



[Xtract Resources plc](#) - XTR

# Manica hard rock collaboration agreement

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**Xtract Resources Plc**  
**("Xtract" or the "Company")**  
**Manica licence 3990C Hard Rock Collaboration Agreement**

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") is pleased to announce that the Company has today concluded a collaboration agreement ("**Collaboration Agreement**" or "**Agreement**") with Mutapa Mining and Processing LDA ("**MMP**") for the mining and mineral processing of the Company's Manica hard rock gold deposits ("**Manica Project**") at Xtract's Manica mining concession licence 3990C in Mozambique.

## Highlights of the Agreement

- Funding and operational agreement for Manica hard rock gold deposits signed on 29 May 2019
- MMP, in partnership with Omnia, appointed as independent mineral processing contractor on the various gold bearing mineral deposits on the concession
- Agreement provides for MMP to build and operate a carbon-in-leach (CIL) plant
- MMP to finance and conduct the mining operations to include all capital and operating costs
- Xtract will receive between 20% and 23% (dependent on prevailing gold price) of the hard rock after tax operating cash flow
- Concession exploration programme to be initiated with an objective to enlarge the gold resource within current known areas not yet tested
- Gravity recoverable gold to be exploited during the CIL plant-build phase, assuming suitable material is available

**Colin Bird, Executive Chairman said:** "This agreement allows for the extraction of CIL amenable resources to be commenced in the mid-term whilst alluvial operations continue. The income to Xtract once commercial levels of production are achieved, is expected to be significant and continuing for in excess of 6 years. During the construction period, we plan to process those mineral resources which are amenable to gravity processing and continue with the alluvial operations. A concession exploration programme will be initiated with a view to enlarging the currently known resource by drilling at depth and testing areas not yet investigated. The CIL plant will undoubtedly open up new feed material sources outside the concession and where appropriate we will strike deals with the concession owners to treat their ore on a commercial basis."

## Fairbride Hard Rock Mining and Collaboration Agreement

### Background

The Collaboration Agreement has been entered into on 29 May 2019 inter alia by the Company, the Company's wholly owned subsidiary, Explorator Limitada ("**Explorator**"), and Mutapa Mining and Processing LDA ("**MMP**") (the "**Mining Contractor**").

MMP is currently the owner of a 42,000 tonne per month hard rock processing plant, that includes crushing, milling and gravity recovery circuits and a furnace, for mining and mineral processing, located in the Manica region of Mozambique.

The MMP plant has already had over US\$11 million invested to date and, so far as the Company is aware, represents the only sophisticated hard rock processing capacity in the Manica region. The MMP plant is the key reason supporting the rationale of agreeing the Collaboration Agreement, as it reduces both capital expenditure requirement and the time to production of the Manica Project. Xtract are satisfied that MMP has the necessary technical and operational capability to execute the proposed development plan at Manica, including the installation, commissioning and operation of the proposed CIL.

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

The terms of the Collaboration Agreement are as follows:

#### **Appointment**

The Company has appointed MMP an independent mineral processing contractor, to provide a technical solution for processing the Explorator's material, to conduct hard rock mining on the Manica Project permitted area and to process the mined ore for the recovery of Gold for a period of 10 years with an option to extend.

MMP will provide all personnel and goods as may be necessary for the performance of the services in accordance with the prescripts and requirements of Mining Rights, the Mining Laws and the requirements of all Regulatory Authorities. MMP will be responsible for the construction of a suitable sized tailings dam in accordance with international standards at a site to be pre-agreed with Explorator.

#### **Conditions Precedent**

MMP have agreed to contribute their hard rock processing plant to be utilised to process all oxide materials and, if appropriate, transition and sulphide material, together with all infrastructure and services contained within the fenced area of their mining concession that relate to the processing plant and the services as well as commit to the purchase and commission of suitable CIL plant to carry out the services.

#### **Conditions Subsequent**

MMP has undertaken to commence construction of the CIL plant and to provide Xtract with a schedule of purchases and an activity chart indicating initial production and a target date for commercial production of no later than 1 July 2020. MMP will also be responsible for obtaining all rights, permits and licenses required to carry out the services in accordance with the Mining Laws.

#### **Targets and Performance**

MMP has agreed to commence construction (as demonstrated by the placement of an order for the CIL), as soon as possible but in any event no later than 1 November 2019 (with a long stop date of 1 February 2020). Construction installation work on the CIL is planned to be completed with commercial production being achieved by 1 July 2020 (with a long stop date of 1 October 2020). Commercial production is defined in the Collaboration Agreement as a being installation of a processing plant with a throughput capacity of not less than 29,000 tonnes per month (being 70% of the planned 42,000 tonnes per month throughput).

#### **Mining Rights**

Explorator will maintain the Concession and the Mining Rights in good standing and will grant MMP exclusive rights to the hard rock mining aspects of the Concession and the Mining Rights for the duration of the Term.

#### **Consideration & Payments**

In consideration for the granting of exclusive rights to act as the appointed hard rock mineral processing contractor at Manica, MMP will pay Explorator an arrangement fee of US\$20,000 for every month of commercial production achieved.

MMP will receive 77% of all the operating profit produced from the permitted area through the performance of the contract by MMP when the prevailing price of Gold is greater than US\$1,250 per ounce. MMP's entitlement shall be

increased to 78.5% at a prevailing Gold price greater than US\$1,175, and to 80% when the prevailing price of Gold is less than US\$1,100 per ounce. For the purposes of the Collaboration Agreement,

"profit" is defined as: Revenue on Sale *less* deductible costs (excluding non-cash items) and corporation tax.

### **Exploration**

The Company and MMP have agreed to incorporate a gold mining exploration special purpose vehicle, on a 50:50 owned basis, and with a monthly budget to be agreed by the parties from time to time. Participation in exploration projects will be decided on a case by case basis. The costs of exploration shall be divided on a case by case basis. Each party may submit a project exploration plan to the other party for review. The reviewing party may elect to contribute up to 50 per cent. of the costs of exploration on that project and will be awarded participation in the project on a *pro rata* basis with its share of the costs.

MMP and Xtract have further agreed that, if with increased knowledge of the Manica Concession it is deemed appropriate to undertake a major drilling campaign to identify and delineate a larger mineral resource than currently known in the Permitted Area, the parties will agree to invest on a 50:50 basis to identify a larger potential gold mining resource. The parties will form a new SPV for this activity and it will be separately managed with both parties having an equal interest. A larger mineral resource is defined as all resources in the Permitted Area in excess of those currently known, with a minimum threshold being 2,500,000 ounces.

In the event of a significant new discovery, each party will have first right of refusal, should they wish to sell their share in the SPV. If during the exploration phase either partner dilutes to less than 25 per cent. of the SPV by not participating in the exploration expenses, it will enter into a drag/tag along agreement with the other party should they wish to dispose of the overall enlarged asset.

### **Option to purchase the concession**

The Company has granted MMP an option to purchase the Fairbride concession, subject to all parties receiving necessary regulatory approvals including, but not limited to, the Company obtaining shareholder approval, for an amount equal to the greater of:

- An amount equal to 80% of the net present value using a discount rate of 15%; or
- US\$20 million

This option to purchase has a term of 2 years and is only in respect of the known resources in the Permitted Area. In the event that the parties agree that the operation has extended life potential (beyond 8 years) or alternatively discovers a larger deposit then the parties may agree a buyout by mutual consent on the basis of an amount equal to 80% of the net present value of the larger resource, again using a discount rate of 15%.

This agreement replaces the Joint Venture and Collaboration Agreement entered into with Omnia Mining Ltd on 19 February 2018.

Shareholders should note that there is no certainty that the outcome of production and operating results at Manica pursuant to the Collaboration Agreement will be as currently expected and a number of factors could cause actual results to differ materially from those expected and set out in the forward-looking statements contained in this announcement.

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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**Forward Looking Statements:**

Certain statements in this announcement are, or may be, deemed to be forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe" "could" "should" "envisage" "estimate" "intend" "may" "plan" "will" or the negative of those variations or comparable expressions including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth results of operations performance future capital and other expenditures (including the amount, nature and sources of funding thereof) competitive advantages business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with vulnerability to general economic and business conditions competition environmental and other regulatory changes actions by governmental authorities the availability of capital markets reliance on key personnel uninsured and underinsured losses and other factors many of which are beyond the control of the Company. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions. The Company cannot assure investors that actual results will be consistent with such forward looking statements.

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