

# JERVOIS MINING LIMITED

A.B.N. 52 007 626 575



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The Manager  
Company Announcements  
Australian Stock Exchange  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

## QUARTERLY REPORT TO 31 DECEMBER 2008

### **YOUNG, NSW**

### **Nickel/Cobalt Laterite**

### **Exploration Licences 5527, 5571 and 5152**

Shareholders should be aware that a Frame Agreement entered into with China Railways Limited – Resource Development Branch and Yunnan Jiaming Technology and Industry Company Limited was allowed to expire by these overseas parties. As a consequence, all discussion on the content of the required co-operation agreement between JRV and CRR/Jiaming ended on 31<sup>st</sup> October 2008. The Company's position on these matters was unanimously approved by the Board on 28<sup>th</sup> October 2008. The negotiating team comprising the writer, Mr. Richard Campbell (Director) and the Company's lawyer at the time Mr. Bryan Cumming, complied with the Board's unanimous direction but the 'Frame Agreement' passed into history on 31<sup>st</sup> October 2008.

This setback was caused, we believe by the withdrawal of financial support for the Chinese negotiating team and by massive currency and forex losses that the Chinese had apparently incurred as part of their world wide resource investment program, according to Associated Press.

The Board again tried to reach a new agreement with the Chinese in the following week (3-10 November). A meeting on 7 November 2008 was requested by CRR/Yunnan Jiaming but no progress was achieved. On 8 November the parties met for the final time where all agreed with the writer's suggestion that a third agreement should be prepared. This third agreement was prepared, circulated to all Directors for comment and then sent off to the potential Chinese participants. This latter document was only rejected on 3 December 2008 when it was accompanied by a 'Letter of Demand' from China Railway Resources (CRR).

The Jervois position is; as CRR refused to sign their own draft cooperation agreement in a timely manner, the US \$1.0 million was forfeited. CRR must have been inclined to the same belief because there was a desperate but transparent effort on 31 October 2008 to shift the blame to JRV for their failure to sign. JRV was at all times willing to sign the cooperation agreement. We even offered to sign before CRR, provided there was a firm promise for CRR/Jiaming to sign in China. No such assurance ever came and the matter drifted without resolution to the deadline of 31 October 2008.

It is worthy of note that under Clause 3, which goes to the root of the Frame Agreement, CRR/Jiaming had to provide a metallurgical process for the economic development of the Young resource by 31<sup>st</sup> October 2008. Dr. Mal Jansen, JRV's metallurgical expert, rarely obtained satisfactory replies to basic queries on the Chinese

process, and it seemed clear that the Chinese were unable to develop a satisfactory process by the October deadline. It follows that the only 'game in town' was JRV's own hydrochloric acid process, at least with regard to the Young nickel/cobalt laterite.

Jervois still owns 100% of the Young nickel/cobalt resource and despite the global financial crisis it will clearly become a big mine one day using the Canadian/JRV process with hydrochloric acid or some similar process. Impatient shareholders need only glance at the BHP Billiton 'Ravensthorpe' experience to realise how lucky JRV is not to be involved in a similar fiasco. The Board is determined that any mine opened at Young will be based on chemistry and a process that will meet all commercial challenges down to a nickel cash price of less than US \$3.00 per pound. *There will be no Ravensthorpe or Hopetoun experience for the City of Young.*

#### Update on Young Nickel/Cobalt Laterite Flowsheet

Further expenditure on process development test work for the Young nickel laterite and Gilgai scandium laterite projects in NSW is currently on hold, pending the outcome of the current Jervois capital raising. If sufficient funding becomes available a continuous mini-plant scale ferric chloride hydrolysis trial is proposed at NeoFerric Technologies in Montreal, Canada to demonstrate the Demag ferric chloride hydrolysis process for hematite production and hydrochloric acid recycle for the Young chloride leach project.

Process development test work completed during the last quarter has included further laboratory test work by Metcon Laboratories, Brookvale, NSW, on batch hydrolysis of synthetic ferric and aluminium chloride liquors. A process modeling report has recently been received from Arithmetek, Inc. of Canada providing an updated baseline Aspen flow sheet, mass and energy balance as well as energy plus reagent cost estimate for the Young nickel laterite atmospheric chloride leach process. The modeling allowed for recovery of cathode nickel and cobalt by SX-EW, production of hematite and magnesia as by-products and recycle of hydrochloric acid for leaching. A natural gas based magnesium oxide option has been shown to offer significantly lower operating costs than a calcium oxide and sulphur based option. Indicative natural gas and reagent costs are of the order of US\$2/lb Ni. Further test work and a preliminary engineering assessment is recommended to confirm potential viability of the magnesium oxide option.

#### **NYNGAN, NSW (Gilgai resource)**

##### **Nickel, Cobalt and Scandium in Laterites**

##### **Exploration Licences 6009, 6095, 6096 (and ELA 3578)**

#### **Scandium Resource Statement**

| <b>Category</b> | <b>Tonnes</b>     | <b>Grade (ppm Sc)</b> |
|-----------------|-------------------|-----------------------|
| Measured        | 2,718,000         | 274                   |
| Indicated       | 9,294,000         | 258                   |
| <b>Total</b>    | <b>12,012,000</b> | <b>261</b>            |

The Company continues to assess its process options and expects to re-start test work to finalise the process selection. Some caution is being exercised given the world financial turmoil.

#### Gilgai Scandium Laterite Flowsheet Update

If sufficient funding becomes available, a lab scale ion exchange test work program by CSIRO in Clayton is proposed to select a preferred ion exchange and/or solvent extraction flowsheet to recover high purity scandium oxide from the sulphate bake water leach process for the Gilgai scandium project. A number of optimisation tests were carried out at Metcon Laboratories during the last quarter to determine preferred acid bake and water leach conditions for scandium recovery from high grade Gilgai scandium limonite resource (320 ppm Sc.).

A draft report was received from Metcon on the results of all testwork undertaken at Brookvale on the Gilgai leach flowsheet during 2008. Further test work is currently on hold.

Nyngan - Westlynn EL 6009, ELA 3578

A previous explorer estimated an Indicated Resource of 16 million tonnes at 0.83% nickel and 0.06% cobalt. The Company reported encouraging nickel and cobalt assays in the last Quarter resulting in an application for a further 50 square kilometres of exploration area. As soon as this application is granted, further drilling will be carried out. A drill has been scheduled for March/April 2009.

**BULLABULLING GOLD MINE – WA**

**Mining Leases 15/282, 483, 503, 529, 554 and 1414**

**Exploration Licence 15/158**

Gold Production - December Quarter

415.6 fine oz of gold was produced for the Quarter and sold for \$485,654. Mining operations have been resumed to a limited extent. This is expected to be increased as the price of gold seems to be finally tracking the hugely inflationary proposed solutions to the GFC in America, United Kingdom and Europe. Shareholders should be aware that when interest rates approaching zero have no effect on the major economies the only weapon left is inflation. This translates to gold mining plus some uranium mining being the safest targets for exploration companies. This has led to some extremely smart companies positioning themselves for entry into gold production or, as a minimum, any very prospective gold area. Jervois is fortunate to have its own well established gold area at Bullabulling with in excess of 400,000oz of resource readily available. However, the ultimate potential is much greater, possibly up to 1.0 million oz. if deeper drilling is undertaken in the future.

**FOREST REEF JOINT VENTURE, NSW**

**Exploration Licence 4620**

**Newcrest Operations Limited (NOL) 80%**

**Jervois Mining Limited 20%**

For the December 2008 quarter NOL have reported as follows:

Diamond drill hole FRNC017 at EL4620 - Forest Reefs JV was commenced on 29 September 2008 and completed on 16 October 2008 at 915.8m. The hole was designed to test the southeast strike extent of broad anomalous porphyry gold and copper mineralisation intersected in diamond drill holes FRNC005 (274m @ 0.18g/t Au, 0.07% Cu) and FRNC008 (83m @ 0.22g/t Au, 0.32% Cu). The hole intersected strongly altered Forest Reefs Volcanics composed of coarse polymict volcanoclastic breccia and conglomerate, massive andesitic volcanic and medium grained inequigranular monzodiorite, beneath a thin Tertiary basalt cap.

Table 1: DDH FRNC017 Location Details

| Hole Id | Hole Type | MGA_East | MGA_North | RL  | Final Depth (m) | Dip Degrees | Azim (mag) | Azim (MGA) |
|---------|-----------|----------|-----------|-----|-----------------|-------------|------------|------------|
| FRNC017 | DDH       | 695369   | 6295415   | 932 | 915.8           | -60         | 210        | 223        |

Full assay results have been received to 915.8m, with most significant intersections returning:

**20m @ 0.81g/t AuEq** (0.1g/t AuEq cut off) from 272mdh, including 2m @ 6.81g/t Au from 282mdh;

**24m @ 0.73g/t AuEq** (0.1g/t AuEq cut off) from 350mdh, including 4m @ 1.55g/t Au from 354mdh;

**42m @ 0.62g/t AuEq** (0.1g/t AuEq cut off) from 750mdh, including 2m @ 3.92g/t Au from 758mdh; and 2m @ 4.62g/t Au and 9360ppm Cu from 772mdh.

For completeness of results, significant assay results received to 915.8m reported as a gold equivalent (>0.1g/t AuEq cut off and >10m) are presented in Appendix 1.

Expenditure during the last quarter was \$363,736 and excludes any management fee.

Appendix 1: Significant Intersections (>0.1g/t AuEq cut off and >10m) FRNC017

| HOLE ID | Hole Type | MGA E  | MGA N   | Max. Depth | Dip    | Mag Az | Interval   |
|---------|-----------|--------|---------|------------|--------|--------|--|
| FRNC017 | DDH       | 695369 | 6295415 | 915.8      | -60.00 | 210    | <p><b>26m @ 0.33 g/t AuEq from 30m</b></p> <p>2m @ 0.53 g/t Au from 36m;</p> <p>1m @ 0.17 g/t Au from 40m;</p> <p>9m @ 0.52 g/t Au from 46m;</p> <p><b>16m @ 0.32 g/t AuEq from 80m</b></p> <p>13m @ 0.32 g/t Au from 83m</p> <p><b>12m @ 0.20 g/t AuEq from 226m</b></p> <p>2m @ 0.31 g/t Au from 228m</p> <p>2m @ 0.31 g/t Au from 232m</p> <p><b>20m @ 0.81 g/t AuEq from 272m</b></p> <p>2m @ 6.18 g/t Au and 0.09% Cu from 282m</p> <p><b>24m @ 0.73 g/t AuEq from 350m</b></p> <p>4m @ 1.55 g/t Au &amp; 0.38% Cu from 354m</p> <p>2m @ 0.49 g/t Au &amp; 0.14% Cu from 362m</p> <p>2m @ 0.33 g/t Au &amp; 0.30% Cu from 366m</p> <p>2m @ 1.16 g/t Au &amp; 0.17% Cu from 372m</p> <p><b>10m @ 0.32 g/t AuEq from 384m</b></p> <p>2m @ 1.02 g/t Au from 384m</p> <p><b>16m @ 0.27 g/t AuEq from 460m</b></p> <p>2m @ 0.44 g/t Au from 466m</p> <p>2m @ 0.62 g/t Au &amp; 0.12% Cu from 472m</p> <p><b>14m @ 0.14 g/t AuEq from 648m</b></p> <p><b>16m @ 0.11 g/t AuEq from 676m</b></p> <p><b>10m @ 0.12 g/t AuEq from 716m</b></p> <p><b>42m @ 0.62 g/t AuEq from 750m</b></p> <p>2m @ 3.92 g/t Au from 758m</p> <p>2m @ 4.62 g/t Au &amp; 0.94% Cu from 772m</p> <p><b>10m @ 0.11 g/t AuEq from 794m</b></p> |

\* Significant results >0.1g/t AuEq (Cut Off >10m) are as follows (subject to QA/QC checks) AuEq calculated by  $AuEq = (Cu\% \times 2) + Au$ . Maximum 2 consecutive meters internal dilution i.e. <=2m below AuEq cut off all internal dilution must be carried above cut off by an adjacent assay i.e. average above cut off.

## **NEW AGE EXPLORATION LIMITED – JOINT VENTURE (NEW AGE EARNING 60%).**

### **Nalbarra Project Joint Venture E59/1264, E59/1257**

Approval to explore on Exploration Licence 59/1264 has reached a stage where government approvals are expected after discussions with the Department of Indigenous Affairs. The native title claimants have inspected the drill area for artefacts. ELA59/1257 has been granted and reassessment and analysis is being done of airborne radiometrics previously flown in the area. A follow up ground reconnaissance survey using a scintillometer will follow the radiometric analysis.

### **Lake Barlee and Lake Giles Projects Joint Venture E77/1332, E77/1333 and E77/1345**

Approvals for drilling programs are currently with Native Vegetation Branch of the Department of Industry and Resources. The application for Clearing Permit requires inspection and a report by a Botanist and Biologist on the recently proclaimed Environmentally Sensitive Areas. Maunsell's, a large consultancy group in this field has been engaged to complete the field work by 21/01/2009. A field reconnaissance using a scintillometer will be run in parallel with the flora and fauna survey. Following the presentation of the report to the Department of Mines and Petroleum it is expected that approval to commence the drilling program will be granted.

## **NEW AGE EXPLORATION-JERVOIS MINING**

### **Bullabulling South Joint Venture**

#### **P15/4742 to P15/4748, P15/4998to P15/4999 and P15/4887**

Previous extensive geophysics, with follow up drilling, was unsuccessful in finding nickel grades of any significance. The project is 20 kilometres to north west of the Nepean Nickel Mine that has reported nickel grades of higher than 10% in nickel sulphide ore bodies recently. The ultramafic rock encountered by the drilling is consistent with those which contain nickel sulphides.

An auger drilling program on a grid with east west lines 500 metres and samples taken at 50 metre intervals was successful in discovering extensive nickel and gold anomalies in the pedogenic calcrete layer in the soil.

The nickel anomalies encountered were 400ppm Ni to 737ppm Ni, up to 2 kilometres long and 800 metres wide. The gold anomalies encountered were 25ppb Au to 75ppb Au with one spot high of 1010ppb Au. The anomalies extend up to a kilometre long and 500 metres wide, but need infill auger work to help define the size of the anomalies with more precision. Once this is completed a reassessment of the underlying rock types and structures will allow planning a more extensive drilling program.

## **DIAMOND EXPLORATION**

The Company has made applications over a number of areas in W.A. considered prospective for new diamond discoveries. Further applications elsewhere in Australia are planned. The Company is advised in these matters by our new Director, Professor Ken Collerson (B. Sc. (Hons) PhD; currently Establishment Director, Advanced Centre for Queensland University Isotope Research Excellence and Professor of Earth Sciences at the University of Queensland) author of numerous technical papers on the origin of diamonds from the Earth's mantle. The writer also has extensive experience of actual diamond mining in West Africa.

## **DIRECTORSHIP CHANGES**

Ms. M. Leydin resigned as a Director on 28 December 2008. This followed her resignation as Company Secretary on 26<sup>th</sup> November 2008. Following this, additional appointments were made and the Board has now been increased by 2 to a total of 5 Directors with the addition of Professor K. Collerson and Mr. D. Foster. The latter is the Resident Director for W.A.

Ms. Leydin and Mr. R. Campbell purported to call an EGM prior to Ms. Leydin's resignation. The requisitions for an EGM were deficient. Thus at the time of writing there is no valid requisition for an EGM.

The writer was appointed as the Company's 'continuous disclosure' officer about 2 years ago. It follows that any public comment by Directors should be made through the writer in this capacity or indeed as Managing Director. In this era of 'continuous disclosure' there should be no public utterances necessary by non-executive Directors.

Expenditure on exploration for the quarter was \$115,998.00.

By Order of Board,



DUNCAN C. PURSELL  
MANAGING DIRECTOR

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by D.C. Pursell (MAusIMM) and Mr D. Foster, (MAusIMM). D.C. Pursell and D. Foster have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.  
D.C. Pursell and D. Foster consent to the inclusion.