

K92 Mining Inc Announces First Quarter Results From The Kainantu Gold Mine, With Gold Equivalent Production Of 19,934 Oz

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- Q1 production of 19,240 oz of gold, 339,993 lbs copper and 6,937 oz silver for a total of 19,934 gold equivalent (19,934 AuEq) oz.
- Record tonnage of 47,313 tonnes treated in Q1 2020 achieved, a 76% increase from Q1 2019. Gold head grade in-line with budget averaging 13.58 g/t gold with copper below budget at 0.36%. Processing recoveries of 93.0% for gold and 90.8% for copper.
- Record development of 1,560 metres achieved in Q1, a 215% increase from Q1 2019. Waste development and K2 vein development was a key focus in Q1 as the mine expands its throughput capacity and available long hole stoping areas ahead of the processing plant expansion.
- Production commenced from the first long hole stope on the K1 vein.
- Financial position remains strong amid the global Covid-19 pandemic. Mining and processing activities continue on site at Kainantu, and the balance sheet is well-supported by US\$22 million of cash (as of Dec 31, 2019), significant concentrate receivables in transit and current surface stockpiles of +18,000 tonnes at 11.5 g/t Au.

VANCOUVER, British Columbia, April 08, 2020 -- [K92 Mining Inc.](#) (K92; or the Company) (TSX-V: KNT; OTCQX: KNTNF) is pleased to announce production in the first quarter (Q1) of 19,934 oz AuEq at its Kainantu Gold Mine in Papua New Guinea.

During Q1, K92 produced 19,240 ounces of gold, 339,993 pounds of copper and 6,937 ounces of silver, or 19,934 AuEq oz (based on a gold price of US\$1,500/oz; silver price of US\$17.75/oz; copper price of US\$2.70/lb). The quarter achieved record mill throughput of 47,313 tonnes, mine material movements of 125,500 tonnes and development metres advanced of 1,560 metres as Kainantu continues to benefit from the expanded mining fleet and the completion of multiple infrastructure projects.

Mining operations in Q1 continued to focus on Kora North and comprised of cut and fill stoping mining from the K1 vein at the 1170, 1205, 1225 and 1245 mRL levels as well as lower grade K2 vein development tonnes from the 1170, 1200 and 1220 mRL levels. The first long hole stope was brought into production on the K1 vein during Q1 and significant development was focused on opening up additional long hole stoping areas on K1 and K2. The ramp up of mine production saw surface stockpiles increase to over 18,000 tonnes, equivalent to one-month plant throughput.

The blend of K1 and K2 material provided an average head grade to the process plant for Q1 of 13.58 g/t Au and 0.36% Cu. Head grade was lower than previous quarters due to greater focus on mining the K2 vein, with gold grades in-line with budget and copper below budget.

The Kainantu mine continues to operate during the Covid-19 pandemic, with a significant focus on health and safety and risk-mitigation, as outlined in our March 23, 2020 press release (*K92 Announces Covid-19 Operational Update and Response Plan*). Importantly, K92's financial position remains strong, with approximately US\$22 million of cash (as of December 31, 2019), the vast majority of the Stage 2 Expansion capital spent, significant concentrate receivables in transit to smelters and a stockpile of over 18,000 tonnes at 11.5 g/t gold. The Company is making no change to its production guidance at this time but will be reviewing the situation as it develops in due course.

Financial details will be available in the Company's upcoming Q1 Financial Statements.

Table 1: Q1 & 2019 and 2018 Annual Production Data

		Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019 Total	Q1 2020
Tonnes Processed	T	26,846	37,913	32,094	30,336	127,190	47,313
Feed Grade Au	g/t	23.6	16.7	19.2	25.2	20.8	13.6
Feed Grade Cu	%	0.48%	0.34%	0.32%	0.35%	0.37%	0.36%
Recovery (%) Au	%	93.7%	93.2%	94.1%	93.9%	93.7%	93.0%
Recovery (%) Cu	%	93.9%	92.5%	92.1%	93.7%	92.8%	90.8%
Metal in Conc Prod Au	Oz	19,125	18,980	18,636	23,632	79,838	19,240
Metal in Conc Prod Cu	T	120	119	95	98	432	154
Metal in Conc Prod Ag	Oz	5,564	6,894	5,284	5,243	22,984	6,937
Gold Equivalent Production	Oz	19,788	19,652	19,170	23,646	82,256	19,934

Note - Gold equivalent for 2018 and 2019 based on the following metal prices: gold \$1,300 per ounce; silver \$16.50 per ounce; and copper \$2.90 per pound. Gold equivalent for 2020 based on the following prices: gold \$1,500 per ounce; silver \$17.75 per ounce; and copper \$2.70 per pound.

John Lewins, K92 Chief Executive Officer and Director, stated, *"We are very pleased with Kainantu's significant ramp-up momentum for the Stage 2 Expansion in Q1, including first production from long hole stoping. The mine has performed well, resulting in our stockpiles growing from a minimal amount to now standing at ~1 month of production, or approximately 18,000 tonnes. Importantly, development achieved record advance rates of ~1.6km in Q1 consistent with the advance rates required in the long-term.*

A key focus in Q1 was on further enhancing Kainantu's underground production capacity for the Stage 2 expansion with waste development and lower grade K2 vein development to establish long hole stoping areas. Production stoping from our first long hole stope commenced in late Q1. These initiatives position Kainantu for a strong H2 as noted in our 2020 Operational Guidance.

And lastly, we would like to highlight that Kainantu continues to operate in the Covid-19 pandemic environment. While the environment is challenging and dynamic, the commitment of our workforce has been extraordinary. As a result of their efforts, we continue to strengthen our already solid financial position in addition to having multiple near-term catalysts including our updated resource, drilling results and PEA study on the next stage of expansion in Q2."

During Q1 2019, the Company announced the commencement of the expansion of the Kainantu Gold Mine in Papua New Guinea, with a goal of doubling current capacity to 400,000 tonnes per annum and increasing annual production to an average of 120,000 AuEq oz.

Based on the preliminary economic assessment (PEA) published in January 2019, the major results from the decision to expand production include:

- Total capital expenditure for 2019 is projected to be US\$30 million, comprising US\$12 million in expansion capital, US\$8 million in sustaining capital and US\$10 million in capital development;
- Production is projected to be 68-75,000 oz AuEq in 2019 and is projected to be 115-125,000 oz AuEq in 2020;
- Cash costs are expected to be between US\$580 and US\$620 per oz AuEq, and all in sustaining costs (AISC) are expected to be US\$780 to US\$820 per oz AuEq in 2019, dropping to cash costs below US\$500 per oz AuEq and AISC below US\$700 per oz AuEq in 2020;
- Number of employees is expected to increase from the current 650 to 750 at the end of 2019, and to 800 by the end of 2020, with over 96% of all positions in-site being filled by PNG Nationals;

- Based on the results of the PEA:

• Total production over the next 13 years would be 1.33 million oz gold and 130 million lbs copper;

• Total revenue for the period would be over US\$2 billion;

• Royalty payments for the period would be US\$50 million;

• Tax paid to PNG Government for the period, from payroll and corporate tax, would total US\$300 million;

• Total sustaining capital of US\$202 million would be required over the 13-year period; and

• Net cashflow would be US\$1.03 billion, the net present value (“NPV₅”) would be US\$710 million pre-tax, or US\$559 million after tax, and the internal rate of return (“IRR”) would be in excess of 350%.

The 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, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Company's decision to expand production is not based on a feasibility study of mineral reserves demonstrating the economic and technical viability of the expansion. As a result, there is increased uncertainty of the economic and technical risks of failure associated with the decision.

K92 engaged H and S Consultants Pty Ltd to complete a Mineral Resource Estimate for the Kora North Deposit (Table 2). This resource together with the previously reported Kora Mineral Resource Estimate dated March 2017 (Table 3) provide the resource base for the updated PEA.

K92 engaged Mincore Pty Ltd (“Mincore”) to complete the PEA for the expansion of the existing processing plant to double its capacity to approximately 400,000 tonnes per annum. The study found that the current crushing, milling and concentrate handling circuits have sufficient capacity to treat the Kora mine material at a rate of 400,000 tpa, subject to upgrading the crushing and flotation circuits and plant services. The estimated total cost of such expansion and upgrading would be US\$3.7 million, including EPC and commissioning with a contingency of 10%.

The technical report containing the PEA, titled, “Independent Technical Report, Mineral Resources Estimate Update and Preliminary Economic Assessment of Kora North and Kora Gold Deposits, Kainantu Project, Papua New Guinea” with an effective date of September 30, 2018 (the “Technical Report”) was prepared by Anthony Woodward BSc (Hons.), M.Sc., MAIG, Simon Tear BSc (Hons), EurGeol, PGeo IGI, EurGeol, Christopher Desoe BE (Min)(Hons), FAusIMM, RPEQ, MMICA, Lisa J. Park, BEng (Chem), GAICD, FAusIMM. Refer to the Company's news release dated January 8, 2018 for a summary of the Technical Report and results of the PEA. The PEA Technical Report can be found under the Company's profile on SEDAR.

The Company engaged Australian Mine and Development Pty Ltd (“AMDAD”) to undertake the PEA mine plan for Kora and Kora North, which involved:

- applying financial and processing parameters to determine cut-off grades for stope design;
- generating three-dimensional stope shapes and mining inventory using the CAE Mineable Shape Optimizer (“MSO”) program;
- creating a conceptual development layout to suit the MSO inventory;
- producing a project cash-flow model; and
- producing a simple mining schedule as input to the cashflow model.

The key results from the PEA for the combined Kora North and Kora deposits are as follows:

- Could have a 13-year operating life and treat 4.9 million tonnes @ 9.0 g/t Au, 20 g/t Ag & 1.3% Cu (11.0 g/t Au Eq*);

- Could achieve an estimated pre-tax NPV of US\$710 million (US\$559 million after-tax) using current metal prices, exchange rate and a 5% discount rate;
- Initial capital cost estimated to be US\$13.6 million, including US\$3.7 million for the plant upgrade identified in the Mincore Scoping Study;
- The additional combined development and sustaining capital cost is estimated at US\$202 million spent over the life of mine;
- Operating cost per tonne estimated to be US\$163/tonne for the first five years and US\$153/tonne thereafter;
- Cash cost estimated to be US\$429/oz Au Eq (inclusive of a 2.5% Net Smelter Return Royalty) and AISC of US\$615/oz Au Eq;
- Production of an estimated 135,000 Au oz and 2,100 Cu tonnes over a 5-year period from 2019 through to 2023, with average production of 90,000 Au oz and 6,500 Cu tonnes for the balance of the life of mine; and
- Metal prices used were: Au - US\$1,300/oz; Ag – US\$15/oz; Cu – US\$2.90/lb.

*AuEq used in PEA calculated on above Current Metal Prices.

The Kora North resource estimate was defined after just twelve months of underground exploration drilling.

Table 2 - Kora North Mineral Resource Estimate

Global Mineral Resources Kora North Gold-Copper Mine - October 2018

Category	Tonnes		Gold		Silver		Copper		AuEq	
	Mt		g/t	Mozs	g/t	Mozs	%	Mlbs	g/t	Mozs
Measured	0.15		18.7	0.09	8.9	0.04	0.5	1.6	19.6	0.09
Indicated	0.69		11.6	0.26	14.1	0.31	0.8	11.8	12.9	0.29
Total M & I	0.85		12.9	0.35	13.1	0.36	0.7	13.3	14.1	0.39
Inferred Total	1.92		10.7	0.66	13.3	0.82	0.7	29.5	11.9	0.74

M in table is millions.

The Mineral Resource estimate was prepared and verified by Simon Tear (PGEO), consultant to the Company and a director of independent consultancy of H & S Consultants Pty. Ltd., Sydney, Australia (October 2018).

Key Assumptions and Parameters of Kora and Kora North Resource Estimate

Mineralization comprises two parallel, steeply west dipping, N-S striking quartz-sulphide vein systems, K1 & K2, within an encompassing dilatant structural zone hosted by phyllite. An additional structure, the Kora Link, has also been defined and provides a possible link between the two main vein systems.

Underground drilling consists of diamond core for a range of core sizes depending on length of hole and expected ground conditions. Sampling is sawn half core under geological control and generally ranges between 0.5m and 1m. Underground face sampling is completed for every fired round and is to industry standard.

QAQC data indicated no significant issues with the accuracy of the on-site analysis.

Core recovery of the mineral zone was initially 90%, this has improved to >95%. There is no relationship between core recovery and gold grade. Geological logging is consistent and is based on a full set of logging codes covering lithology, alteration and mineralization.

The geological interpretation of the vein systems is represented as 3D wireframe solids snapped to a combination of diamond drillhole data and underground face sampling. Definition of the wireframes is based on identified gold mineralisation in drillcore nominally at a 0.2g/t Au cut off in conjunction with geological control/sense and current mining widths.

Gold Equivalent (AuEq) g/t was calculated using the formula $Au\ g/t + (Cu\% \times 1.53) + Ag\ g/t \times 0.0127$. (No account of metal recoveries through the plant have been used in calculating the metal equivalent grade. However, production is currently achieving 93% metal recovery for both gold and copper and gold is currently providing 95% and copper 5% of the total revenue of the mine).

Gold price US\$1,300/oz; Silver US\$16.5/oz; Copper US\$2.90/lb.

The mineral resource estimate for the Kora deposit is based on the technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”), and titled, “Mineral Resource Update and Preliminary Economic Assessment of Irumafimpa and Kora Gold Deposits, Kainantu Project, Papua New Guinea," with an effective date of March 2, 2017. This provides additional information on the geology of the deposits, drilling and sampling procedures, lab analysis, and quality assurance/quality control for the project, and additional details on the resource estimates. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 3 – Irumafimpa and Kora/Eutompi Resource Estimates

Resource by Deposit and Category

Deposit	Resource Category	Tonnes Mt	Gold		Silver		Copper		AuEq	
			g/t	Moz	g/t	Moz	%	Mlb	g/t	Moz
Irumafimpa	Indicated	0.56	12.8	0.23	9	0.16	0.28	37	13.4	0.24
	Inferred	0.53	10.9	0.19	9	0.16	0.27	74	11.5	0.20
Kora/Eutompi	Inferred	4.36	7.3	1.02	35	4.9	2.23	215	11.2	1.57
Total Indicated		0.56	12.8	0.23	9	0.16	0.3	4.0	13.4	0.24
Total Inferred		4.89	7.7	1.21	32	5.06	2.0	218	11.2	1.76

M in table is millions. Reported tonnage and grade figures are rounded from raw estimates to reflect the order of accuracy of the estimate. Minor variations may occur during the addition of rounded numbers. Gold equivalents are calculated as $AuEq = Au\ g/t + Cu\% \times 1.52 + Ag\ g/t \times 0.0141$.

Qualified Person

K92 mine geology manager and mine exploration manager, Andrew Kohler, PGeo, a qualified person under the meaning of Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, has reviewed and is responsible for the technical content of this news release. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings, and discussing work programs and results with geology and mining personnel.

For further information regarding the Kainantu gold mine, please refer to the technical report dated January 8, 2019, and entitled, "Independent Technical Report, Mineral Resource Estimate Update and Preliminary Economic Assessment of Kora North and Kora Gold Deposits, Kainantu Project, Papua New Guinea," available on SEDAR.

On Behalf of the Company,

John Lewins, Chief Executive Officer and Director

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