

JERVOIS MINING LIMITED



CHAIRMAN'S ADDRESS 2008 FOR 44th ANNUAL MEETING

This is our 44th year as a listed public company. The Company was first listed on the Adelaide Stock Exchange in 1962 and therefore still remains a South Australian company under the general supervision of the Manager, Companies, in Adelaide.

Global Financial Crisis (GFC)

For many of our shareholders and investors in general, the turmoil in World markets is a completely new experience. Subconsciously they expected the good times to roll on forever. Life is just not like that. I listened to Ben Bernanke being questioned by a Senator on the possible need for a new World reserve currency backed by gold. His answer was 'The American dollar is doing fine, there is big demand – we will 'print' all the dollars other countries want'. With people like that, we really are all on the edge of the abyss of hyper-inflation. For the first time in my life, I felt real danger for the future of us all and our descendants. We have all heard the 'horror' stories of Germany's hyper-inflation in the early 1930's. That spurred Hitler and the Nazi regime! The rank and file in Germany followed whoever fed and clothed them! Where is this all going to end? After this Address, I will ask Mr Richard Campbell to give us his views. Richard is one of our new Directors with considerable expertise in this field.

I will also ask Dr Mal Jansen to outline the Company's position on our chloride process for nickel/cobalt and its possible application for the Nyngan scandium resource. He will also give us an outline of a process for the Nyngan resource based on the use of sulphuric acid – a simpler option.

The Nickel/Cobalt Laterite Resource near Young, NSW

On 30th May 2008, the Company signed a 'Frame Agreement' with China Railway Group Limited Resource Development Branch, registered in Beijing, PR China and Yunnan Jiaming Technology and Industry Company, a company registered in Kunming, PR China.

This agreement required the three companies to enter into a formal Co-operation/Development Agreement by 31st October 2008. A deadline suggested by China Railways itself. Jervois was at all times ready and able to sign and indeed on 29th October 2008, the China Railways Group contingent seemed to indicate that they were ready to sign. Whatever happened in the next 48 hours, the deadline passed and the 'Frame Agreement' passed into history. After all this time, it was all very disappointing after we had all battled through the language barrier – a daunting task in itself.



It was to be the role of Yunnan Jiaming to provide patented (and unpatented) processes for the recovery of nickel and cobalt using hydrochloric acid. In the end we were not sure that they even had a process.

Many shareholders have telephoned or emailed wondering what went wrong. Possible explanations range from the global financial crisis, the collapse in the price of nickel, currency and Forex losses, a seemingly disastrous foray into the Congo (at least according to the rebels!) and just possibly the promised process just did not mature. My own view, not necessarily correct, is that the people we were dealing with had been cut-off from the money supply.

I can assure shareholders that Jervois did everything possible to conclude the formal Co-operation Agreement by the agreed deadline and indeed at the request of CRG, spent well over \$300,000 setting up facilities in Young, NSW and some extra drilling for mining design etc. Looking back on the exercise, it was damaging to the Company's interests to be unable to deal with other interested parties from 30th May 2008 when the Frame Agreement was signed.

On the credit side, the Company still owns 100% of the Young resource and believes (based on professional advice from its consultant metallurgists), that it is very close to having its own 'chloride' process. Other possible investors have approached the Company already. These negotiations take time however.

In the Quarterly Report to 31st October 2008, the Company reported the results of in-fill drilling for the Ardnaree resource - recorded as 44 million tonnes @ 0.78% nickel and 0.05% cobalt. The in-fill drilling results yielded better nickel and cobalt results than could have been reasonably expected from previous drilling and assay results. Perhaps this trend will continue.

Metallurgy Young Ni

A hot atmospheric chloride brine leach process has remained the main focus for extraction of nickel and cobalt from the Young nickel laterite resources. Alternative chlorides to the original magnesium chloride have been tested including an Ouototec laterite leach process with similar metal extraction values. The main challenge has been the subsequent economic conversion of the dominant by-product impurity metal chlorides such as iron, aluminium and magnesium to metal oxides with the associated regeneration of concentrated hydrochloric acid for recycle.

A low temperature hydrolysis process has continued to offer the most attractive chloride recycle option. However lab batch testwork proved slower and more complex than expected. Nevertheless major process improvements have recently been achieved in association with our North American process consultant including operation at greatly improved hydrolysis conditions, much higher hydrolysis conversion efficiencies and a much more flexible flowsheet for converting the dominant by-product chlorides to associated oxide products and strong acid for recycle.

Late last week, SMS Demag of Austria pleasantly surprised us all by advising us through our North American process consultant, NeoFerric Technologies, that Demag had successfully been testing a pilot scale, pickle liquor, ferric chloride, hydrolysis operation in Japan over several years and that they now planned to include this operation as part of a major new steel complex to be operational



by 2010. The existence of proven process design conditions and materials of construction for the key hydrolysis operation in the Young chloride leach process represents an exciting step forward for Jervois shareholders. We anticipate that mini-plant testing of the improved Jervois Young nickel flowsheet including the ferric chloride hydrolysis step could occur in the first half of 2009. In the meantime an update of the earlier Aspen mass and energy balance for Young is being carried out to evaluate the impact of the new flowsheet on preferred design conditions and on improvements to the economics of nickel and cobalt recovery.

Much work still remains to the continued development of the flowsheet for the Young resource but the process outlook is looking very much more encouraging than earlier this year.

NYNGAN, NSW

Nickel/Cobalt Laterite - Westlynn

Two holes yielded better than average nickel values (8 metres @ 1.39% nickel and 0.11% cobalt and 14 metres @ 1.17% nickel and 0.07% cobalt). As a consequence, an application has been made for more ground (about 50 square kilometres) to the North viewed as being prospective for nickel/cobalt laterites. Further drilling is planned for next year.

Scandium Resource - Gilgai

The Company has been assessing various processes with a view to the economic extraction of scandium oxide from this quite often refractory and metallurgically difficult resource. A selection of promising processes are now evident and a decision on the leaching step of the first scandium production process is imminent. In the meantime, the land on which the resource lies has been purchased and a small open pit has been designed. This plant will be configured to initially produce 10 tonnes/annum of scandium oxide at 99.9% purity.

The Gilgai limonite scandium resource consists predominantly of kaolinite with reducing order of abundance of goethite, hematite, quartz, maghemite and mica. No rare earth minerals appear to be associated with the scandium. EMP analysis by CSIRO indicates that scandium is primarily present in goethite, a hydrated Fe-oxide phase (FeO.OH), but with the distribution being inhomogeneous with not all goethite grains containing scandium.

Extensive laboratory pretreatment and leach testwork at Metcon Laboratories in Sydney and at CSIRO Clayton in Melbourne has demonstrated that a sulphuric acid pretreatment bake process followed by a water leach appears to offer more attractive economics and earlier potential commercial operation than a chloride leach process. Ion exchange and/or solvent extraction testwork, followed by product precipitation and calcining needs to follow to confirm the ability to produce 99.9% scandium oxide purity on an economic basis. A proposal has been requested from CSIRO for determination of preferred flowsheet conditions for ion exchange and/or solvent extraction through to target oxide product generation.

The option of chloride processing might be revisited if the costs of chloride hydrolysis for Young nickel laterite turn out to be especially attractive. However, current indications are that the sulphate route would be preferred for treatment of the Gilgai scandium resource.



Jervois will shortly commence the approvals process necessary to allow us to mine and treat this resource.

Interest in scandium oxide supply from the various end-users contacted by the Company seems genuine, with fuel cell components as the main target market. Detailed discussions on potential scandium oxide sales price, reported recently to be of the order of US\$1400/kg Sc₂O₃ for 99.9% purity, have yet to be initiated.

BULLABULLING GOLD MINE, WA

For the 2007-2008 financial year, 1714 fine ounces of gold were produced and sold for \$1,753,018. This represents a 5% increase in production from the previous year but a 35% increase in sales from the previous year. This heap leach operation traded at a loss and the sharply rising cost of diesel fuel hurt the operation. Calcium and iron coatings on the carbon in the columns caused problems but were resolved in the June quarter.

All mining operations have ceased but gold continues to be leached from the heap successfully. Any upward trend in the gold price might change matters. The turmoil in world markets could easily drive the gold price upwards in the next month or so.

NEW AGE EXPLORATION LTD – JOINT VENTURE

Gold & Base Metals - Bullabulling South, WA

A scoping study for a hydrogeologic survey of the Bullabulling South project has been completed. The survey will test water in various boreholes for a suite of elements. Any anomalous values will be followed up. A programme of scout drilling to test for geochemical anomalies was carried out in August/September. Assay results are awaited.

Uranium Exploration - Nalbarra, Lake Barlee West, Lake Giles, WA

Work on these tenements has been suspended as a number of WA Departments are considering approval for drilling. These include the Department of Industry and Resources, the Department of Aboriginal Affairs, the Department of Consumer Protection and the Environmental Protection Authority. Approvals are expected but with staff shortages in some Departments, it could take some time. We are in constant communication with the Departments in an attempt to facilitate the progress of the approvals.



FOREST REEFS COPPER - GOLD PROSPECT, NSW

Drilling of diamond drill hole FRNC017 commenced at EL4620 – Forest Reefs JV on 29 September 2008. FRNC017, with a nominal depth of 900m is designed to test the southeast strike extent of broad anomalous porphyry gold and copper mineralisation intersected in historic diamond drill holes FRNC005 (274m @ 0.18 g/t Au, 0.07% Cu from 282mdh) and FRNC008 (83m @ 0.22 g/t Au, 0.32% Cu from 435mdh).

The hole has also been designed to test a prominent magnetic high and coincident gravity low anomaly. The geophysical signature is interpreted to correspond with a felsic intrusive complex identified through historic diamond drill holes FRNC005 and FRNC008, which were completed 500m to the west of the collar position for FRNC017.

DIAMOND EXPLORATION

The Company is examining a number of areas considered by our consultant to be prospective for new diamond discoveries within Australia. Some analysts are predicting the shortage of 'gem' quality diamonds within a few years.

Duncan Pursell
26 November 2008

