



Harvest Minerals Limited / Index: LSE / Epic: HMI / Sector: Mining

31 March 2020

## Harvest Minerals Limited ('Harvest' or the 'Company')

### Corporate Update

Harvest Minerals Limited, the AIM listed remineraliser producer, is pleased to provide an update on corporate and operational developments, as well as an update in response to the COVID-19 pandemic ('COVID-19' or 'the pandemic').

#### Highlights

- COVID-19
  - No impact yet on Harvest's operations, but continue to monitor closely
  - Series of measures implemented to keep staff, customers and local community safe
- Financials
  - Debt free, positive working capital position of AUD\$9.7 million as at 31 December 2019 - a strong balance sheet
  - Annual Financial Results to 31 December 2019 now expected in late Q2 2020 – delay due to the pandemic
- Sales and Marketing
  - Sales and Marketing teams expanded to provide coverage in two new geographical areas
  - Orders up 150% to the end of February 2020 compared to the same period last year
- Operations and Sustainability
  - Expansion of both footprint of the operating mine and product storage facility underway
  - Planting 18,000 native trees during 2020 to become a carbon free company

**Brian McMaster, Executive Chairman of Harvest stated,** *"We are currently in the wet season in Brazil, a traditionally quieter period for us, and so our operations have not yet been directly impacted by the global pandemic. However, we do know that Brazilian farmers are taking advantage of the weaker Reais, which has fallen by 17% this year against the US\$, and that they have already pre-sold 20% of this year's soybean harvest. Naturally, this is driving an increased demand for fertilisers; forecasts suggest a 3% growth in fertilisers this year. The weaker Reais also means that imported fertiliser prices are higher and that the supply chain is currently disrupted; this may strengthen our proposition as a local producer.*

*"However, we are living in unprecedented times and whilst there have been no reported cases of COVID-19 near the Arapua Project, we cannot afford to be complacent. We place the safety of our staff, customers and community as the highest priority and have therefore implemented a series of measures to help protect our team and community as best we can. We would like to take this opportunity to send our thoughts and best*

*wishes to all at this difficult time and will continue to monitor updates on the COVID-19 pandemic closely and update shareholders as the situation evolves.”*

## **Details**

### **COVID-19**

The Company understands from public information that the pandemic in Brazil is developing with the majority of cases reported to date occurring in Sao Paulo and Rio de Janeiro. To date, as far as the Company is aware, there have been no cases reported near the Arapua Project ('Arapua') and consequently there has been no material impact on the Company's operations.

Based on the spread of the virus in other parts of the world, it is likely that Harvest will be impacted at some point and the Company is currently planning for that eventuality. The global demand for food products has increased, not decreased and other macro factors, such as the depreciating Brazilian Reals, potentially offer opportunities for the Company. Harvest will continue to monitor the situation closely and report any material impact on the Company as they become known.

In the interim, the Company has implemented a series of measures to keep its staff, customers and local community safe, including increasing the provision of hand washing facilities at all sites and offices, providing COVID-19 training to all employees in small groups and distributing flyers to raise awareness of how the virus is spread. Harvest has also made a series of steps to prevent infections occurring, including restricting the number of visitors to site to essential personnel, such as drivers, and keeping them at a social distance from the operational team.

### **Financial Results as at 31 December 2019**

Harvest's audited annual financial results are currently being reviewed by its auditors. The Company has been advised that the current environment will result in a delay in the commencement of the auditor's fieldwork, which will in turn delay the issuance of the audited accounts. At this time, Harvest does not have an accurate estimate for when the results will be published but expects it to be in late Q2 2020. The Company will keep shareholders appraised as timing becomes more certain.

#### *Financial position*

In the interim, the Company can report that as at 31 December 2019, the unaudited cash balance was AUD\$8,057,000, accounts receivable totalled AUD\$1,855,000 and accounts payable totalled AUD\$180,000, meaning it had a positive working capital position of approximately AUD\$9,732,000.

Assuming business as usual on a go forward basis, and continued investment into the business, this position is sufficient to sustain Harvest for over two years. If the Company was required to go into care and maintenance, it has sufficient reserves for in excess of four years.

### **Operations**

Ordinarily, the period from approximately ±December to ±April each year is a wet season at Arapua. As was well publicised in the press at the time, this year was exceptional with recorded rainfall at site of 245mm in

January and 346mm in February compared to 48mm and 146mm, respectively, for last year. Brazil experienced widespread flooding during this period, but due to Arapua being at a high altitude and improvements to the drainage around the storage facilities, there was no impact or flooding at site. Furthermore, for the past week or so there has been no rainfall, allowing Harvest to continue operations unabated.

### **Exploration**

Harvest plans to expand the footprint of the operating mine to allow for more efficient mine planning and increased production during the wet season. As part of this, the Company recently carried out an 18 auger hole drill programme to the north of the current open pit. This has now been completed and the results incorporated into the mine plan for this year. During Q2, Harvest will strip this area to provide more production faces and temporarily increase material storage until a new storage area has been constructed.

### **Sales and Marketing**

At the end of last year, Harvest replaced some of the existing sales team and employed new sales staff to provide coverage in two new geographical areas. The Company currently has nine full-time technical sales staff plus a marketing and sales support team.

Recent activity to promote KPfertil includes:

- January – attended the 6<sup>th</sup> Technical Meeting of Sustainable Agriculture hosted by Grupo Associado de Agricultura Sustentável in Mineiros, Goiás.
- February – attended FEMAGRI (Agricultural Machinery, Implements and Inputs) hosted by Cooxupé, one of the Company's resellers and the World's largest Coffee Cooperative
- March – attended the Feira do Cerrado in Monte Carmelo in Minas Gerais.
- March - invited back to appear on the popular farming programme Zebu Para o Mundo on Canal do Boi.

While the sales and marketing teams continue to advance digital and other marketing strategies, all public events and shows are suspended until further notice due to the pandemic.

Harvest has also been testing different packaging to deliver KPfertil in small 25kg bags. Initially these would be used for samples and to conduct small scale trials but could eventually become a retail product, subject to approval by the Ministry of Agriculture.

Orders to the end of February 2020 are up 150% compared to the same period last year, which is an encouraging start for the Company.

### **Sustainability**

As the producer of an organic product, Harvest takes its environmental responsibilities seriously. Consistent with this responsibility, the Company signed an agreement with the Instituto Estadual de Florestas (IEF or State Forest Institute) to plant 18,000 native trees during 2020. This is to compensate for diesel Harvest uses in its trucks and makes it a carbon free company.



*Figure 1: New trash storage facility and improved fuel storage area as required by environmental department as part of award of full mining permit.*



*Figure 2: Auger drilling to the north of the current open pit and prepared samples ready to be sent to the lab.*



*Figure 3: The February Sales and Agronomics team meeting including the new members and our agronomist Dr Eduardo Spolidorio at our new office.*





Figure 4: Some of our sales team at Feira do Cerrado 2020 and new marketing material.



Figure 5: 25kg sample bags and our CTV Kimio appearing on Canal do Boi.

**\*ENDS\***

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## **Notes**

Harvest Minerals Limited (HMI.L) is an AIM-quoted low-cost and high margin Brazilian remineraliser producer, located in the heart of the largest and fastest growing fertilizer market in Brazil.

Our product, KPFétil, is a registered and approved organic multi-nutrient direct application fertiliser. It contains many of the essential nutrients and minerals required by plants and, unlike most fertilisers, it does not require any complex processing or chemically alteration, instead it can be applied directly to crops.

KPFétil is produced at the wholly owned Arapua project, that consists of a fully permitted mine, production and storage facilities able to produce and deliver KPFétil to customers. Known mineralisation at the Project is expected to support 100+ years' production at 450Ktpa.

Our focus now remains on growing our business and we have the dedicated in-country sales and marketing team with the skills, experience and contacts to sell KPFétil into the potential multi-Mtpa market on the doorstep of the Project.