



STOCK EXCHANGE ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

28 October 2009

OREGON MINERAL SANDS PROJECT

During the quarter ended 30 September 2009, Industrial Minerals Corporation Limited (“**IMC**” or “**the Company**”) continued with pre production development of the Oregon Mineral Sands Project. Activities that were ongoing from the previous period were the formalising of product marketing agreements and Memorandums of Understanding and operating permit related activities. A formal offer of terms relating to a \$US30 million facility from Macquarie Bank Limited was received and accepted and activities relating to the equity component were ongoing. Expenditures were primarily limited to the aforementioned processes.

Todd Lessard – Director of Engineering and Joseph Drew – Director of Geology, presented a paper at the 2009 Heavy Mineral Conference (HMC) in Drakensberg, Republic of South Africa (attached to this announcement is a copy of the paper). The paper co-authored by Lessard and Drew titled “*Developing a new process design based on the unique geological characteristics of an industrial mineral bearing placer system in south-western Oregon, USA*” was presented to the audience comprising the principal participants in the heavy minerals industry.

PERMITTING

Permitting continues to progress contemporaneously with other pre-construction phases of the project development. The Company, together with its legal and environmental consultants have responded to all requests from the agencies and submitted additional materials, if necessary. Currently, the Company is awaiting a completeness determination from the Department of Geology and Mineral Industries (DOGAMI) with regard to the Mine Operating Application and expects that this determination to issue in the near term. The Company expects the remaining permit to be issued in a reasonably timely manner and remains confident that all approvals will be in place in due course. The Solid Waste Exemption Permit relating to the mine site was received in early October 2009.

PLANT DESIGN AND ENGINEERING, PROCESSING SITE

Plant design and engineering have been significantly completed with no additional third party work scheduled until project financing is in place.

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TIMING AND PRODUCTION SCHEDULE

The schedule for wet plant commissioning and full production should occur respectively ten and twelve months following closure on total project funding.

MARKETING

CHROMITE

The market for non metallurgical grades softened in the latter part of the quarter due to lessened demand and completion of inventory build by end users and distributors. This contrasted with the previous quarter. However, the price for zircon sand, which in part is used as foundry sand, remained constant from the prior quarter. USA

During the quarter the Company's consultant completed a detailed 240 page report covering the results and protocols undertaken during the product testing of the Company's material, undertaken at the foundry facilities at the University of Northern Iowa (UNI). The report and protocols will be available for industry to assist with attaining improved quality and reduced cost when using the Company's chromite in creating specialty castings.

Results confirmed that the Company's chromite had higher tensile and finish compared to zircon sand and chromite currently used in the United States and Europe. The test results will be provided to leading foundry sand distributors and consumers and available shortly on the Company web site. These and prior results confirm the value proposition that will be provided to foundries that produce high quality castings and currently use zircon and South African chromites. The Company's chromite can substitute for zircon foundry sand in most foundry applications and will command a significant premium over conventional foundry chromites while the price of zircon foundry sand remains at a premium.

GARNET

The current market in the United States remains soft as garnet supply for industrial applications such as water-jet are in surplus. This is expected to improve with economic conditions. The majority of garnet used in the United States is foreign sourced and negatively impacted by the weakness in the \$US. The Company is confident of placing its planned domestic production of Garnet for this market prior to the commencement of full production.

HIGH IRON

A ten year Purchase and Sale agreement was executed with IGC technologies covering the total Hi/Iron production. The agreement provides for mutually acceptable annual pricing reviews and is exclusive to IGC.

ZIRCON

The Company's zircon was further evaluated during the UNI tests and when blended with the chromite demonstrated excellent synergistic qualities. The total zircon production is covered under an agreement with HA International.

SUMMARY

Plant commissioning and production is contingent on total project funding. A US\$30 million senior debt facility is in place and conditional primarily on securing the requisite equity component.

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CORPORATE

At a meeting held on 22 July 2009, shareholders approved the issue of 125 million shares offered under a share placement and Share Purchase Plan.

The value of the Australian dollar appreciated against the \$US compared with the end of the previous quarter. The Company retains the majority of its funds in \$A converting to \$US as expenditure warrants. The Company's cash balance at 30 September 2009 was \$3.20 million.

Shareholder Information

As at 30 September 2009 the Company had 735 shareholders and 290,894,500 ordinary fully paid shares on issue with the top 20 shareholders holding 63.9% of the total issued capital.



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Developing a new process design based on the unique geological characteristics of an industrial mineral bearing placer system in south-western Oregon, USA

J. DREW* and T. LESSARD*

**Oregon Resources Corp., Coos Bay, Oregon, USA*

Initial study relating to the deposition, mineralogy, and logistical requirements of a unique industrial mineral bearing placer system in south-western Oregon, USA, has led Oregon Resources Corporation (ORC) to develop new process, mining, and reclamation designs that will maximize the overall success of the project. The placer deposits are tectonically acted upon, leading to deposition that is relatively variable in terms of heavy mineral grade and mineralogy. Material handling and wet/dry processing were designed to allow for flexibility that produces consistent quality and quantity of chromite foundry sand, garnet and zircon. Ore will be trucked approximately twenty miles to be processed where water, electricity, and natural gas are readily available. Dewatering of the tailings ensures low process water requirements and prevents water leakage from trucks returning with tails to the mine site. Dewatering tailings at the process site also eliminates the need to construct pond systems for mine site reclamation. ORC intends to have the reclamation efforts follow immediately behind the mining activities within the same pit, keeping the working footprint of the mine site very small.

Introduction

Oregon Resources Corporation (ORC), an industrial minerals mining company, is currently engaged in the development of a new process design that will allow the unique paleo-beach placer deposits of south-western Oregon to be mined efficiently and economically, creating an additional domestic source for chromite, garnet, and zircon.

Engineering design has been guided by the variable geology and mineralogy of the paleo-beach placer deposits as well as the need for a dry tailing scheme that resolves a lack of water resources at the placer locations and at the same time eliminates the need for slurry settling ponds, typical of paleo-beach placer operations in North America.

Metallurgical study of the placer material was grouped into four distinct samples based on marine terrace deposition, geological facies, and mineralogy. Because the metallurgical samples represented the extremes likely to be encountered in all future Oregon paleo-beach placer ores, the process design is highly dynamic and will successfully adjust to meet the production needs.

Water availability at the mining area is seasonal and will not support a typical placer operation's water requirement needs for heavy mineral concentration. For this reason, ORC has developed a plan to construct the ore processing facilities near Coos Bay, where a municipal source of water is available. Raw ore will be transported from the mining sites approximately twenty miles one way to the processing facility with return loads hauling tailings back to the active pit. The need to haul dry tailings, return dry material to the pit for reclamation, and limit the amount of water being purchased from the municipality has driven the design of a unique water reclamation system.

Background

Location and access

Economic concentrations of 'black sand' or heavy mineral (minerals with specific gravity greater than 2.85) have been recognized and studied in marine placers from Coos Bay to the mouth of the Rogue River, a distance of approximately 75 miles along the southern Oregon coast (Hornor, 1918; Griggs, 1945) (Figure 1).

ORC will begin mining existing reserves approximately 20 miles south of Coos Bay in a region known locally as Seven Devils. Ore will be trucked north to the processing site near Coos Bay via use of existing county and state roads, including U.S. 101.

The available facilities at the processing site include highway, rail, municipal water and electricity, natural gas, and a deep water port. At the time of this writing, the rail line had been abandoned, but was being pursued by the International Port of Coos Bay. It is anticipated that this will be serviceable at some time in the future.

History

The southern Oregon marine placers have garnered the interests of miners since 1852, when present day beaches were exploited for gold. The beach deposits were small and irregular in nature and were easily washed away by the major storms the coast endures during the winter months (Hornor, 1918).

In the 1920s, deposits at the beach were followed upstream to their paleo-beach terrace origins (Pardee, 1934). These terrace placers were mined, but with little success, as the cost of mining and processing was greater than at the present day beach deposits.



Figure 1. Location map of southern Oregon with major sediment source rivers (Peterson *et al.*, 1987)

The greatest effort to understand and delineate the paleo-beach terrace placers came during World War II. As the need for a domestic source of steel hardening chromite was evident, the heavy mineral bearing placers of south-western Oregon provided just that. The U.S. Geological Survey, under guidance from the Oregon Department of Geology and Mineral Industries, began exploration drilling of the paleo-beach terraces in 1940 (Griggs, 1945). This work was part of the investigation of strategic mineral deposits and would ultimately supply much needed chromite for the war efforts.

The first mining efforts began in 1943 by the Humphreys Gold Corporation and the Krome Corporation (Griggs, 1945). Black sand concentrates averaging roughly twenty five per cent Cr_2O_3 were produced at the mining sites via wet gravity processes and trucked to the Defense Plant Corporation's separation plant near Coquille, Oregon, where the black sand was further concentrated to approximately forty per cent Cr_2O_3 .

Humphreys Gold Corporation developed and utilized the revolutionary helical spiral separator for the purpose of concentrating the heavy mineral of the Oregon paleo-beach placers (Allen, 1943). Today, this methodology is still utilized in hundreds of mining applications from placer mining to coal processing.

Geology

Regional geology

As with any marine placer deposit, one must understand the

source of the economic minerals, the transport mechanisms, segregation and depositional systems, and preservation of the deposits.

The heavy mineral of the south-western Oregon placers are sourced from the metamorphic and ultramafic rocks of the Klamath Mountains (Twenhofel, 1943). The Klamath Mountains are located in south-western Oregon and north-western California. Within the metamorphic and ultramafic terrain exist alpine-type podiform chromite deposits. Several small operations have attempted to exploit these deposits with little success, given the podiform variability (Libbey, 1963).

Several major rivers including the Chetco, Rogue, Elk, Sixes, and the Coquille drain from the Klamath Mountains to the Pacific Ocean (Kulm *et al.*, 1968). Mineral grains in currently identified paleo-beach placer deposits have been chemically analysed with ion microprobe analysis to demonstrate that their sources are indeed the existing rivers whose watersheds begin in the Klamath Mountains and in the regions of the alpine-type podiform chromite deposits (Peterson *et al.*, 1986).

Once the sediments reach the Pacific Ocean, predominant longshore currents transport the sediments northward. Headlands along the paleo-coastline reduced the energy of the currents and allowed for the preferential removal of dense particles according to Stokes's law (Peterson *et al.*, 1986). Currently, deposits of heavy minerals are forming off the coast of southern Oregon, following the same mode of deposition adjacent to prominent headlands (Cape Blanco) (Kulm *et al.*, 1968). Another characteristic of the Oregon coast is the fierce storms and high energy wave action that occurs along the beaches. This high energy environment is sufficient to segregate the dense from light minerals and is amplified during storm events.

Finally, once the economic heavy minerals are in place and concentrated, the deposit must be preserved. Such industrial mineral placers around the world typically show preservation via high sea level stands and subsequent regression, leaving behind the coastal remnant. The Trail Ridge deposit, which stretches from Florida to the Carolinas, represents such a depositional model. Economic heavy minerals have been mined from this ridge since the late 1940s to the present. It is suggested by Peterson, *et al.* (1986) that the southern Oregon paleo-beach terraces were formed by a transgressive sequence that encroached approximately five kilometres inland from the present-day beach followed by regression, high sea-level stand, and a subsequent progradational beach forming sequence, thus forming the overall geomorphology of the region into a stair-step sequence leading down to the present day beach (Peterson *et al.*, 1987).

Terrace geology

Although several terraces exist, ORC's operation currently is developing reserves within the Seven Devils and Pioneer terraces (Figure 2).

The Seven Devils terrace has been suggested to be 124 000 years old (Pleistocene) (Adams, 1984). The terrace has been uplifted to an elevation of 75 to 85 metres above present sea level and is inland five kilometres, roughly parallel with the current beach. The Seven Devils terrace can be traced from approximately seven miles south of Cape Arago to Cape Blanco to the south, a distance of approximately fifty kilometres. Griggs (1945) suggests that the terrace is truncated to the east by normal faulting, leaving a sharp contact between the terrace sands and an

older Tertiary mudstone (weathered to clay in most areas). To the west, the terrace is eroded by the subsequent formation of the younger Pioneer terrace (Figure 3).

Peterson, *et al.* (1987) interpreted stratigraphic sections studied within the Seven Devils terrace to represent a transgressive sequence. Deposition on the Seven Devils terrace represents the nearshore to inner shelf deposition of the transgressive sequence. Exploration drilling by the Krome Corporation and ORC indicate the presence of

additional tensional faulting in the nearshore environment that increased the thickness of the sediment package. As a result, typical nearshore orebodies (North and South Seven Devils) have mineralized sand depths from surface to maximum of thirty metres, while averaging fifteen metres. Typical of the nearshore deposition, the delineated reserves are characterized by a basal conglomerate of well-rounded rocks and agates overlaying the weathered Tertiary mudstone (Baldwin *et al.*, 1983 and ORC drilling). Coarse sands overlay the conglomerate and include some of the highest concentrations of heavy minerals, in some cases up to ninety five per cent. These higher grade units typical reflect lags created under high energy storm sequencing. Upsequence, a general fining upwards exists, representing the transgressive nature of the ocean. Heavy mineral concentrations are recorded throughout the entire sequence, but there is no doubt that as the transgressive sequence progressed and energy shifted from high breaker/swash zone to seaward energies, segregation and concentration waned. In stark contrast to the lower zones of deposition, the upper zones typically contain two to ten per cent heavy mineral. Authigenic clays derived from feldspars and other weathered minerals exist within the deposits and represent ten to fifteen per cent of the ores within the nearshore environment. Bioturbation does exist in the form of branching tubes very typical of nearshore environments (Hunter, 1980).

West of these deposits on the Seven Devils terrace, ORC has further delineated the Westbrook (Sec. 4E), West Bohemia (Sec. 4E), and Section 33 deposits. These deposits are shallow in nature, located at or near surface to maximum depths of nine meters and averaging six metres. As is the case with the previously described North and South Seven Devils deposits, the western deposits along the Seven Devils terrace demonstrate a transgressive sequence as suggested by Peterson *et al.* Similarities include the sequencing from basal Tertiary mudstones/clay and conglomerate unconformity followed by coarse sand deposition with higher concentrations of heavy mineral continuing upsection to lower energy sands. The primary difference between the two sets of deposits is the total depth of the deposited package of sand. The North and South Seven Devils deposits are narrowly bounded by north-south

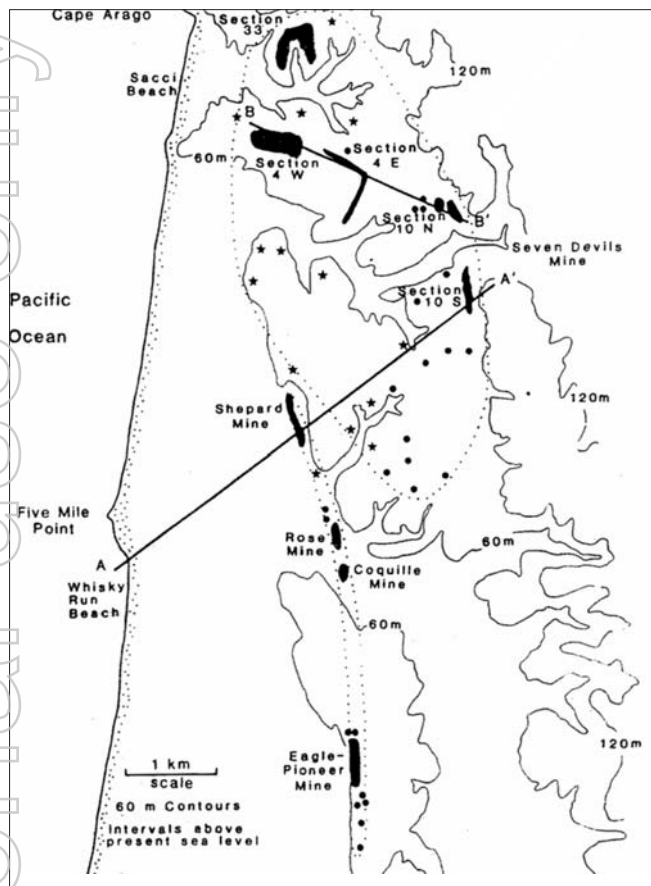


Figure 2. Detailed map of study area with deposits. Cross section A-A' depicted in Figure 3 (Peterson *et al.*, 1997 with supporting data from Griggs, 1945)

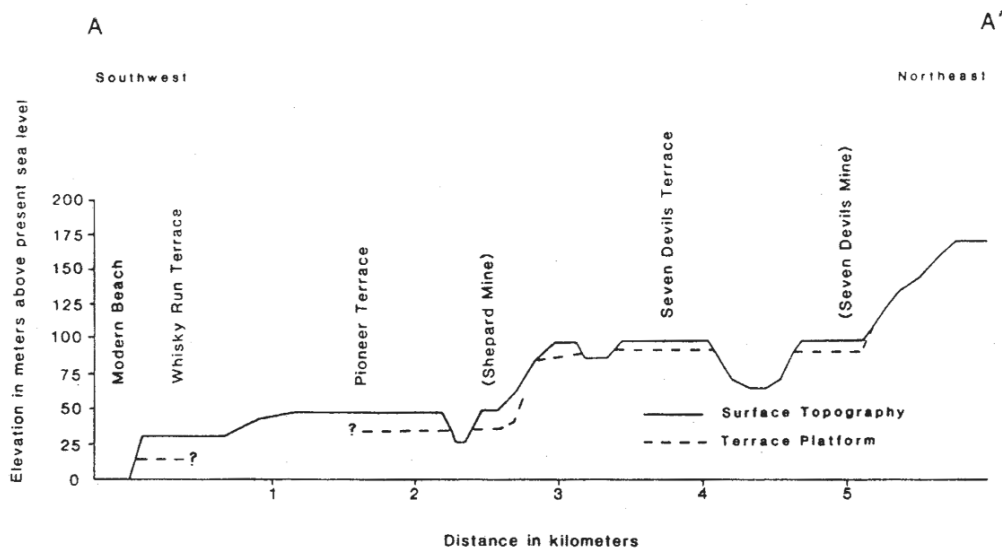


Figure 3. Generalized cross-section of the south-western Oregon paleo-beach terraces (Peterson, *et al.*, 1987)

trending faulting, whereas the westward reserves on the Seven Devils terrace are broad, laterally continuous representations of full-scale beach deposition and transgression.

The Pioneer terrace is the younger of the two terraces in which ORC has been delineating reserves. The age of the terrace is approximately 103 000 years old and represents a progradational beach sequence formed at high sea-level stand (Adams, 1984). The stratigraphic sequence of the Shepard deposit, the only reserve currently delineated by ORC on the Pioneer terrace, is similar to that of the Seven Devils terrace deposits and generally represents deposition at what would be the final stages of the transgressive sequence (Peterson *et al.*, 1987). A basal conglomerate of well-rounded rocks and agates exists above an unconformable layer with the same Tertiary mudstone encountered on the Seven Devils terrace deposits, followed by a nearshore/swash zone depositional sequence of coarse sand and higher concentrations of heavy mineral. Once again, this higher energy zone served to concentrate the heavy mineral during periodic storm and wave events. Upsection is found the same fining upward sequence along with lowered concentration of heavy mineral resulting from lower energy environments associated with the transgressive sequence. The Pioneer terrace deposit differs from the previous terrace deposits in that it is capped by aeolian dune sequences that represent the end of transgression and the early stages of beach progradation (Peterson *et al.*, 1987). While this aeolian sand does contain heavy mineral, it is not in economic concentrations within the Shepard deposit study area.

Mineralogy

Economic minerals from the southern Oregon paleo-beach placers currently being marketed by ORC include chromite, garnet, and zircon. Other recoverable minerals include ilmenite, magnetite, staurolite, kyanite, sillimanite, rutile, leucoxene, gold, and platinum (Hornor, 1918 and Griggs, 1945). Not only does the total concentration of these economic minerals vary with depositional facies, there is also a degree of variability found in overall assemblage between the Seven Devils and Pioneer terraces. Constant among all of the terraces, however, is the degree of

sphericity and rounding as well as the overall sizing and sorting (Hoyt, 2006).

The deposits located on the Seven Devils terrace (North and South Seven Devils, Westbrook, West Bohemia, West Section 10, and Section 33) contain higher concentrations of chromite and zircon in the heavy mineral fraction (specific gravity greater than 2.85) than does the Shepard deposit located on the Pioneer terrace. Full ore reserve (not metallurgical bulk sampling) analysis performed by ORC indicates that concentrations of chromite within the Seven Devils terrace ranges from approximately 33 to 43 per cent, in contrast to only 23 per cent on the Pioneer terrace (Drew, 2008). The same can be said of zircon, which averages between 1.5 and 2.9 per cent within the Seven Devils terrace and only 1.4 per cent on the Pioneer terrace. Alternatively, the Pioneer terrace shows greater percentage of garnet, at 12.6 per cent versus 4.6 to 9.8 per cent on the older Seven Devils terrace (Drew, 2008). This differences in mineral assemblage reflects the differing sources supplying the system at the time of deposition. Peterson, *et al.* (1986) has shown several unique river sources supplied the deposition at varying stages of terrace development, yielding the shifts in mineralogy.

Constant throughout both the Seven Devils and Pioneer terrace deposits is the general physical nature of the heavy mineral. The chromite, garnet, and zircon sand grains from the southern Oregon paleo-beach placers are highly rounded and moderate to highly spherical (depending on original crystal form) (Hoyt, 2006). The grains have also experienced a high level of sorting by the wave action of the Pacific Ocean, yielding very consistent products.

Process design

Bulk sample selection and preparation

A total of four bulk samples for metallurgical test work and plant design were collected by the ORC team (Table I) and delivered to Outotec (USA) Inc. for characterization. Criteria for selection included marine terrace deposition, geological facies, and mineralogy. Upon selection, the bulks were collected using existing drillhole samples.

To accomplish the goal of creating a set of bulk samples that best represented the known mineable resources, the ORC team divided the Seven Devils from the Pioneer

Table I
Bulk sample location and mineral information

| | Bulk sample ID | | | |
|-----------------------------|----------------|------------------------------------|--------------------|--------------------|
| | SH | WB | S7D | N7D |
| Drillhole samples | 83 | 358 | 470 | 172 |
| Total bulk weight (lbs) | 1,634 | 2,351 | 8,248 | 5,190 |
| Deposit represented | Shepard | Westbrook, West Bohemia sec. 10,33 | South Seven Devils | North Seven Devils |
| % Heavy mineral (sg > 2.85) | 62.3 | 21.9 | 43.4 | 34.8 |
| % Chromite | 14.5 | 10.3 | 18.9 | 11.9 |
| % Garnet | 10.1 | 1.0 | 6.0 | 1.7 |
| % Zircon | 1.2 | 0.6 | 1.8 | 1.2 |
| % Epidote/clinozoisite | 30.5 | 12.3 | 18.6 | 20.9 |
| % Staurolite | 1.5 | 0.4 | 0.3 | 0.7 |
| % Ilmenite | 1.0 | 1.1 | 4.3 | 0.5 |
| % Leucoxene | 0.5 | 0.5 | 0.3 | 0.8 |
| % Rutile | 0.2 | 0.2 | 0.5 | 0.4 |
| % Magnetite | 0.0 | 0.1 | 0.4 | 0.1 |
| % Misc. light 'heavies' | 3.6 | 0.4 | 1.0 | 0.9 |

SH = Shepard, WB = Westbrook, S7D = South Seven Devils, N7D = North Seven Devils deposit

terrace deposits. Based on previous work by Griggs (1945) and Peterson, *et al.* (1987), the mode of depositional (facies) changes present between both terraces and the mineral sourcing variability present at the time of deposition was enough to warrant concurrent metallurgical investigation of the two terraces.

At the time of bulk preparation, only the Shepard deposit within the Pioneer terrace had been delineated and drilled out, thus the requirement for only one bulk sample. The Shepard deposit on the Pioneer terrace also represents the largest shift in mineralogical assemblage, specifically; The Seven Devils terrace deposits, however, included multiple deposits delineated and drilled out by ORC. A total of three bulks were selected within the Seven Devils terrace on the basis of, first, location relative to the eastern boundary of deposition, a north-south trending normal fault scarp described by Griggs (1945) to be the equivalent of a sea cliff. The North and South Seven Devils deposits are located at the base of this scarp and are notably thicker in total sand deposition than the Westbrook, West Bohemia, and West Section 10 and 33 deposits. Secondly, the North and South Seven devils deposits were bulked separately based on the relative amount of lower grade, uneconomic

sand deposited in the final stages of the marine transgression at maximum ocean depths. While both deposits would have contained such deposition, the South Seven Devils deposit was partially mined during WWII, thus removing the upper sections of deposition that is still preserved at the North Seven Devils deposit.

The Westbrook, West Bohemia, West Section 10, and Section 33 deposits are all part of the Seven Devils terrace transgressive sedimentary package that has been dissected by erosion and mass wasting. These deposits are represented by one bulk sample resulting from the drilling at the Westbrook deposit.

Bulk samples were collected by splitting five foot drillhole interval samples previously collected and warehoused by ORC. A small sample was retained, while the remainder was placed in 55 gallon drums. Samples for bulking were selected on the criteria that greater than or equal to four per cent chromite be present *in situ*. This cutoff is typically considered by ORC to be of economic value. Interbedded lenses of less than four per cent chromite were included in the sampling, thus representing the realistically mined deposit (Tables II, III).

Table II
Bulk sizing, desliming, and oversize data

| | Bulk sample ID | | | |
|--|----------------|-------|-------|-------|
| | SH | WB | S7D | N7D |
| % Pit oversize (4 mesh, + 4.75 mm) | 1.3 | 4.0 | 3.1 | 2.6 |
| % Pit oversize (-4, + 18 mesh, -4.75, + 1.0 mm) | 2.1 | 6.1 | 4.8 | 4.0 |
| % Slimes (-230 mesh, -63 µm) | 6.7 | 14.8 | 14.0 | 14.8 |
| % Passing deslime to gravity circuit | 89.9 | 75.1 | 78.1 | 78.6 |
| Screen analysis of deslimed gravity circuit feed | 100.0 | 100.0 | 100.0 | 100.0 |
| +20 mesh (850 µm) | 0.0 | 0.1 | 0.0 | 0.1 |
| -20, +30 mesh (600 µm) | 0.2 | 2.7 | 0.8 | 0.4 |
| -30, +40 mesh (425 µm) | 0.7 | 8.4 | 1.9 | 1.1 |
| -40, +50 mesh (300 µm) | 5.6 | 28.3 | 6.9 | 8.1 |
| -50, +70 mesh (212 µm) | 26.6 | 29.4 | 29.1 | 41.2 |
| -70, +100 mesh (150 µm) | 43.4 | 17.8 | 33.7 | 30.7 |
| -100, +140 mesh (106 µm) | 18.9 | 8.1 | 20.5 | 13.0 |
| -140, +200 mesh (75 µm) | 3.7 | 3.3 | 5.5 | 3.7 |
| -200, +230 mesh (63 µm) | 1.0 | 1.0 | 1.7 | 1.9 |

SH = Shepard, WB = Westbrook, S7D = South Seven Devils, N7D = North Seven Devils deposit

Table III
Heavy mineral concentrate sizing from bulks

| Screen | Bulk Sample ID | | | |
|--------------------------|----------------|------|------|------|
| | SH | WB | S7D | N7D |
| +20 mesh (850 µm) | 0.0 | 0.0 | 0.0 | 0.1 |
| -20, +30 mesh (600 µm) | 0.0 | 0.3 | 0.1 | 0.0 |
| -30, +40 mesh (425 µm) | 0.0 | 1.1 | 0.4 | 0.2 |
| -40, +50 mesh (300 µm) | 3.1 | 8.6 | 0.8 | 2.1 |
| -50, +70 mesh (212 µm) | 29.0 | 28.9 | 12.4 | 20.7 |
| -70, +100 mesh (150 µm) | 39.5 | 34.3 | 39.4 | 39.3 |
| -100, +140 mesh (106 µm) | 16.2 | 11.8 | 29.8 | 26.4 |
| -140, +200 mesh (75 µm) | 12.2 | 13.9 | 16.2 | 10.9 |
| -200 mesh (75 µm) | 0.0 | 1.1 | 0.8 | 0.5 |

SH = Shepard, WB = Westbrook, S7D = South Seven Devils, N7D = North Seven Devils deposit

Ore grade control

The sample characterization summarized in Tables I, II, and III were homogenous samples produced from a drill programme undertaken in 1991 by ORC. The goal of the 1991 drill programme was to verify the findings of previous drilling studies and not necessarily to define the vertical and horizontal economic pit boundaries. Subsequent exploration programmes in 2007, defined vertical and horizontal economic pit boundaries. The most recent drill studies indicate that grade varies not only by deposit but also vertically within the same deposit. For example, the heavy mineral content of S7D can vary from 10% at the surface, to > 70% at the bottom of the deposit.

The heavy mineral variations dictate the first design consideration, ore feed, grade control. Grade control will be accomplished via mining method. Mining will begin by establishing a low point at the edge of the deposit. Bulldozers will push diagonally through the vertical plane, taking slices of material from the entire vertical plane (top to bottom) with each push.

Grade control is especially important in the wet process. The wet process incorporates spirals where slurry is pumped to the top of the spiral and flows down the spiral in a corkscrew fashion. While descending the spiral, the minerals sort into distinct bands of materials of similar densities. Similar minerals are concentrated by splitters, which physically direct like bands of material onto the next processing step.

Feed grade should be made as consistent as possible in order to keep the width of the bands as uniform as possible. The position of the splitters is adjustable and the spiral circuit does have several reprocessing loops but the system would not be able to stabilize heavy mineral concentrate (HMC) recovery and grade with variations ranging from 10 to 80% (S7D). Figure 4 illustrates a typical spiral cross-section. Dense materials, depicted by darker particles on the inside (right side) produce a distinct band. Stabilizing the feed grade produces a consistent band width of concentrate. The splitter would be positioned at the boundary between dense and non-dense material. Stabilizing feed grade, stabilizes band width and makes maximizing recovery and stabilizing HMC grade possible.

Ore and tailings transportation

Typically, wet concentrators are located close to the deposit to minimize transportation cost of getting ore to the wet concentrator and moving tailings back to the reclamation pits. Tailings are usually transported to reclamation areas via pumps moving slurry at 30–40 wt% solids.

The -230 mesh material (slimes), portion of tailings are usually difficult to dewater and for this reason tailings are frequently pumped to a series settling ponds where heavy equipment is utilized to work the coarse and fine material back together. Handling tailings this way is often difficult, as a series of collection ponds is usually required to allow the suspended solids enough time to settle, so the water fraction can be reused as process water.

Due to high ore grade, topography, zoning issues and lack of existing utilities and available process water at the mine site, both the wet and dry processing facilities are to be located separately from the mine site. The processing facilities will be located approximately 20 miles from the mine site.

Typical thickened tailings slurry (thickened slurry at 40 wt% solids) could not be successfully trucked back to

the reclamation site. Project success rests on ORC's ability to dewater tailings, so that it can be handled with standard, over the road, belly dump trucks.

Tailings dewatering and process water treatment

ORC working together with FLSmidth Minerals has developed a unique solution to the problem of dewatering the tailings. The goal of the test work was to produce tailings which contained no free water, could be successfully transported, offloaded, and contoured immediately.

Sample characterization and flowsheet development test work by Outotec (USA) Inc. produced both fine and coarse tailings samples from each deposit. Dewatering testing at FLSchmidt commenced with sample characterization and a standard flocculent screening matrix. The fine material was not difficult to flocculate using any flocculent with high molecular wt., and low anionic charge density. Flowsheet development by Outotec, indicated the feed to the thickener would contain 7–10 wt% solids. Static 2000 ml cylinder tests were conducted using feed samples with 7–10 wt% solids, as expected, results were poor. Feed conditions with solids of 7–10 wt%, produced high flocculent dosage requirements, slow settling rates, poor supernatant clarity and low underflow densities (45–50 wt%). Subsequent tests were conducted where the feed solids were reduced to <5 wt%. Reducing the feed solids dramatically reduced floc. Consumption (on a, lb floc/ton dry solids, basis) and improved supernatant clarity; however, settling rates and underflow densities were not dramatically improved. Next, coarse tailings were mixed with the fine tailings in ratios of 1:1 to 4:1 (coarse: fine) and then adjusted back to 5 wt% and static 2000 ml cylinder tests repeated. The result of mixing coarse and fine material, diluting the feed, and using proper flocculent dosages was dramatic. The resulting flocculated particles were formed at nearly their ultimate density and settled very fast. Additionally, underflow densities of 65 wt% were achieved. The underflow was essentially a paste, so to be sure it could be pumped, rheology work was conducted. Yield stresses vs. solids concentrations were measured. Bingham yield stress values of ~100 Pa at

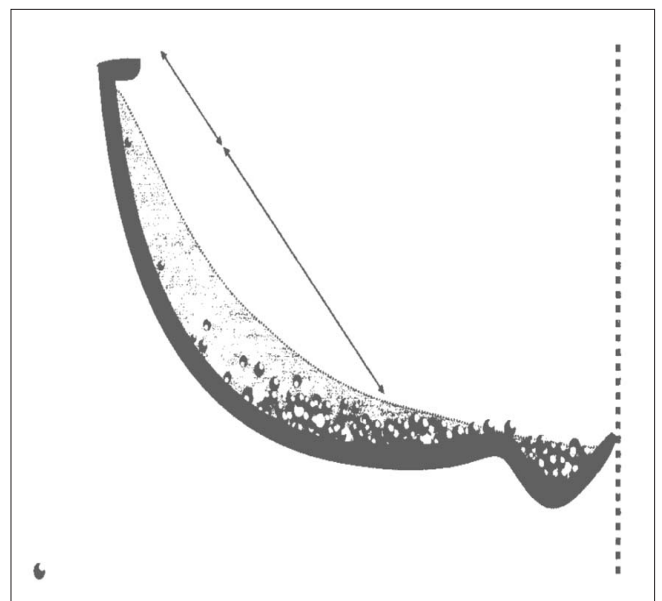


Figure 4. Typical spiral cross-section

65 wt% solids were considered to be acceptable. Supernatant quality was also excellent, averaging 70–90ppm but never exceeding 130 ppm (very clean for process water at a mineral sands operation). Recovery at mineral sands operations often suffers with dirty process water. Fine valuable mineral and dirty process water often result in a smearing of the concentrate on the spiral and result in lower recoveries and HMC grades.

At 65 wt% solids the thickener underflow is not acceptable as a material for over the road transport in belly dump trucks. At 65 wt% solids the material is roughly the consistency of toothpaste and would fluidize in a moving truck and leak out the bottom; as a result, further dewatering is required.

Pressure filtration tests were conducted unsuccessfully on underflow samples containing less than 1:1 coarse:fines ratios (very slow filtration, low cake solids). Pressure filtration tests began to succeed as coarse:fines ratios approached 4:1; however, so did vacuum filtration tests. Vacuum filtration has the advantage of being a continuous operation, does not require intermediate holding tanks, multiple units or a pug mill for breaking up cake. It was determined that by adding the coarse tailings produced by the dry mill, to the thickener underflow, followed by additional flocculent, that vacuum filtration would produce a dewatered tailing material suitable for transport and reclamation. Adding coarse material to the fines is not only crucial for thickener performance but also makes vacuum filtration possible. Adding the coarse material to the fines essentially produces a material which is porous overall. The coarse material provides pathways for the water to migrate, much the same as body aid would. By adding coarse tailings, vacuum filtration produced cake with a minimum of 82 wt% solids and no free water. The dewatered cake at 82% resembles wet sand and passes paint filter tests. Tailings containing 82 wt% solids can be successfully transported and immediately contoured at the reclamation site.

Figure 5 illustrates the approach to managing water and tailings. Fines from the desliming cyclones are combined with coarse tailings from the wet mill, filtrate from the tailings filter, conditioned with flocculent, diluted using supernatant (internal, not shown) and fed to the thickener. The thickener overflow is recycled to the process water tank. The thickener underflow is conditioned with

additional flocculent and mixed with more coarse material from the dry mill, and dewatered on the horizontal vacuum belt filter. The oversize separated at the wet screen is added to the cake and stacked as dewatered tailings ready for transportation and reclamation.

Dewatering the tailings will make operations at the mine site much simpler. Because ORC will not place tailings by pumping slurry, there is no need for a complex system of tailings booster pumps. There will be no need to build and manage a series of settling ponds. The operating mine foot print will be very small (1 pit). ORC will be able mine and perform reclamation concurrently in the same pit due to the absence of water. The water make up requirement at the process facility is very small. The only paths to loose water at the process facility, is the difference in moisture contents of the feed and the tailings, and water vapour lost at the fluid bed dryers preceding the dry mill. The process water make up requirement is < 50 gpm.

Although not strongly related to water management, FLSchmidt Minerals is providing a third piece of equipment. Between the spirals and HMC storage blocks shown in Figure 5, a second horizontal vacuum belt filter will be utilized. The HMC dewatering filter will increase the solids content of the HMC from ~80 wt% solids, up to 95–98 wt% solids. Usually, HMC is stockpiled on a concrete pad and allowed to drain. Solids contents of 90–95 wt% are common with this method, depending on particle size distribution, process water viscosity, and drainage time. Filtered HMC containing half the water content of typical HMC is expected to require ~1/2 the fuel (less efficiency losses). Fuel cost savings at 2008 natural gas prices are expected to pay for the cost of the filter in ~1.5 years. Additionally, if stock piled HMC is low due to operational upsets, the dewatered HMC can be directly fed to the dryers without throughput or additional fuel requirement penalties.

Characterization and circuit development

Considerable effort was made by ORC and Outotec to develop a robust process design. The goal of the design work was to produce a process capable of producing 70 000 tons/year of high quality chromite foundry sand and subsequent secondary products (garnet and zircon).

Producing and characterizing representative samples for each deposit was critical for understanding the range of processing requirements necessary to reach design goals.

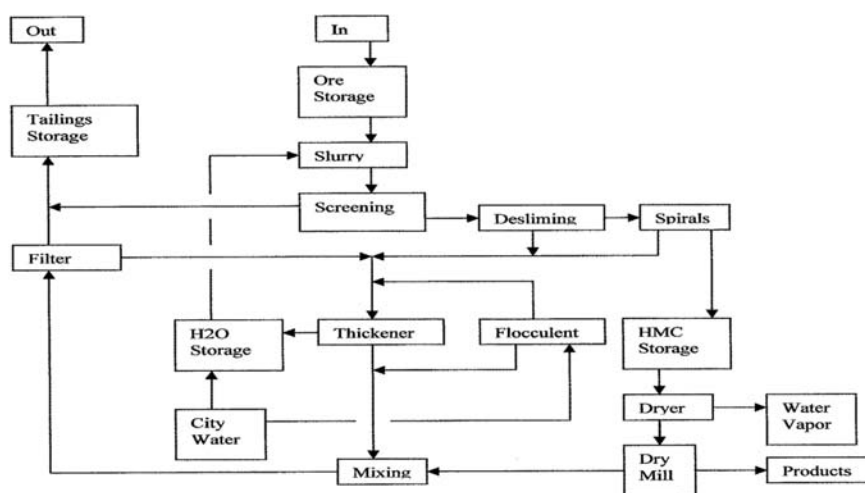


Figure 5. Process flow diagram

Simply taking all the drill hole samples and combining them into one large sample for testing, would have resulted in a design not suited to any of the individual deposits

Table I demonstrates the wide variability of the presence heavy mineral, as well as finished products, by terrace as well as deposit. Table I illustrates that S7D contains almost twice as much HMC and chromite as WB. An inflexible design based on one deposit would have been inappropriate when mining in the opposite deposit. For this reason, the solids handling systems and wet plant capacity have an operating range of 70 to 140 tph. Table I also illustrates that SH contains ~three times as much HMC as WB. A dry plant design based on an average HMC value would not have the capacity required when processing ore from a deposit with a lot of trash heavy mineral; for this reason the dry plant is capable of operating 20-40 tph. The design process included a plant wide bottleneck analysis. The need for a bottle neck analysis can be seen in the garnet content shown in Table I. If the solids handling capacity for garnet circuit were sized for WB the entire process could be either choked when not in WB or would result in garnet being wasted, as the excess would simply be thrown to tails because the capacity was not present to process it.

The 1991 drill programme utilized an 'RC' drilling rig. For this reason, it is believed the pit and plant oversize will be greater than the values shown in Table II. The design includes extra screen capacity for this concern.

Characterization results given in Table II demonstrate the need for a desliming circuit as slimes contents that high, would affect spiral recoveries as a result of the smearing effect previously mentioned.

A pilot-scale test was conducted in August 2007. During the pilot test, 34 tons of finished chromite foundry sand was produced. The wet process was completed at ORC's facility. The dry processing was completed at Hazen Research in Denver Co. Until the processing at Hazen, was undertaken, the importance of the last two steps of the wet processing were not fully appreciated. Foundries require chromite contain less than 1.0 wt% clay coatings. Clay content is critical because it affects the binder requirement and mold strength. If foundries start with dirty chromite the binder requirement is higher and the mold's tensile strength is lower. The last two steps determined by bench-scale testing at Outotec were attritioning of the HMC and final rinsing and grade control using a floatex hydrosizer. The attritioner liberates the clay coating on the HMC grains and the hydrosizer flushes it away while providing final grade control. When the pilot work was undertaken at Hazen, the exact pilot equipment to simulate the final steps in the wet process, was not available. The final steps were simulated using alternative equipment. The chromite produced was of unacceptable quality due to excessive clay content. Since the chromite produced was to be used for marketing purposes, it was vital that the material quality be representative of full-scale production. Processing was halted until the appropriate equipment was available. The final material produced is low in clay (< 0.5 wt%), has a low binder requirement, produces strong molds and provides ORC a marketing edge over competitors.

Conclusion

Project development is not completed in linear, once through fashion. Each new finding hones understanding and guides future questions. The process is iterative and cumulative. Building on the work of others and completing

new investigations has produced an understanding of the region's geology and mineralogy. Characterizing the mineralogy and building on past process investigations by conducting additional ones, has produced sizable representative product samples, as well as process flow-sheets, and solid innovative engineering designs. Key to successful process design is specifying process capabilities to specific mineralogy and process challenges unique to the deposit.

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