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## Acquisition of Sulphide Copper Tailings Project

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**Xtract Resources Plc**  
**("Xtract" or "the Company")**

### **Acquisition of 33.8Mt Sulphide Copper tailings Project in South Africa from Mineral Technologies International**

Xtract Resources Plc (AIM:XTR) announces that it has signed a Deed of Assignment ("DoA") with Mineral Technologies International Limited ("MTI") which provides Xtract with an option to acquire a sulphide copper tailings project on surface in the northern Cape province of South Africa (the "Project"). Under the DoA MTI will assign all its rights, title, interest and obligations under, in and to the Slime Dumps Agreement it signed with the O'Kiep Copper Company (Pty) Ltd. to the Company.

#### Highlights

- Xtract has secured 33.8Mt of sulphide copper tailings material on surface by way of a deed of assignment with MTI, representing two tailings dams
- Xtract will have a seven month option period (the "Option Period") from the date of signing the DoA to conclude drill work and metallurgical test work to evaluate the economic potential of the tailings material
- An option fee of US\$30,000 (the "Option Payment") is payable in return for the Option Period being granted
- If the drilling and metallurgical test work confirms the economic potential and Xtract elects to progress, Xtract will pay US\$5.7m in staged payments over a two year period to acquire 100% of the dumps

**Jan Nelson**, CEO, commented: "We have secured an option for a project with significant potential value for what we consider a relatively low entry and evaluation cost. The Project is on surface and if Xtract deems it to be viable, following initial test work, it will only require retreatment and no further mining will be necessary. It will therefore fall within the lower quartile of the cost curve when compared to other regional copper producers. The Project has the potential to transform the Company from a small junior miner to a mid-tier, low cost copper producer. The Project represents two tailings dams and the Company is looking to secure, subject to funding and the viability of the dams, a further five tailings dams in the area, representing an additional 30Mt.

"Xtract has staged the payments to acquire 100% of the Project only once it has completed testing and a feasibility report has been produced. This protects further exposure such that the Company is not committed to any payments, other than the Option Payment, until the Board is satisfied that the Project is viable. Xtract retains the right to withdraw from the Project at any time during the Option Period."

#### O'Kiep and Carolusberg Projects

The Project consists of the Carolusberg and O'Kiep tailings dams which contain 33.8Mt of sulphide tailings material on surface that was mined between 1980 and 2010 by O'Kiep Copper Company ('OCC'). The Carolusberg tailings dam

represents 28Mt of material grading at 0.19% Cu and the O'Kiep tailings dam represents 5.8Mt of material grading at 0.23% Cu. Both tailings dams are located close to the town of Springbok (within a 30km radius) in the northern Cape Province of South Africa.

The Company's decision to sign the DoA is based on Xtract's initial in-house calculations, which have not been validated by any independent third party, and estimate that the Project has a Net Present Value ('NPV') of US\$110m with an Internal Rate of Return ('IRR') of 68%. These calculations are based on the following assumptions: (i) recoveries of 85% (ii) a copper price of US\$4,500/t; (iii) operating costs of US\$2,500/t; (iv) a requirement for US\$40m of new capital to finance the Project; (v) a discount rate of 10%; (vi) an annual throughput of 5.6Mt over a project life of 14 years; and (vii) the in situ copper grade being upgraded to a concentrate grade of 25% Cu.

It is expected that the above valuation of the Project will be re-assessed following completion of the testing work and receipt of the feasibility report.

Historical information shows that the Carolusberg copper mine that deposited the Carolusberg tailings dam produced over 26Mt of Cu at a grade of 1.54% and recoveries of 90%. The O'Kiep copper mine which deposited the O'Kiep tailings dam produced over 9Mt of Cu at a grade of 1.95%.

#### Proposed Work Programme

The Company intends to initiate a 2,500m drilling programme on the tailings dams in order to define a measured and indicated resource and undertake metallurgical test work to determine mineralogy and recoveries. Once the drilling, sampling and metallurgical work is completed, a feasibility report will be commissioned. Assuming the results from the feasibility report indicate a viable project, the Company intends to seek to raise the US\$40m required to fund the Project, principally through debt finance, and a plant to treat the tailings material would be commissioned.

The Company expects that the test work and feasibility report will be completed within six months and plant construction would be completed within 12 months.

#### Deed of Assignment: Main terms of agreement

In terms of the Deed of Assignment with MTI, all the rights, title, interest and obligations under, in and to the Slime Dumps Agreement, including all accrued rights, claims and causes of action from 26 March 2015 will be assigned to Xtract.

In consideration for the assignment, Xtract will pay MTI the following amounts:

- US\$750,000 within three business days from the date of exercise in terms of an option notice; this date being either 120 days after 15 April 2015 or 120 days after 30 June 2015 (decision on date is at the election of Xtract)
- US\$750,000 12 months after the date on which the above payment is made
- US\$2,500,000 on the date any mining commences on the tailings dams

#### Slime Dumps Agreement: Main terms of Agreement

The Slime Dumps Agreement was originally entered into by MTI and OCC. Through the DoA MTI will assign the Slime Dumps Agreement to Xtract.

Xtract has been granted until 15 April 2015 (the 'Effective date') to validate OCC's title to the tailings project. If at Xtract's sole discretion, it is concluded that OCC has title to the Project, Xtract will pay OCC a non-refundable option fee of US\$30,000 within 3 days of 15 April 2015. Should Xtract require more time to complete its validation process it is able to extend the effective date to 30 June 2015.

Xtract has been granted a 120 day exclusive period to conduct a technical assessment of the project (drilling, sampling, metallurgical test work and feasibility report) from the Effective Date. At the end of this period Xtract elects to proceed with the Project it will pay an amount of ZAR12,000,000 (approximately US\$1 million) to OCC ('the first payment tranche'). Xtract will pay OCC a further ZAR4,000,000 (approximately US\$370,000) 180 days after the first payment tranche ('the second payment tranche'). Xtract will pay OCC a final amount of ZAR4,000,000 (approximately US\$370,000) 180 days after the second payment tranche.

## Summary of Agreement

- Xtract has been granted until 30 June 2015 to complete a validation in so far as the title of the Project is concerned
- Should Xtract elect to move forward on the Project it will give written notice of exercise of its option to OCC and pay an option fee of US\$30,000
- Xtract can start technical work before this date (from the date of the session which is 26 March 2015)
- Xtract will have until 28 October 2015 to complete its technical assessment and feasibility report
- Three days after this date, which will be 31 October 2015, Xtract will pay OCC US\$1,000,000 and MTI US\$750,000 (total amount of US\$1,750,000)
- 180 days after this date, which will be 29 April 2016, Xtract will pay OCC US\$370,000
- 180 days after this date, which will be 27 October 2016, Xtract will pay OCC US\$370,000 and MTI US\$750,000 (total amount of US\$1,120,000)
- A final payment of US\$2,500,000 is due to MTI on the date mining commences

### Enquiries:

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### Qualified Person

In accordance with AIM Guidelines, Peter Moir, B.Sc. Civil Engineering, M.Eng. Petroleum Engineering, UK Chartered Engineer and Director of Xtract Resources plc is the qualified person as defined in the Guidance Notes for Mining, Oil and Gas Companies, February 2010, of the London Stock Exchange, that has reviewed the technical information contained in this press release. Mr Moir has more than 30 years experience in technical, operational and commercial aspects of the E&P business.

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