

# JERVOIS MINING LIMITED

A.B.N. 52 007 626 575



29 April 2009

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

## QUARTERLY REPORT TO 31 MARCH 2009

### **GILGAI SCANDIUM (NSW)– POSSIBLE PARTNERS FOR MINE DEVELOPMENT**

As announced on 15 April 2009, the Company has commenced negotiations with one European group and one Asian group, both of whom wish to increase world demand for scandium oxide by possibly a factor of two within a short period of time. This novel development is interesting and would certainly provide a major boost to the Company plans for significant cash flow from the Nyngan scandium resource. We can only speculate on the proposed use for this additional product. Fuel cells are often identified as a possible end-use but the extent of the above projected increase in demand suggests that there must be something else planned, possibly something to do with changes in the car industry.

It is the writer's view that there is a near certainty that the most important development in the history of the Company will be signed off within the next two months. Successful development of the scandium resource should allow the Company to proceed with the Young nickel/cobalt laterite on its own and at its own pace.

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

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

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

Following a pause in exploration expenditure after the Global Financial Crisis, air-core drilling will be carried out on a new nickel/cobalt laterite target north of the known Nyngan (Gilgai) nickel/cobalt resource, established by a previous explorer. Drilling is scheduled to commence 4 May 2009. A cumulative 1800 metres of exploration drilling is planned for the new nickel/cobalt target and a further 200 metres of drilling is planned for production of a bulk sample of saprolite\* from the existing Nyngan (Gilgai) scandium resource for further scandium testwork.

*\*a species of clay mineral usually underlying an iron-rich zone in laterite*

## **GILGAI SCANDIUM LATERITE FLOWSHEET/TESTWORK**

External project development funds are being sought by Jervois from key potential overseas users/buyers of 99.9% scandium oxide for funding the next development phase of the Gilgai scandium project. Proposed work requirements include IX/SX test work by CSIRO and associated tests also independent engineering studies by others on the Jervois sulphuric acid bake and water leach flowsheet. Batch leach tests are also planned at Metcon for characterizing the behaviour of Gilgai saprolite samples, in support of the extensive series of bake and leach tests on existing Gilgai limonite samples. Current project targets are completion of a bankable feasibility study within 12 months and, subject to successful economics and financing, to completion of a small, relatively low cost, commercial plant to produce 10-20 TPA 99.9% scandium oxide within 12-18 months .

## **YOUNG, NSW**

### **Nickel/Cobalt Laterite**

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

#### **Frame Agreement – China Railways Limited, Resource Development Branch (CRR)/Yunan Jiaming**

Shareholders are referred to the first five (5) paragraphs of the Quarterly Report to 31 December 2008. These paragraphs are an accurate account of what happened to the Frame Agreement with CRR. Since our report of that account, we have been able to obtain confirmation from confidential sources in Shanghai that the purported CRR/Yunan Jiaming process for nickel laterites has been discredited by a large Chinese group who are now offering an alternative process. This explains why our metallurgical expert Dr Mal Jansen, could never get satisfactory answers to basic questions on the Chinese process before, or indeed after, the Frame Agreement deadline of 31 October 2008. Under Clause 3, which goes to the ‘root’ of the old Frame Agreement, CRR/Yunan Jiaming had to provide a process for the economic development of the Young nickel/cobalt resource by 31 October 2008. This clearly did not occur before the Agreement deadline, in breach of the CRR/Yunan Jiaming obligations under the old Frame Agreement.

Recently the Company received a written request from CRR for ideas from Jervois for a way forward for resolving the purported dispute with Jervois. By way of reply on 6 April 2009, we suggested mediation. However we also stipulated that the substantial costs incurred by Jervois at Young at the written request of CRR had to be paid in full before matters could start to move at all. The Company also wrote to Melbourne based Jonathon Wong Lawyers who represent CRR in Australia. This letter outlined events from the signing of the ‘Frame Agreement’ through to the failure of CRR to sign its own version of the required second agreement before the 31<sup>st</sup> October 2008 deadline. It was pointed out that the interests of Jervois Mining Limited were greatly damaged because the Young nickel deposit was tied up with CRR for 5 months during the biggest nickel boom in history. Despite this damage to Jervois, in early April 2009, the Company offered CRR its choice of the following three options (and no other options) for resolution of the dispute:

1. Mediation
2. A new ‘Australian-type’ joint venture under which CRR would earn equity in the Young project over a period of years.
3. In the belief that CRR would be happier on its own, Jervois, subject to shareholder approval, would sell the Young resource to CRR for AUD\$100 million plus a royalty per tonne.

In addition, in order to re-establish trust, the Company requested that all litigation considerations should be dropped forthwith and CRR should immediately re-imburse the funds expended at the written request of CRR at Young. The Company also requested that negotiation was to be conducted solely through Jonathon Wong Lawyers and the writer (Managing Director, Duncan Pursell).

There has been no response from CRR on these matters.

We also advised in our letter to Jonathon Wong that the services of our former Chinese agent, Double Link Pty Ltd, had been terminated and that Double Link no longer represented JRV in any capacity.

It should be pointed out that our Chinese and Japanese shareholders (collectively a huge voting block) are totally opposed to Jervois doing any deal with CRR.

China Railways Resources (CRR) have also been asked in writing to confirm reports attributed to them, that CRR would return to the Young project if the writer (Jervois' Managing Director) stepped aside. This report has been widely circulated in blogs, the Press and indeed even attributed directly to the Board of Jervois by ex-Director Mr Richard Campbell. The latter claimed to possess written proof of these reports but neither he nor Double Link Pty Ltd, our former agent for China, have been able to deliver said document to the Board despite numerous requests. A letter to CRR posing the same question failed to obtain any response at all. It is Jervois conclusion that any speculative report of CRR being willing to return to the Young project after a change in the Managing Director of Jervois is without CRR official sanction and should therefore be dismissed as being without foundation.

#### Nickel Laterite

As foreshadowed in the last quarterly report, no new laboratory test work or flowsheet improvement studies were carried out on the Young nickel laterite chloride leach project during the quarter. However, in preparation for a continued but measured series of future laboratory and engineering work programs to advance the chloride leach technology on a carefully controlled basis during the rest of 2009, the following work activities were carried out:

- a. A draft hydrolysis test work report was prepared by Metcon Laboratories, Brookvale, Sydney covering the results of an extended series of batch ferric chloride hydrolysis tests undertaken by Metcon during 2008.
- b. A request was made and a proposal accepted from ACSI (Canada) for a prefeasibility engineering study covering a review of the existing flowsheet and development of capital and operating cost estimates for a 50,000 TPA Ni chloride leach plant based on NeoFerric Technologies flowsheet. Jervois target cash operating cost is less than US\$3/lb Ni.
- c. A request was made and proposal received from Arithmetek Inc (Canada) for an update of the most recent chloride leach flowsheet simulation, but with recovery of hematite, alumina, magnesia and chromite as saleable by-products rather than discard as waste to tailings
- d. A review was made on the possibility of Jervois participation in a limited consortium of Canadian companies undertaking continuous mini-pilot test work in Montreal later this year for chloride leach flowsheets developed by NeoFerric technologies for laterite and sulphide base metal resources

#### **NEW ACQUISITION – NEW AGE EXPLORATION (NAE)**

##### Deed of Termination and Release/Deed of Assignment (Redfeather JV)/Share Placement

Jervois Mining Limited (JRV) and New Age Exploration Limited (NAE) have negotiated and signed a Deed of Termination and Release of a previous joint venture (JV) agreement dated 6 June 2006. A Deed of Assignment,

Assumption, Consent and Variation has been entered into with NAE and Redfeather Holdings Pty Ltd over a base metal and gold prospect called 'Bunnawarra'. Under the terms of this JV, JRV and NAE will have the right to ultimately earn 80% of the Bunnawarra prospect and will jointly meet the commitments pursuant to the Redfeather JV.

#### Terms and Conditions

JRV will take back the NAE equity in gold and uranium tenements at Bullabulling South and Lake Barlee, Nalbarra etc and re-imburse NAE about 50% of its exploration costs (ie \$300,000). NAE will be re-imbursed 50% of its exploration expenditure at Bunnawarra (\$70,000). NAE will get a royalty of 2% of gross gold sales from Bullabulling and \$2 per pound of any uranium (U<sub>3</sub>O<sub>8</sub>) sales. The ultimate objective is to acquire sufficient tenements prospective for uranium in JRV to justify an IPO for a listed uranium company.

NAE was offered and accepted a placement of 200 million JRV shares @ \$0.004 and paid \$800,000. JRV was offered and accepted 6 million shares in NAE @ \$0.13 (\$780,000) to bring its equity in NAE to approximately 16%. Shareholders in JRV and NAE will be offered participation in the IPO for a new listed company. Preparation work for the latter has commenced.

#### **NEW ACQUISITION – GOLDPRIDE PTY LTD**

The above company is the beneficial owner of six (6) mining tenements near Bullabulling where Jervois operates a gold mine and six (6) mining tenements with potential for uranium occurrences that dovetail with tenements presently owned by Jervois. These tenements have been independently valued and the preferred valuation placed on these tenements was \$1.54 million. A further eight (8) tenements recommended by Goldpride Pty Ltd, but not included in the above valuation, were assigned directly to Jervois Mining Limited who became the applicant. These latter tenements are located 'on strike' five kilometres north of our Bullabulling mine site.

The uranium tenements will be passed, as announced, to a planned IPO on the now substantial uranium exploration tenements owned by the Company.

Jervois Mining Limited will issue 125 million new shares for the acquisition of the above Company and thus the various mining tenements. The issue price for the shares was \$0.004.

#### **URANIUM EXPLORATION**

**Nalbara Exploration Licences 59/1264**

**Lake Barlee West Exploration Licences 77/1332-3**

**Lake Giles Exploration Licence 77/1345**

#### Uranium - IPO

This potential IPO is scheduled for early next financial year and work has already started for a draft Prospectus. Various required experts have been or will be retained shortly. The exploration tenements for the Prospectus

will be the Jervois/New Age Exploration (NAE) uranium exploration targets plus the uranium tenements acquired following the acquisition of Goldpride Pty Ltd from prospector Shane Fitch.

The expectation that China will have to go 'nuclear' for 'clean' power generation is predicted by experts to sustain or increase the uranium price for years to come. This floor on price is expected to create a favourable 'window' for sales of uranium by small to medium producers such as the proposed new Jervois uranium entity.

### **BULLABULLING GOLD MINE – WA**

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

**Exploration Licence 15/158**

#### **Gold Production – March Quarter**

Three hundred and twenty one (321) fine ounces of gold was produced for the Quarter and sold for \$442,282. Production was affected by the end of year holiday period but the average sale price of A\$1,378 per fine ounce helped.

Mining operations have been resumed and following some encouraging drilling results east of the Eileen laterite resource, an extension of the leach pad has been established with a schedule to be in use by the end of May 2009. This new pad will extend operations for 12 months at least and also allow the operation to potentially treat 'custom' resource from another mining company from July 2009.

Gold and uranium mining are still the safe options for exploration companies and this is likely to continue for some years. The price of gold, although relatively high, continues to confound the experts. It should be much higher, most agree.

### **FOREST REEF JOINT VENTURE, NSW**

**Exploration Licence 4620**

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

**Jervois Mining Limited 20%**

NOL have reported as follows:

*"No field work was completed.*

*Final assay results were received for diamond drill hole FRNC017 at EL 4620 Forest Reefs JV from 826 – 915m. No significant intersections >0.1 g/t Au or >0.1% Cu were returned.*

*Expenditure during the last quarter was -\$101,579 and excludes any management fee.*

*It should be noted that the expenditure for the December 2008 quarter was overstated by \$68,578.80 with a trueup completed in the March quarter 2009 to correct this overstatement."*

### **DIAMOND EXPLORATION**

**Western Australian Tenements**

In December last year the Company applied for two tenements in the Margaret River area of Western Australia, with the objective of diamond exploration. These tenements were targeted on the advice of diamond expert and Board member Professor Ken Collerson of the University of Queensland.

At this time, one tenement has been granted (E70/3560 'Quigup'). The other licence is currently pending.

A surface exploration program in the area is planned for July of this year at cost potentially of the order of \$100,000.

### **DIRECTORSHIP CHANGES**

On 29 December 2008, Ms Melanie Leydin resigned as a Director. Two new Directors have been appointed, Dr Ken Collerson and Mr Derek Foster. At the EGM on 2 April 2009, the position of then existing director Mr Richard Campbell was subject to vote by shareholders. The vote resulted in his removal as a Director.

#### **Dr Kenneth David Collerson**

Dr Kenneth D. Collerson (BSc[Hons]; PhD), was the Establishment Director of ACQUIRE (the Advanced Centre for Queensland University Isotope Research Excellence). He is currently a Professor in the School of Earth Sciences at the University of Queensland in Brisbane.

Dr Collerson has previously held Professorships at Universities in Canada and USA. He was a Senior Research Fellow at the ANU Canberra and has been a visiting Professor at Tokyo Institute of Technology and Tohoku University in Japan where he conducted research relevant to a new exploration paradigm for diamonds. He has industry experience with BHP, Chevron Petroleum and Diamond Fields International, among others.

Dr Collerson's recent specialization involves radiogenic isotope and trace element geochemistry, the evolution of Precambrian lithosphere, research on late Archaean and early Proterozoic crustal evolution and the mineralogy of diamond sources in the Earth's mantle.

Dr Collerson will select areas with potential for diamond discoveries within Australia and possibly Brazil on behalf of the Company and supervise all exploration in this area.

#### **Mr Derek Foster**

A geologist, Mr Foster (B.Appl Sc [Applied Geology], MAus IMM) has an extensive background as a 'hands-on' geologist with experience in Victoria, Western Australia, Northern Territory and Queensland. He has worked in gold, uranium and mineral sands. He is resident Director of the Company for West Australia. He is particularly knowledgeable on the Bullabulling gold area having worked there for many years for CKGM.

### **COMPANY SECRETARY**

Mr John Neill was appointed Company Secretary as an interim measure, expected to be approximately 3 months in duration. The Board will review the matter in due course.

### **FUND RAISING**

On 7<sup>th</sup> January 2009, the Company announced a Non-Renounceable Entitlement Issue of one (1) New Share for every five (5) shares registered at the record date (16<sup>th</sup> January 2009) at an issue price of \$0.004 per New Share. An acceptance rate of about 32% was truly amazing against a background of the Global Financial Crisis. Since closure of the Issue, almost the entire shortfall of about 290 million shares was placed successfully thereby ensuring the raising of \$1,713,000 before costs.

## **EGM REQUEST PURSUANT TO SECTION 249(D) OF THE CORPORATIONS ACT**

On 6 February 2009, there was a request for an EGM by a group of shareholders seeking to change the whole Board and effectively pass Board control to Mr Norman Seckold and Mr Peter Nightingale, without the normal share premium being paid for control.

This was, and will be, opposed by the incumbent Board.\*

*\*on the 2<sup>nd</sup> April 2009 shareholders rejected these proposed changes in their entirety.*

## **EXPENDITURE FOR QUARTER ENDED 31 MARCH 2009**

Expenditure on Exploration for the quarter was \$32,058.

By Order of the 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.