

Xtract bets on gold in Mozambique

Xtract Resources intends building Mozambique's first large gold mine and restarting sizeable copper output in the Northern Cape, says CEO Jan Nelson, who was behind the growth of Pan African Resources into a mid-tier gold miner.



© Lynn Bendickson – 123RF.com

Xtract, which trades on London's Alternative Investment Market, has a cash-generating gold mine in Chile and has now turned its focus to the Manica gold prospect in Mozambique as well as a copper dump retreatment project in Northern Cape.

Manica was once the flagship project in Pan African, which bought it in 2006. It was enough of an asset to attract the attention of then Johannesburg-listed Metorex, which folded its Barberton gold mine into Pan African in exchange for a controlling stake in the company.

However, the Metorex board took the view that Manica would not be developed, Nelson said on Wednesday, 1 July, adding that Xtract planned to bring the deposit into production of 50,000oz per year in the next 18 months.

"We understand the deposit. It's well drilled and the metallurgy is understood. I always wanted to develop it. I was just not allowed to develop it."

Pan African sold Manica to Auroch Minerals, an Australian company, which took the project to within months of a finalised

bankable feasibility study.

Auroch estimated the Fair Bride portion of Manica would cost \$28m to deliver 330,000oz of gold over seven years.

Xtract agreed to buy Manica for \$12.5m. It raised Â£4.4m in a rights issue this week towards the cash and share deal.

Xtract could raise up to 40% of the \$28m capital cost and could secure debt for the rest, Nelson said. A Chinese company could sell it a processing plant in exchange for mined gold.

Xtract believed it could recover 85% of the gold from the sulphide ore deposit with a grade of 3.5g a tonne by using ultrafine grinding to liberate the gold and putting it through a carbon-in-leach process, he said.

In the fourth year, underground development would cost nearly \$15m. There was a chance to mine alluvial gold on Manica, bringing in a third party to build a plant and share profits with Xtract, generating revenue in six months, he said.

Xtract had agreed to a cash and share purchase of rock dumps at O'Kiep for \$4.75m.

"The two biggest dumps we've bought have 70% of all the metal value of the surface material contained in eight dumps in the area," Nelson said.

The grade is estimated at 0.2% copper and the in-situ value is \$400m. Xtract would spend 400,000 over the next six months to explore the dumps.

A plant to process the copper could cost up to \$60m and Xtract has to decide whether to produce copper cathode plate or a concentrate for sale.

Village Main Reef, which is owned by China's Heaven-Sent, had bought exploration tenements in Northern Cape, which included some of the old Metorex copper mining areas, said Marius Saaiman, a director at the Heaven-Sent operation.

"It's too early for us to talk about how prospective the area is," he said on Wednesday.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>