

KGL Resources Ltd.: Quarterly Activities and Cashflow Report, 2015

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[KGL Resources Ltd.](#) (ASX:KGL) (KGL or the Company) completed the Pre-Feasibility Study (PFS) of its 100% owned Jervois Copper-Silver Project and announced the results on 16 October.

Jervois was confirmed as a robust, mid-level scale mining project with an initial annual production of 21,000 tonnes of copper, one million ounces of silver, plus lead and zinc, with a mine life of more than 8 years.

The completed PFS was updated from the initial PFS announced last December. The enhanced result benefited from work in 2015 that included increasing and upgrading the mineral resources, simplifying the metallurgical processing and reducing the operating costs.

The PFS places Jervois among the lowest cost of the world's probable new mines. The PFS shows a C1* cash cost of US\$0.88/lb (A\$1.26) over the initial mine life of 8.25 years, a 3.2 year payback and A\$807M operating cash flow.

It is likely that the mine life will be extended. With 12km of strike length, all orebodies remain open. The potential for substantial discoveries is demonstrated by the recent strongly mineralised intersection at the Rockface prospect - more than 2% copper over 13m - in an area that is not included in the current mining inventory used in the PFS.

Rockface has the potential to add a new open pit and underground mine to the Jervois project.

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

The Jervois project as presented in the PFS will consist of open pit mining of several deposits followed by underground mining to feed a 2.2 Mtpa flotation plant producing 80,000 to 100,000 tpa of copper concentrate plus a separate lead/zinc bulk concentrate.

The project is forecast to produce a total of 754,000 tonnes of copper concentrate at a grade of approximately 23% copper and 283 g/t silver over an initial mine life of 8.25 years.

This equates to an average annual production of approximately 21,000 tonnes of contained copper and 1 million ounces of contained silver. The project will also produce approximately 179,000 tonnes of bulk lead-zinc-silver concentrate at a grade of 43% lead, 17% zinc and 1,069 g/t silver over the life of mine.

The PFS is based on a total Indicated and Inferred Resource of 30.5 Mt containing 327,000 t copper, 22.6 Moz silver, 143,000 t lead and 47,000 t zinc.

Exploration potential* exists peripheral to the current resource estimates. The Exploration Target for the combined Bellbird and Marshall-Reward zones for a 0.5% Cu cut-off is of the order of 4 - 8 Mt at 0.8 - 1.2% Cu, 7 - 15 ppm Ag for 40,000 to 100,000 tonnes of copper, and 1.5 - 3.5 million ounces of silver. The lodes are open at depth, and there are additional possibilities along strike from the deposits based on isolated drillhole information and from interpretations of the geophysical surveys.

*The potential quantity and grade of the Exploration Potential is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource in these areas.

Recent exploration successes at Rockface, Green Parrot and Bellbird East offer the potential for additional high grade relatively shallow resources that could feed into the early part of the mine schedule and further enhance the project's economics.

Open Pit Mining is proposed in three locations - Marshall-Reward, Green Parrot and Bellbird.

The life of mine waste to ore stripping ratio for the open pits is 7.3 : 1. Open pit mining continues for the first 6.25 years of the mine life. Underground mining is scheduled to commence in the third year of operations.

The process plant will produce copper sulphide concentrate as a primary product which will contain variable

amounts of silver and gold depending on the ore source. During treatment of lead-zinc ores, the plant will produce two products: a copper concentrate, and a bulk lead-zinc concentrate which will also contain the majority of the silver and gold. The only significant penalty element will be bismuth which will be contained in both concentrates and is likely to attract a minor penalty.

The concentrate transport study concluded that the use of sealed half height containers was the cheapest and safest method to transport the concentrate from site to Darwin. The sealed half height containers will be trucked to Alice Springs and then transported by rail to either Darwin or Adelaide for export to Asian smelters. This process will eliminate the need for any intermediate enclosed warehousing at both Alice Springs and at the export port.

Power will be generated on site from a 100% Liquefied Natural Gas (LNG) fuelled power plant with the inclusion of a PV solar plant representing 10% of the overall power demand.

The PFS provides for the Definitive Bankable Study to commence early in 2016, design, procurement and construction to commence in 2017 (subject to funding being secured) and first production targeted for 2018.

Exploration

New areas of copper mineralisation were discovered during the quarter.

KGL completed a 3D induced polarisation (3DIP) and magnetotelluric survey (MT) in the Bellbird region to search for additional zones of mineralisation in a poorly tested yet highly prospective zone along the 12km mineralised strike length at Jervois.

Targeting the anomalies identified in the survey, KGL initiated a 10-hole drilling program. Five holes were completed during the quarter, and all holes intersected new zones of copper mineralisation.

The fifth hole, drilled at the Rockface Prospect, intersected an extended length of strongly mineralised core from 253 metres. This is deeper than any previous hole drilled at Rockface and well below the current Inferred Resource. Diamond hole KJCD171 intersected:

- 13m @ 2.14% copper, 12.4 g/t silver, 0.10 g/t gold from 253m
- 2m @ 2.83% copper, 10.8 g/t silver and 0.05 g/t gold from 278m

The Rockface trend does not feature in the PFS mine schedule. However, with such mineralisation intersected in the first hole into an IP anomaly 500m long, further drilling could identify areas for mining.

Further high grade copper was intersected near the surface at the Killeen Prospect:

- 2m @ 3.18% copper, 11.8 g/t silver and 0.03 g/t gold from 19m (Hole KJC167)

Yambah prospects, Northern Territory (KGL 100%)

Preliminary exploration work continued on two exploration licences at Yambah, 50km north of Alice Springs in the Northern Territory. KGL announced in April 2015 that they had been acquired due to the close similarity of the mineralisation style and host rocks to Jervois.

The highly prospective tenements contain a base metal zone and copper occurrences that have not been fully drill tested.

Corporate

At the end of September 2015, KGL had a cash balance of \$3.163 million.

Outlook

Down hole electromagnetic surveying is currently taking place at the site. The results from these surveys will be used to design the next drill program at the site.

PWC has been commissioned to find a project partner to participate in the development of Jervois as a significant copper, silver and multi-metal mine.

To view tables and figures, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-KGL-888922.pdf>

About KGL Resources Ltd:

[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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