

KGL Resources Limited - Quarterly Activity and Cashflow Report

30.01.2015 | [ABN Newswire](#)

Brisbane, Australia (ABN Newswire) - During the quarter, [KGL Resources Ltd.](#) (ASX:KGL) (KGL or the Company) announced that the prefeasibility study (PFS) of the Jervois copper project in the Northern Territory had shown Jervois as a technically and commercially feasible project with strong upside from additional planned drilling and metallurgical work.

Based on a resource containing 280,000 tonnes copper and 18 million ounces silver, the PFS forecast average annual production of the order of 21,000 tonnes copper and 1 million ounces silver in concentrate for an initial 7 years at a projected C1 cash cost of approximately US\$1.51/lb.

Throughout the quarter, drilling to further define and upgrade resources at the planned open pit sites of Marshall-Reward, Green Parrot and Bellbird continued to deliver high grade, near surface intersections. The in-fill drilling at Reward recorded the highest ever silver grade at Jervois of 2,350 g/t.

The continuing flow of exploration results have pointed to the potential for a larger and more valuable asset through a potential upgrading and extension of the resource.

Given these very positive results the Company announced that an additional work program would be undertaken to further improve the Project's economic parameters. The program is targeting to deliver between \$100M and \$200M of additional free cash flow over the life of the project. The cost of the program is estimated at \$2.7M and is being funded from existing cash reserves. The additional work programme is scheduled to be completed in the September quarter of 2015.

The Company maintains a strong cash position which was \$9,788,000 at 31 December 2014.

Jervois Copper-Silver-Gold Project, Northern Territory (KGL 100%)

Summary of Pre-Feasibility Study update

In December 2014, the Company announced an update of the PFS, a summary of which is as follows:

- Based on Resources of 25.3 million tonnes containing 280,000 tonnes copper, 18 million ounces silver, 120,000 tonnes lead/zinc and 113,000 ounces gold
- Throughput estimated at 2 million tonnes per year over an initial 7 year mine life (4.5 years open cut)
- Production of approximately 21,000 tonnes per year copper and 1 million ounces per year silver in concentrate plus gold, lead and zinc
- Initial Capex estimated at A\$189M including A\$22M in contingency
- Estimated C1 cash costs of US\$1.51/lb (after by-product credits and using an exchange rate of A\$/US\$ 0.845 and silver price of US\$20/oz).

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

The PFS work to December 2014 showed that the development of a copper mine and concentrator is technically and commercially feasible. However the PFS only used exploration results received prior to July 2014 in the resource update. Since then, further high grade drill results have been received, including the highest silver grade recorded at Jervois (1m @ 2350 g/t silver from 19m in Hole JOC266 at Reward) and more gold intersections (including 28m @ 2.49 g/t gold from 2m in Hole JOC268 at Reward) within the proposed open pit at Reward.

Additional drilling and metallurgical work to add value

Studies highlighted that the Project's value can be increased greatly by further drilling and

metallurgical work aimed at:

- Increasing high grade resources and mine life
- Increasing metallurgical recoveries
- Reducing operating costs, and
- Reducing capital costs.

Therefore, the Board approved a further work program following which the PFS will be updated to include all of the additional improvements identified.

The drilling program will include the following:

- Optimising the Marshall-Reward, Bellbird and Green Parrot open pits. The ore bodies remain open along strike and down dip in numerous areas, and further shallow drilling is likely to increase the size of the pits and increase the number of years that Jervois is an open pit only operation. It will also delay the capital spending required for the underground mine development;
- Drilling the southern end of the Marshall deposit and the gap between the Marshall and Green Parrot deposits to extend the resource;
- Drilling at Bellbird to add high grade copper stopes to the underground mine plan and to increase lead-zinc resources at Bellbird North; and
- At Marshall, further drilling to extend high grade stoping areas and increase silver-leadzinc resources.

The metallurgical work programme will aim to improve recoveries of copper, silver and gold.

Metallurgical work will also investigate the production of a bulk lead-zinc concentrate, rather than separate lead and zinc concentrates (as proposed in the PFS report completed in December 2014). The production of a bulk lead-zinc concentrate should result in both capital and operating cost savings when compared to the existing plan.

Continuing high grade results from in-fill and resource definition drilling

The high grade results of the resource definition drilling announced during the quarter supported the Company's decision to proceed with the work program to increase the value of Jervois.

The results of the in-fill resource drilling at Marshall-Reward and Bellbird continued to confirm the shallow, high-grade mineralisation. The drilling was designed to upgrade the remaining Inferred resources within the optimised open pits to the Measured and Indicated categories and to test for potential extensions. The drilling has confirmed the continuity of high-grade copper within the transition zone and its extension to near surface.

Enrichment of copper and elevated silver and gold will have a positive impact on the economics of the open pits and the project as a whole. The gold intersections within the pit shell at Reward are particularly pleasing

To view the full quarterly including figures, please visit:
<http://media.abnnewswire.net/media/en/docs/ASX-KGL-418271.pdf>

About KGL Resources Limited:

[KGL Resources Ltd.](#) (ASX:KGL) is an Australian mineral exploration company focussed on increasing the high grade Resource at the Jervois Copper-Silver-Gold Project in the Northern Territory and developing it into a multi-metal mine.

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