflected in improved C1 cost performance from mid-year onwards.

Table 1
Osborne Copper-Gold Production Statistics

		Sept '12 QTR	Dec '12 QTR	Annual 20121
ORE MINED	TONNES	283,613	253,211	773,928
ORE MILLED	TONNES	249,051	245,209	788,82
MILLED GRADE	COPPER (%)	1.76	1.86	1.67
GOLD (G/T)		0.77	0.95	0.88
RECOVERY	COPPER (%)	95.3	95.0	93.9
GOLD (%)		77.9	80.5	78.1
COPPER CON. PRODUCED	DRY TONNES	17,911	18,099	
CONCENTRATE GRADE	COPPER (%)	23.4	23.9	2
GOLD (G/T)		8.2	9.1	9.3
CONTAINED METAL IN CON. PRODUCED	COPPER (TONNES)	4,187	4,322	
GOLD (OZ)		4,704	5,292	15,479
GOLD DORÉ PRODUCED	OUNCES	823	721	1,790
TOTAL CONCENTRATE SOLD	DRY METRIC TONNES	9,641		19,216
CONCENTRATE INVENTORY ON HAND2	DRY METRIC TONNES	13,122		

1 Annual numbers may not equal the sum of published quarterly figures due to stocktake variations.
2 Dec '12 includes an additional 1,075 tonnes arising from the year-end concentrate inventory physical stocktake.

Table 2: Osborne Copper-Gold Cost Statistics

$A per Ib	Aug-Sep '12	Dec '12 QTR
2 months*		
Mining costs	1.49	1.50
Processing costs	0.31	0.28
General & administration	0.82	0.89
Transport & shipping	0.27	0.30
TC/RCs	0.08	0.16
Net by-product credits	(0.88)	(1.10)
Total C1 Cash Costs	2.09	2.03
Royalties	0.28	0.29
Total Cash Costs	2.37	2.32
Depreciation & Amortisation	0.39	0.40
TOTAL PRODUCTION COSTS	2.76	2.72
$US per Ib		
Total C1 Costs	2.17	2.11
Total Cash Costs	2.46	2.41
TOTAL PRODUCTION COSTS	2.87	2.83

** July cost excluded as mill production was ramping up.*

STARRA 276

Starra 276 development for the December quarter exceeded target with 676 metres advanced. The first two production levels have been developed in preparation for production stoping to commence on plan in February 2013, ramping up to full production from Starra 276 by mid-year. Recent in-fill diamond drilling completed for detailed stope design has confirmed the resource estimates and ore consistency.

INFRASTRUCTURE

Construction of the Osborne-Mount Dore haul road was completed in December 2012, with final laying of surface sheeting aggregate expected by early February 2013, in line with the commencement of production from the Starra 276 mine.

The conversion of the power station at Osborne from diesel to full gas operation was completed in December 2012, providing substantial ongoing savings to power costs for the processing plant, mining and village.

MINING AND MAINTENANCE CONTRACT

The contract for the consolidation of the underground mining and maintenance activities of Kulthor, Osborne and Starra 276 was awarded during the quarter following a comprehensive competitive tendering process. The successful tenderer was Pybar Mining Services. Pybar is well known to Ivanhoe Australia as they have been providing mining services at the Osborne mine since 2011. Pybar has had an excellent record with Ivanhoe Australia on a number of benchmarks, including safety performance and project delivery.

MINERAL RESOURCES

The Starra 276 resource extension drilling campaign from surface was completed in December 2012, with block model and resource estimation work continuing. An update to the Starra 276 Mineral Resource estimate is on track for publication in the second quarter, 2013.

EXPLORATION

Ivanhoe Australia, in the Cloncurry region, north-western Queensland, has 44 granted Exploration Permits for Minerals (EPMs) with a total area of 5,686 km2 including joint ventures, and 3 EPM applications with a total area of 601 km2. The granted EPMs include 12 EPMs in the Ivanhoe Australia / Exco JV (423 km2), and two EPMs in the Goldminco / Ivanhoe (Osborne) JV (70 km2).

A comprehensive review of previous exploration data and works has been ongoing during the quarter. This review is focused on both identifying new targets and evaluating previously explored targets in light of the new corporate exploration strategy. Work on a number of high-priority prospects which have emerged from

the review is detailed below.

Yeti: Yeti lies beneath cover, 57 km south of the Osborne mine and consists of a magnetic and gravity high. This combined anomaly lies on the interpreted intersection of the southern continuation of the Starra Shear and the Osborne-Pegmont Structure. The combination of prospective geophysics and the intersection of major regional structures provide optimal conditions for a large-scale mineral system.

A single deep diamond drill hole (1,029.7m) was drilled into the Yeti anomaly during the quarter. This drill hole encountered intensely altered (Fe-K-Mg-Ca) metamorphosed sediments similar to those seen around the Osborne deposit. While no significant copper mineralisation was observed, this alteration style coupled with the scale of the geophysical anomalies indicates a potential for the hole to have intersected the distal alteration signature of a large Iron-Oxide-Copper-Gold (IOCG) system.

Reconciliation of the geological and geophysical data obtained from the Yeti drill-hole is underway with the aim of best identifying the location for future drilling.

Amethyst Castle: The Amethyst Castle prospect is located 40 kilometres from Osborne, adjacent to the haul road. A diamond drill program was completed during the quarter, targeting several parallel tabular gold rich hydrothermal breccias identified during the geological analysis of previous work.

Several drill holes encountered significant results with;

- ACDD011 8 m @ 0.19% Cu and 3.14 g/t Au from 15 m
- ACDD012 7 m @ 0.69% Cu and 1.66 g/t Au from 1 m
- ACDD013 3 m @ 1.65% Cu and 1.48 g/t Au from 224 m
- ACDD015 5 m @ 1.49% Cu and 1.08 g/t Au from 43 m

Geological data from this program is being integrated with previous data and additional work will be contingent on the results of this review.

Mount Elliott Region: At the Jock prospect, 600m south east of Mount Elliott, three RC holes were drilled targeting geochemical anomalies coincident with mapped geological structures extending from the Mount Elliott deposit. These holes encountered broad zones of highly anomalous copper-gold associated with alteration similar to the alteration at Mount Elliott. One hole from a three-hole follow up diamond drill program was completed at Jock in December, awaiting assays, and drilling will resume at Jock in early February.

At the Central Leases Prospect, 2km north of Mount Elliott, a single diamond drill hole commenced, targeting coincident geological, geochemical and geophysical anomalies. This hole was at 168.5m at the end of December. Drilling to date has encountered magnetite, pyroxene sulphide veins identical to those seen at Mount Elliott. Drilling at Central Leases continued during January.

At the Confucius prospect, rock chips with high-grade gold results were tested with two shallow diamond drill holes. These holes returned significant results, including the following intersection:

- CFD0002 8.3 m @ 4.54g/t Au from 58 m

Further work will be conducted during the current quarter to develop the work program for Confucius.

GROUND-BASED GEOPHYSICS

A program of 3D Induced Polarisation (3DIP) and Magnetotellurics (MT) (electrical geophysical techniques) continued during the December quarter, targeting large mineral systems in the Osborne region and Mount Elliott area.

At the Kulthor-Osborne area, several significant chargeability anomalies have been identified in interpreted fault offsets from the Kulthor deposit. The 3DIP inversion data has successfully modelled conductive and chargeable bodies coincident with known Kulthor mineralisation. In addition, modelling has identified significant conductive and chargeable anomalies (greater than 20mV/V) with similar characteristics to that of Kulthor, structurally offset and south of the known Kulthor mineralised systems. These anomalies have the potential to represent a structurally offset, strike extension to the Kulthor mineralisation and remain untested by drilling.

Further analysis of this information will be undertaken during the next few months to ascertain whether these anomalies represent an extension to the Kulthor deposit that have been displaced by faulting. Figure 2 details the location of the geophysical anomalies in relation to the Kulthor deposit and prior drilling by

Ivanhoe Australia.

At Mount Elliott, the chargeability and conductivity characteristics of the SWAN and Mount Elliott mineralisation and host rocks has been characterised and surveys have commenced along strike.

In the Northern Leases area preliminary data has already identified several significant chargeability anomalies with the same character as the SWAN-Mount Elliott mineralisation. These are being interpreted and drilling programs will be designed in Q1, 2013 to test these targets.

For a full listing of the December quarter exploration drill holes please refer to our website: www.ivanhoeaustralia.com.

PROJECTS

MERLIN MOLYBDENUM & RHENIUM PROJECT

Metallurgical testwork aiming to reduce the capital cost of the Merlin Project commenced during the quarter and is continuing, with the aim of being completed by the end of the current quarter. The work is being undertaken at the Ian Wark Research Institute at the University of South Australia in Adelaide, a centre of excellence for research into mineral processing. The goal of the work is to increase the grade of the molybdenum concentrate produced at Merlin to levels which would allow savings in capital construction costs of the processing plant. This work is continuing in the current quarter.

A mining review at Merlin has been undertaken which suggests that there is potential to alter the planned mining methodology in parts of the orebody to reduce mining costs and increase annual mining volumes. Further work is required to confirm these initial results.

A sales and marketing study by a leading molybdenum and rhenium consultancy company was also commenced during the quarter. This study will provide insights into both the molybdenum and rhenium markets.

Our work to reduce the capital and mining costs indicates that at long-term molybdenum and rhenium pricing, the Merlin Project can provide strong financial returns. An update on the Merlin Project remains on track for delivery late in the second quarter, 2013.

MOUNT ELLIOTT PROJECT

The scoping study NI 43-101 Technical report prepared in May 2012, based on the Mount Elliott SWAN Mineral Resource, indicated the potential for a number of mining options including bulk and selective underground operations. The scoping study also recommended that further drilling of the SWAN higher grade zone be undertaken.

During the quarter, three diamond drill holes were completed to test the higher grade (>0.8 % copper equivalent) zones of the SWAN deposit. Significant intersections from two of the holes are shown in Table 3 and provide support for the current resource model. The third hole was drilled at the periphery of the higher-grade zone and did not report extension of the zone. Additional drilling will commence later in the current quarter. Results from the drilling at SWAN will be used in a Mineral Resource update planned for public reporting in the second quarter 2013 and a revised scoping study in the third quarter, 2013.

JOINT VENTURE INTERESTS

EMMERSON RESOURCES

Ivanhoe Australia holds an 8.67% equity interest in Emmerson Resources.

Completion of the requirements to earn into 51% of certain Emmerson Resources tenements in the Tennant Creek Mineral Field in the Northern Territory was confirmed in November 2012 and announced to the market. Following this acquisition, Ivanhoe Australia has a 51% interest in 30 granted Exploration Licences (ELs) with a total area of 2270 km2, three EL applications (129 km2), 121 granted Mineral Claims (23 km2), 224 granted Mineral Leases (61 km2), six Mineral Lease applications (1.5 km2s) and two Mineral Authorities (19 km2).

EXCO RESOURCES

Ivanhoe Australia holds an 80% joint venture interest in various Exco Resources Limited held tenements with a total area of 525 km2. Ivanhoe Australia sold its interest in Exco shares during the quarter (see Corporate section below).

Work on the Exco joint venture exploration ground included the completion of a large top of basement sampling program at the Mac's Tank and Killer Bore prospects. Compilation of these results has identified two significant anomalies: a 1km wide 8km long copper anomaly; and a series of four high-tenor silver anomalies. These anomalies lie parallel to a large structure interpreted from regional geophysical data. A drilling proposal has been designed to test these silver anomalies for Cannington-style mineralisation and drilling is planned to commence after the wet season, in the second quarter of 2013.

Assay results for prior drilling at Garnet Creek have been returned. Results were disappointing with only a single significant intercept encountered. These results will be compiled and interpreted and further work will be contingent on a positive geological re-evaluation.

CORPORATE

NEW CEO

In January 2013, Ivanhoe Australia announced the appointment of a new Managing Director & CEO, Bob Vassie, who replaced interim CEO, Inés Scotland.

Bob is a mining engineer and has held senior management roles in production, resource development, feasibility studies, strategic sourcing, business improvement, and corporate restructuring. Bob started his career with Anglo American Coal in South Africa, has consulted internationally, and before joining Ivanhoe Australia spent 18 years with Rio Tinto, mostly in global roles.

COST REDUCTION

The Strategic Review results announced in August 2012 included plans to reduce both capital ($69m-$74m) and operating ($44m-$46m) expenditure. The Company is on track to deliver the announced capital savings being:

- The Osborne Open pit has been deferred.

- The Osborne-Mt Dore haul road was redesigned and delivered at a reduced capital cost.

- Mining and mobile equipment maintenance activities have now been consolidated with one contract miner delivering reduced capital expenditures.

Operating and overhead savings identified and being delivered include:

- Head office cost reductions have been delivered incorporating reductions in staffing, use of consultants and travel expenditure.

- Site operating cost reductions have been delivered incorporating lower FIFO costs, reduced site overhead staffing and a reduction in light vehicles.

- The mining and mobile equipment maintenance contract has been awarded with savings anticipated during 2013.

- Refocussing of exploration plans and resultant expenditure is budgeted to deliver the identified savings in 2013.

RIGHTS ISSUE

Ivanhoe Australia successfully completed an accelerated non-renounceable 3 for 10 entitlement issue raising a total of approximately $76 million. The offer was very well supported by shareholders, with the Company's institutional shareholders taking up over 80% of their entitlements and a number of new institutional investors joining the register.

CASH POSITION AT 31 DECEMBER 2012

Ivanhoe Australia's cash position at 31 December 2012 was $45.6 million.

SALE OF EXCO RESOURCES LIMITED SHARES

As outlined in the September 2012 Quarterly Report, Ivanhoe Australia sold the remaining shares that it held in Exco Resources Limited to Washington H. Soul Pattinson & Company Limited ('WHSP'), under the takeover by WHSP which concluded in December 2012. Ivanhoe Australia received $14.6 million for the shares it sold in the takeover (in addition to the $4.6 million received for the initial sale of Exco shares in August 2012).

MINING PROCESSING ENTITY

Ivanhoe Australia has been informed by the Australian Securities Exchange (ASX) that, as it has been reclassified as a "Mining Producing Entity" under the ASX Listing Rules, it is no longer required to publish an Appendix 5B - Mining Exploration Entity Quarterly Report of cash flow.

CORPORATE INFORMATION

ISSUED SHARE CAPITAL

At 31 December 2012 issued capital was 714.5 million ordinary shares.

ASX & TSX Stock Code: IVA

QUARTERLY SHARE PRICE ACTIVITY

	High	Low	Last
Oct - Dec 2012	$0.906	$0.356	$0.495

To view Figures 1-3 and Table 3, please click the following link:
http://media3.marketwire.com/docs/iva131_F1-3_T3.pdf

Qualified & Competent Persons Statement

The drilling results at Mount Elliott were reviewed by Geoff Phillips, FAusIMM, Manager Resource Geology for Ivanhoe Australia who is a full time employee of Ivanhoe Australia.

The results for exploration prospects were reviewed and approved by Mathew Brown, MAIG, Regional Exploration Manager for Ivanhoe Australia 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 Canada's NI 43-101 standard for estimates and results included in this 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.

Geoff Phillips is a Fellow of the Australasian Institute of Mining and Metallurgy and Mathew Brown is a member of the Australian Institute of Geoscientists, and each 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. Geoff Phillips 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.

Quality Control and Qualified Person Statement

Quality control and quality assurance (QAQC) programs are implemented in line with the standards of National Instrument 43-101. These QAQC programs have been overseen and supervised by the individuals above on their respective areas of responsibility as defined above. As qualified persons they are responsible for the QAQC information contained in this report.

QAQC 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 QAQC reviews, and laboratory reviews to ensure procedural compliance for maintaining industry standard best practices.

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 future production estimate from the Osborne copper-gold business, concentrate shipping schedules, potential for capital or mining cost savings at Merlin, and exploration targets, outcomes or strategies.

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.

Contact

Ivanhoe Australia Limited - Corporate Information
Registered & Principal Office
Level 13, 484 St Kilda Road
Melbourne, Victoria, Australia 3004
TEL: +61 3 9090 8800 / FAX: +61 3 9090 8899
infoaustralia@ivancorp.net / www.ivanhoeaustralia.com