Kharmagtai Resource Drilling and Preliminary Economic Assessment (PEA) Underway

23.08.2018 | GlobeNewswire

HIGHLIGHTS

Location of the Kharmagtai Project in the South Gobi porphyry copper belt.

The Kharmagtai District showing location of the main deposits (Stockwork Hill, White Hill, Copper Hill) and the new Zaraa discovery.

2015 JORC Resources at the Kharmagtai deposit (showing measured and indicated – red blocks). Additional resources (inferred and geological – green and dark blue respectively to increase tonnes in-pit and further reduce strip ratio. Mineralisation remains open at depth and in all directions at White Hill and Stockwork Hill deposits. Further extensions are also possible by adding the White Hill West deposit ar extending the pit by approximately 500m further towards the west. Red arrows indicate potential extension undercover.

Indicative project development timeline. All drilling and study programs are fully funded from the Company’s cash reserves of circa $10 million.

Plan view of the Zaraa discovery with 3D Induced polarisation, showing location of gold-expected surface expression of this large discovery.

- Dual strategy initiated:
  - Prove up a significant resource upgrade, with an initial focus on a higher-grade open pit starter project to demonstrate project economics
  - Continue to expand the scale of the project through continued exploration at the new Zaraa discovery and beyond
- Resource drilling for preliminary economic study underway
- Significant potential to expand the current 2015 JORC Resource
- Infill drilling programmes to be completed by mid-October

SYDNEY, Aug. 22, 2018 - Xanadu Mines Ltd. (ASX: XAM – “Xanadu” or “Company”) is pleased to announce that infill and resource definition drilling designed to significantly increase tonnes of the 2015 JORC Resource to facilitate project development has commenced at its flagship Kharmagtai copper and gold project located in the South Gobi region of Mongolia (Figure 1).

Xanadu’s Managing Director & Chief Executive Officer, Dr Andrew Stewart, said: “
Following the very significant discovery of the fourth porphyry centre at Zaraa, we believe the Kharmagtai project is approaching a near-term development opportunity and it’s now time to take the Kharmagtai project to the next stage. Our number one objective at Kharmagtai is to fast-track resource drilling designed to significantly upgrade the Kharmagtai Mineral Resource estimate and to complete a preliminary economic assessment (PEA) of a very low strip ratio, higher-grade open pit ‘starter’ project contained within a larger resource. I am confident that Kharmagtai will further improve its status as the premier large-scale undeveloped copper-gold project in Asia”.

KHARMAGTAI RESOURCE DRILLING AND PEA PROGRAMME

Xanadu’s focus is to maximise the development potential of the Kharmagtai deposit in the shortest possible time frame.

A detailed infill and resource definition drilling program over the three main deposits (Copper Hill, White Hill and Stockwork Hill; Figure 2) is underway at Kharmagtai. Selective infill drilling comprises RC holes (100 metre by 100 metre spacing) over an approximate 150,000 square metres defining the orebodies from surface to depths of approximately 300m.

This drill programme has significant potential to expand the current resource (Figure 3), identify additional higher-grade mineralisation and join Stockwork Hill and White Hill deposits. This will allow Stockwork Hill and White Hill to be mined from one larger open pit to improve economics by minimising capital costs and reducing operating costs. The program includes clear milestones to improve economics and optimising pit designs along with a drill program to move existing Inferred Resources into Measured and Indicated (M&I) categories with minimal selective infill drilling (Figure 4).

Close spaced infill drilling will also allow Xanadu geologists to refine the geological controls on mineralisation to later target down-dip and along strike mineralisation more effectively.

A Mineral Resource update for the Kharmagtai Project will be used to complete the PEA programme. Xanadu and industry leading consultants are currently assessing various options to identify the single case optimal project size and scale to progress to final PEA.

The Mineral Resource update and PEA are due for release early in the fourth quarter.

NEXT STEPS AT ZARA DISCOVERY – MAIDEN RESOURCE

The exploration potential of the new and extensive Zaraa discovery is being assessed simultaneously with the development plan for White Hill, Stockwork Hill and Copper Hill.

Xanadu’s aggressive 2018 exploration drilling program, which was targeting the discovery of additional porphyry copper-gold centres undercover in the large underexplored Kharmagtai porphyry district, has proved to be highly successful with the discovery of the blind Zaraa porphyry copper-gold centre (Figure 5).

With five recent drill holes featuring close to 1km of continuous copper-gold mineralisation, the new discovery of Zaraa supports the definition of a fourth large-scale porphyry deposit located only 2km east-southeast of the currently defined resources.

The objective is now to demonstrate that this large-scale porphyry has both open pit and underground potential.

All drilling and study programs are fully funded from the Company’s cash reserves of circa $10 million.

The Company looks forward to providing further regular updates on its ongoing active development campaign.

FIGURE 1: Location of the Kharmagtai Project in the South Gobi porphyry copper belt.
http://www.globenewswire.com/NewsRoom/AttachmentNg/af282b98-8b05-4d17-b94b-9c70311e58f9

FIGURE 2: The Kharmagtai District showing location of the main deposits (Stockwork Hill, White Hill, Copper

Hill) and the new Zaraa discovery.
http://www.globenewswire.com/NewsRoom/AttachmentNg/c86d5ca0-104e-44db-9278-017aceb7534d

FIGURE 3: 2015 JORC Resources at the Kharmagtai deposit (showing measured and indicated – red blocks). Additional resources (inferred and geological – green and dark blue respectively to increase tonnes in-pit and further reduce strip ratio. Mineralisation remains open at depth and in all directions at White Hill and Stockwork Hill deposits. Further extensions are also possible by adding the White Hill West deposit and extending the pit by approximately 500m further towards the west. Red arrows indicate potential extensions undercover.
http://www.globenewswire.com/NewsRoom/AttachmentNg/0ce86790-a3a0-4622-81fe-37a092521128

FIGURE 4: Indicative project development timeline. All drilling and study programs are fully funded from the Company’s cash reserves of circa $10 million.
http://www.globenewswire.com/NewsRoom/AttachmentNg/b747b39d-c2bf-492c-badc-bb5310f5cc35

FIGURE 5: Plan view of the Zaraa discovery with 3D Induced polarisation, showing location of gold-expected surface expression of this large discovery.
http://www.globenewswire.com/NewsRoom/AttachmentNg/1b135bde-bdd0-4d07-a4fa-415c78a7424d

COMPETENT-QUALIFIED PERSON STATEMENT

The information in this announcement that relates to exploration results is based on information compiled by Dr Andrew Stewart who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the “Competent Person” as defined in the 2012 Edition of the “Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves” and the National Instrument 43-101. Dr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

COPPER EQUIVALENT CALCULATIONS

The copper equivalent (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. Grades have not been adjusted for metallurgical or refining recoveries and the copper equivalent grades are of an exploration nature only and intended for summarising grade. The copper equivalent calculation is intended as an indicative value only. The following copper equivalent conversion factors and long-term price assumptions have been adopted: Copper Equivalent Formula (CuEq) = Cu% + (Au (ppm) x 0.6378). Based on a copper price of $2.60/lb and a gold price of $1,300/oz.

For further information, please contact:

Andrew Stewart
Managing Director & Chief Executive Officer
T: +612 8280 7497
M: +976 9999 9211
Andrew.stewart@xanadumines.com

www.xanadumines.com

APPENDIX 1: KHARMAGTAI TABLE 1 (JORC 2012)

Set out below is Section 1 and Section 2 of Table 1 under the JORC Code, 2012 Edition for the Kharmagtai project. Data provided by Xanadu. This Table 1 updates the JORC Table 1 disclosure dated 31 July 2018.

1.1 JORC TABLE 1 - SECTION 1 - SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code (Section 1) Explanation
Sampling techniques	● Nature and quality of sampling and assaying. ● Measures taken to ensure sample representivity and the appro ● Aspects of the determination of mineralisation that are Materia
Drilling techniques	● Drill type and details.
Drill sample recovery	● Method of recording and assessing core and chip sample reco ● Measures taken to maximise sample recovery and ensure rep ● Whether a relationship exists between sample recovery and g
Logging	● Whether core and chip samples have been geologically and g ● Whether logging is qualitative or quantitative in nature. Core (c ● The total length and percentage of the relevant intersections lo
Sub-sampling techniques and sample preparation	● If core, whether cut or sawn and whether quarter, half or all co ● If non-core, whether riffled, tube sampled, rotary split, etc and ● For all sample types, the nature, quality and appropriateness o ● Quality control procedures adopted for all sub-sampling stages ● Measures taken to ensure that the sampling is representative ● Whether sample sizes are appropriate to the grain size of the
Quality of assay data and laboratory tests	● The nature, quality and appropriateness of the assaying and la ● For geophysical tools, spectrometers, handheld XRF instrume ● Nature of quality control procedures adopted (eg standards, bl
Verification of sampling and assaying	● The verification of significant intersections by either independe ● The use of twinned holes. ● Documentation of primary data, data entry procedures, data ve ● Discuss any adjustment to assay data.
Location of data points	● Accuracy and quality of surveys used to locate drill holes (colla ● Specification of the grid system used. ● Quality and adequacy of topographic control.
Data spacing and distribution	● Data spacing for reporting of Exploration Results. ● Whether the data spacing and distribution is sufficient to estab ● Whether sample compositing has been applied.
Orientation of data in relation to geological structure	● Whether the orientation of sampling achieves unbiased sampli ● If the relationship between the drilling orientation and the orien

Sample security	● The measures taken to ensure sample security.
Audits or reviews	● The results of any audits or reviews of sampling techniques ar

1.2 JORC TABLE 1 - SECTION 2 - REPORTING OF EXPLORATION RESULTS

(Criteria in this section apply to all succeeding sections).

Criteria	JORC Code (Section 2) Explanation
Mineral tenement and land tenure status	● Type, reference name/number, location and ownership including agreement ● The security of the tenure held at the time of reporting along with any known
Exploration done by other parties	● Acknowledgment and appraisal of exploration by other parties.
Geology	● Deposit type, geological setting and style of mineralisation.
Drill hole Information	● A summary of all information material to the understanding of the exploratio ● easting and northing of the drill hole collar. ● elevation or RL Reduced Level – elevation above sea level in metres ● dip and azimuth of the hole ● down hole length and interception depth ● hole length. ● If the exclusion of this information is justified on the basis that the informatio
Data Aggregation methods	● In reporting Exploration Results, weighting averaging techniques, maximum ● Where aggregate intercepts incorporate short lengths of high grade results a ● The assumptions used for any reporting of metal equivalent values should b
Relationship between mineralisation widths and intercept lengths	● These relationships are particularly important in the reporting of Exploration ● If the geometry of the mineralisation with respect to the drill hole angle is kn ● If it is not known and only the down hole lengths are reported, there should
Diagrams	● Appropriate maps and sections (with scales) and tabulations of intercepts sh
Balanced reporting	● Where comprehensive reporting of all Exploration Results is not practicable

Other substantive exploration data	● Other exploration data, if meaningful and material, should be reported inclu
Further work	● The nature and scale of planned further work (eg tests for lateral extensions ● Diagrams clearly highlighting the areas of possible extensions, including the

1.3 JORC TABLE 1 – SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code (Section 3) Explanation
Database integrity	● Measures taken to ensure that data has not been corrupted by, for example, transcription ● Data validation procedures used.
Site visits	● Comment on any site visits undertaken by the Competent Person and the outcome of tho ● If no site visits have been undertaken indicate why this is the case.
Geological interpretation	● Confidence in (or conversely, the uncertainty of the geological interpretation of the minera ● Nature of the data used and of any assumptions made. ● The effect, if any, of alternative interpretations on Mineral Resource estimation. ● The use of geology in guiding and controlling Mineral Resource estimation. ● The factors affecting continuity both of grade and geology.
Dimensions	● The extent and variability of the Mineral Resource expressed as length (along strike or ot
Estimation and modelling techniques	● The nature and appropriateness of the estimation technique(s) applied and key assumpti ● The availability of check estimates, previous estimates and/or mine production records ar ● The assumptions made regarding recovery of by-products. ● Estimation of deleterious elements or other non-grade variables of economic significance ● In the case of block model interpolation, the block size in relation to the average sample s ● Any assumptions behind modelling of selective mining units. ● Any assumptions about correlation between variables. ● Description of how the geological interpretation was used to control the resource estimate ● Discussion of basis for using or not using grade cutting or capping. ● The process of validation, the checking process used, the comparison of model data to dr
Moisture	● Whether the tonnages are estimated on a dry basis or with natural moisture, and the meth

Cut-off parameters	● The basis of the adopted cut-off grade(s) or quality parameters applied.
Mining factors or assumptions	● Assumptions made regarding possible mining methods, minimum mining dimensions and
Metallurgical factors or assumptions	● The basis for assumptions or predictions regarding metallurgical amenability. It is always
Environmental factors or assumptions	● Assumptions made regarding possible waste and process residue disposal options. It is a
Bulk density	● Whether assumed or determined. If assumed, the basis for the assumptions. If determine ● The bulk density for bulk material must have been measured by methods that adequately ● Discuss assumptions for bulk density estimates used in the evaluation process of the diffe
Classification	● The basis for the classification of the Mineral Resources into varying confidence categorie ● Whether appropriate account has been taken of all relevant factors (ie relative confidence ● Whether the result appropriately reflects the Competent Person’s view of the depo
Audits or reviews	● The results of any audits or reviews of Mineral Resource estimates.
Discussion of relative accuracy/ confidence	● Where appropriate a statement of the relative accuracy and confidence level in the Miner ● The statement should specify whether it relates to global or local estimates, and, if local, s ● These statements of relative accuracy and confidence of the estimate should be compare

1.4 JORC TABLE 1 – SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

Ore Reserves are not reported so this is not applicable to this report.