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Manica project strategic and progress report

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The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") are pleased to announce that they have completed a review of the Manica project. The review was conducted as part of a total review of the Company's position and prospect relative to its various projects. The board announced on 22 September 2016 that it would be prudent to cease funding to Minera Polar for the Chepica project. Thereafter the Board reduced overheads, which was reported on 24 October 2016.

The Board has focused its activities on all matters surrounding the Manica project in Mozambique. The Board review covered all past work from previous owners and consultant contributors and has established the most appropriate way forward for the project. As previously reported, Minxcon (Pty) Ltd ("**Minxcon**") was appointed to complete open pit optimisation modelling.

The definitive feasibility study ("**DFS**") which is being reviewed and optimised is not expected to change materially. The Board review concluded to develop Manica solely on an open pit basis and dismissed the concept of a high grade open pit operation followed by an underground mine. This decision was based on the need in underground development for crown pillars which would sterilise a significant portion of the resource. Weak wall rock conditions underground were expected to require back-fill which would have a serious adverse effect on underground operating cost.

As part of the DFS update, a re-optimisation process has recently been completed by Minxcon with the following key inputs and initial conclusions:

- Gold price USD1,270 per oz
- Approximately seven years life of mine
- A target of 480,000 tonnes per annum (40 000 tpm)
- Estimated average grade of 2.26 g/t mined
- The optimisation overall stripping ratio before detailed design is circa 7.2
- Optimisation break even all-in cost including capital recovery is USD908 per oz
- The re-optimisation indicated a positive return for the revised strategy and the net present value will be determined during the DFS update.
- The review has identified several exploration targets within the Manica concession which have not been tested or if so, only superficially
- Constructive discussions continue with Auroch concerning the USD1.65 million outstanding payment and a mutually agreeable outcome is expected to be documented and announced before the end of the year.

- The status of the alluvials remains under discussion and is expected to be finalised shortly.

Colin Bird, Executive Chairman, said: "I am pleased to report that the Manica project shows all the signs of a robust open pit gold mining project which can be developed by us or with others, whichever route provides the best shareholder value against risk. We are currently reviewing these options. The exploration potential, if successful, could lead to extended mine life with the processing plant paid for. The same could apply for any underground extension which would be justified on its own economics. I look forward to providing the market with a DFS which will be fully optimised making Manica ready for development investment."

Daan van Heerden of Minxcon said:" We have been involved with this project over the last two years and have a significant data set which has assisted us to arrive at this point. Further optimisation will be directed towards re-designing the pit and firming up capital and operating cost for the plant. Once commissioned and mandated we expect to produce an updated DFS in short time, which will allow the Company to move the project forward to its next step of development."

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

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

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Qualified Person

In accordance with AIM Note for Mining and Oil & Gas Companies, June 2009 ("Guidance Note"), Colin Bird CC.ENG, FIMMM, UK Chartered Engineer and a Fellow of the Institution of Materials, Minerals and Mining and Director of Xtract Resources plc, with more than 40 years experience mainly in hard rock mining, is the qualified person as defined in the Guidance Note of the London Stock Exchange, who has reviewed the technical information contained in this press release.

Glossary

"crown pillar" an ore pillar left for wall support and protection

"g/t" grams per tone

"oz" ounce

"stripping ratio" in-pit tonnes of waste divided by the in-pit tonnes of ore.

"t_{pm}" tons per month

ENDS

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