Norsemont Announces Results of Constancia Feasibility Study Optimization

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Capital Costs and Operating Costs within Expected Range Base Case NPV (8%) $810M, IRR 23%

(NPV and IRR after taxes, royalties, profit sharing and sunk costs)
(All dollar amounts are in United States dollars unless otherwise indicated)

TORONTO, Ontario and LIMA, Peru, Jan. 28 (CNW) - Norsemont Mining Inc. (“the Company“) (TSX: NOM, BVL: NOM) today announced the results of the Feasibility Study optimization (FSO) on the Company's 100% owned Constancia Copper Project. Ausenco Solutions Canada Inc (Ausenco) led and prepared the FSO and related NI 43-101Technical Report.

“The final results of the optimisation study are within the range previously announced by the Company on December 30, 2010,“ said Patrick Evans, CEO of Norsemont Mining. “The study delivers an economically robust, technically credible and environmentally sound development plan for the Constancia project.“

The Constancia copper deposit is a large-scale porphyry deposit located in an established mining district in the highlands of Southern Peru with access to good infrastructure. The FSO supports the development of a low-cost open pit mine with a nominal 70,000 tonnes per day (tpd) sulphide concentrator plant producing high-grade commercial concentrates of copper and molybdenum with throughput ranging up to 76,000 tpd depending on ore type. Silver and a small quantity of gold at payable levels will report to the copper concentrate.

The Constancia FSO is based on the Constancia and San Jose zones of mineralisation (“the Constancia deposit“), which were the first discoveries within Norsemont's Peruvian mineral concessions. The main focus of the FSO was to evaluate the potential to increase mine throughput during the later years of the projected mine life to effectively achieve an average life of mine throughput of 70,000 tpd. A review of the in-pit reserves was also carried out as part of the FSO and as a result of increasing the metal prices for the pit optimization parameters to reflect the current metal price environment, the in-pit reserves were increased by approximately 34%. With the increase in in-pit reserves, the life of mine (LOM) has also been extended by one year to a total of 16 years.

“The results of the FSO have provided for a more robust LOM throughput which equates to an increase in average annual concentrate production by approximately 28%. We are pleased with the results of the FSO. We are also anticipating the results from the Pampacancha scoping study and our ongoing exploration program which may have the potential to further augment our global resource,“ Norsemont's President and COO Bob Baxter reported. “The projected average operating costs are well within the range of current peer group operating costs and highlight the robustness of the Constancia Project.“

Further potential exists to increase the global Constancia resource with the successful exploration of both the Pampacancha and Chilloroya South prospects, which are in close proximity to the Constancia deposit. During Q4 2010, Norsemont contracted SRK CONSULTING (CANADA) INC.(SRK), a British Columbia corporation, to complete a scoping study on the Pampacancha prospect which is expected to be completed by Q2 2011. In addition to the scoping study, a new exploration program for Pampacancha and Chilloroya South discoveries has been approved by the Board of Directors. The initial budget for the current [in-fill] exploration program is $4 million. Subsequent increases in the exploration budget will be based on the success of this program.

Financial Highlights

Commodity Price Scenarios				
	Case 1			
Base Case		Case 2		
	Case 3			
NPV (8%)	810	1030	2,170	
IRR	23%	26	40	
Payback	3	3	2	

Note: NPV is quoted after taxes, royalties and profit sharing, and sunk costs.

Case 1 (Base Case): For NI-43-101 reporting purposes, Norsemont has elected to use the following long-term commodity price assumptions: $2.50 per pound (lb) copper (Cu), $14.5/lb molybdenum (Mo), $14.00 per ounce (oz) silver (Ag) and $1,000.00/oz gold (Au).

Case 2: $2.75/lb Cu,$14.50/lb Mo, $14.00/oz Ag and $1,000.00/oz Au.

Case 3: $4.00/lb Cu represents the 27 month Cu forward price. Other metals are based on recent metal prices of $16/lb Mo, $18/oz Ag and $1,200/oz Au.

Annual revenue is determined by applying the relevant metal prices to the annual payable metal production estimated for each operating year. Sales prices have been applied to all LOM production without provision for escalation or hedging. Annual cash flow projections were estimated over the LOM based on the projected estimates of capital expenditures, production costs and sales revenue. The sales revenue is based on the production of copper and molybdenum. Silver and gold are also present in the copper concentrates in the form of saleable by-product credits. Constancia is subject to a sliding-scale state royalty, which is projected to be 3% over the LOM, as well as a 0.5% royalty (capped at $10M over LOM) payable to the original property owner.

The post-tax cash flow model for the FSO was based on the 2009 NI 43-101 model which was prepared by Norsemont with independent expert support from Picon and Associates, a specialist tax consultant in Lima, Peru. The values used in the FSO model do not take into account escalation and financing costs, which continue to be investigated by Norsemont.

The FSO focused on the major elements of the project, mining, plant throughput, tailings and waste management and water management systems.

Capital Costs

The total capital cost estimate (includes direct and indirect costs) to design, construct and commission the Constancia facilities is estimated to be $920 million in development capital, an increase of approximately $74 million from the 2009 development costs that supported the 2009 feasibility study (FS) . Sustaining capital over the LOM is estimated to be $240 million, which is an increase of approximately $92 million from the 2009 FS sustaining capital requirements. Mobile mining equipment and the owner's construction equipment are included in the capital costs estimate. It is proposed that the owner will self-construct the bulk earthworks.

The accuracy of the capital and operating cost estimates reflects the level of detail of engineering design for each element of the project. Some aspects of the projects costs were updated in the FSO whilst others aspects remain unchanged from the FS.

Operating Costs

The average LOM operating cost for the mining operation, including pre-stripping, is $1.17 per tonne mined. These costs include drilling, blasting, loading, hauling, road and dump maintenance and general mining support. Mill process operating costs average $3.85 per tonne of ore, which includes crushing and conveying, grinding and classification, flotation and regrind, concentrate thickening, filtration and dewatering, tailings disposal and mill ancillary services. General and administrative costs are $0.48 per tonne of ore.

Total cash cost is estimated at $0.93 per payable pound of copper including the mining royalty, transportation, marketing fees, treatment and refining charges, government royalty, and by-product credits. Total cash cost including sustaining capital is $1.02 per payable pound of copper.

Mining & Production

The mining process at Constancia has not changed from the 2009 FS and is still a conventional modern hard rock open pit operation, supplying the nominal concentrator production capacity of approximately 70,000 tpd. However, throughput, metal recoveries and plant output will vary depending on the ore type being processed. Average annual production is 170 million pounds of recovered copper, 2,960 tonnes of recovered molybdenum, 1.8 million ounces of recovered silver, and approximately 10,800 ounces of gold as a by-product credit over the 16 year mine life. Over the first five years of production the Constancia mine is expected to produce 235 million pounds of recovered copper annually (107,000 tonnes of payable copper annually).

Constancia Mine Parameters

Waste Mined	Mt	450	
TMM	Mt	820	
Stripping Ratio	t:t	1.21	
Tonnes Processed	Mt	372	
Copper Concentrate	kt	4800	
Cu Payable (after losses)	Mlb's		2,750,000
Ag Payable (after losses)	Mozs	29	
Au Payable (after losses)	kozs	170	
Mo Concentrate	Kt	54	
Mo Payable (after losses)	Mlbs	47	

The proposed mine and all supporting infrastructure is largely the same as presented in the 2009 Technical Report. The main changes relate to the grinding circuit equipment in order to achieve the increased throughput from a nominal 50,000 tpd to 70,000 tpd when treating hypogene ore. The changes are reflected in the replacement of a single SAG mill with a dual-train circuit including two 36 foot SAG mills and two 26 foot ball mills and deferral of the pebble crusher circuit to year 6.

Constancia Mineral Resource Report

The mineral resource for the Constancia project has not changed since the release of the 2009 Technical Report. However, computations of global tonnage and grade estimates for the FSO were revised using more appropriate pit optimization parameters which have been checked and verified by SRK. The copper cut-off grades of 0.25% Cu, 0.20% Cu and 0.15% Cu (Table 1, 2 and 3, respectively) still correspond to those applied by Norsemont in the FSO. These cut-off grades do not represent an independent assessment by AUSENCO of an economic cut-off. The Constancia deposit includes the Constancia and San Jose zones.

Table 1

Constancia Project Global Mineral Resource Estimate 0.25% Cu Cutoff

Category	Cut off	Tonnes (M)	Cu%	Mo%	Ag g/t	
MEASURED	0.25	119	0.47	0.014	3.73	0.05
INDICATED	0.25	195	0.48	0.010	4.17	0.06
MEAS+IND	0.25	315	0.47	0.012	4.00	0.05
INFERRED	0.25	28.5	0.45	0.009	4.75	0.07

Table 2

Constancia Project Global Mineral Resource Estimate 0.20% Cu Cutoff

Category	Cut off	Tonnes (M)	Cu%	Mo%	Ag g/t	
MEASURED	0.20	138	0.44	0.013	3.54	0.04
INDICATED	0.20	254	0.42	0.010	3.81	0.05
MEAS+IND	0.20	393	0.42	0.011	3.72	0.05
INFERRED	0.20	48.8	0.35	0.008	3.82	0.06

Table 3

Constancia Project Global Mineral Resource Estimate 0.15% Cu Cutoff

Category	Cut off	Tonnes (M)	Cu%	Mo%	Ag g/t	
MEASURED	0.15	147	0.42	0.013	3.46	0.04
INDICATED	0.15	376	0.34	0.008	3.24	0.05
MEAS+IND	0.15	523	0.36	0.009	3.30	0.04
INFERRED	0.15	145	0.23	0.006	2.53	0.04

Constancia Mineral Reserves Report

The Constancia Mineral Reserve is the Measured and Indicated Resource contained in the proposed open pit mine that can be processed profitably and is scheduled for treatment in the FSO LOM plan.

Since revenue is derived from four payable components (copper, molybdenum, silver plus minor payable gold), Mineral Reserve reporting is based on a Net Smelter Return (NSR) cut-off that is estimated using the metal prices and other treatment, recovery and concentrate realisation parameters. In order to better reflect the changes in metal prices since the issue of the 2009 FS, improved metal prices for the optimization parameters were used for the FSO and are summarized in Table 4.

Table 4
Constancia Project Metal Price Deck for Pit Optimization Parameters

Copper Price	$/lb	$2.25
Molybdenum Price	$/lb	$14.50
Silver Price	$/oz	$14.00
Gold Price	$/oz	$1,000.00

The revised Mineral Reserve estimate, comprising Proven and Probable categories, is summarised in Table 5 below which equates to an increase of approximately 34% from the 2009 results.

Table 5
Constancia Project Global Mineral Reserve Estimate

Category	Tonnes (M)	Cu %	Mo g/t	Ag g/t	Au g/t
Proven	195,000	0.42	120	3.5	0.04
Probable	177000	0.37	92	3.7	0.05
Total	372,000	0.39	105	3.6	0.05

(1) Proven and Probable reserve totals are included within the Measured and Indicated resources quoted above. For purposes of the Feasibility Study, 107 million tonnes of low operating margin Measured and Indicated resources above the NSR cut-off grade scheduled for mining from within the ultimate pit have been treated as waste. This mineralisation may be re-classified to reserve in the future, subject to prevailing economic conditions.

(2) The Mineral Reserve is based on Net Smelter Return (NSR) cut-off since project revenue is derived from copper, molybdenum, silver and gold. For NSR evaluation, metal prices assumed were Cu $2.25/lb, Mo $14.50/lb, Ag $14/oz and Au $1,000/oz while average metal recovery to concentrates was Cu 89%, Mo 40%, Ag 80% to Cu concentrate and Au 60% to Cu concentrate.

Qualified Person and Data Verification

The Feasibility Study Optimization and NI 43-101 Technical Report were prepared by an integrated engineering team led by Ausenco as the primary author of the Technical Report. The following Qualified Persons were involved in the development of the FSO and the Technical Report, and have reviewed and approved the contents of this news release:

* Plant design and cost estimate preparation for the FSO was managed Greg Lane, MAusIMM, General Manager of Technical Solutions, Ausenco Minerals & Metals.

* Mining studies were completed and Mineral Reserves reported by Dino Pilotto of SRK Consulting, a Registered Professional Engineer, P.Eng. in Saskatoon and Alberta.

* Engineering design and costing of the tailings management facility, waste dump and surface water management infrastructure were the responsibility of Thomas Kerr, President of Knight Piesold and Co. (USA), a Registered Professional Engineer, P.Eng in British Columbia, Ontario and P.E. in California, Colorado and Alaska.

* Pit geotechnical design parameters were provided by Robert Cummings, Registered Professional Engineer in Arizona.

About Ausenco

Ausenco sets high global standards for leading edge engineering and project management services in the resources and energy sectors. Across 32 offices in 20 countries, Ausenco's people seek ingenious solutions for our clients in the Energy, Environment & Sustainability, Minerals & Metals, Process Infrastructure and Program Management sectors. The company's process engineering and project records are internationally recognised with extensive experience gained in copper, gold, uranium, nickle and iron ore. Ausenco services all stages of the project lifecycle and has completed minerals studies and EPCM contracts around the world.

SRK

SRK Consulting is an independent, international consulting practice that provides focused advice and solutions to clients, mainly from earth and water resource industries. For mining projects, SRK offers services from exploration through feasibility, mine planning, and production to mine closure.

About Knight Piésold

Knight Piésold is an internationally recognised consulting company that provides specialty engineering and environmental services to the global mining industry. For the Constancia DFS, Gilberto Dominguez, P.E., is serving as Project Manager and Thomas Kerr, P. Eng., P.E., is serving as Technical Director and Principal Author. The latter is the President of Knight Piesold and Co. (USA) with more than 25 years of experience in the mining industry.

About Norsemont Mining

Norsemont is a mineral exploration and development company advancing the Constancia Copper project in Southern Peru. The Company's Constancia project is located in Cusco department, approximately 100 kilometres south of Cusco, Peru. The company's shares are traded on the Toronto Stock Exchange under the symbol NOM, and on the Bolsa de Valores, Lima (BVL) also under the symbol NOM.

The technical information provided in this press release was reviewed and approved by Robert. W. Baxter (MAusIMM), the President and a director of the Company and a qualified person for the purposes of National Instrument 43-101.

For further information:

Mr. Bob Baxter, President and COO
Norsemont Mining Inc
Phone: 011- 51-1-99352-6473

Patrick Evans, CEO
Norsemont Mining Inc
Phone: 416-408-4088

E-Mail: investors@norsemont.com
Web Site: www.norsemont.com