

Télimélé

Guinea's next iron ore mine?

ASX-listed exploration company Nemex Resources states that extremely encouraging exploration results demonstrate that the footprint of the high-grade iron ore extends well beyond the resource that it has defined to date from its flagship project – the Télimélé iron project in west Guinea. Nelendhre Moodley reports.



High-grade iron mineralisation (blocky, horizontal horizon) in a metallurgical test pit.

A concept study based on the initial resource has subsequently revealed early cashflow opportunities. The company is already investigating capital-raising opportunities aimed at bringing the project into production by as early as year-end 2014, states MD Peter Turner.

Nemex says that it has taken the Télimélé iron project in the mineral-rich West African country of Guinea from a grass-roots exploration play to a resource and potential development project in a short period of time.

The high-grade Télimélé iron

project is located 120km off the west coast of Guinea and close to major infrastructure, including roads, and 60km from two rail lines. The average iron values of the ironstone are 60% Fe (range of 58% – 62% Fe). The dominant mineral in the ironstone is haematite, with minor goethite, limonite and magnetite present.

A recent report has revealed new discoveries of high-grade (50%-60% Fe based on Niton analyses) Télimélé ironstone up to 3m thick intersected at four large, new prospects covering about 10km². The mineral resource of



MD Peter Turner.

258mt @ 37.3% Fe, including 16.8mt @ 55.1% Fe, is expected to increase.

Backed by these attractive incentives, Nemex recently completed a concept study to determine the viability of early iron ore production.

The concept study weighed-up different iron ore transport options using rail, road and a combination of both against three production scenarios of 1mtpa, 2mtpa and 5mtpa export rates. The 2.5mtpa export scenario emerged as the most commercially viable start-up option, but with a view to increasing this to over 5mtpa over time. With a capital investment range of just \$60-\$130m, Nemex says it will be able to unlock a significant iron ore export opportunity for the company and deliver early cashflow.

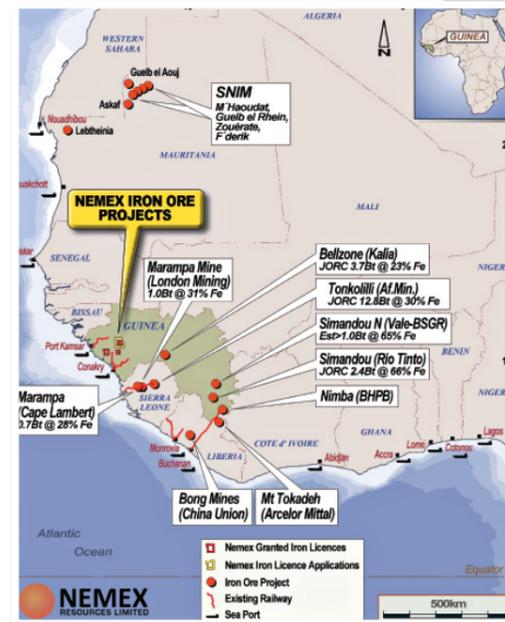
“Over a 10-year life of mine the company can generate between \$300 and \$400m. Generating such significant cashflow on a relatively small start-up project is extremely encouraging,” states Turner.

The maximum \$130m capital expenditure option will cover the cost to develop the project, including processing plant, capital equipment and quayside terminal. With his background in project development, Turner is keen to take the project up the value curve.

In a bid to secure funding the company is already negotiating with a number of groups.

However, tight market conditions have forced the company to expand its equity raising efforts globally.

“The normal avenues for fund-raising, such as the Australian markets, are not as fluid as they were in the past. The recent poor commodities performance has made investors reasonably nervous.” However, this has not dampened Nemex’s capital-raising drive, which has seen it engaging South African banks in initial debt financing discussions to build the project.



“There are certainly various options available, joint venture partnerships or pure project investment avenues. So far, there is considerable interest in the project,” adds Turner.

Nemex has had talks with potential off-take partners, who have expressed an interest in transporting and selling the product into Asia. “Normally, we would be considering negotiating and finalising an off-take agreement six months ahead of production, but we are extremely pleased with the level of interest shown by a number of international commodity traders. We have given guidance on a lump product of 60.6% Fe and 2.0% silica and we have found that the commodity traders are not only interested in the ultra-low silica values but have also



Sampling the high-grade (>60% Fe) ironstone from surface in a metallurgical pit.

indicated that there could be some product pricing incentive for Nemex if the product could be blended with other ores at port in Asia.”

With the expectation of being in production before year-end 2014, the company certainly has its work cut out. Key milestones include, completing resource drilling with new resource and reserve estimates in hand before year-end, a final bankable feasibility study and construction commencement by April 2014.

The company is further encouraged by the government of Guinea’s proactive stance towards mining. Recently released mining codes are in favour of mining. “There have certainly been a few significant revisions which make investing in the country more attractive. Corporate tax has been reduced from 35% to 30% and extraction tax from 3% to 1.5%,” Turner explains.

From a relatively unknown entity a year ago, Nemex’s Télimélé iron project has caught and held the attention of attendees at the 3rd African iron ore conference in Cape Town (June 4-5).

“The fundamentals of the project are extremely attractive: Télimélé has high-grade iron mineralisation, it is direct shipping ore requiring only a simple crush and screen process located close to major infrastructure (road and rail) and the project is placed close to the coast – these factors set this project apart from other iron ore projects in the West African region.”

Guinea is home to a number of high-profile iron ore projects, such as Rio Tinto’s Simandou Project, Bellzone’s Kalia project and the Mount Nimba iron ore project.

“Nemex could well be the next iron ore project to get off the ground in West Africa,” states Turner. ■