

Pre-Feasibility Study – Kharmagtai Copper-Gold Project

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TORONTO, Oct. 15, 2024 - [Xanadu Mines Ltd.](#) (ASX:XAM, TSX:XAM) (Xanadu, XAM or the Company) is pleased to provide the Pre-Feasibility Study (PFS) for its flagship Kharmagtai Copper-Gold Project (Kharmagtai or the Project), located in an established mining jurisdiction in the South Gobi region of Mongolia.

This Study confirms the potential of Kharmagtai as a globally significant, long life, low cost, low risk future copper-gold mine. It is based on conventional open pit mining and sulphide flotation, with low environmental, social and governance (ESG) risk, and supported by nearby rail, road and power links providing the potential for rapid development. Kharmagtai is well positioned to help fill the looming copper global supply gap driven by growing demand for an increasingly electrified economy.

Highlights

Presented in 100% Terms (Xanadu holds 50% control and 38.25% economic share)

- Confirms Kharmagtai as a potential world class, low cost, long life mine. Estimated Results:
 - 21% IRR (range 14-25%, and 31% at spot commodity prices)
 - US\$930 million NPV @ 8% (range US\$ 450-1,220 million, and US\$1,880 million at spot commodity prices)
 - 4-year payback (range 4-5 years, and 3 years at spot commodity prices)
 - 29-year mine life
- Projected production ranges from 60-80ktpa copper and 165-170kozpa gold production across the first and second stages of expansion.
- First quartile all-in sustaining (C1) costs of US\$0.70/lb Cu for first eight years, net of by-product credits
- Conventional, low technical complexity open pit and process plant with low 0.6:1 strip ratio for first eight years
- Located in sparsely populated, flat terrain, with nearby established rail, power and water links
- Bankable Feasibility Study expected to commence in Q1 CY2025 and complete in Q2 of CY2026
- Robust study outcomes, led by high quality advisory team

Xanadu's Executive Chairman and Managing Director, Mr Colin Moorhead, said *"This Pre-Feasibility Study is the result of 18 months of hard work led by Spencer Cole, working closely with our JV partners at Zijin Mining Group Co Ltd. This confirms to an international PFS standard that Kharmagtai as a world class copper asset, located in a region of the South Gobi which hosts several significant deposits, including those at Rio Tinto's Oyu Tolgoi mine. The future development of Kharmagtai into a long life, low cost, mine will provide significant value to our shareholders and multi-generation employment and economic opportunity for our stakeholders in Mongolia. It remains true today that as the global economy decarbonises, the supply of copper cannot meet forecast demand. Development of large scale porphyry copper deposits is becoming more urgent, and with a competitive time to production and relatively low ESG risk, Kharmagtai is well positioned to move forward quickly. We are excited to demonstrate such a strong Project at Kharmagtai and to move forward with its final pre-construction stage of development."*

Pre-Feasibility Study

The Pre-Feasibility Study is attached to this Announcement.

Cautionary Statement

The Pre-Feasibility Study (PFS) has been undertaken to assess the viability of developing the Kharmagtai Copper-Gold Project by constructing a large-scale open cut mine and processing facility to produce a saleable gold-rich copper concentrate for export and gold doré for sale to the Bank of Mongolia. It is a technical and economic study assessing the potential viability of the Kharmagtai Project. It is based on technical and economic assessments that are sufficient to support the estimation of ore reserves. The PFS is based on the material assumptions in this document. These include assumptions about the availability of

funding. While Xanadu Mines Ltd (Xanadu) considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the PFS will be achieved.

The PFS is based on the October 2024 Mineral Resource Estimate, Probable Ore Reserves, and a PFS standard level of technical and economic assessments, which do not provide assurance of economic development or certainty that the PFS outcomes will be realised. The PFS has been completed to a level of accuracy of +/-25% in line with industry standard accuracy for this stage of development.

The Company has reasonable grounds for disclosing a Production Target, whereby the first eight years of production is predominantly scheduled from the Indicated Resource category which exceeds the economic payback period for the project by 4 years. As a result, the project economics are not dependent upon Inferred Resource to justify investment.

Approximately 73% of the 29-year Life of Mine Production Target and 88% of the first 8 years of mining is delineated from the Indicated Mineral Resource category. There is a lower level of geological confidence associated with Inferred Mineral Resource, and while the company recognises the mine inventory contains a significant amount of Inferred Resource in the later years of the mine life, due to the nature of the orebody, it considers the estimates to be accurate and to have a high probability of conversion from Inferred to Indicated Resource category through further drilling, with a low probability of material downgrade. The nature of Kharmagtai mineralisation is bulk tonnage, lower grade and disseminated in nature, which results in predictable variations in grade over larger drill spacing than for other types of mineralisation.

The Company considers all the material assumptions in this PFS to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated will be achieved. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the PFS.

During the completion of the PFS, evaluation of an Ore Reserve Estimate was completed including only Probable tonnes. To support the Ore Reserve evaluation within the PFS, a separate Whittle 4X open pit optimization evaluation was completed by Mining Plus with no value given to the Inferred Mineral Resource within all deposits. Using this model a PFS level mine design, mine scheduling, mining costing and overall project economic model evaluation was completed solely based on Indicated Resource to confirm positive economic outcomes for the Ore Reserve. For full details of the estimated Ore Reserve, please refer to Xanadu ASX/TSX Announcement dated 14 October 2024.

The Mineral Resource underpinning the production target in the PFS has been prepared by a Competent Person in accordance with the requirements of Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012). The Competent Person's Statement is found at the end of this PFS. For full details of the Mineral Resource Estimate, please refer to Xanadu ASX/TSX Announcement dated 14 October 2024.

To achieve the range of outcomes indicated in the PFS, funding in the order of \$890 million will likely be required from owners of the project. Investors should note that there is no certainty that Xanadu will be able to source its share of the required funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Xanadu's existing shares. It is also possible that Xanadu could pursue other 'value realisation' strategies such as a sale, partial sale or further joint venture of the project. If it does, this could materially reduce Xanadu proportionate ownership of the project.

Xanadu confirms that it is not aware of any new information or data that materially affects the information included in that release. All material assumptions and technical parameters underpinning the estimates in that Announcement continue to apply and have not materially changed.

Unless otherwise stated, all currency stated in this PFS is in US dollars.

Forward Looking Statements

Certain statements contained in this PFS, including information as to the future financial or operating

performance of Xanadu and its projects may also include statements which are 'forward-looking statements' that may include, amongst other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These 'forward looking statements' are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Xanadu, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

Xanadu disclaims any intent or obligation to update publicly or release any revisions to any forward-looking statements, whether as a result of new information, future events, circumstances or results or otherwise after the date of this PFS or to reflect the occurrence of unanticipated events, other than as required by the Corporations Act 2001 (Cth) and the Listing Rules of the Australian Securities Exchange (ASX) and Toronto Stock Exchange (TSX). The words 'believe', 'expect', 'anticipate', 'indicate', 'contemplate', 'target', 'plan', 'intends', 'continue', 'budget', 'estimate', 'may', 'will', 'schedule' and similar expressions identify forward-looking statements.

All 'forward-looking statements' made in this PFS are qualified by the foregoing cautionary statements. Investors are cautioned that 'forward-looking statements' are not a guarantee of future performance and accordingly investors are cautioned not to put undue reliance on 'forward-looking statements' due to the inherent uncertainty therein.

Xanadu has concluded that it has a reasonable basis for providing these forward-looking statements and the forecast financial information included in this PFS.

To achieve the range of Kharmagtai Copper-Gold Project outcomes indicated in this PFS, funding in the order of approximately \$890 million will likely be required by the owners of the project. As a result of minority ownership and carry agreements, Xanadu and Zijin are jointly accountable for 90.4% of this total based.

Based on current market conditions and the results of studies undertaken, there are reasonable grounds to believe Xanadu's share of the Project can be financed via a combination of equity and debt, as has been done for numerous comparable projects in Mongolia and other jurisdictions in Asia in recent years. Debt may be secured from several sources including Australian banks, international banks, the high yield bond market, resource credit funds, and in conjunction with product sales of offtake agreements. It is also possible the Company may pursue alternative funding options, including undertaking a corporate transaction, seeking a joint venture partner or partial asset sale. There is, however, no certainty that Xanadu will be able to source funding as and when required. Whilst no formal funding discussions have concluded, the Company has engaged with several potential financiers of the Kharmagtai Copper-Gold Project and these financial institutions and corporations have expressed an interest in being involved in funding of the Project.

This ASX PFS has been prepared in compliance with the current JORC Code (2012) and the ASX Listing Rules. All material assumptions, including sufficient progression of all JORC modifying factors, on which the production target and forecast financial information are based have been included in this ASX PFS.

About Xanadu Mines

Xanadu is an ASX and TSX listed Exploration company operating in Mongolia. We give investors exposure to globally significant, large-scale copper-gold discoveries and low-cost inventory growth. Xanadu maintains a portfolio of exploration projects and remains one of the few junior explorers on the ASX or TSX who jointly control a globally significant copper-gold deposit in our flagship Kharmagtai project. Xanadu holds 50-50 JV share with Zijin Mining Group in Khuiten Metals Pte Ltd, which controls 76.5% of the Kharmagtai project.

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This Announcement was authorised for release by Xanadu's Board of Directors.

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