

Jervois isn't a funding story

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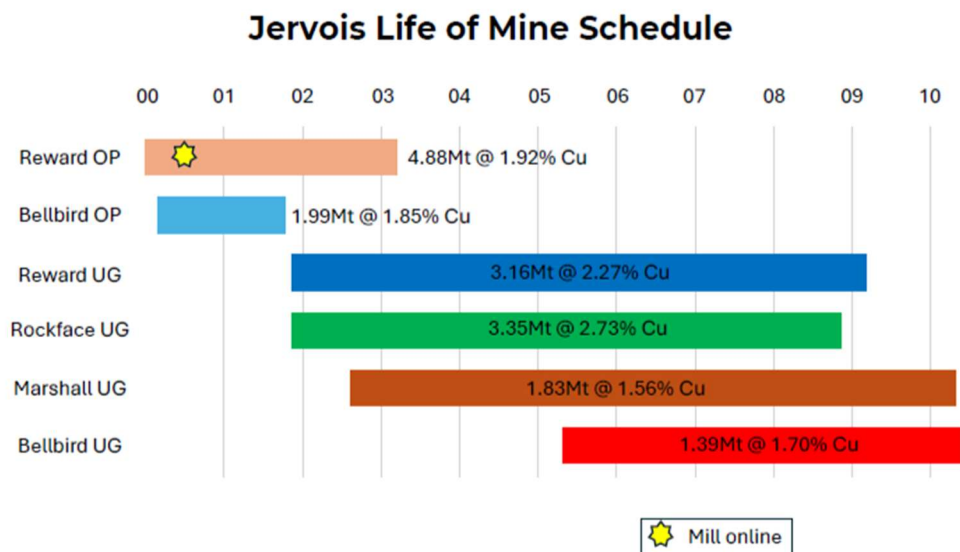
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Feasibility is interpretation.
 Capital enables it.
 Reality decides.

When a copper DFS requires a by-product streaming agreement to move into construction, the question may not be success - it may be whether the project can actually survive.

Capital does not fund projects to succeed.
 It funds them to be repaid.

This article looks at where project feasibility meets capital - and how the economics are tested as capital commits.



Modified after: KGL ASX release 10 February 2025 – Feasibility Study update

This isn't a funding story. It's a feasibility system.

All mining projects are fragile. The question is where they fail - and how far that failure propagates through the economics, and whether the project slows, stalls, stops, survives or succeeds.

Feasibility is interpretation.

Capital enables it.

Reality decides.

KGL Resources has secured a US\$300m streaming deal over the Jervois Project (NT), Australia.

On paper:

- JORC Resource: ~12–13 Mt @ ~2.8–3.0% Cu
- Ore Reserve: ~7–8 Mt @ ~2.7–3.0% Cu
- Underground mine with ~1.1–1.2 Mtpa processing plant
- ~10+ year mine life
- Permitting largely in place
- DFS-stage

Everyone knows the 2022 economics need updating - that's not the story.

How Projects Actually Advance

Projects are not advanced on integrated facts. They are advanced on what is sufficient to proceed.

Each discipline passes on its own terms - geology, metallurgy, engineering, approvals, legal and financial. This is how projects are built - and why they are fragile. If the project passes, it doesn't mean the studies and models are guaranteed to convert into a profitable operating mine under real conditions.

The physical system is fixed. Everything else is interpretation.

What a DFS Does - and Doesn't Do

A DFS doesn't remove risk. It standardises it within disciplines. And when conditions change - capital, cost, schedule, policy - the system re-prices the project in real time.

Streaming Is Not Optimisation

The Wheaton Precious Metals \$300M deal is not purely project debt.

It is a **gold and silver stream**:

- US\$275m upfront, plus US\$25m contingency
- In exchange for:
 1. 75% of payable gold and silver initially
 2. Stepping down over time

- Delivered at ~20% of spot price

So:

- Copper remains the primary product
- But a significant portion of future Au/Ag value is sold forward

This is capital today, in exchange for reduced by-product value over life-of-mine. This is not optimisation.

This is converting uncertain future by-product value into certain capital today at the cost of future margin buffer.

Cost Structure: Where Reality Sits

Because C1 includes by-product credits. Most commentary stops at C1. That's not where projects are financed.

From KGL's disclosures: 2025 feasibility update:

- C1: ~US\$1.95/lb Cu (steady state)
- AISC: ~US\$2.86/lb Cu
- Construction capital: ~A\$362m
- Peak funding requirement: ~A\$498m

Earlier DFS (2022) showed:

- Total site operating cost ~US\$2.22/lb
- Transport + smelting ~US\$0.51/lb
- By-product credit ~(-US\$0.51/lb)
- Resulting C1 ~US\$2.22/lb
- AISC ~US\$3.13/lb

From C1 to Full Economic Reality

The actual ladder looks like this:

C1 (~US\$1.9–2.2/lb) - direct operating cost after by-product credits

AISC (~US\$2.8–3.1/lb) - includes sustaining capital, royalties, ongoing burden

Full project break-even (>AISC) - includes:

- initial capex recovery
- financing structure (including streaming)
- schedule delays
- ramp-up inefficiencies
- working capital

That is the level capital is underwriting.

What Has Changed Since 2022

The DFS assumptions were built in a different environment:

- Capex ~A\$220–250m
- Lower labour and contractor rates
- Lower diesel and logistics costs
- Tighter execution schedule

2026 reality:

- Capex now ~A\$362m with ~A\$498m peak funding
- Operating costs structurally higher
- Remote NT logistics remain a constant drag
- Schedule risk materially higher

The margin hasn't disappeared. But the buffer has.

Where the Margin Went

C1 includes by-product credits. But:

- Gold and silver only contributed ~11% of gross revenue in the DFS
- A large portion of that is now streamed at ~20% of spot

So:

- The project keeps producing gold and silver
- But captures far less of their value

Which means: *The effective cost of producing copper increases.*

The Feasibility Corridor

This is a project moving through the feasibility corridor in real time.

The DFS was complete and updates are straight-forward But funding now tightens under:

- capital intensity
- cost escalation
- execution risk

So the structure changes:

- By-products monetised upfront
- Funding staged and conditional
- Economics rebuilt under capital scrutiny

From Analysis to Position

At some point this stops being analysis. It becomes position.

Proceed

Pause

Restructure

Walk away

Capital is not underwriting success. It is underwriting whether the system can survive the economics.

Project States: How Outcomes Actually Occur

From here, the project does not follow a single path.

There are several states:

- slow - delay, drift, pressure builds
- stall - no forward momentum
- stop - care & maintenance
- survive - continues, but tight
- succeed - delivers economic returns

These are not theoretical. The state persists until the system or capital force transition.

What Capital Is Actually Underwriting

Not success. Not perfection. A position above survival - where the project can absorb deviation and still repay the capital stack.

Failure Propagation Pathway

At Jervois, the dominant pathway is:

capex pressure → funding strain → schedule delay → cost escalation → margin compression

If it propagates early: the project stalls or stops.

If contained: the project survives.

Where Jervois Can Still Win

The upside is alignment:

- copper price holds
- capex stays within tolerance
- ramp-up stabilises
- cost drift is controlled

Small wins compound. Just like failures do.

The Real Threshold

A project doesn't fail because risk exists. It fails when the economics can't absorb how that risk propagates.

So if a copper project at this stage requires a by-product streaming agreement to move into construction, the question is not about this project. The question is what happens to projects that don't have that option.

Copper projects often carry gold. Those credits can be sold forward.

Critical minerals usually don't. They are less liquid, less understood, and dependent on markets that are still forming.

If capital requires this structure for copper, what is it going to require to complete the energy transition?

Conclusion

Projects move forward on the condition that capital accepts the risk of holding above failure long enough to be repaid.

That's the threshold.

References

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KGL – 2022 DFS

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Wheaton Streaming Deal

<https://www.wheatonpm.com/news/news-details/2026/Wheaton-Precious-Metals-Announces-Acquisition-of-a-Gold-and-Silver-Stream-on-the-Jervois-Project-Through-a-Partnership-with-KGL-Resources/default.aspx>

Media Summary

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