

New Chidliak Preliminary Economic Assessment increases Phase One Life of Mine diamond production by 44% to 16.7 million carats

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Base Case After-tax Net Present Value increases to \$679 million and an Internal Rate of Return to 31.1%

Using a 2.5% Annual Diamond Price Escalation the After-tax

Net Present Value is \$770 million with an Internal Rate of Return of 33.1%

VANCOUVER, May 23, 2018 - [Peregrine Diamonds Ltd.](#) (TSX:PGD) ("Peregrine" or the "Company") is very pleased to announce the positive outcome of an updated independent Preliminary Economic Assessment ("PEA") for the Chidliak Phase One Diamond Development ("CP1D") incorporating the 2018 expanded diamond resource at the CH-6 and CH-7 kimberlite pipes on the Company's 100%-owned Chidliak Diamond Project on Baffin Island, Nunavut, Canada. The updated PEA highlights that the CP1D represents a robust, high margin, open-pit mining project with very attractive economics.

At Chidliak, the Company has discovered 74 kimberlites to date, with eight having been identified as potentially economic through drilling and microdiamond analysis, while other kimberlite pipes require additional work to determine their economic potential. The Company owns all of the diamond marketing and sales rights and there are no non-government royalties or other encumbrances on diamond production.

The updated PEA the Company is announcing today utilizes the expanded Chidliak Inferred Mineral Resource that was announced on February 15, 2018. Highlights of this expanded resource include:

- CH-6 Inferred Mineral Resource of 17.96 million carats in 7.46 million tonnes to 525 metres below surface ("mbs") at an average grade of 2.41 carats per tonne ("cpt") or 241 carats per hundred tonnes ("cpht");
- Inferred Mineral Resource tonnage at CH-6 increased 61% from 4.64 million to 7.46 million tonnes;
- CH-6 contained carats increased by 58% from 11.39 million to 17.96 million carats;
- High-grade KIM-L domain with a grade of 4.49 cpt (449 cpht) now comprises 17% by volume of the updated CH-6 resource; and
- Total Phase One Diamond Development Inferred Mineral Resource at CH-6 and CH-7 now exceeds 22 million carats.

The updated PEA envisages a mine life of approximately 13 years, producing from an open pit at the CH-6 kimberlite pipe for nine years, followed by production via an open pit at the CH-7 kimberlite. The resources at both CH-6 and CH-7 remain open at depth, representing significant expansion opportunities which have not been included in this current economic study.

The PEA was prepared by JDS Energy & Mining Inc. ("JDS"), independent consulting engineers based in Vancouver, Canada. The JDS team has a long history of northern Canadian diamond project experience, including the construction of the Gahcho Kué diamond mine, in the Northwest Territories, Canada.

The Base Case Net Present Value ("NPV") reported above uses a discount rate of 7.5% and an annual diamond price escalation of 1.75%, down from the 2.5% used in the Company's 2016 PEA, also prepared by JDS, reflecting current softer rough diamond markets which are currently showing signs of strengthening. With a 2.5% escalation rate consistent with the 2016 PEA base case, the After-tax NPV is \$770 million. Table 5 below shows the sensitivity of NPV to the annual diamond price escalation assumption.

Highlights of the 2018 updated Chidliak Phase One Diamond Development PEA base case include:

- Pre-tax NPV_(7.5) of \$1069 million and a pre-tax Internal Rate of Return (“IRR”) of 38.6%;
- After-tax NPV_(7.5) of \$679 million and an after-tax IRR of 31.1%;
- Total Life of Mine (“LOM”) pre-tax Free Cash Flow of \$2,043 million;
- After-tax payback period of 2.2 years; LOM of 13 years;
- Pre-production capital requirement of approximately \$455 million, including \$95 million for the access road from Iqaluit and \$55 million in contingency;
- Average LOM strip ratio of 6.6:1 (average across the combined CH-6 and CH-7 open pits);
- Mining to a depth of 300 mbs at CH-6; and
- All dollar amounts are in Canadian dollars unless otherwise stated.

A comparison of the 2018 updated PEA and the 2016 PEA base cases is shown in Table 1 below:

Table 1. PEA Outcomes Comparison – 2018 and 2016

Item	Unit	Variation
Pre-Tax NPV _(7.5)	\$ Million	746 7%
Pre-Tax IRR	Percentage	38.6 3%
After Tax NPV _(7.5)	\$ Million	679 0.0%
After Tax IRR	Percentage	31.1 3%
LOM Pre-Tax Cash Flow	\$ Billion	253 7%
Total Recovered carats	Million Carats	104 0%
Initial Capital Expenditure	\$ Million	485 5%
LOM	Years	13 0.0%
Average Mill Throughput	Tonnes/day	2,000
Strip Ratio		6.6 (%)
CH-6 Diamond Valuation ¹	US\$/carat	153 3%
CH-7 Diamond Valuation ¹	US\$/carat	114 1
Annual Diamond Price Escalation	Percent per annum Compound Annual Growth Rate	3.0 0%)

¹ Base diamond valuations provided by WWW International Diamond Consultants using the April, 2018 price book.

The Chidliak 2018 PEA is preliminary in nature and includes Inferred Mineral resources that are currently considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the PEA will be realized.

Eric Friedland, Peregrine’s founder and Executive Chairman, commented: “Since the grass roots discovery of the prolific Chidliak diamond field by Peregrine ten years ago, a dedicated and talented team of mineral exploration professionals have worked tirelessly to bring the project to this point, the completion of a very robust, updated PEA. I personally thank them on behalf of all the stakeholders in Peregrine and have confidence that the diamond resource at Chidliak will continue to grow. We are currently assessing various options to advance the project and hope to be in a position to outline a comprehensive way forward to our shareholders very soon.”

Tom Peregoodoff, Peregrine’s President and Chief Executive Officer, added: "The updated PEA clearly establishes Chidliak as Canada’s next economic diamond development opportunity. This latest assessment validates the decision we took in 2016 when we recognized the resource expansion opportunities at the high grade CH-6 kimberlite. For a marginal increase in capital, we have materially increased the total carats in the resource and significantly enhanced the economic potential of this robust project.

“There remains significant Phase One resource expansion opportunities below 300 mbs, the current bottom of the CH-6 open pit, with 2.64 million carats in Inferred Resource and between 1.09 million tonnes and 2.35 million tonnes of kimberlite classified as a Target for Further Exploration down to 525 mbs. This opens up the possibility for underground development as we further define the CH-6 resource beneath the current bottom of the expanded open pit during the future Pre-Feasibility program. Looking forward, we will

continue to build the Phase Two resource, which will include evaluating the remaining six pipes that may have economic potential and further sampling additional pipes in the cluster that could be economic.”

Updated Phase One Diamond Development Inferred Resource

Summary resource data for CH-6 and CH-7 are shown in Table 2 below.

Table 2. Updated Phase One Inferred Mineral Resource Estimate

Domain	Tonnes (millions) ¹	Grade (cpt)	Carats (millions) ²	Tonnage Increase ³ (%)	Carat Increase ³ (%)
KIM-L.NG	5.18	2.07	10.73	33	30
KIM-L.HG	1.29	4.49	5.80	72	86
KIM-C	0.99	1.45	1.43	--	--
<i>CH-6⁴ Total</i>	<i>7.46</i>	<i>2.41</i>	<i>17.96</i>	<i>61</i>	<i>58</i>
<i>CH-7⁵ Total</i>	<i>4.99</i>	<i>0.85</i>	<i>4.23</i>	<i>--</i>	<i>--</i>
<i>Updated Phase One Inferred Resource Total</i>	<i>12.45</i>	<i>1.8⁶</i>	<i>22.2</i>	<i>29</i>	<i>42</i>

¹ Number may not add due to rounding.

² Stated at +1.18 mm square-mesh sieve bottom cut-off and diamond recoveries as experienced in the 2010 and 2013 CH-6 bulk sampling programs.

³ Relative to April 7, 2016 CH-6 Inferred Resource of 11.39 million carats in 4.64 million tonnes.

⁴ The updated CH-6 Inferred Resource extends from surface to a depth of 525 metres below surface.

⁵ The CH-7 Inferred Resource extends from surface to a depth of 240 metres below surface.

⁶ Represents the LOM grade

Economic Analysis

Inputs and assumptions used in the study are shown in Table 3. Inputs and assumptions are consistent across the 2018 and 2016 economic analyses with the exception of the Annual Diamond Price Escalation which is 1.75% in the current study and was 2.5% in the 2016 PEA. In addition to the parameters shown in Table 3, the following were incorporated into the economic analysis:

- Diamond prices for both CH-6 and CH-7 used in the study were based on pricing received from WWW International Diamond Consultants using their April 2018 price book, which showed a nominal 1% increase in price of CH-6 diamonds and no increase in the price of CH-7 diamonds, both over the period from March 2016 to March 2018. For the base case, this starting price was then escalated annually from 2018 at a rate of 1.75%. Sensitivities to this annual price escalation are shown in Table 5 below;
- Owner-operated;
- Peregrine's eligible Canadian Exploration Expense and Canadian Development Expense tax pools were utilized in the post-tax calculations; and
- The analysis does not include financing costs or management fees.

Table 3. Inputs – Economic Analysis

Assumptions and Inputs	Unit	Value
CH-6 Diamond Valuation*	US\$/carat	151* (149 in 2016 base case)
CH-7 Diamond Valuation*	US\$/carat	114* (114 in 2016 base case)
Annual Diamond Price Escalation (from 2018)	Percentage per annum	1.75
Foreign Exchange Rate	US\$:C\$	0.78
Discount Rate	Percentage	7.5
Operating Days/Year	Days/year	365
Royalties	Percentage	0
Diamond Recovery	Percentage	98

Selling/Marketing Costs	Percentage of price	4
	US\$/carat	6.86

* Base model diamond valuations provided by WWW International Diamond Consultants using the April 2018 price book were escalated at 1.75% per annum over the LOM. US\$:C\$ exchange rate of 0.78 was then applied.

Base case, pre-tax and post-tax financial outcomes are summarized in Table 4.

Table 4. Base Case Financial Outcomes

Parameter	Unit	Value
LOM	Years	13
Average Mill Throughput	Tonnes/day	2,000
Pre-Tax NPV / IRR	\$Millions (\$M)/%	\$1,069 / 38.6%
After-Tax NPV / IRR	\$M/%	\$679 / 31.1%
Total Pre-Tax LOM Free Cash Flow	\$M	\$2,043
Average Annual Pre-Tax Free Cash Flow	\$M/a	\$157
Total After-Tax LOM Free Cash Flow	\$M	\$1,357
Average Annual After Tax LOM Free Cash Flow	\$M	\$104
Average Head Grade	Carats/tonne	1.8
CH-6 Average Production	Carats/year	1.6M
Total Recovered Carats	Carats	16.7M
LOM CH-6 Average Price*	US\$/carat:C\$/carat	\$176 / \$225
LOM CH-7 Average Price*	US\$/carat:C\$/carat	\$148 / \$190
Pre-Production Capital Expenditure (CapEx)	\$M	\$455
LOM Operating Expenditure (OpEx)	\$/tonne processed	\$101
LOM Operating Expenditure	\$/ct recovered	\$57

Sensitivity Analysis

Sensitivity analyses to key inputs are shown in Table 5 through to Table 7.

Table 5. Sensitivity Analysis – Diamond Price Escalation

Post-Tax NPV (2018) Escalation
\$769
\$550
\$998
\$679 (2018 Base Case)
\$520 (2016 Base Case)

Mr. Peregoodoff further commented, “All diamond development projects are sensitive to the assumption regarding the annual diamond price escalation. Even at a conservative 0% annual diamond price escalation, the CP1D project remains very robust. Prior to the softening of the diamond market in late 2016, which was driven primarily by the demonetization of the Indian economy, economic studies assumed diamond prices increased at a rate of 2.5% per annum. Starting in early 2018, there were signs that the diamond market is improving; however, we made the decision to use a more conservative annual price escalation of 1.75%. Should the actual escalation realized be 2.5%, the comparison with the 2016 Base Case above clearly shows the value we have added to the Chidliak project.”

Table 6. Sensitivity Analysis – US\$/C\$ Exchange Rate

Exchange Rate US\$:C\$	Post-Tax NPV (2018) (\$M)
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0.70	\$8,306
0.75	\$7,352
0.78 (Base Case)	\$6,769
0.80	\$6,467
0.90	\$5,02
1.00	\$3,83

Table 7. Sensitivity Analysis - Discount Rate

Discount Rate (\$/M)
\$2,046
\$3,523
\$5,069 (Base Case)
\$6,66
\$7,228

Capital and Operating Costs

Rigorous capital and operating cost estimates were prepared on a site-specific, owner operated scenario and use JDS’s extensive experience working on Arctic projects. All costs incorporated factors specific to northern Canadian and Baffin Island locations. The LOM capital costs are \$526 million (including contingency of \$64 million) and are detailed in Table 8.

Table 8. Capital Costs

Capital Costs	Pre-Production (\$M)	Sustaining or Closure (\$M)	Total (\$M)
Pre-Stripping	21	0	21
Mining Equipment	15	17	32
Mining Infrastructure/Ancillary	24	3	27
Site Development and Roadworks	113	0	113
Process Facilities	68	26	94
Utilities	27	0	27
Ancillary Facilities	28	0	28
Indirect Costs	54	0	54
EPCM	28	0	28
Owners Costs	22	0	22
Closure Costs	0	16	16
Subtotal Capital Costs	400	62	462
Contingency	55%	9	64
Total Capital Costs	455	71	526.0

* 30% contingency applied to closure costs.

The average LOM operating expense is estimated at \$101 per tonne processed, or \$57 per carat recovered. Operating cost breakdown is shown in Table 9 below.

Table 9. Operating Costs

Operating Cost	\$/t Processed	\$/carat	LOM (\$M)
Mining	38.90	22.11	369.0
Processing	17.95	10.19	170.1
Freight	14.86	8.44	140.9
Site Services	10.23	5.81	97.0
General and Administrative	18.92	10.75	179.3
Total Operating Expenses	100.88	57.30	956.4

* Average LOM mining cost is based on a LOM strip ratio of 6.6:1.

Cautionary Statement

Readers are cautioned that the Chidliak 2018 PEA is preliminary in nature and is based on Inferred Mineral Resources that are currently considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the PEA will be realized. There is no certainty that the Inferred Resources will be converted to the Indicated or Measured categories, or that the potential Indicated or Measured Resources would be converted to the Proven or Probable Mineral Reserve categories. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The estimates of Mineral Resources in the PEA and the Mineral Resource statement may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. The Chidliak 2018 PEA recommends that the Chidliak Project be advanced to a Pre-Feasibility study in order to increase confidence in the estimates.

Peregrine will be filing a Technical Report prepared in accordance with National Instrument (“NI”) 43-101 on the Chidliak 2018 PEA within 45 days of this news release.

Qualified Persons

The Chidliak 2018 PEA was prepared by JDS and is based on a Mineral Resource estimate for the Chidliak Project published as a NI 43-101 Technical Report with an effective date of February 15, 2018. JDS has a long and successful track record of delivering high-quality technical engineering and economic studies for a wide range of mineral resource companies, both in Canada and internationally. JDS is a specialized, private mineral engineering, consulting and construction company focused on adding value to mineral projects with fit-for-purpose designs and exceptional execution. The JDS team has a long history of northern Canadian and diamond experience including the current construction of the Gahcho Kué diamond mine and the Silvertip silver and base-metals mine.

The following Qualified Persons have participated in the development of the PEA, or are responsible for specific inputs into the PEA. They have reviewed the scientific and technical information contained in this news release and have approved of its contents.

Table 10. Qualified Persons

Qualified Person	Company	Responsibility
Richard Goodwin, P.Eng	JDS Energy & Mining Inc.	Project Management, Economic Analysis, Costs, Infrastructure
Dino Pilotto, P.Eng	JDS Energy & Mining Inc.	Mine Plan, Production Schedule, Mine Costs
Ken Embree, P.Eng	Knight & Piesold Ltd.	Fine Tailings Waste and Water Management
Catherine Fitzgerald, P.Geo	Peregrine Diamonds Ltd.	Resource Estimation and Reporting
Dr. Hermanus Grütter, P.Geo	Peregrine Diamonds Ltd.	Resource Estimation and Reporting
Dr. Jennifer Pell, P.Geo	Peregrine Diamonds Ltd.	Diamond Sampling and Valuations

About Peregrine Diamonds

Peregrine Diamonds is a TSX-listed diamond exploration and development company with its primary assets located in northern Canada.

Peregrine's core asset is its 100%-owned, 317,213-hectare Chidliak Project, located 120 kilometres from Iqaluit, the capital of Nunavut, where 74 kimberlites have been discovered to date, with eight being potentially economic.

An Inferred Mineral Resource of 17.96 million carats in 7.46 million tonnes of kimberlite at an average grade

of 2.41 carats per tonne has been defined for a portion of the CH-6 kimberlite. In addition, a Target for Further Exploration ("TFFE") of 1.09 to 2.35 million tonnes of kimberlite to a depth of 590 metres below surface has been identified at CH-6. In February 2016, WWW International Diamond Consultants provided model prices for a 1,013 carat parcel of diamonds from CH-6 at US\$128 per carat minimum, a high of US\$189 per carat, and a base model price of US\$149 per carat. Re-pricing of the parcel in April 2018 provided model prices of US\$131 per carat minimum, a high of US\$191 per carat, and a base model price of US\$151 per carat. An Inferred Mineral Resource of 4.23 million carats in 4.99 million tonnes of kimberlite at an average grade of 0.85 carats per tonne has been defined for a portion of the CH-7 kimberlite. In addition, TFFE of 0.90 to 2.36 million tonnes for a depth range of 240 to 320 metres has been estimated for the CH-7 kimberlite. In February 2016, WWW International Diamond Consultants provided model values for a 735.75 carat parcel of diamonds from CH-7 at US\$94 per carat minimum, a high of US\$155 per carat, and a base model price of US\$114 per carat; these prices were unaffected by a re-pricing of the parcel completed in April 2018. A TFFE of 1.27 to 3.19 million tonnes to 250 metres depth has been estimated for the CH-44 kimberlite pipe.

The potential quantify and grade of TFFEs identified above are conceptual in nature as there has been insufficient exploration to define a Mineral Resource. It is uncertain whether further exploration will result in any of these tonnages being delineated as Mineral Resources.

For information on data verification, exploration information, and resource estimation procedures, see the NI 43-101 technical report entitled "2018 Technical Report: Mineral Resource update for the Chidliak Project, Baffin Island, Nunavut, Canada" dated effective February 15, 2018 which is available on SEDAR and the Company's website.

Details of the Chidliak 2016 PEA are available in a National Instrument ("NI") 43-101 technical report titled "Preliminary Economic Assessment Technical Report on the Chidliak Project, Nunavut, Canada" and dated effective July 7, 2016, available on SEDAR and the Company's website.

The Chidliak 2016 PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

Peregrine also controls the 8,494-hectare Lac de Gras Project in the Northwest Territories, located approximately 27 kilometres from the Diavik Diamond Mine. The nine-hectare, 72.1%-owned DO-27 kimberlite located at Lac de Gras hosts an Indicated Mineral Resource of 18.2 million carats of diamonds in 19.5 million tonnes of kimberlite at a grade of 0.94 carats per tonne, and it is open at depth.

For information on data verification, exploration information, and resource estimation procedures see the NI 43-101 technical report entitled "[Peregrine Diamonds Ltd.](#) Lac de Gras Project, Northwest Territories, Canada NI 43-101 Technical Report" dated effective July 15, 2014, which is available on SEDAR and the Company's website.

For further information, please visit www.pdiam.com or contact Mr. Eric Friedland, Executive Chairman; Mr. Tom Peregoodoff, President and CEO; Dr. Herman Grütter, Vice President, Technical Services; or Peregrine Diamonds Investor Relations at 604-408-8880 or at investorrelations@pdiam.com.

Website: www.pdiam.com

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Canadian securities legislation. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including, without limitation, statements relating to the PEA and its realization, estimates of Chidliak Diamond Project economics, proposed exploration and development programs, funding availability, anticipated exploration results, grade of diamonds and tonnage of material, resource estimates, diamond valuation estimates and future exploration and operating plans are forward-looking statements. These forward-looking statements reflect

the current expectations or beliefs of the Company based on information currently available to the Company.

Forward-looking statements are made based upon certain assumptions by the Company and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding the economics of the PEA, the price of diamonds, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements include, but are not limited to: receipt of regulatory approvals; availability of funding; anticipated timelines for community consultations and the impact of those consultations on the regulatory approval process; market prices for rough diamonds and the potential impact on the Chidliak Project; and future exploration plans and objectives.

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, uncertainties relating to the Company's ability to achieve the PEA, availability and cost of funds, timing and content of work programs, results of exploration activities, interpretation of drilling results and other geological data, risks relating to variations in the diamond grade and kimberlite lithologies; variations in rates of recovery and breakage; estimates of grade and quality of diamonds, variations in diamond valuations and future diamond prices; the state of world diamond markets, reliability of mineral property titles, changes to regulations affecting the Company's activities, delays in obtaining or failure to obtain required project approvals, operational and infrastructure risk and other risks involved in the diamond exploration and development business. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to their inherent uncertainty.

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