

MOD delivers strong T3 PFS

THE prefeasibility study for the T3 discovery in Botswana has made a strong case for the development of a new copper-silver mine, but MOD Resources managing director Julian Hanna says that's just the beginning.

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MOD Resources managing director Julian Hanna examines core with an employee

The PFS outlined a 2.5 million tonne per annum operation to produce an average 23,000 tonnes per annum of copper and 690,000 ounces per annum of silver at C1 costs of \$1.22 per pound of copper and all-in sustaining costs of \$1.36/lb, including silver credits.

Pre-production capital costs would be \$155 million, including \$17 million contingency, while life-of-mine sustaining capex would be just \$31 million.

Using a copper price of \$3/lb, the study returned a pre-tax net present value of \$281 million, at an 8% discount rate.

The initial 8.8-year mine life is based on a maiden reserve of 218,000t of copper and 7.1 million ounces of silver.

The project is estimated to generate earnings before interest, tax, depreciation and amortisation of around \$730 million and net cashflow of \$530 million over the LOM.

The payback period would be just 2.7 years from the start of production.

However, an expansion case assumes a rise in throughput to 4Mtpa from year four for an 11.7-year mine life to produce an average 28,000tpa of copper and 903,000ozpa of silver at AISC of \$1.46/lb.

The plant upgrade is expected to cost just \$37 million, while the NPV would jump to \$402 million.

Under the expansion case, LOM EBITDA could be as high as \$1.1 billion with net cashflow of \$840 million and a payback period of 3.3 years.

The expansion case is based partially on inferred resources and a drilling program is currently underway to upgrade the confidence before the end of June.

Based on the results of the PFS, MOD and its 30% project partner, AIM-listed Metal Tiger, have decided to move to a full feasibility study.

MOD managing director Julian Hanna said the PFS showed the significant potential upside.

“This is our starting mine – and while it is an exciting milestone, we believe there is more to come with potential for satellite deposits around T3 and numerous other exploration targets to be tested along a 140km corridor,” he said.

“None of this potential upside has been included in the scope of the PFS.”

The joint venture has already started the permitting process, with an environmental impact assessment underway.

On the current timeline, first production is anticipated in mid-2020.

MOD had around A\$10 million cash at the end of December.

Shares in MOD were down by 0.1c to 5.9c this morning, capitalising the company at \$113.7 million.

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