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Tenants in common: The juniors sparking major interest in NT

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Big boys join juniors on Tennant Creek revival tour



The remnants of past mining operations can be seen scattered around the outskirts of Tennant Creek but now thanks to innovative juniors and aggressive majors, the region may be ready for a new era of activity

It was the district on which companies such as Peko Mines Ltd and Normandy Mining Ltd made their names but for more than a decade the Tennant Creek mineral field in the Northern Territory has been largely ignored by Australia's resources community. But now, through deals with a pair of tenacious junior companies, two of the world's most aggressive explorers – AngloGold Ashanti Ltd and Ivanhoe Mines Ltd – have put their foot on the district in the hope that the 5.5 moz gold and 470,000t copper produced during its heyday won't be the last of Tennant Creek's output.

AngloGold and Ivanhoe's 62.6%-owned subsidiary Ivanhoe Australia Ltd have set themselves apart from other large companies through their aggressive approach to exploration in other parts of Australia (Western Australia and Queensland respectively) and both are now viewing Tennant Creek as a likely source of the sort of high-grade gold and copper deposits so sought after in the current financial climate.

They have each chosen to do so by using junior explorers already well versed in the geological peculiarities of the district. In An-

gloGold's case it has a clawback option over ground in the Rover mineral field currently being explored by Westgold Resources Ltd. Ivanhoe Australia, meanwhile, has the right to earn up to 51% of a 3,000sq km portfolio of tenements in Tennant Creek from Emmerson Resources Ltd.

Paydirt takes a look at the two deals and what they are likely to mean for the development of a new generation of Tennant Creek gold and copper mines.

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Ivanhoe backs Emmerson on Tennant Creek crusade



Drilling on Emmerson Resources Ltd's Red Bluff project in Tennant Creek. Thanks to its JV with Ivanhoe Australia Ltd Emmerson is managing \$9 million of drilling each year for the next three years

While AngloGold is seemingly intent on waiting for Westgold Resources Ltd to make the big discovery before asserting its influence in the area, Ivanhoe Australia Ltd has moved in a more definitive way to secure a foothold in Tennant Creek's revival.

In April 2009 Ivanhoe Australia – the 60%-owned subsidiary of Robert Friedland's Ivanhoe Mines Ltd – signed a deal with ASX-listed junior Emmerson Resources Ltd, giving it the earn-in rights over the Perth-based company's 3,500sq km tenement package in the Tennant Creek mineral field.

Ivanhoe Australia has proven through its work in Mongolia on Oyu Tolgoi and more recently in Queensland with its Merlin molybdenum discovery that it is prepared to sink the cash into technically challenging exploration in the hope of uncovering major deposits in ignored or forgotten mineral fields. For Emmerson managing director Rob Bills, Ivanhoe Australia's entry into the field is justification of



Rob Bills

both his company's belief in its potential and of the work Emmerson has already completed.

"Ivanhoe believes in getting major positions in mineral provinces and through spending the money, using new technology and being brave enough to drill deeper they find the world-class orebodies. The company's work in Mongolia and Cloncurry is proof of that and now they are viewing Tennant Creek as having the same opportunities."

The deal saw Ivanhoe Australia commit \$28.1 million to exploration, eventually handing it a 51% interest in the majority of Emmerson's 2,700sq km land package in Tennant Creek. 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.

What the deal has delivered is the chance to take a dominant land position in a once pre-eminent Australian gold province. The last of Australia's great goldfields to be discovered,



Emmerson's tenure is littered with infrastructure from Tennant Creek's glorious gold producing past. The company hopes to play an integral part in its rejuvenation



Emmerson exploration manager Steve Russell (right) with Clontarf Academy student Ben Newcastle logging on site in Tennant Creek

Tennant Creek showed a solid production profile for over 30 years from the 1960s. The field's high-grade gold deposits (most averaged 15-20 g/t gold equivalent while producing) proved the making of companies such as Normandy and Peko but thanks to a fractured ownership the field has been largely neglected for the last decade or more.

Emmerson picked up the tenements, including most of the old production centres, prior to listing at the end of 2007, consolidating them for the first time in a generation. However, it was never Bills' intention to simply attempt to bring the historical mines back into production.

"The original idea when Emmerson listed in 2007 was to get the biggest ground position we could. We raised \$20 million in late 2007 but then the GFC hit soon after we listed. We made the ballsy decision to go out and, instead of drilling the old mines and prospects, collect some new geophysical data that could lead to a new interpretation of the entire field.

"All the old mines were outcropping, meaning the old work only scratched the surface because more than 70% of the area is undercover. We knew we couldn't repeat what Normandy and Peko had done because they were very good at exploration and didn't miss any easy targets. Therefore we decided to do some geophysical work, largely gravity, and we realised that all the undercover stuff was very similar to the known mineralisation. The gravity put a new look on the field."

Such a strategy is not conducive to produc-

ing the kind of immediate drilling results that will inflate a share price and the company realised it would need substantial financial backing if it was to continue applying new theories and strategies to the field.

"That gravity programme was very successful in producing targets but in the prevailing economic climate of the time we couldn't drill all the targets we generated or just drill a few and hope we got lucky, because luck is not a good base to build your business model on. Instead we used our extensive contacts in the industry in order to attract a JV partner for the project."

Emmerson was approached by a number of companies keen to buy into the project but knowing intimately the tricky nature of Tennant Creek orebodies, Bills wanted a company that was prepared to commit to the business of exploration.

"Tennant Creek deposits are notoriously hard to find because the gold is so concentrated and the footprint is so small. The historical average has been 5-10 drill holes before anything is found. Therefore we knew the usual \$2-3 million JV would not be appropriate. We needed substantial backing for a long time. Ivanhoe had the budget and they recognised the value of our team and the work we had been doing.

"We were attractive to each other because our businesses were based on similar strategies. We both have a strong belief in our technical exploration strengths and think they can bear fruit."

Since signing the deal the JV has been working hard to justify that commitment. Managed by Emmerson's geological staff, the exploration programme has set about testing some of the targets thrown up by the geophysical work. The largest known deposit in the field, Warrego, produced 2.7 moz gold over its life and there were a series of 1 moz deposits discovered in Tennant Creek's first great era. Bills believes there are many more of that size and potentially a few greater ones still to be discovered.

"Only 7% of all the drill holes in the area are deeper than 150m and all of them have been around the historical mines. That makes us think the story has only been half told. They are such difficult, but lucrative, orebodies to pinpoint that it takes a lot of drilling and a lot of work to find them.

"At this stage we still have that high technical risk because we are going so far undercover looking for deposits with small footprints but we have made progress on that technical front which has excited both us and Ivanhoe and as a result our understanding of the exploration needed has improved."

Bills said the exploration team had achieved pleasing technical successes but was conscious that investors would always be looking for the high-grade hits that send market pulses racing. However he was adamant the JV partners would not be changing strategy in order to garner market support.

"We have had many technical breakthroughs but it has been a little frustrating that



The Warrego plant may form part of the future operations in Tennant Creek whether by treating solely Emmerson/Ivanhoe ore or through toll treatment agreements

there has been a lack of high-grade hits. To be honest, we could go out tomorrow, drill the old mines and get the high-grade intersections that would excite the market, but that isn't our style. We have no interest in ramping up the share price. Instead we are looking for the Tier 1, 1 moz-plus deposits."

In that regard, Emmerson can call on strong shareholder support.

"We are lucky that we are pretty tightly held; around 60% of our shareholders don't sell at all. That means they are willing to show faith

in the approach we have taken."

Emmerson shares have fluctuated between 11c and 34c on the ASX in the last 12 months but the low volumes – trades rarely register over 350,000 – suggest the company has the commitment from shareholders it needs to execute its long-term strategy.

It is, of course, the presence of Ivanhoe as a supporter and backer which more than anything has allowed Emmerson to pursue its exploration strategy. If Bills was looking for a JV partner with long arms and deep pockets,

he has found one.

"We are spending \$7.5 million on 40,000m of drilling this year and there are few juniors who can call on that sort of budget. Ivanhoe has recognised the capability of our team and has been the ideal JV partner in that there are no strings attached to that funding."

The JV partners appear to have an ever-growing confidence in their approach. There are currently three rigs on site as the JV tests targets in the Red Bluff and Tinto areas. At Ella, one of seven targets at Red Bluff, the first two diamond holes intersected what Bills described as "very large ironstone" comparable to Warrego with anomalous zones of gold, copper, bismuth and molybdenum. Similarly on the Tinto project drilling has intersected ironstone over 500m of strike with reasonable low-grade gold.

Such results indicate the JV partners are on to the traditional Tennant Creek geology.

"We are now at the point where we are hitting the right host rocks consistently and there are many times when we are hitting the right alteration. We are getting 1-1.5 g/t gold but not the economic hits that investors are really looking for. We are in the systems it is now a case of finding the gold in those systems.

"We are drilling some deep holes, 750m in some cases. That is the type of boldness we are about. We just hope we put a few runs on the board in the near future," Bills said.

– Dominic Piper



The entrance to the Warrego gold mill. The plant was last in operation in 2005 before Giants Reef Mining went into administration