

# KBL Mining Ltd. Quarterly Activities Report, ending December 2015

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Sydney, Australia (ABN Newswire) - [KBL Mining Ltd.](#) (ASX:KBL) announce the Quarterly Activities Report for the period ending December 2015.

## Key Points:

### Mineral Hill - Transformed to Gold and Silver Producer

- The Carbon In Leach (CIL) circuit accepted its first ore in late November, treating 21,773 tonnes by the end of the quarter, consisting of sulphide tails and oxide ore from Pearse open pit.
- Currently high grade sulphide ore from the Pearse open pit is being processed through the flotation circuits with average gold recoveries improving over the quarter peaking in December at an average of 53%. CIL recoveries are currently adding up to 11% with optimisation works ongoing, giving total overall recoveries around 65%.
- A total of 361,581 BCM has been excavated from the Pearse open pit for the December Quarter with a total of 918,609 BCM mined in total from Pearse pit to the end of December, with more than 80% of the life of the mine now removed.
- Pearse open pit produced and delivered over 60,000 tonnes of ore to the plant and stockpiles. The open pit ore has averaged 6.68 g/t Au and 40.44 g/t Ag, which is above expectations.
- Commissioning of the CIL gold plant, site laboratory and gold room were all completed during the quarter, with first gold doré delivered in January 2016.
- C1 unit cost of production for the quarter is \$1,106/oz Au (including Ag credits).

### Securing the Future

- Within the Southern Ore Zone (SOZ) underground development of the main and west G Lode lenses has availed potential stoping of +50,000 tonnes between two levels, at 1025 and 1060 mRL. Extension of these development levels will provide access for stoping of the main H Lode lens, and further increase level tonnages.
- The SOZ decline, now at 300 metres below surface, is on course to develop the next two levels of the SOZ (a further 50m in depth) to access the richer defined resource of both the G and H Lode mineralisation.
- Additional infill and extension drilling at the Pearse North deposit commenced late in the quarter with initial drilling indicating higher than currently modelled gold and silver grades which will significantly lift the current resource estimate.

### Sorby Hills Project

KBL's immediate priority has been establishing sustainable gold production at Mineral Hill, which is now well underway. Once CIL performance has stabilised the Company will readdress the Sorby Hills feasibility study.

## MANAGING DIRECTOR'S OVERVIEW

This December quarter was a milestone for the Company with the completion of the CIL plant and flotation circuit. The completion of the CIL plant resulted in the first doré bar of gold sold in early January.

The transition of the Company to solely being a gold and silver producer also occurred in the quarter with the gold production of 5,124 ozs being greater than the total gold production in the previous three quarters. Gold production is expected to continue to grow in the coming quarters.

While the resources of Mineral Hill together with the Mineral Hill infrastructure point to a great long term

potential of the projects, and profitable ongoing production, the over budget cost and delay in commissioning of the plant has put significant pressure on short term cash flow. We are working with our suppliers and service providers to resolve this issue.

During the quarter the Company acquired a new filter press which is currently being refurbished and is due to be operational for the start of March. With the new filter we will be able to increase throughput by over 75% in the flotation circuit and 50% through the CIL circuit. This results in a very profitable operation with a C1 cost below \$600/oz. The cash generated from the Pearse orebody will enable the Company to return to executing long term plans of mining the Mineral Hill orebodies from surface and underground over the next 10+ years.

During the quarter, KBL consolidated open pit mining operations, having now fully developed both stages of the higher grade Pearse open cut gold and silver reserves, establishing considerably lower cost production for the next 6-8 months prior to returning to the SOZ underground. Processing of the transitional and fresh sulphide ore through the reconfigured flotation circuits was successfully brought through a brief commissioning period into continued production during the quarter. A balance of throughput and metal recovery has continued to be optimised with throughputs up to 30 tonnes per hour being realised, and with average recoveries for gold and silver up to 53.2% and 50.0% respectively sustained during December.

Commissioning of the CIL circuit was commenced during the quarter with testing and loading of the CIL circuit, with the first gold pours successfully realised in early January 2016. Completion of the zinc thickener, concentrate rotary kiln dryer, refurbishment of the fine ore bins and commissioning of the CIL circuit, site lab and gold room were concluded over the December Quarter platforming mill processing capabilities for future gold, silver, copper, lead and zinc production from the Mineral Hill deposits.

Following the transition from underground to open pit, underground development of the SOZ decline, and the G and H Lodes on the 1060 mRL and 1025 mRL levels were further progressed during the quarter such that the full extent of the G Lode Main and G Lode West lenses on these levels are both developed. Preliminary resource estimation for G Lode lenses between the 1060 and 1025 levels suggests +85,000 tonnes of G Lode material has been accessed with these two levels with further development now on the verge of entering the adjacent H Lode zone of mineralisation. Three underground diamond drilling locations have also been developed ready for the purposes of infill and exploration drilling of a number of different SOZ lodes (primarily for the purposes of targeting A and G/H Lodes).

Ore production from Pearse for the quarter totalled 62,407 tonnes of ore grading 7.05 g/t Au and 40 g/t Ag delivered to the run of mine stockpile (ROM). Ore production tonnes and grades to date continue to exceed KBL's mine models and plans. The development of both stages of the Pearse open pit over the December quarter platforms lower required waste volumes over the coming two quarters with access to remaining in-situ reserves of near to 200,000 tonnes.

Through October, steady mining of the stage one Pearse pit down to the 1290 mRL and the stage two Pearse pit reached the 1305 mRL bench. Ore grades continued to outperform the resource model averaging 6.63 g/t Au for the month of October. However, the processing team battled with mill throughput and poorer than expected recoveries during this time. A number of issues were identified and new methodologies were adapted to improve recoveries and establish a steady state mill throughput going into November.

Mining of the stage one Pearse pit progressed well through November with the completion of the 1285 bench. The mining of the stage two Pearse pit advanced down to the 1295 bench. Ore grades averaged 6.23 g/t Au for the month of November. During November the float circuit was undergoing further optimisation, improving recoveries at reduced mill throughput. The Pearse flotation tailings were stored separately in the purpose built tailings compartment up until mid-November, with the first flotation tailings passed to the CIL circuit on 18 November, with CIL loading since then on.

December saw mining down to the 1275 mRL in the stage one and down to the 1285 mRL in stage two of the Pearse open pit. Ore grades averaged 7.72 g/t Au for the month, well above expected grades for the month.

A consistent mined feed of high grade sulphide ore assisted in the production of near to forecast shipment quantities of gold and silver concentrate for the December quarter. A total of 8,990 tonnes of Pearse oxide ore slightly below 2 g/t Au was fed to supplement to the float tails feed to the CIL circuit as part of the startup phase during December. Electrowinning and gold room functions were commenced in the latter half of December, with the first gold pours of CIL gold/silver Dore conducted from early January 2016 on.

## Mineral Hill Exploration

### Overview

With the CIL plant approaching operation, exploration activities during the quarter focussed on the evaluation of near-surface oxide-sulphide gold targets. A total of four drill holes were completed for 275.3 metres comprising two scoping holes at Mt Marshall and two infill holes at Pearse North.

#### Mt Marshall

The Mt Marshall gold prospect is a quartz vein stockwork occurring at the junction of the Eastern and Western ore zones (EOZ; WOZ) which were historically mined in the Eastern Pit. Mineralisation is primarily associated with steeply north dipping (to sub-vertical) east-west trending quartz veins and in consideration of the predominant east-west directed historical drilling, two short diamond (KMHDD028 & KMHDD029) holes for a total of 80m were drilled towards the south and southeast to test continuity of grade within the interpreted mineralised corridor (Figure 1).

Significant intersections included:

- 1m at 1.67g/t Au from 29m (KMHDD028)

The target is currently the subject of geological review and may form part of the resumed drilling program in 2016.

#### Pearse North

The Pearse North deposit, located just 200 metres northwest of the operating Pearse open cut gold mine, comprises shear-hosted epithermal gold-silver mineralisation of the same style as Pearse. The deposit has an Inferred Mineral Resource of 203kt @ 2.1g/t Au and 21.1g/t Ag. The current drilling program of three diamond and 13 RC holes is designed to provide improved geological understanding and an increased data density to inform a revised Mineral Resource estimate in 2016.

Two diamond drill holes (KMHDD030 & KMHDD031) were completed in the December quarter for 195.3 metres and final results are expected by early February. Visual indications of mineralisation (especially in KMHDD030; Figure 2 in link below) were significant with strong foliation and shearing evident from about 6 meters depth in the oxide zone, continuing through the zone of transitional weathering, to fresh pyritic (+arsenopyrite-stibnite) foliated and sheared volcanoclastic rock at approximately 42 meters down-hole. Encouraging sulphide mineralisation was observed to approximately 53 meters down-hole.

#### SORBY HILLS, WESTERN AUSTRALIA (KBL 75%)

##### Project and Approvals

The Sorby Hills Project, located in the East Kimberley Region of Western Australia, is a joint venture between KBL 75% (Manager) and Henan Yuguang Gold & Lead Co., Limited 25% (Yuguang). Yuguang was established in 1957; listed on the Shanghai Stock Exchange in 2002 (exchange code: (SHA:600531)), and is the biggest electrolyzed lead and silver producer in China.

The Project consists of nine shallow high grade deposits within a linear north-south mineralised trend extending over a 10 kilometre strike length. To date, the total Resource of the trend, as defined by KBL stands at 16.5 Mt at 4.7% Pb, 0.7% Zn and 53 g/t Ag, which has the potential to support a multi decade operation.

In late 2013, KBL announced a maiden Ore Reserve estimate for the Sorby Hills DE deposit. The Probable Ore Reserve of 2.4 Mt @ 5% lead and 54g/t silver (applying a cut off of 2% lead), underpins the plan for an initial 10 year open cut operation, processing over 400ktpa. In conjunction with the Reserve, a new Mineral Resource estimate for DE Deposit totalled 5.8 Mt @ 3.5% lead, 0.4% zinc and 41g/t silver (applying a cut off of 1% lead). The Mineral Resource is inclusive of the Ore Reserve and consists of both Indicated and Inferred Mineral Resources.

While the Company is focused on the Mineral Hill mine for short to medium term production the Sorby Hills project is the focus for development of new long life lead-silver production. A recent gap analysis indicated that there are no significant issues for the project to progress to a full feasibility study.

KBL expects a range of funding options will be available for its share of the development costs due to the robust project economics, the low risk of development and operating parameters, well developed infrastructure, proximity to port, and strong international demand for the off take. The development task will be assisted by the Company's operating experience and expertise already in place with the Mineral Hill operation and the support of its 25% Joint Venture partner, Yuguang with its large lead, zinc and copper smelting facilities in China.

The receipt of environmental approval for the project from the WA Minister for Environment; Heritage in April 2014 has opened the way for the completion of licensing and an accelerated development program.

To view all tables and figures, please visit:  
<http://media.abnnewswire.net/media/en/docs/ASX-KBL-750882.pdf>

### **About KBL Mining Ltd:**

[KBL Mining Ltd.](#) (ASX:KBL) is an Australian resource Company listed on the ASX with a focus on producing precious and base metals. KBL's main assets include the Mineral Hill copper-gold-silver-lead-zinc mine near Condobolin in New South Wales and Sorby Hills lead-silver-zinc project in Western Australia. The Company has been operating the refurbished processing plant at Mineral Hill since October 2011 to produce copper-gold concentrates and in 2013 commenced producing a separate lead-silver concentrate. Sorby Hills (KBL holds 75% with Henan Yuguang Gold & Lead Co. Ltd (HYG&L) holding 25%) is a large near surface undeveloped silver-lead deposit close to port infrastructure and a short distance from Asian markets. A PFS for stage 1 of the project (400,000tpa open cut ore processed) was released on 6 December 2012. Environmental approvals for stage 1 were granted in 2014. A BFS is in progress to be followed by project financing.

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