

THE NORTHERN MINER

THE GLOBAL
MINING
NEWSPAPER

www.northernminer.com

OCTOBER 3-9, 2011 • VOL. 97, NO. 33 • SINCE 1915

Outlook brightens for American Vanadium's Gibellini



PHOTO BY IAN BICKIS

Visitors at American Vanadium's Gibellini vanadium project in Nevada in January.

VANCOUVER — **American Vanadium** (AVC-V) has significantly improved the economics of its Gibellini vanadium project in Nevada, thanks in small part to an improved outlook for vanadium oxide prices.

A 2008 scoping study, based on US\$5.90 per lb. vanadium oxide, concluded that the Gibellini project had a 27% after-tax internal rate of return (IRR), a US\$55.6-million net present value (NPV) using a 7% discount rate and a US\$117-million after-tax cash flow.

The company's new feasibility study, based on US\$10.95 per lb. vanadium oxide, bumps those numbers to a 43% IRR, a US\$170.1-million NPV and a US\$275.7-million after-tax cash flow.

The improved financials cut the capital cost payback in half, while the estimated capital cost has gone up by US\$8 million to US\$95.5 million. Operating costs, however, have crept up from US\$3.06 per lb. to US\$4.10 per lb. of vanadium oxide.

American Vanadium has also boosted

the anticipated mining rate for the open-pit mine to 8,700 tonnes per day, compared with 5,000 tonnes per day for the previous study and corresponding to a jump from 8.4 million lbs. vanadium oxide produced per year for the older base-case model, to 11.4 million lbs. produced per year in the latest study.

The study was based on a seven-year mine life, but does not factor in the adjacent Louis Hill resource. The strip ratio is a healthy 0.22-to-1, and recovery for the heap-leach operation is at a 65.9% average, combining the oxide and transition layers.

Reserves stand at 18.1 million proven and probable tonnes grading 0.302% vanadium oxide over the oxide and transition zones for 120.5 million lbs. of vanadium oxide. There are 11 million lbs. of measured and indicated resources outside the reserves, plus 12.9 million inferred tonnes grading 0.172% vanadium oxide for 49 million contained lbs. that were excluded from the

study. The company continues to explore five other properties in the region to expand potential resources.

American Vanadium has not identified significant environmental issues on the site, which is located 400 km east of Reno near the town of Eureka in a remote part of Nevada. The company secured water rights earlier this year. The heap-leach operation should not use much water, but the company noted it was a critical step for the project in the arid climate.

The company recently closed a \$1-million offering, issuing 667,000 units at \$1.50 each. Units contained one share and one-quarter of a warrant, with full warrants exercisable at \$2 until February 2013.

American Vanadium's share price dropped 3¢ on the day to end at \$1.30 with 46,000 shares traded. The company has a 52-week share price range between 53¢ and \$1.95, and 27.3 million shares outstanding.