

Tennant Creek deal lifts Emmerson, Ivanhoe

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TENNANT Creek explorer Emmerson Resources has inked a \$A28 million deal with Ivanhoe Australia over its tenements in the resurrected Northern Territory gold district.

Shares in both companies were buoyed by the news, with Emmerson jumping 4.5c or 40% this morning to 16c, while Ivanhoe rose 11c or 7.3% higher to \$1.61.

The deal will see Ivanhoe – the Australia-listed vehicle of Canadian copper and coal miner Ivanhoe Mining – sole fund exploration some \$18 million over three years to earn a 51% interest in most of Emmerson’s tenements in Tennant Creek



Ivanhoe will also subscribe for a \$2.9 million placement in Emmerson at 13c per share, leaving Emmerson with \$13 million in cash.

The placement will give Ivanhoe a 10% stake in the company, and with an additional 28 million options this stake could increase to 19.9%.

Ivanhoe must spend a minimum of \$7.5 million during the farm-in period of three years, but won’t earn its 51% stake in the tenements unless it spends the full \$18 million.

Beyond that, Ivanhoe must sole fund any developments over half a million ounces of gold equivalent to earn a 70% interest in these projects, provided those projects hit a full million ounces of gold equivalent.

Anything under 250,000oz gold equivalent will be retained by Emmerson, which also owns the Warrego gold treatment plant in the region – the only gold plant in the Tennant Creek region.

The Perth-based explorer said it would manage the JV but representatives from both companies would be on the exploration management committee.

Emmerson has also just approved its own \$4.3 million 2009 exploration spend which will now be fully-funded by Ivanhoe.

Company managing director Rob Bills told *MiningNews.net* he expected this program would be ramped up significantly once the exploration committee meets.

Emmerson’s tenements cover some 2700 square kilometres of ground in the Tennant Creek region, which has produced more than 5.5Moz of gold since the 1930s.

The company had started speaking with prospective partners for the Tennant Creek region in November last year.

“We did a big geophysical program up there last year and we’ve processed all that data and we think we understand the geology and the undercover geology much better, and a whole heap of undercover drill targets come out of that,” Bills said.

The company came to the realisation its pockets weren’t deep enough to fund the drilling needed at those prospects, and Bills said the company had looked for partners willing to invest in persistent, deep drilling programs over a longer timeframe.

He said Ivanhoe went through a rigorous due diligence over Emmerson's prospects earlier this year and, as the deal indicated, had approved of the way Emmerson was managing its exploration program.

The JV's drilling program will focus on the Trinity area, on the eastern side of Emmerson's tenements.

"We're done some RAB drilling over there during the wet season – we were expecting parts per billion geochemical results for that, and we got grams per tonne, very good results for geochemistry, so that's an obvious area that is very interesting," Bills said.

With the \$13 million cash in hand, Bills said the company would be looking at the "tier two" deposits beneath 250,000oz, and Emmerson can elect to pursue targets through that provision, as well as pursuing other tenements beyond the Ivanhoe JV.

The agreement with Ivanhoe is conditional on Foreign Investment Review Board approval, as 83% of Ivanhoe is still owned by its Canadian parent.

The deal also needs consent in principle from the Central Land Council, which represents traditional landowners in the region.

Ivanhoe Australia chief executive Peter Reeve said the region had potential for large gold and copper-gold deposits.

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