



RNS Number : 96231  
Xtract Resources plc  
10 July 2013

10 July 2013

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

Xtract signs Heads of Agreement to enter into a Proposed JV with Polar Star on Mejillones Phosphate Property in Chile

Xtract (AIM: XTR) is pleased to announce that it has signed a Heads of Agreement ('HOA') to enter into a proposed Joint Venture ('JV') with Polar Star Mining Corporation ('Polar Star') on the Mejillones Phosphate and Uranium Property in Chile (the "Property"), covering approximately 16,400 hectares.

**Highlights**

- Upon completion of certain technical work and capital expenditure from existing cash resources, Xtract will have the right to earn-in up to 75% of the Property, with the potential to buy the remaining 25% stake from Polar Star
- The Property under consideration targets 60-200 million tons of open pit sedimentary phosphate-uranium with a grade of +32% P2O5 post mechanical upgrading
- The Property are within 15km of a major port accessible by paved roads
- This transaction marks the first step to of a new strategy adopted by the Board to invest in resource assets with near-term production capability and significant growth potential
- Focus will be on assets which are relatively straight forward to evaluate with low entry cost and located in more favorable mining jurisdictions

**Jan Nelson, CEO of Xtract commented that;** *"In line with Xtract's new strategy, the Board has chosen to invest in resource assets near or at surface, on the low end of the cash cost curve that can be brought into production in less than 24 months to realise cash-flow and yield significant upside potential. The Property provides us with such an opportunity without any initial dilution to shareholders. We have assembled a small but very strong technical team to define the economic potential of the deposit."*

**1. Clear new strategy**

The Board of the Company has approved an investment framework to identify and invest in a portfolio of near-term resource assets that:

- Are near or at surface and will not incur major capital development expenditure to bring to account
- Can be brought to account within 24 months to deliver cash-flow return
- Are on the low end of the cash cost curve
- Can deliver significant upside growth potential
- Focus will be on assets which are relatively straight forward to evaluate with low entry cost and located in more favorable mining jurisdictions with an early exit should evaluation results not meet the Company's investment criteria

**2. Description of the Mejillones Property**

The Property covers approximately 16,400 hectares of prospective Phosphate-Uranium deposits in Chile that are near or at surface. The Property targets approximately 60-200 million tons of open pit sedimentary phosphate-uranium with a grade of +32% P2O5 post mechanical upgrading. The Property is within 15km of a major port accessible by paved roads.

**3. Transaction Structure**

The following has been agreed:

**Phase I**

- Xtract will reimburse Polar Star for all 2013 license fees due in respect of the Property which is estimated to amount to approximately US\$50,000.
- Xtract will carry out such work as is necessary to determine and define the potential size of the Property, carry out work to understand the distribution of the phosphate in the host rock mass and carry out basic marketing studies to determine the suitability of the expected final product to the market.

All of the aforementioned is to be in a report that must be submitted not later than 1 June 2014. Should Xtract elect to continue work on the Property it will earn-in to 51% of the Property. Should the Company not elect to continue, the Property will continue to be held by Polar Star.

## Phase II

Should Xtract elect to progress the Property then it will be required to:

- Spend US\$1.0 million to produce a Preliminary Economic Assessment (PEA) by 30 November 2015.
- Upon submission of the PEA, Xtract will be granted a further 24% interest in the Property. Should Xtract not submit the PEA then all rights ownership of the Property will revert back to Polar Star along with the obligations for future license payment and work and Polar Star will as a result hold a 100% interest.
- If Xtract elects to continue with the Property after the release of the PEA then Polar Star will be granted 90 days from the submission date of the PEA in which to indicate its intent to co-invest, or not, in all future expenditures including the cost of expenditure to bring the mine into production, if appropriate.
- The Company estimates that it has sufficient working capital to complete Phase I and that sufficient project finance is available to fund a PEA. Once Phase I is completed the Company will advise shareholders on the work required for a PEA and the associated costs.

*\* If Xtract has notified Polar Star by end of February 2014 that it does not wish to continue then it will not be responsible for the 2014 license payment. If Xtract has not informed Polar Star that it does not wish to continue by end of February 2014 then it will be liable for all of the 2014 licensing fees in respect of the Property.*

- Polar Star has the right to sell 25% of its equity to a third party, however, Xtract will have a 90-day period to match the third party offer. Should Polar Star elect not to co-invest, then Polar Star's interest in the Property will be diluted on a straight line basis to a 1.5 % net smelter return (NSR). Xtract will have the right to purchase, but Polar Star will have no obligation to sell, the NSR for USD \$100,000 per 0.1% of interest i.e. USD \$1,500,000 million for the total NSR package.

## 4. Planned work programme

As part of Phase I the Company intends to complete a work programme to:

- a) determine the potential size of the Property;
- b) carry out work to understand the distribution of the phosphate and other economic minerals in the host rock mass;
- c) carry out such mineralogical test work as is required to understand the nature and likely processing constraints that the Property may have;
- d) ascertain from the aforementioned the likely processing routes for the phosphate package;
- e) carry out basic marketing studies to determine the suitability of the expected final product to the market;
- f) carry out a desk top study to broadly define the Property and its potential.

Colin Bird, Executive Chairman of Xtract is also a director and the Chief Executive Officer of Polar Star. Mr. Bird is interested in 0.2 per cent. of the issued share capital of Polar Star.

The Board of the Company believes that the transaction provides a clear opportunity to implement the Company's strategy of investing in near term resource assets. The Company continues to seek and evaluate further projects which meet its investment criteria.

Enquiries:

Xtract Resources Plc	Colin Bird, Executive Chairman Jan Nelson, Chief Executive Officer	+44 (0) 203 416 6471
Cenkos Securities	Jon Fitzpatrick Alan Stewart Derrick Lee	+44 (0) 207 397 8900 +44 (0) 131 220 6939 +44 (0) 131 220 9100
Gable Communications	Justine James	+44 (0) 207 193 7463

## About Polar Star

Polar Star Mining Corporation is a TSX listed exploration and development company. The company's strategy is to use the cash flow from its Chépica mine (primarily gold and copper) to fund, in part, the exploration program at its flagship Montezuma property and to advance our large portfolio of other world class projects in Chile through joint ventures.

This information is provided by RNS

The company news service from the London Stock Exchange

END