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# Option Agreement Eureka Copper Gold Project Zambia

Released 11:15 05-Mar-2019

RNS Number : 8985R  
Xtract Resources plc  
05 March 2019

For immediate release  
5 March 2019

## Xtract Resources Plc ("Xtract" or the "Company") Option Agreement Eureka Copper/Gold Project Zambia ("Eureka")

The Board of Xtract Resources Plc ("Xtract" or the "Company") is pleased to announce that the Company has today concluded a Memorandum of Agreement ("Agreement") with KPZ International Ltd. ("KPZ") to enter into an Option Agreement for the Eureka project on the copper-gold small scale mining licence number 22134-HQ-SML ("Licence") located in the Central part of The Republic of Zambia ("Eureka Project").

### Highlights

- Roan Selection Trust ("RST") carried out limited drilling between 1951 and 1969 which intersected copper mineralisation
- Caledonia Mining Corporation Plc explored the project between 1994 and 2006 including completion of a short programme of reverse circulation drilling
- Caledonia's best intersection recorded was 25.7m @ 3.30% Cu and 0.25g/t Au, including 9.7m @ 5.9% Cu and 0.26g/t Au
- A small pit at Eureka West operated by artisanal miners with composite grab sample taken by the Company from boulder piles at the site returned 9.81% Cu, 1.94g/t Au, 13.77g/t Ag.

**Colin Bird, Executive Chairman said:** "This option is for a large concession with a well-defined strike and splays that have not been fully investigated. We believe there is potential for a large mineralised body as previous work was relatively superficial and did not pursue targets which are valid today. The traditional Zambian Copper belt mineralisation was well understood receiving all of the exploration funding to establish long life mines against relatively simple mineralisation trends. The Central Zambian IOCG (iron oxide copper gold), whilst identified as having exploration potential, was subordinated to conventional copper belt trends. Only in recent years has their potential been revisited and then only with direct-to-surface mineralisation exposure. The previous works, whilst limited, were 3 dimensional which provides a platform for an exploration programme that may lead to a large-scale copper-gold resource".

### Eureka Project Summary

The Eureka copper-gold property with the small-scale mining licence number 22134-HQ-SML comprising approximately 345 hectares is accessed by a 100km dirt road from Kabwe, west of the Zambian Copperbelt district. The licence application was submitted in August 2017 and has been validated and the licence when issued will be for period of 10 years with no minimum spend.

Rock exposure on the property is limited due to the presence of irregular laterite and saprolite cover, and near-surface leaching of metals also occurs. Mapped bedrock comprises primarily metasedimentary rocks of the Katanga Supergroup, similar to those hosting the world-class deposits of the Copperbelt to the east.

Historic exploration has been carried out periodically by several companies from the early 1950s until 2006, comprising soil sampling, geophysical surveying and pitting, as well as limited core and reverse circulation ('RC') drilling. Work focussed on a NW-SE structural corridor with associated bedrock alteration, quartz veining and copper mineralisation in at least two localities, known as Eureka and Eureka West.

Between 1951 and 1969 RST carried out a programme of diamond drilling at Eureka comprising mostly angled holes which cut intersections of supergene chalcocite-malachite mineralisation in a steeply-dipping zone and identified copper mineralisation. No gold assaying was carried out. Subsequent RC drilling by Caledonia Mining between 1994 and 2006 confirmed the mineralised zone and identified additional gold mineralisation. A summary of historic mineralised drilling intercepts (which has not been independently verified by the Company) is set out in the table below.

**EUREKA ZONE - SELECTED HISTORIC DRILLHOLE ASSAY INTERVALS** (see Notes below)

Hole No.	Hole Type	Dip Azimuth	Hole Depth (m)	Assays From (m)	To (m)	Interval (m)	Cu%	Au g/t
<b>Caledonia Mining data (Note 1)</b>								
RCE 2	RC	-90 0	48.70	23.00	48.70	25.70	3.30	0.25
			Incl.	39.00	48.70	9.70	5.90	0.26
RCE 10	RC	-50 40	150.00	50.00	99.00	49.00	0.55	0.86
			Incl.	52.00	54.00	2.00	4.20	0.29
			and	71.00	77.00	6.00	2.20	0.70
<b>RST data (Note 2)</b>								
KE 9	Core	-45 44	142.04	51.96	69.65	17.69	2.94	No data
KE 14	Core	-45 224	113.70	36.48	58.22	21.73	2.78	No Data

Note 1: Source - Caledonia Mining reports and assay data

Note 2: Archive holes. Raw data is not verifiable as it is not available to an acceptable standard and has not been independently assayed or subject to known quality control procedures

A subsequent small non-JORC compliant mineral resource was estimated by Caledonian Mining (which has not been verified).

A small open pit was developed by a local operator within this resource in 2008, when about 1,000 tonnes of ore at 3% Cu was reportedly recovered. The open pit is currently flooded, but mineralised boulder piles at site comprise brecciated vein quartz, heavily oxidised in places with hematite, limonite and malachite evident. A recent composite grab sample taken by Xtract from this material was assayed by the Geochemical Analytical Laboratory at the University of Lusaka School of Mines: This returned values of 2.01% Cu, 1.00g/t Au, 3.99g/t Ag. Based on review of the historical drilling, the copper-gold zone at Eureka remains open along strike to the northwest and southeast as well as to depth.

The Eureka West target is situated almost a kilometre to the west-southwest of the Eureka open pit. Limited shallow drilling by previous explorers discovered low-grade mineralisation in what appears to be a separate zone from the Eureka open pit. A recent site visit located a shallow informal pit dug by local villagers through laterite cover into copper mineralised rocks. Bedrock comprises heavily altered dolomite, with banded iron carbonates and vuggy quartz, containing much malachite mineralisation disseminated and on surfaces. A composite grab sample taken by Xtract from boulder piles at the site was assayed at the Lusaka School of Mines laboratory and returned 9.81% Cu, 1.94g/t Au, 13.77g/t Ag. It appears that this target was missed by earlier exploration and it has not been tested by drilling to date.

Several other targets on the Eureka property also remain to be tested and as indicated by the assay results at the Eureka West villager open pit, the Board believes that much of the previous exploration may have been ineffective due to the masking effect of laterite cover and near-surface leaching. Therefore, historic drilling of intervals of copper-gold mineralisation as well as recent mineral finds may just give an indication of the potential within the licence area.

The proposed exploration programme on the Eureka area includes geophysical surveying to track the main structures and mineral trends, further trenching/pitting to expose and extend the known mineralisation, followed by drilling to test mineralisation along strike and down-dip, as well as testing of new targets.

The Eureka and Eureka West prospects can be classified as iron oxide copper gold (IOCG) target types. Several mineral deposits of this type have recently been recognised in Zambia, genetically and spatially related to the major sediment-hosted deposits of the nearby Copperbelt. They are generally underexplored compared to the Copperbelt deposits.

## **Memorandum of Agreement**

### **Background**

The Memorandum of Agreement has been entered today by the Company and KPZ International (the "**Parties**"). The Company has to date been involved in gold and copper exploration. The objective of the Agreement is to collectively undertake exploration works on the Licence area and the intent of this agreement is to identify a copper/gold resource.

### **Key terms of the Agreement**

The Company has agreed to spend up to US\$200,000 ("Initial Expenditure Phase") to assess the suitability of the Eureka Project for a resource drilling programme and thereafter feasibility study. In the event that the Company does not wish to proceed with the Eureka Project, the Company will be required to provide to KPZ all information and results gathered from the Initial Expenditure Phase.

If the Company decides to proceed, then by no later than 1 October 2019, and following the Initial Expenditure Phase, the Company has an option to acquire 50% of the Eureka Project for the amount expended by it on the Initial Expenditure Phase.

KPZ has agreed to incorporate a local Zambian newly-formed special purpose vehicle to hold the Eureka Project ("SPV"). KPZ will initially hold 100% (less 1 share to be held by a Zambian Shareholder) in the SPV. In the event that the Company exercises its option described above, KPZ's shareholding in the SPV will be transferred to a second newly-formed company ("Newco") such that Newco holds 100% (less 1 share held by a Zambian Shareholder) in the SPV, and the Company and KPZ will therefore each hold 50% (less 1 share) in Newco.

No later than 1 December 2019, the Company will be required to present a detailed budget to KPZ to continue to scoping study. Should KPZ wish to fund their 50% share of the scoping study costs then they will be required to confirm this by 1 February 2020 and each party will equally fund the Project. If KPZ do not wish to further fund the Project, they will be diluted to 25% in Newco with the Company's interest increasing from 50% to 75%.

The Company may at any time during the period withdraw, should they deem the Project unsuitable for further investment and at the same time will forfeit any rights they have to the Project.

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. The person who arranged for the release of this announcement on behalf of the Company was Colin Bird, Director.

## Enquiries:

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## Qualified Person:

Information in this announcement relating to the Licence has been reviewed by Edward (Ed) Slowey, BSc, PGeo, a consultant to Xtract. Mr Slowey is a graduate geologist with more than 40 years' relevant experience in mineral exploration and mining, a founder member of the Institute of Geologists of Ireland and is a Qualified Person under the AIM rules. Mr Slowey has reviewed and approved the geological content of this announcement.

## Qualified Person:

In accordance with AIM Note for Mining and Oil & Gas Companies, June 2009 ("Guidance Note"), Colin Bird, CC.ENG, FIMMM, South African and UK Certified Mine Manager 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.

## Further AIM Disclosures:

SPV has not traded to date and therefore there is no reported financial information in respect of SPV. Xtract intends to fund the exploration cost of up to US\$200,000 to be incurred in the Initial Expenditure Phase from existing resources.

## TECHNICAL GLOSSARY

The following is a summary of technical terms:

"altered zone"	a zone exhibiting change in mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions
"Au"	Gold
"breccia/brecciated"	rock fragmented into angular components
"chalcocite"	a copper sulphide mineral, Cu <sub>2</sub> S, found in zones of secondary enrichment of copper ores
"Cu"	Copper
"Dolomite"	the carbonate mineral Ca(Mg)CO <sub>3</sub> ) <sub>2</sub> white or colourless with hexagonal symmetry and structure similar to that of calcite
"exploration"	method by which ore deposits are evaluated
"g/t"	gram per metric tonne
"grade"	relative quantity or the percentage of ore mineral or metal content in an ore body

"hematite"	iron Mineral (Fe <sub>2</sub> )(O <sub>3</sub> ) <sub>2</sub> one of the main ores of iron
"laterite"	reddish weathering product of <a href="#">iron-rich</a> rocks
"malachite"	a green copper carbonate mineral (Cu <sub>2</sub> (OH) <sub>2</sub> CO <sub>3</sub> ) which forms by alteration of copper sulphide minerals
"metasedimentary"	type of <a href="#">metamorphic rock</a> which was first formed through the deposition and solidification of sediment.
"mineralisation"	process of formation and concentration of elements and their chemical compounds within a mass or body of rock
"quartz"	a mineral composed of silicon dioxide, SiO <sub>2</sub>
"saprolite"	chemically <a href="#">weathered</a> rock formed in the lower zones of <a href="#">soil profiles</a> and represent deep weathering of the <a href="#">bedrock</a> surface.
"vuggy"	containing a small cavity in a rock or vein, often lined with crystals.

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