

# Ivanhoe Australia and Emmerson JV at Tennant Creek

**F**resh from its initial success at Cloncurry in Queensland, Ivanhoe Australia Ltd (IAL) is now preparing to take on another Australian mining icon after signing a JV deal with Emmerson Resources Ltd over its Tennant Creek tenements.

The deal, worth \$28.1 million, will eventually hand Ivanhoe Australia a 51% interest in the majority of Emmerson's 2,700sq km tenements around the Northern Territory mineral field.

Under the terms of the agreement Ivanhoe Australia will commit \$18 million to exploration over a three-year farm-in period to earn a 51% interest in the majority of Emmerson's tenement package around Tennant Creek. Ivanhoe Australia must spend a minimum of \$7.5 million during the farm-in period, however it does not earn any equity until it meets the \$18 million.

After completing the farm-in Ivanhoe Australia must sole fund an additional \$10 million on exploration within a five-year period to maintain its 51% interest in the tenements.

It has also agreed to a \$2.94 million placement of 22.61 million shares at 13c each in Emmerson for an initial Australia 10% stake in the junior, with a further 27.9 million options at an exercise price of 20c to be issued in the next two years, potentially increasing Ivanhoe Australia's stake to 19.9%.

Ivanhoe Australia's major interest will be in Tennant Creek's potential to host major copper-gold deposits. The Tennant Creek Mineral Field (TCMF) has been a solid producer of small, high-grade gold and copper-gold deposits for more than 40 years but there have been few discoveries of major orebodies.

The potential for such discoveries increased in December when Emmerson released the results of the major geophysical exploration programmes it had undertaken during 2008 over the TCMF.

Those programmes identified the presence of more than 30 new gold-copper targets in the field that had previously gone undetected because they lie under extensive cover.

Speaking to **Paydirt**, Emmerson managing director Rob Bills said the deal would allow Emmerson to participate in the development of projects it alone could not fund.

"This agreement effectively secures the future of our company by ensuring that adequate funding is available to underpin a very significant exploration push over the next three years, enabling the JV to test a range of deep drilling targets and, if successful, fast track these through to development."

Bills said the success of the geophysical work was such that the Emmerson management team quickly realised it could not sufficiently test the targets by itself.

"When the results came out we realised there were far more targets that needed testing than we had money for. There was a mismatch



**Rather than reinventing the old mines of Tennant Creek, the new JV between Emmerson Resources and Ivanhoe Australia is looking to unearth a new generation of prospects**

between what would be required to test them and what we could realistically do.

"We recognised that we needed another company with deep pockets. Who did we want? We didn't want a company to come in, spend \$2 million and walk away because we've had at least 30 in the top quartile of our ranking sheet. If you just drill one of them, chances are its not going to turn out. You need to drill a selection of them."

Emmerson called for expressions of interest and eventually drew up a short list of four companies. Ivanhoe Australia was the standout.

"We asked who had the tenacity to stick by such a JV. We shortlisted a few companies and had discussions with them. Of the two that came out to Tennant Creek to look at the project, Ivanhoe was the keenest. They were so professional.

"I knew what Ivanhoe as a company was like from my days in Mongolia. It does a lot of deep drilling and has always had that tenacious quality.

"Look at Oyu Togloi. BHP Billiton Ltd wouldn't have done that, it didn't stick around. Ivanhoe has demonstrated that commitment again at Cloncurry with the Merlin discovery."

Ivanhoe Australia chief executive Peter Reeve was just as satisfied as Bills with the agreement.

"The investment in Emmerson Resources is an exciting development for Ivanhoe Australia, providing us with additional opportunities for large iron oxide copper-gold (IOCG) mineral discoveries in a region that, despite its long history of production, remains very under explored," Reeve said.

"This move continues Ivanhoe's strategy of securing tenements covering an entire mineral field, applying extensive geological science to that field and conducting a sustained and comprehensive drilling programme."

Bills said the speed the deal had been put together had surprised him.

"It did surprise me how easy it all was. The key is to get likeminded companies together. Both companies share a similar growth strategy: build the company through aggressive and innovative exploration.

"Ivanhoe has proved that in Mongolia and is now proving it in Cloncurry. Emmerson is the same. We came to Tennant Creek and wanted to do things differently. It was a big gamble for us (chasing the new greenfields targets). We spent \$2 million over 12 months on this, which is a big chunk of our \$20 million IPO. That is a big commitment from a junior company."

Bills said the Ivanhoe Australia technical team had been highly impressed by the work Emmerson's own exploration team had done, a statement backed by Ivanhoe Australia's willingness to allow Emmerson to continue management of the project.

"They came to Tennant Creek for a site visit and performed what was almost a technical audit. The way Emmerson has done things is exactly the way Ivanhoe would have done it and Ivanhoe is happy with Emmerson being the operator of the project."

A JV management committee will set overall strategy for the project.

Just as important for Emmerson is the absence of the small high-grade targets in the JV.

"They get access to all of our ground and can test what they want in regards to the Tier 1 gold-copper prospects. However, we will retain 100% rights to the smaller, Tier 2 deposits."

This means Emmerson will continue to sole fund its development of gold targets likely to deliver up to 250,000oz, allowing it to eventually switch on its 100%-owned Warrego mill.

"It means we can still pursue that and build up multiple 250,000oz resources and still get exposure to the Tier 1s."

The reaction from investors to the news was kind. On the day of the announcement, the company's securities shot up over 30% on the ASX.

"The market response has been fantastic but what I believe the market doesn't see is that it is only just starting. We now have the clout to test these Tier 1 targets. That \$18 million is modest – if there is early success it could end up far north of that figure."

Bills said the JV was the best chance for Emmerson to participate in the development of the large targets.

"What was the alternative to striking this deal? We could have raised some money, but not much – maybe \$5 million or so with the added problem of diluting the share holdings. This just blows that kind of move out of the water."

– Dominic Piper