



[Xtract Resources plc](#) - XTR

Q1 Operational update

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

Q1 Operational update

Xtract Resources Plc (AIM:XTR) announces an operational update for the Chepica Gold Mine in Chile (the "Mine"), including unaudited financial information, for the three months to 31 March 2016 ("Q1 16") and outlines its targets for Q2 and Q3 2016. Reflected in the results is the impact from revenue being generated for just one month* out of the three, whilst costs were incurred throughout the three months, as the processing plant was not running in January and February 2016.

Key reporting metrics for Q1 2016

- Revenue decreased by 38% to US\$230,663 (Q4'15: US\$375,802)
- Costs increased by 48% to US\$249,103 (Q4'15: US\$167,533)
- Loss of US\$18,440 (Q4'15: profit of US\$208,269)
- On reef development increased by 87% to 285 metres (Q4'15: 152 metres)
- Off reef development in the quarter totalled 86 metres (Q4'15: 0 metres)
- Decline and incline development decreased by 65% to 135 metres (Q4'15: 385 metres)
- Stope tons increased to 1,645t (Q4'15: 0t)
- Total tons mined increased by 228% to 18,212t (Q4'15: 5,546t)
- Total tons milled decreased by 25% to 11,066t (Q4'15: 14,865t)
- Mill gold grade increased by 36% to 2.25g/t Au (Q4'15: 1.65g/t Au)
- Mill copper grade increased by 7% to 0.80% Cu (Q4'15: 0.75% Cu)

* The plant was restarted on 5 February 2016 and underwent a period of cold commissioning and was fully operational by 20 February. Concentrate was only produced in March and as a result Revenue only flowed in the month of March. The plant was restarted with current material in the system and this material was treated until the end of February when new material was milled and fed to the plant. This was done to ensure optimum recoveries of the newly milled feedstock and as a result material was only milled during the month of March.

Jan Nelson, CEO of Xtract, said: "We have opened up reef development on 5, 6 and 7 level and stoping has commenced on 6 level. We have resolved the issue with recovered grades and a total of 18,212t was mined from stoping operations for the period under review. This is almost 200% more than plan and is an all time mining record for the Mine in one quarter and clearly shows that our approach to increasing flexibility on the Mine regarding volume, is proving successful. Unfortunately the processing plant was down for almost 2 months of the 3 months as a result of the fatalities in the plant in late December 2015. A total of just over 11,000t was milled in March - almost equal to all the volume milled in Q4 of 2015 - and the Mine is therefore expected to mill c.30,000t in Q2 16. "

Comparison to Q4 2015

Reef development continues and increased by 87% compared to the previous quarter on 5, 6 and 7 levels with stoping operations having commenced on 7 level. A total of 18,212 tons were mined during the period under review which is the highest volume mined within a quarter at the Mine. Of this a total of 1,645 came from stoping operations and 9,118t from on reef development.

All surface exploration drilling has been completed and a major upgrade of the resource is underway as significant reef intersections were made. Some of the best intersections were:

- Colin 1: At 76.1m: 2.7m @ 3.86g/t
- Colin 2: At 114.8m: 1.5m @ 1.17g/t
- Colin 2: At 129m: 1.8m @ 12.81g/t
- Colin 3: At 55.2m: 1m @ 1.0g/t
- Colin 3: At 116.2m: 2.99m @ 2.5g/t
- Colin 4: At 116.8m: 2.2m @ 4.55g/t
- Colin 4: At 126m: 4m @ 2.54g/t
- Colin 5: At 122m: 1.85m @ 4.55g/t
- Colin 6: At 91m: 4.25m @ 1.36g/t

The new adit at the Mine is 15m from intersecting the reef and will further improve flexibility with regard to volume available to feed the processing plant. Further reef development will start in Q2 2016 in both a northerly and southerly direction. The Company expects that, based on historical drilling, higher grades than are currently being mined at Colin will be achieved at Chepica which will improve the average grade of the concentrate produced in Q2 2016.

Stockpile tons have been increased by 7,146t during the period under review to 17,819t.

Comparison to original plan for Q1 16

When compared to management's original plan for Q1 16, on reef development increased by 95% to 285 metres against an original plan of 146 metres. Incline and decline development of 135 metres was down by 40% against an original plan of 225 metres. This was due to management's decision to install additional support underground in the Chepica development portal. Total development of 506 metres was up by 36% (on plan of 371 metres) creating significant flexibility as is evident from the volumes mined and milled in Q1 16.

Revenue for Q1 2016 was down 58% to US\$230,663 (plan of US\$550,000) with a loss of US\$18,440 (plan profit of US\$350,000). The deficit in revenue was a direct result of the plant being stopped for two months of the available three months of production as a result of the double fatalities in the plant in late December 2015. Despite this a record of 18,212t was mined some 67% up on plan of 10,869t. Mill tons was down 27% on plan of 15,200t but considering this represented only one month of production and exceeded mill capacity for the month by over 1000t, this is encouraging for Q2 2016 onwards.

Chepica Land Option payments

As notified on 13 April 2016, the first land option payment was due by the end of Q1 2016 however the company is in the process of re-negotiating the timing and terms of the land option repayment agreement and will advise the market of progress in due course.

Manica Gold Project

As previously notified, the Company received final approval from the Mozambican government and all conditions have been fulfilled in order for the acquisition to be completed.

The Company is continuing to undertake development work at Manica and is making good progress towards finalising the updated gold resource and bankable feasibility study and exploring its project financing options.

Manica Alluvial Gold JV Project

The Company has re-negotiated the existing agreement with Mineral Technologies International Limited regarding the Alluvial Gold deposit on the Manica deposit to provide more clarity around the project. It is expected that first

production will commence in June 2016 as part of a trial mining programme near the Fair Bride prospect. A total bulk sample of c16,000 tons will be taken and once all necessary permitting is in place production will be increased to 850,000 tons of alluvial material per month during the following six months.

Operational Update Presentation

The Company will provide an operations update via a live webcast at of 12.15pm today. The presentation will be available on the Company's website, www.xtractresources.com, from 11.30am today and the following link will enable participants to connect to the webcast:

<http://webcasting.brrmedia.co.uk/broadcast/571f3e61c95e0de723385d46>

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Qualified Person

In accordance with AIM Guidelines, Peter Moir, B.Sc. Civil Engineering, M.Eng. Petroleum Engineering, UK Chartered Engineer and Director of Xtract Resources plc is the qualified person as defined in the Guidance Notes for Mining, Oil and Gas Companies, February 2010, of the London Stock Exchange, that has reviewed the technical information contained in this press release. Mr Moir has more than 30 years' experience in technical, operational and commercial aspects of the E&P business.

This information is provided by RNS

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