

Ivanhoe Australia Limited: Chief Executive Officer's Address

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MELBOURNE, AUSTRALIA -- (Marketwired - May 27, 2013) - [Ivanhoe Australia Limited](#) (TSX:IVA) (ASX:IVA) -

Good morning ladies and gentlemen and once again, welcome to your Company's Annual General Meeting. As the newly appointed CEO and Managing Director, this is my first AGM. I am pleased to be able to address you here to talk about the company and I am excited by the opportunities I see, even in this challenging environment. These challenges and opportunities are the reason I decided to join Ivanhoe Australia after 18 years with [Rio Tinto](#).

I am fortunate to have had broad experience in the mining industry across a range of commodities and global locations. My background as a mining engineer has seen me work in operations, resource development, and studies to bring mining projects to approval.

Our Chairman has broadly covered the vision and strategy of the Company going forward, so I'll concentrate more on providing you with additional insights into the Company on an operational level.

2012 was a transformational year at Ivanhoe, (reference key results slide) with the commencement of production from Osborne, completion of the exploration decline access to the Merlin orebody, a refocussing of the business by completion of the strategic and business review, and strengthening of the balance sheet through the successful completion of the \$80 million rights issue. Following the ownership changes and board changes there has been significant management change with my appointment, Annabelle Brooks appointment as Company Secretary and the very recent appointment of Mark McGeough as General Manager, Exploration.

Safety

Let us start with safety. The Company has a firm commitment to promoting a safety culture throughout the business, leading from the top down. It is not only a priority, it is a fundamental value. We want everyone to go home at the end of the day in the same state as when they started work. Despite significant organisational change and project activity, the Company has demonstrated a continued improvement in this area. During the 2012 year our Total Recordable Injury Rate fell from 27.7 to 18. This is particularly impressive given this was our first year of underground production activity. We have set an even more aggressive target for 2013, a TRIFR of 10, and we are on track to deliver this.

Along with safety, we continue to progress improvement initiatives in Health and Environment. This includes increased monitoring of the health impacts of our activities on our people, reduction in energy consumption by power station conversion to gas, and continued monitoring of water quality. As always, we continue to work closely with our Traditional Owners and pastoralists.

Osborne Copper/Gold Project

The Osborne Copper/Gold Project commenced processing operations in February 2012. The processing plant was successfully and safely commissioned and performance ramped up over the year to meet the top end of our initial guidance of approximately 800,000 tonnes mill throughput. Initial production was from the Osborne mine, with the addition of the adjacent and new Kulthor mine.

The Osborne - Mt Dore haul road was largely completed in December 2012. It is a critical component of infrastructure, providing a transport and haulage route from the Starra 276 mine, the Merlin project, and the central and northern areas of the Company's tenements to the Osborne processing facility and village. The road's completion enabled the commencement of production at Starra 276 mine in March this year, which allows us to target mill throughput of 1.5 million tonnes of ore in 2013.

The Company's focus now is on improving the operation's cash cost profile and in finding viable options for extension of the mine. Our C1 cash costs for the last quarter of 2012, before bringing Starra on line, were

US\$2.11/pound after gold credits. At that point our annualised production rate was 1 Million tonnes per annum. We are currently running at 1.4 Million tonnes rate.

The second half of the year will see us close the original Osborne underground mine as planned (as it is now very deep and lower grade) and produce from Kulthor and Starra 276 at full production rate. This will reduce our unit costs, and our C1 costs, although the gold credit has been negatively impacted by the drop in gold price as well as lower gold recoveries from the Starra ore feed. We are currently focussing on recovery improvement.

Accordingly, we are targeting C1 cash costs of US\$2/pound, compared to our previous guidance at US\$1.70 to US\$2.00/pound. We note that cash costs have peaked in the first quarter of the year (US\$2.85/pound), largely driven by the transition to new mining areas and the fall in gold credits. Cash costs in this current quarter and for the second half will fall to a targeted US\$2 as we achieve full production rates.

We continue to seek economic extensions to the Osborne project. Obvious targets lie adjacent to our existing mines and infrastructure and we believe we may be able to extend the life of our current Kulthor and Starra mines by around a year. The strategic review of last year indicated mid- 2015 as the end of the project, however we are targeting extensions to mid-2016. Additional mine- life extensions at Osborne depend on discoveries from other areas between the Osborne and Mt Elliott regions. However, those we have assessed so far look less likely at current metal prices.

Our current infrastructure can be made available for the Merlin project, our most advanced project based on the world's highest grade Molybdenum/Rhenium deposit.

Merlin

My background is in resource development and I am excited by this project.

The Merlin Feasibility Study was completed and lodged mid last year and showed a robust project at that stage. A \$30 Million exploration decline development accessed the orebody in early 2012. However, further development requires funding and the current metal prices are lower than those that prevailed at the time of the feasibility study.

The team is focussing on improving the project and, as we indicated in our Quarterly Report, the first stage of a value engineering project has indicated that we can considerably improve the concentrate grade produced, increase throughput, and reduce capital and operating costs. This work aims to clearly delineate a project that is robust even at current depressed metal prices, and one that can enjoy the higher price cycles over a long life.

The feasibility study came out with a 15 year mine life. However, drilling below the deposit and historic drilling in the area indicates a strong potential for resource upside. Indeed, there are strong Molybdenum/Rhenium indications over a 70 km strike within our tenements. I believe we may have a world class Molybdenum province here and one that could sustain a very long life of production.

We will be engaging with potential partners this year and we will be highlighting the head start we already have for this project:

- We have the resources, the world's highest grade deposit and great resource upside
- We have a full Feasibility Study in place and are revising it to improve capital and operating costs
- We have the infrastructure, including a gas fired power station, jet airstrip, modern accommodation village, the road to the deposit, workshops etc.
- We have the skills and capabilities. We have a team that successfully brought on three underground mines
- We have access. The exploration decline has already accessed the orebody
- Finally, we have the approvals, we have a mining lease granted for the project

Merlin is well advanced and could move to project commencement quickly. We will be very active in bringing the recent improvements into the feasibility study and engaging with prospective partners, to help fund the project. This is the project with the potential to provide long term operations and cash flow for our company, allowing us to leverage our skills to continue to explore, find, study and develop further projects.

We already have a significant copper/gold project in our pipeline, the Mt Elliott/SWAN project and we have

progressed that further recently.

Mt Elliott/SWAN

Mt Elliott/SWAN is one of the few large undeveloped copper/gold deposits in Australia. It has a stated resource of over half a billion tonnes. In order to understand the higher grade zones of this orebody we undertook a recent program of re-logging drill core complemented by a number of new long, angled drill holes to build a much more refined resource model. This is currently being completed and will provide a more solid basis to update the scoping study for the project. We plan to release an updated resource next month and the updated study in the third quarter.

Exploration

Until last year Ivanhoe Australia was solely an exploration and development company. This remains at the core of our company and is key to our growth strategy. We have over 5,700 sq kms of exploration ground in a highly prospective area in Queensland, surrounded by well-known and successful mines (like Mt Isa, Cannington, Ernst Henry) and we have strong skills and technical capabilities. I note that this is exactly the same ground that had us valued in the market as an explorer many times higher than our current market valuation. As referred to earlier, the Company has recently appointed Mark McGeough as General Manager, Exploration. Mark is particularly suited to the role, having extensive exploration experience for IOCG-style targets in and around the Ernest Henry and Mt Isa Mines for MIM and Xstrata. Mark was General Manager, Exploration with Toro Energy Ltd, where he built a successful exploration team and project portfolio, leading to Toro's Theseus uranium discovery.

A comprehensive review of previous exploration data and work was carried out during the latter part of the year and is ongoing. The review is focused on both identifying new targets and evaluating previously explored targets to progress the Company's exploration strategy. We have sharpened the focus of the exploration program this year, in order to concentrate on three key targets with the highest potential.

Corporate/Summary

As our Chairman mentioned, junior and mid-tier resource stocks have been hit hard and our stock particularly hard. However we are in a strong position compared to other juniors in that we carry no debt, and have operating cash flow in an environment when it is difficult to raise money.

My team and I are doing all we can to manage the business well so that we remain in a position to progress our growth strategy to generate long term shareholder return. A key aspect of this is a continued focus on costs. Related to this, the company is considering moving its corporate office to Brisbane to be closer to its operations and exploration ground and also to be better placed for the development of Merlin. This will also reduce corporate costs including travel.

We are also engaged with the Turquoise Hill process for selling their holding in our company, and our efforts are directed towards providing maximum value for all shareholders.

With the change of the Company's name to Inova Resources Limited, to be voted today, you as shareholders can expect to see a whole new vision of the company articulated - one that thrives on innovation, a balance of creativity with a disciplined approach, and renewed momentum.

I look forward to growing our company with you.

Bob Vassie
Chief Executive Officer & Managing Director

To view the document accompanying this press release, click on the following link:
<http://media3.marketwire.com/docs/i527a.pdf>

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