

New High-Grade Zone Discovered at Kharmagtai

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TORONTO, March 10, 2020 - [Xanadu Mines Ltd.](#) (ASX: XAM, TSX: XAM) ("Xanadu" or "the Company") is pleased to report that diamond drill hole KHDDH526, located to the immediate east of the Stockwork Hill deposit on the Company's Kharmagtai porphyry copper and gold project in the south Gobi region of Mongolia (Figures 1 and 2), has intersected a significant new zone of mineralisation outside the defined resources. This new discovery significantly increases the potential strike of the Stockwork Hill Deposit.

HIGHLIGHTS

- Drill hole KHDDH526 intersects a broad zone of high-grade mineralisation east of the Stockwork Hill resource
- KHDDH526 intersects 117m @ 0.68% Cu and 0.58g/t Au from 555m
including 62.8m @ 1.16% Cu and 1.04g/t Au from 607m
- Geophysical signature of the mineralisation can be traced for over 1,000m east of Stockwork Hill resource
- Drilling reinforces the potential of the Tourmaline Breccia unit to host high-grade mineralisation on a potentially large scale
- These drilling results confirm Kharmagtai as one of the most promising copper-gold projects globally

Xanadu's Chief Executive Officer, Dr Andrew Stewart, said "KHDDH526 represents a pivotal drill hole for Xanadu at our Kharmagtai project. We have always believed that the high-grade tourmaline breccia at Stockwork Hill should extend to the east, but previous drilling had been unable to locate the eastern extensions of the mineralisation. KHDDH526 now confirms that mineralisation certainly extends beyond Billy's Basalt Shear and may potentially extend all the way to the Sandstorm prospect over 1km away. These outstanding results support Xanadu's interpretations that the porphyry-breccia complex at Kharmagtai has the potential to be a significant copper-gold system with similarities to other very strongly mineralised tourmaline breccia deposits globally";

STOCKWORK HILL DRILLING PROGRAM

Three drill holes have been completed at Stockwork Hill; all holes were designed to extend the known high-grade mineralisation.

KHDDH525 was planned to bring the recently discovered bornite zone at Stockwork Hill towards surface (refer to Xanadu's ASX/TSX announcement dated 28 February 2019; Targets 1 and 2 in Figure 3). This hole has encountered a shallow zone of bornite at 193m which is encouraging. The main zone of mineralisation was encountered between 600m and 900m and assays are pending.

KHDDH526 was planned to extend the high-grade tourmaline breccia zone at Stockwork Hill to the east of Billy's Basalt Shear, the previous limit to mineralisation (Target 3 in Figure 3, 4 and 5). Three key observations highlighted the potential for a significantly larger zone of tourmaline breccia at Stockwork Hill.

The first of these was that mineralisation appeared to be offset by Billy's Basalt Shear, a medium scale structure against which previously drilled mineralisation abuts. Structural models suggested this fault

had an offset of less than 100m and pointed to the tourmaline breccia south and east of previous drilling.

The second observation was that the tourmaline breccia correlates with a discrete zone of magnetic destruction. This corridor of magnetic destruction extends some 1,000m to the Sandstorm Prospect (Figure 4).

Finally, previous shallow drilling between Stockwork Hill and Sandstorm had encountered zones of tourmaline breccia with sulphide mineralisation reminiscent of the top of the known body of tourmaline breccia at Stockwork Hill. The tourmaline breccia at Stockwork Hill is vertically zoned from shallow tourmaline-chlorite infill, to deeper tourmaline-pyrite infill and then into copper bearing tourmaline-chalcopryite-pyrite infill. These shallow holes displayed the tourmaline-chlorite and tourmaline-pyrite zones with minor chalcopryite (Figure 4) which suggests copper mineralisation should be below these intercepts.

Partial assays have been returned for KHDDH526;

KHDDH526 - 117m @ 0.68% Cu & 0.59/t Au (0.98% eCu) from 555m,

including 70.8m @ 1.04% Cu and 0.93g/t Au (1.52% eCu) from 599m,

and 62.8m @ 1.16% Cu and 1.04g/t Au (1.69% eCu) from 607m.

Drill hole KHDDH527 has been drilled on the south western margin of Stockwork Hill (aimed at Target 5 in Figure 3). This hole has encountered mixed zones of high vein density stockwork, andesite dykes and tourmaline breccia (Figure 6). Assays are pending.

Photos accompanying this announcement are available at:

<https://www.globenewswire.com/NewsRoom/AttachmentNg/378991ca-4233-47b5-a49a-92cfe4584d14>

<https://www.globenewswire.com/NewsRoom/AttachmentNg/a03eb2de-2020-4aec-b8a3-e53c268c45b4>

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<https://www.globenewswire.com/NewsRoom/AttachmentNg/8a43587f-af7c-4093-a16d-ed07c341f8e8>

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 been adjusted for metallurgical recoveries based off previous metallurgical work performed on the mineralisation in question. The copper/gold equivalent grades are of an exploration nature only and intended for summarising grade. The copper/gold 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 eCu or $CuEq = Cu + Au * 0.62097 * 0.8235$. Gold Equivalent Formula $eAu = Au + Cu / 0.62097 * 0.8235$.

Where:

Cu - copper grade (%)

Au - gold grade (g/t)

0.62097- conversion factor (gold to copper)

0.8235 - relative recovery of gold to copper (82.35%)

The copper/gold equivalent formula was based on the following parameters (prices are in USD):

Copper price - 3.1 \$/lb (or 6834 \$/t)

Gold price - 1320 \$/oz

Copper recovery - 85%

Gold recovery - 70%

Relative recovery of gold to copper = $70\% / 85\% = 82.35\%$.

Table 1: Currently returned assay intercepts for Stockwork Hill

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)	AuEq (g/t)
KHDDH525	Stockwork Hill	<i>Assay pending</i>						
KHDDH526	Stockwork Hill	352	364.0	12.0	0.05	0.07	0.09	0.2
	<i>and</i>	389	399.0	10.0	0.08	0.07	0.12	0.2
	<i>and</i>	511	541.0	30.0	0.05	0.10	0.12	0.2
	<i>and</i>	555	672.0	117.0	0.58	0.68	0.98	1.9
	<i>including</i>	599	669.8	70.8	0.93	1.04	1.52	3.0
	<i>including</i>	607	669.8	62.8	1.04	1.16	1.69	3.3
	<i>and</i>	<i>Assay pending</i>						
KHDDH527	Stockwork Hill	<i>Assay pending</i>						

Intercepts are weighted averages to ensure different sample lengths do not skew the results. There is insufficient information to understand true widths at this stage. Due to the size of the system and current ambiguity around orientation of the drill hole relative to minor diluting intrusives, a larger than normal internal dilution of 9m has been used to calculate a geologically relevant intercept.

Table 2: Drill hole collar location

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHDDH525	Stockwork Hill	592740	4877746	1285	223	-70	1004.6
KHDDH526	Stockwork Hill	592991	4877362	1288	350	-65	806.0
KHDDH527	Stockwork Hill	592276	4877962	1292	178	-72	652.0

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

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 18 September 2017.

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

Criteria	JORC Code explanation
<i>Sampling techniques</i>	<ul style="list-style-type: none"> ● Nature and quality of sampling (eg cut channels, random ch ● Include reference to measures taken to ensure sample repre ● Aspects of the determination of mineralisation that are Mate ● In cases where 'industry standard' work has b
<i>Drilling techniques</i>	<ul style="list-style-type: none"> ● Drill type (e.g. core, reverse circulation, open-hole hammer,
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> ● Method of recording and assessing core and chip sample re ● Measures taken to maximise sample recovery and ensure re ● Whether a relationship exists between sample recovery and
<i>Logging</i>	<ul style="list-style-type: none"> ● Whether core and chip samples have been geologically and ● Whether logging is qualitative or quantitative in nature. Core ● The total length and percentage of the relevant intersections

<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none">● <i>If core, whether cut or sawn and whether quarter, half or all</i>● <i>If non-core, whether riffled, tube sampled, rotary split, etc are</i>● <i>For all sample types, the nature, quality and appropriateness</i>● <i>Quality control procedures adopted for all sub-sampling stages</i>● <i>Measures taken to ensure that the sampling is representative</i>● <i>Whether sample sizes are appropriate to the grain size of the</i>
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none">● <i>The nature, quality and appropriateness of the assaying and</i>● <i>For geophysical tools, spectrometers, handheld XRF instruments</i>● <i>Nature of quality control procedures adopted (eg standards, methods)</i>
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none">● <i>The verification of significant intersections by either independent</i>● <i>The use of twinned holes.</i>● <i>Documentation of primary data, data entry procedures, data</i>● <i>Discuss any adjustment to assay data.</i>
<i>Location of data points</i>	<ul style="list-style-type: none">● <i>Accuracy and quality of surveys used to locate drill holes (collar</i>● <i>Specification of the grid system used.</i>● <i>Quality and adequacy of topographic control.</i>
<i>Data spacing and distribution</i>	<ul style="list-style-type: none">● <i>Data spacing for reporting of Exploration Results.</i>● <i>Whether the data spacing and distribution is sufficient to establish</i>● <i>Whether sample compositing has been applied.</i>
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none">● <i>Whether the orientation of sampling achieves unbiased sampling</i>● <i>If the relationship between the drilling orientation and the orientation</i>
<i>Sample security</i>	<ul style="list-style-type: none">● <i>The measures taken to ensure sample security.</i>
<i>Audits or reviews</i>	<ul style="list-style-type: none">● <i>The results of any audits or reviews of sampling techniques</i>

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

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

Criteria

JORC Code explanation

Mineral tenement and land tenure status

- *Type, reference name/number, location and ownership*
- *The security of the tenure held at the time of reporting*

Exploration done by other parties

- *Acknowledgment and appraisal of exploration results*

Geology

- *Deposit type, geological setting and style of mineralisation*

Drill hole Information

- *A summary of all information material to the understanding of the drill hole*
 - *easting and northing of the drill hole collar*
 - *elevation or RL (Reduced Level – elevation above sea level)*
 - *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 of the JORC Code explanation*

Data aggregation methods

- *In reporting Exploration Results, weighting averages*
- *Where aggregate intercepts incorporate short intervals of high grade*
- *The assumptions used for any reporting of metal grades*

Relationship between mineralisation widths and intercept lengths

- *These relationships are particularly important in the case of unconsolidated material*
- *If the geometry of the mineralisation with respect to the drill hole is not known*
- *If it is not known and only the down hole length is reported*

Diagrams

- *Appropriate maps and sections (with scales) and*

Balanced reporting

- *Where comprehensive reporting of all Exploration*

Other substantive exploration data

- *Other exploration data, if meaningful and material*

Further work

- *The nature and scale of planned further work (including*
- *Diagrams clearly highlighting the areas of possible*

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

Mineral Resources are not reported so this is not applicable to this report.

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.

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