

Xanadu Mines's Near-Term Outlook

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[Xanadu Mines Ltd.](#) (ASX: XAM, TSX: XAM) (Xanadu or the Company) is pleased to provide an update on The Kharmagtai Project and associated discussions about the next steps for the development of the Kharmagtai copper-gold Project with our JV partner, Zijin Mining Group (Zijin).

Highlights

- Xanadu delivered a prefeasibility study (PFS) for the Kharmagtai Project late in the September Quarter of 2024, outlining a 29-year, large scale, low cost, open pit copper-gold operation.
- Under the joint venture agreement (JVA), delivery of the PFS KPIs triggered two key events namely, transition of JV Operatorship to Zijin, and the vesting of two 6-month options, granted for Xanadu's benefit by the original Zijin investment agreement.
- The transition of operatorship to Zijin was completed smoothly during the December Quarter 2024, with the joint venture now planning the next stage through to Final Investment Decision (FID).
- Xanadu is expecting to meet with Zijin in Xiamen China in early February to commence consideration of the scope, budget and schedule.
- The budget for this next stage cannot be approved without Xanadu having a viable funding solution in place. The Company is therefore focussed on reviewing all strategic options for Xanadu and its shareholders, to ensure it can move forward unconstrained, whilst ensuring value is maximised for our shareholders.

Xanadu's Executive Chairman and Managing Director, Mr Colin Moorhead, said,

"The Kharmagtai PFS describes a world class, low cost, low complexity, open pit mining operation that delivers on average 165kt of copper and 75koz gold metal per annum over 29 years. Furthermore, the deposit has significant upside potential needing more work in the next stage such as oxide leaching and accounting for the significant amount of silver reporting to the concentrate. Significant exploration potential also remains as the deposits remain open at depth, with real potential to further grow over time as is common for other porphyries of similar nature. Encouraged by an improving regulatory environment, it is reasonable to expect that Kharmagtai will be the next large-scale copper mine built in Mongolia. Through the 50:50 joint venture Xanadu shares control with Zijin, each partner currently holds a 38.25% beneficial interest in a project with an estimated post tax NPV at 8% discount rate calculated at USD \$930M.

It has been pleasing to see Zijin push forward with preparations for the next phase through to Final Investment Decision. We were also grateful to receive Zijin's support for the Company's recent capital raising, with both of these events validating Zijin's strong support for the Kharmagtai Project. Xanadu is now working to determine a way forward that delivers best value to our shareholders".

Kharmagtai Project Update

- Delivery of the PFS in September 2024 triggered a change in operatorship from Xanadu to Zijin and also marked the commencement of a 6-month option period, agreed as part of the original investment agreement to allow both parties to consider the results of the PFS and to determine the best ownership structure for the joint venture going forward.

- During the December Quarter, Zijin transitioned into the position as operator of the Joint Venture, with Xanadu assisting to transition technical, commercial and operational aspects as required. Key points to note in this regard are as follows:
 - Zijin appointed its Head of Overseas Operations, a very senior company executive, as the incoming Chairman of Khuiten Joint Venture (KHJV). A site visit was undertaken in October.
 - A General Manager has also been appointed from within Zijin to manage the project from Ulaanbaatar. All of Xanadu's Mongolian staff, excluding those dedicated to running Xanadu's non-Kharmagtai exploration efforts, have transferred to the KHJV.
 - During the cold winter months field activity has been minimal, with efforts focussed on preparing detailed scopes of work for various aspects of the next phase of the project. Xanadu expects the key areas of focus leading to an investment decision will include:
 - completion of a bankable feasibility study (BFS) based on the recently completed PFS, as well as ongoing investigation of additional upside opportunities such as oxide leach and the value to be obtained from monetising the silver content of the offtake.
 - a water exploration program required to secure remaining water requirements for the planned production;
 - completion of all permits and approvals including a negotiated investment agreement with the Government of Mongolia; and
 - continued exploration to test for extensions and repetitions of mineralisation, particularly at depth where the system remains open and potentially strengthening.

NOTE: Notwithstanding Zijin is now being operator of the project, the composition of the JV Board of Directors has not changed and all material actions, (including capital raisings equity which still require majority board approval i.e. support from Directors appointed by both Zijin and Xanadu).

- The Company also welcomes the Mongolian Parliament's recent approval of an Investment Agreement with French Uranium Company Orano which signals a more commercial and pragmatic approach from the government with respect to mining investments in Mongolia.
- The Company approved a modest JV budget for Q1, 2025 of USD \$2.1M in lieu of consideration of the full next stage strategic plan and budget expected to be presented at the JV Board meeting scheduled to occur in Xiamen China in early February. Xanadu's contribution for Q1 was USD \$1.05M or approximately AUD \$1.70M. The Company will fund this using part of the proceeds of the recent equity offering.

Strategic Options

- Delivery of the PFS in late September 2024 triggered the start of a 6-month period (a hold, or negotiation period) with Zijin to determine the best way to take the Kharmagtai Project forward. During this period, which notionally ends in late March 2025, Xanadu is considering its strategic options for the project which include:
 - Securing funding for its 50% interest in the project until the next major decision point in the project (FID) - via a process being managed by Bacchus Capital;
 - A selldown of the project (either at Xanadu or project level) to a third party;
 - Exercising one of the two put options under the originally negotiated JV Agreement with Zijin, or alternative negotiated outcome.
- As can be expected, during this 6-month period, Xanadu has been actively progressing each of the alternatives above with a view to evaluating which alternative provides maximum value for Xanadu shareholders. Whilst Xanadu does not have details of the various options at this stage, it anticipates being able to provide them prior to the end of the 6-month period.
- It should be noted that although Zijin are the operator all key decisions including budget approvals require Xanadu support, protecting the company from dilution.
- The Bacchus Capital led process is progressing well and a number of groups are currently in the data room conducting due diligence. Discussions with parties are actively ongoing with a view to providing clarity on funding for the BFS in the coming months.
- The Company also has two negotiated options that can be put to Zijin at Xanadu's sole discretion during the negotiation period. These include:
 - Option 1 - sell Xanadu's 50% share in the KHJV (38.25% effective interest in Kharmagtai) to Zijin for USD \$50M cash (approximately AUD \$80M at current exchange rates).
 - Option 2 - sell half of Xanadu's share in the KHJV (25% or 19.125% effective interest in Kharmagtai) for USD \$25M and be loan carried on commercial terms whilst retaining 19.125% of the project.

- Xanadu considers Option 2 to be materially superior to Option 1 (which was originally intended as a fall-back liquidity event should unforeseen circumstances arise). Option 2 would create a small but meaningful liquidity event for The Company in the short term and allow it to maintain a significant interest in the Kharmagtai project over the long term, avoiding further equity dilution. Exercise of either option will require a shareholder vote, requiring an EGM pre-approval before the end of the 6 month option vesting period.

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 together with our 50-50 JV partner Zijin Mining Group.

For further information on Xanadu, please visit: www.xanadumines.com or contact:

Colin Moorhead	Spencer Cole
Executive Chairman & Managing Director	Chief Financial & Development Officer
E: colin.moorhead@xanadumines.com	E: spencer.cole@xanadumines.com
P: +61 2 8280 7497	

This Announcement was authorised for release by Xanadu's Chair and Managing Director.

Forward-Looking Statements

Certain statements contained in this Announcement, 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.

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

For further information please visit the Xanadu Mines' Website at www.xanadumines.com.

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