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

Kakuyu copper project Zambia

The Board of Xtract Resources Plc ("Xtract" or the "Company") is pleased to announce that it has concluded a joint venture agreement (the "Agreement" or "JV") providing an initial 60% interest in the Kakuyu copper project in Zambia ("Kakuyu Project"). The Kakuyu Project is located approximately 53km north-west of the town of Mumbwa, Central Province of Zambia and has a small historic open pit. The JV's partner holds the small-scale mining licence 29805-HQ-SML, along with an adjoining area under application and the Agreement provides the Company with the potential for near term production.

Highlights

- Copper oxide and sulphide mineralisation occurs within a fault-controlled setting, with workings extending over a strike length of about 800m
- The Agreement provides Xtract with an initial 60% interest in the Kakuyu Project in Zambia with local partners Oval Mining Limited and Kakuyu Limited (the licence holder)
- The JV plans to commence small scale mining in the existing historic open pit
- Pre-stripping has commenced to expose additional in-pit mineralisation and to target extensions to the numerous mineralised structures identified
- 60% net profit interest will accrue to Xtract from mining operations, with a 70% interest accruing for any additional mineral resources discovered during the course of Xtract's exploration programme
- Site visits from various internal and external geological and mining personnel identified a number of mineralised structures offering strike extension potential. These are currently being cleared prior to more detailed evaluation
- The search for further mineralisation beyond the current pit limits has already commenced with two exploration teams on-site conducting licence-wide geochemical surveys and detailed mapping. New targets will be drill-tested early in 2023.
- The first report from the Mining Contractor confirms good progress has been made with the pre-strip and further additions of ore to the ROM pad.

Colin Bird, Executive Chairman said: "This arrangement is consistent with our small mines policy and we will continue to make further acquisitions of a similar nature with the intention of building cash flow over the near-term whilst we advance exploration potential with a focus on brownfield exploration targets that may extend the life of mine."

Kakuyu Project

The Kakuyu Project is located approximately 53km north-west of the town of Mumbwa, Central Province of Zambia, in a region well-known for mining including the nearby mines and occurrences of Sable Antelope,

True Blue, Crystal Jacket, Maurice F Gifford, Lou Lou, Silverking and Kamiyobo. The most recent discovery is the Iron Oxide Copper Gold ("IOCG") Kitumba project (BHP/Blackthorn Resources).

The Kakuyu Project is covered by two mineral licences, one small-scale mining licence 29805-HQ-SML issued to Kakuyu Mining Limited which is valid until 7 November 2031 covering an area of 201.78 hectares and a second small-scale mining licence currently under application by Kakuyu Mining Limited over an adjoining area of similar size.

The Kakuyu Project has been operated at various times in the past by both small-scale commercial and artisanal miners. There has been limited exploration to date of the Kakuyu Project which provides Xtract with an opportunity to make fresh discoveries in an under-explored but prospective region. The Kakuyu Project is centred around the Kakuyu Hill pit and a large hematitic lens (approximately 800 by 200 metres) found in a fault-controlled setting which is understood either to be a shear hosted Cu-Au deposit or an oxidised post orogenic IOCG deposit, or a combination thereof. The extension of the lens feature with depth is not currently known although the hematitic lens may extend to the west, along strike of the mapped iron unit. Field investigations showed similar features, structures and alteration in the western diggings, outside of the larger Kakuyu Hill pit. There is also a potential for mineralisation to the north of the hill as the area is highly faulted with a smaller wedge of older dolomites sitting within the younger meta-sediments which could form fluid traps. Copper occurs as both oxides and sulphides on fractures, in breccias and as stockworks.

The Kakuyu Hill pit has been worked historically (although there is no historic data) to the extent that benches have been put in place to open up the pit. There are also underground artisanal workings with tunnels and a collapsed shaft. Oval Mining has currently removed bulk samples of the potential higher-grade sulphide ores from the pit which have been hand-sorted and stockpiled on site, targeting grades of 3.5-4% Cu (although no assays are available on in situ grades at this time). A site has also been created south of the pit for the new waste rock dumps.

The deposit type and mineralisation mechanisms are not yet clear from initial field observations and Xtract plans an exploration programme to understand further the type of deposit and mineralisation potential at Kakuyu. This programme is likely to comprise initially a detailed ground IP and/or EM geophysics survey with follow up drilling on identified targets.

Joint Venture Agreement

Xtract has entered into a joint venture agreement with Oval Mining Limited ("Oval") relating to the exploitation of small-scale production licence 29805-HQ-SML (the "Licence"). Under the terms of the Agreement, Xtract and Oval have agreed that the net profit of the Kakuyu Project will accrue as to 60% to Xtract and 10% to Oval. Both Oval and the Licence Holder are Zambian-based entities. The balance of 30% will accrue to Kakuyu Mining Limited (the "Licence Holder").

Oval will act as mining contractor under the terms of a separate mining contract agreement ("Mining Contract") with responsibility for all aspects of the mining operation. The Mining Contract must be competitive and comparable to mining contracts being applied to similar operations in Zambia. Xtract has reserved the right to engage alternative mining contractors should the costs proposed by Oval be more than 10% higher than comparable contractor costs in Zambia for three contractors working on similar operations.

Xtract will appoint a project manager to oversee the Kakuyu Project and will be responsible for the management and implementation of exploration and resource development together with all costs associated with exploration and the delineation of mineral resources and reserves with a view to extending the life of mine of the Kakuyu Project.

Xtract has agreed to maintain the Kakuyu Project in good standing with payment of all contractors, to be met from cash flow and on execution of the Agreement to:

- pay US\$65,000 to Oval being the amount calculated by the parties required for the mining start-up costs for the first month of mining and delivery of 2,000 tonnes of copper ore at an average grade of between 3.5 and 4.0% Cu. Thereafter, all project-related costs will be met from cash flow;
- reimburse US\$90,000 to Oval in respect of stripping and mining to date on the Kakuyu Project, to be settled from cash flow by the reduction of Xtract's percentage share of net profit from 60% to 20% for the period required to reimburse Oval;
- meet the costs associated with exploration within the Licence.

The parties have agreed that the ore will be sold to a company with the requisite expertise and infrastructure located in Zambia and an agreement has been approved in principle with a nearby mineral processing contractor.

Xtract and Oval have further agreed that if the funds for the purchase, transport, construction and commissioning of the processing plant are met by Xtract then Xtract will be entitled to recover these costs as a priority from cash flow after Oval has been reimbursed its costs of US\$90,000 as described above, by increasing its share of net profits 70% until the costs have been recovered. Xtract and Oval have agreed that the cost of the processing plant will not exceed US\$400,000.

Xtract has undertaken to prepare internally as soon as possible a project feasibility study providing guidance on the potential of the Kakuyu Project along with estimations of the extent of planned future exploration.

Xtract will fund its commitments pursuant to the Agreement from existing resources and cash flow from its existing projects.

Further information is 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 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018. The person who arranged for the release of this announcement on behalf of the Company was Colin Bird, Director.

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Qualified Person:

Information in this announcement relating to the exploration works 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.

TECHNICAL GLOSSARY

The following is a summary of technical terms:

"breccia"	Rock fragmented into angular components
"dolomite"	Calcium-magnesium carbonate mineral, (CaMg)CO ₃ , or a rock composed largely of the mineral dolomite
"EM" (Electromagnetic surveying)	Geophysical exploration method employing the related electric and magnetic fields which can be set up in a conductive body by an artificial electric field at surface
"hematite"	A mineral composed of ferric iron oxide
"IP" Induced Polarisation	A method of ground geophysical surveying which employs the passing of an electrical current into the ground to test for indications of conductive metallic sulphides
"IOCG" (iron oxide copper-gold) deposits	Mineral deposits that typically occur at the margins of large igneous bodies which intrude into sedimentary strata, often forming pipe-like, mantle-like or extensive breccia-vein sheets within the host stratigraphy

"metasediment"	A metamorphosed sediment
"orogenic"	Pertaining to mountain building events in the Earth's history
"oxide"	Mineral produced by natural weathering processes at or near the earth's surface
"shear"	Plane of failure in faulted body of rock
"stockwork"	A large-scale ramifying series of fissures filled with mineralized material
"sulphide"	A metallic compound of sulphur

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