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# Manica Hard Rock Collaboration Agreement

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**For immediate release  
19 February 2018**

**Xtract Resources Plc  
("Xtract" or the "Company")  
Manica Hard Rock Collaboration Agreement**

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") is pleased to announce that the Company has today concluded a further collaboration agreement ("**Joint Venture and Collaboration Agreement**" or "**Agreement**") with Omnia Mining Ltd ("**Omnia**") for the exploitation of the hard rock gold deposits at Xtract's Manica mining concession in Mozambique other than the Fair Bride project, which remains under the sole control and management of Xtract.

## Highlights of the Agreement

- All Xtract's Manica hard rock occurrences (other than Fair Bride) included.
- Omnia to utilise its new hard rock processing plant (capable of processing 400k tonnes per annum).
- Xtract will carry out the initial investigation on potential targets. Costs of further exploration work will be shared equally between Xtract and Omnia.
- Any hard rock occurrences that meet the agreed target hurdle rate of return of 25% will be mined and the benefits shared on a 50:50 basis.

**Colin Bird, Executive Chairman said:** "The Agreement provides Xtract with access to a new fully installed and operational processing plant able to extract gold from ore types available in the Manica Area. Within the partners concession areas, there exists numerous hard rock occurrences most of which have undergone limited, superficial or no exploration. The Agreement provides Omnia with the Company's mining and processing expertise and gives the Company the opportunity for a fast track hard rock operation. A number of hard rock occurrences within the Company's concession area have demonstrated that they could well be suited for the Omnia's processing plant. Apart from the plant, Omnia have an existing camp, warehouse and maintenance facilities to support the planned operation. We look forward to working with Omnia on this Agreement as well as our existing collaboration with them on the alluvial mining."

## Collaboration and Joint Venture Mining Agreement

### Background

The Joint Venture and Collaboration Agreement has been entered into today by the Company and the Company's wholly-owned subsidiary, Explorator Limitada ("**Explorator**"), (the "**Group**"), and Omnia Mining Ltd. As previously announced on 8 February 2018, the Company signed a new agreement with Omnia for the exploitation of Xtract's

alluvial gold deposits at its Manica mining concession in Mozambique and the new additional Agreement extends the Company's collaboration with Omnia.

The objective of the Agreement is to investigate explore and evaluate all hard rock exploration targets within the Manica concession (excluding the Fair Bride Project) with the aim of being able to convert these targets into a joint mining operation with Omnia which already has, as described further below, a hard rock processing plant (free gold only) in an adjacent concession under its control.

The Agreement explicitly excludes the Fair Bride Project in respect of which on 28 February 2017, the Company announced that it had completed the Definitive Feasibility Study for an open pit operation. Fair Bride will be developed separately by the Company.

The Group will provide technical personnel capable of evaluating the hard rock gold potential of the Omnia concession and surrounding areas for mutual development and will be solely responsible for all exploration and future mining on all target areas.

Omnia currently has a gold processing plant installed within its adjacent concession which has a capability to process free gold. The Omnia plant is unable currently to process fine gold which requires liberation by combination of floatation and cyanidation. Omnia will manage and operate all the processing of the mining mineral approved and delivered through Explorator to Omnia's processing plant.

### **Key terms of the Joint Venture and Collaboration Agreement**

The terms of the Joint Venture and Collaboration Agreement are as follows:

- All gold recovered from the processing plant in the operating phase, will be split on a 50:50 basis between the Company and Omnia.
- Omnia will manage and control the processing plant and all the processing costs will be for their account.
- The Fair Bride Project on Explorator's concession (and feasibility study) is excluded from the Agreement.
- The Company will advise, manage and control all mining and mining operations and will be responsible for all mining related costs.
- All hard rock gold occurrences (excluding the Fair Bride Project), if any, will be supplied to Omnia's Processing Plant provided that the development of these occurrences results in an internal rate of return which exceeds 25%. If the return is lower than the 25% hurdle, the parties can agree in writing to continue mining these occurrences.
- Transport cost of the mining mineral will be split between the Company and Omnia on a 50:50 basis.
- There will be a steering committee to manage the joint venture project and the committee will consist of two members appointed by the Company and two members appointed by Omnia.

The Joint venture project will be implemented in five phases as described further below.

#### **Phase 1 - Desktop study**

The Company will be engaged to carry out a thorough desktop study on all information available for all the potential targets with the work to be completed no later than the 20 February 2018. Once the study has been completed, the Company will have the to continue onto phase 2. Should the Company not wish to proceed to phase 2, the Company will then issue Omnia a report containing all of its findings and the associated raw data.

#### **Phase 2 - Exploration Phase**

The work in this stage will include but not be limited to ground geophysical prospecting, mapping, trenching and resource estimation. Should the results of this programme continue to demonstrate a potential mining project with mining targets, the parties will then agree to progress on a shared basis irrespective of the source of the gold to be mined. This programme to be completed by no later than 15 April 2018. Should the Company elect not to proceed at its sole election then all data and conclusions drawn from this programme will be supplied to Omnia.

### **Phase 3 - Drilling**

It is envisaged that drilling will be carried out only in order to identify and confirm mining targets. If the projects are considered suitable for progressing at the Company's sole election then the parties will agree to the following programme of building a suitable geological model. The initial budget shall not exceed US\$100,000 split equally between the Company and Omnia. Should the results of this modelling and financial study indicate a project with an internal rate of return of more than 25% then the parties will agree to advance the project to development. This phase to be completed by no later than 15 August 2018. Should the Company at its sole election elect not to continue then all information generated will be supplied to Omnia together with the associated raw data.

### **Phase 4 - In house feasibility**

All targets that have passed the internal rate of return benchmark in Phase 3 above will be included in an in-house feasibility study to be completed by the Company. Should the parties require an external feasibility study to finance a bigger operation, the Company and Omnia would then be responsible for arranging finance for the external feasibility study on an equal basis.

Metallurgical test work will be performed to identify if any upgrading of Omnia's processing plant is required. The parties will complete the in-house feasibility study of the processing plant to determine that there is sufficient mineral at the correct cut-off grade with an overall internal rate of return exceeding 25%. All the hard rock gold occurrences with a 25% hurdle internal rate of return will be included for future development. This phase is to be completed by no later than 15 September 2018.

### **Phase 5 - Development**

Modifications to Omnia's processing plant will only be done if the mining material can't be processed or the modifications will increase the recovery percentage. The agreed modifications, which will be financed by the Company, include but not be limited to the addition of a floatation plant and cyanide circuit, together with carbon collection. Both parties will agree in writing before any acquisition of new equipment and Omnia will repay a total of 50% of these total modification costs to the Company out of future cashflow.

Should the project proceed to development the Company will be responsible for mining and Omnia will be responsible for processing.

Further details are available from the Company's website which details the company's project portfolio as well as a copy of this announcement: [www.xtractresources.com](http://www.xtractresources.com)

This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014 on market abuse.

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