



[Xtract Resources plc](#) - XTR

£4.4m Placing and Acquisition agreement signed

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("Xtract" or "the Company")

Completion of Placing to Raise £4.4m and Agreement signed to acquire 100% of the Fair Bride open pit gold deposit - 18 months to approximately 50koz pa of gold production

Xtract Resources Plc (AIM:XTR) has raised £4.4 million following the placement of 1,466,666,665 ordinary shares of 0.01p per share ("Ordinary Shares") at 0.30p per Ordinary Share ('the Placing').

The capital raised will be used as part of the consideration to acquire 100% of the 3990C Manica Gold mining license (which includes a number of gold prospects including the Fair Bride open pit gold deposit) in Mozambique from Auroch Minerals NL ('Auroch'), an ASX listed company. The total consideration is US\$12.5 million ('the Consideration') to be settled by a payment of US\$4.5m in cash and the issue of new Ordinary Shares to the value of US\$6.5m. Xtract will also settle project related creditors up to US\$1.5m. The Fair Bride project is six months from completion of a Bankable Feasibility Study ('BFS'). A comprehensive Preliminary Economic Assessment ('PEA'), completed by Auroch, shows that the Fair Bride deposit is capable of generating revenues of US\$55m per annum at steady state production with the payback on the project being less than three years. The PEA, carried out by South African Mining Consultancy JPMC and Auroch staff, demonstrates the following:

- The project is 18 months from commencement of operations c50koz of gold production per annum at a cash cost of US\$650/oz
- The project has a JORC compliant resource of 900koz (9.5Mt @ 3.01g/t *in situ*)
- The ore-body will be mined from surface as an open pit for five years and then from underground for a further three years (the ore-body is open to depth and there is scope to extend the LOM by another six years from underground)
- Importantly, gold grades are robust for an open pit operation with life of mine head grades of 3.5 g/t and a low stripping ratio of 8:1
- The project has been granted a mining license and will be Mozambique's first commercial gold operation generating first mover advantage in a highly prospective under explored but well documented artisanal mining camp
- The mine, at an assumed gold price of US\$1,250/oz, is capable of generating annual earnings of approximately US\$15m before tax
- Metallurgical recoveries of greater than 90% in the oxides and greater than 80% in the sulphides have been achieved from test work to date. Further optimisation test work is advancing well
- The mine represents approximately 10% of the total license at Manica and significant opportunities therefore exist for exploration to increase the gold resource
- Based on the above assumptions, the project has a NPV of US\$50.3m with an IRR of 58%

· Start-up capital costs are estimated to be US\$28.4m and underground development costs are estimated to be US\$14.8m. Importantly the underground capital development does not commence until year four of the operation, after the initial project capital has been repaid and will be funded from cash flows.

Commenting on the Placing and acquisition, **Jan Nelson**, CEO, said: "The Fair Bride project will allow the Company to generate significant revenues. With payback on the project of less than three years, the fundamentals are attractive for various forms of project financing. The project is less than a year from a completed BFS and we firmly believe that there are significant areas for further optimisation which will lead to improved project economics."

Colin Bird, Chairman of Xtract, added: "Jan and I first started exploration at Fair Bride as part of Pan African's development programme, a company that is now worth more than £200 million in market capitalization. We rate the asset highly and it fits into Xtract's strategy in all ways. We believe this is one of the few high-grade, low-cost, low-risk, open pitable gold opportunities in Africa. Infrastructure around the project is excellent and the project is 18 months from production. This acquisition will progress Xtract towards becoming a mid-tier gold producer with all the benefits that will bring to the company and ultimately growth for shareholders."

3990C Fair Bride Deal Structure

Share Sale and Purchase Agreement

The Acquisition Agreement provides for the acquisition of 100% interest in the Manica Mining License 3990C.

The total consideration for the Acquisition is US\$12.5 million, which will be satisfied by cash payment of \$4.5 million ("Consideration Cash") and the allotment and issue of new Ordinary Shares to the value of \$6.5 million ("Consideration Shares") both to be settled upon completion. The Company will also provide funding to settle project related creditors up to a maximum of US\$1.5 million ("Initial Cash"). The relevant price of the Consideration shares shall be determined by using the lesser of the VWAP at which the Company's shares traded 10 days prior to the issue of the Consideration Shares and 0.35p.

The Initial Cash will be paid to Auroch upon signing ("Execution Date") of the Acquisition Agreement and shall be used by Auroch to repay any project related creditors. Xtract will approve the payment of any creditors in this regard.

During the period commencing on the Execution Date and until completion, Xtract will be responsible for the management and supervision of all operations including the management of the Mining Concession as well as funding any associated costs and liabilities which have been incurred from 1 June 2015. In order to meet the above obligations, Xtract will provide funding by way of an unsecured loan, which will be interest free and will become repayable within 60 days of the earlier to occur of completion or 31 December 2015.

The completion of the Acquisition agreement is conditional upon Auroch obtaining the necessary shareholder approval as well as obtaining relevant approvals to the extent required under the Mozambique Mining Act and other applicable laws relating to the change of control of Auroch Minerals subsidiary and communicating such change of control to the Mozambican mining authorities. Completion is also conditional on admission of the Consideration Shares to trading on AIM.

Xtract has received irrevocable undertakings from a number of major shareholders of Auroch NL, including the Chairman, holding in excess of 35% of the company between them, to vote in favour of the proposed transaction.

If the completion conditions are not fulfilled on or before 31 December 2015, the Acquisition agreement automatically terminates with no further obligations on either party other than the repayment of the unsecured loan.

O'Kiep Copper Sulphide Project

On 20 May 2015, the Company announced that it had renegotiated improved terms which resulted in a discount of 19% on total acquisition costs of the O'Kiep Project. The final payment of US\$2.5 million which was due to be paid on the commencement of mining operations will now be settled by the issue of 491,939,159 new Ordinary shares to be allotted and issued by no later than 30 June 2015.

Admission of shares

Application will be made for (i) the new Ordinary Shares being issued in connection with the Placing and (ii) the new Ordinary Shares being issued in connection with the O'Kiep Project to be admitted to trading on AIM which is expected to occur on or around 3 July 2015.

Following Admission of the new Ordinary Shares, the Company will have 8,603,503,521 Ordinary Shares of 0.01p each in issue. Xtract does not currently hold any shares in treasury. Accordingly, this figure of 8,603,503,521 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure and Transparency Rules.

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