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# Q4 Operational Update

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Xtract Resources Plc

("Xtract" or "the Company")

## Q4 Operational update

Xtract Resources Plc (AIM:XTR) announces an operational update for the Chepica Gold and Copper Mine in Chile (the "Mine"), including unaudited financial information, for the three months to 31 December 2015 ("Q4 15" or the "Quarter") and outlines its targets for Q1 and Q2 2016.

### Key reporting metrics for Q4 2015

- Revenue decreased by 16% to US\$375,802 (Q3'15: US\$448,112)
- Costs decreased by 44% to US\$167,533 (Q3'15: US\$298,000)
- Profit increased by 39% to US\$208,269 (Q3'15: profit of US\$150,112)
- On reef development decreased by 35% to 152 metres (Q3'15: 233 metres)
- No off reef development in the quarter (Q3'15: 78 metres)
- Decline and incline development increased by 221% to 385 metres (Q3'15: 120 metres)
- Total tons milled increased by 41% to 14,865t (Q3'15: 10,515t)
- Mill gold grade decreased by 8% to 1.65g/t Au (Q3'15: 1.80g/t Au)
- Mill copper grade decreased by 25% to 0.75% Cu (Q3'15: 1.00% Cu)

**Jan Nelson, CEO of Xtract, said:** "The main challenge at Chepica has been delivering the planned volumes, which has proved challenging as a direct result of the lack of flexibility on the Mine due to having only one access point. We now have five ends on reef at Colin with the Mine's new adit at Chepica on target to expose another two reef ends during Q2 2016, compared to only one reef end at present. The net result is that we have now addressed the volume problem and have been able to build up a significant stockpile of ore, which can be utilised as back-up to ensure volume throughput can be maintained at the processing plant. The new development plan initiated after the impact of the major earthquake in Q3 is delivering the desired outcome. The Company's revenues did not meet target due to the mill grade being over 40% lower than anticipated, despite the underground

development grades running at over 3g/t. We are planning to install additional rougher cells to address this problem. This gold is not lost and we expect to recover it in Q2 and Q3 2016."

#### Comparison to Q3 2015

The decline and incline development increased by 221% as reef was exposed on 4, 5, 6 and 7 level at the Colin section of the Mine. This created the much needed flexibility, as previously the reef was only exposed on 7 level from the old Chepica adit, which had to be abandoned as a result of the damage due to earthquake activity. On 5 level alone over 120m of reef over a width of 3.36m grading at 3.27g/t has been exposed (Connie reef 1 grading 3.06g/t over a width of 3.58m along a strike of 75m and the Connie reef 2 grading at 3.06g/t over a width of 3m along a strike of 45m - part of A reef block). Recent surface drilling has confirmed that the Connie reef system has been intersected 75m below 5 level elevation grading at 3.86g/t over a width of 3m. Historical drilling has confirmed that the Connie reef system extends to a depth of 200m below 5 level. Drilling is now targeting the B reef block.

Access to reef development on 5, 6 and 7 level has been completed and has been successfully supported. The reef on 4 level had to be abandoned as poor ground conditions resulted in closure of the access way, however for the first time the loss of a reef development end has not impacted production at the Mine.

The new Chepica adit is 30m from intersecting the reef and major support has been installed from the entrance of the portal to ensure that the entrance is protected from earthquake activity or flooding, which can occur in the rainy season. As a result, development during Q4 15 started slowly but picked up significantly towards the end of the Quarter.

#### Comparison to original plan for Q4 15

When compared to management's original plan for Q4 15, on reef development increased by 268% to 152 metres against an original plan of 41 metres. Incline and decline development of 385 metres was down by 25% against an original plan of 515 metres. This was due to management's decision to install additional support underground on 5 and 6 level as well as at the Chepica new development portal. Total development of 537 metres was only slightly down by 3% (on plan of 556 metres) creating significant flexibility as is evident from the reef being exposed on 3 levels at the Colin section. This is proof that management's decision to stop and re-develop the Mine is now creating the necessary flexibility.

Revenue for Q4 15 was down 55% to US\$375,802 (plan of US\$831,580) with profit decreasing by 42% to 208,269 (plan of US\$361,121). The deficit in revenue was a direct result of the mill grade decreasing by 42% to 1.65g/t (on plan of 2.85g/t) as mill tons increased 33% to 14,865 against an original plan of 11,199 tons.

#### Restart date for processing plant at Chepica Mine

The Inspector of Mines has visited the mine and found that management had implemented all the required recommendations. Unfortunately the Inspector of Works did not visit the mine despite having confirmed such in writing with management and the Inspector of Mines. Both the CEO and COO of the company were present in Chile at the offices of the Inspector of Works when the appointment was confirmed. The Company has contacted the Head of the department of Works and was assured that the Inspector of Works will visit the mine today. Shareholders will be advised once permission from the Inspector of Works is granted for the processing plant to restart.

#### Chepica Land Option payments

The first land option payment is due by the end of Q1 2016 and the Company intends to re-negotiate the timing and terms of the land option repayment agreement and will advise the market of progress in due course.

#### O'Kiep and Carolusberg projects

The Company has now received the results from the metallurgical and recovery test laboratory and following a detailed evaluation, has concluded that the recoveries are too low to produce a viable copper concentrate. The Board has therefore elected not to move ahead with this tailings project and there will be no further liabilities or costs incurred in respect of O'Kiep and Carolusberg.

#### Manica Gold Project

The Company is awaiting final approval from the Mozambican government which is expected in Q1 2016, upon which time all conditions will have been fulfilled in order for the acquisition to complete.

The Company is undertaking further development work at Manica and continues to make good progress towards finalising the updated gold resource and bankable feasibility study and exploring its project financing options.

#### Presentation

A shareholder presentation will be held at 12.45pm today and the presentation will shortly be available on the website: [www.xtractresources.com](http://www.xtractresources.com).

#### Enquiries:

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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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