



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

28 November 2018

**Harvest Minerals Limited ('Harvest' or the 'Company')
Corporate and Operational Update**

Harvest Minerals Limited, the AIM listed fertiliser producer, is pleased to release the following corporate and operational update.

Overview

- Further additions to the internal sales and marketing team
- KPfértil granted organic registration by the Brazilian Institute of Biodynamics;
- Product storage expansion set to be completed in Q2 2019;
- New demonstration farm planted adjacent to Arapuá project

Harvest's Executive Chairman, Brian McMaster, said, *"During the year, we have been working hard to develop our brand and distribution channels for KPfértil. Whilst contracts with distributors can allow us to leverage existing sales teams and their relationships in the market, direct sales through our own sales team are equally as important to building our brand. We are therefore delighted to have acquired most of the existing sales, support and marketing team at Geociclo to support this strategy. This team has already made excellent progress, establishing first sales. Additionally, with KPfértil's recently granted organic status we anticipate this to further enhance sales performance.*

"We are pleased with the progress of the plant since it was commissioned. We are planning the expansion of our product storage capacity, which will be fully funded from available cash resources. We have recently slowed production due to early commencement of the rainy season, but the idiom 'every cloud' is even more true in our case as our customers are expecting a bumper harvest this year, which will mean they should be out in force to buy more KPfértil next year."

Strategic Alliance with Geociclo Biotecnologia S/A

On 26 July 2018, Harvest announced that it had signed a strategic alliance with Geociclo Biotecnologia S/A ('Geociclo'), to enable the Company's product, KPfértil, to be marketed and sold by Geociclo's sales team, gain access to its MAPA accredited research and trial production laboratory as well as storage facilities. Additionally, there was the option for Harvest to acquire equity in Geociclo, subject to the satisfaction of a variety of conditions. The alliance has been a success, with Geociclo introducing the Company to new markets and generating initial sales.

Harvest has now learned that Geociclo has sought judicial administration due to its existing liabilities base and the inability of its shareholders to provide further funding to cover these. The administration

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To view the announcement with illustrative pictures, please use the following link: RNS TO INSERT LINK ¶

has created an opportunity for Harvest, and consequently Harvest has acquired the majority of the Geociclo sales team, some support staff and its existing client database. This allows the Company to build upon the progress the sales team made in developing new markets for KPfertil, but without having to pay commissions to Geociclo and better develop our own brand without impacting any of our existing relationships or customers. Geociclo's research facilities are currently being relocated and once this is completed, Harvest will continue to have access to these facilities as well. The administration process has not interrupted Harvest's plans and Harvest has no ongoing strategic relationship with, or financial commitment to, Geociclo.

Sales and Production

Since its commissioning in July 2018, the plant has been brought to capacity with the usual "teething problems" having been identified and worked through. As previously announced, sales are progressing according to the plans outlined earlier in the summer and the priority remains to fulfil those orders and complete a full working capital cycle as well as continuing to identify, develop and supply new customers and build our customer base for future seasons. To date, KPfertil is being sold to several distributors, over 30 different farmers and is being tested by a further 12 more, ranging in size from small holders to some of the largest producers in Brazil. These numbers are very encouraging and beyond our earlier estimates. Coffee and sugarcane are currently the Company's largest markets, and recently we have experienced preliminary sales to maize, fruit, soy and pasture farmers.



Figure 1: Product stockpile facility

This year the wet season commenced in October which is earlier than expected. In anticipation of the wet season, we have accumulated a stockpile of processed inventory of circa 4,000t, which we anticipate will be sufficient to meet deliveries until Christmas. December and January are typically quieter months for sales. We anticipate some buying in modest quantities between January and February by fruit and soybean farmers, before an escalation in buying starts in March. Accordingly, we will utilise the January/February periods to step up production in anticipation of the buying season.

Product Storage Expansion

Since the plant was commissioned in July, it has become clear that in order to meet expected demand for product, the size of the storage facility needs to be increased. As the plant and infrastructure design is modular, allowing additional capacity to be added without impacting existing production, this is a straightforward process. The Company is currently obtaining quotes to double the effective size of the current storage facility to 20Kt and add additional silos to reduce the time taken to load each truck; this work is expected to commence in the New Year. The cost of this will be fully funded from available resources and is expected to be less than US\$300,000 and should be completed by Q2 2019.



Figure 3: Existing product storage facility and area designated for expansion.

Organic Registration

KPfértíl has been granted certification from the Brazilian Institute of Biodynamics ('IBD') as a fully organic and biodynamic product. IBD has conducted an independent inspection at the Company's Arapuá Project, with the aim of certifying KPfértíl for use in organic agriculture. The IBD is the largest certifier in Latin America and the only Brazilian certifier of organic products that is accredited under IFOAM (international market), ISO/IEC 17065 (European market, rule CE 834/2007), Demeter (international market), USDA/NOP (North American market) and approved for use of SISORG seal (Brazilian market), meaning its certification is globally accepted.

The IBD inspection consisted of a detailed examination over the complete KPfértíl production flow, from mining to product storage, including health and safety and the Company's licenses and permits for mining, environment and MAPA.

Additionally, the Company has signed a contract with the Brazilian Institute of Agroecology ('IBA'), a non-profit association promoting the implementation of agroecological systems for large-scale food production in Brazil. Harvest believes that this relationship will help to build the KPfértíl brand and lead to further direct sales.



Figure 2: IBD auditor inspecting the processing plant at Arapua

Demonstration Farm

Harvest has established a demonstration farm adjacent to the Arapua site, which has been planted with one (1) hectare each of soybean and maize. A further hectare of coffee and 0.3 hectares sugarcane have been prepared with three (3) more hectares of pasture also being prepared. All the plantation area has been prepared with KPfertil, with the aim of providing customers direct demonstration of the benefits of using it for certain crops when they come to the site.



Figure 4: Area prepared for coffee planting and planting corn

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

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Notes

Harvest Minerals (HMI.L) is a Brazilian focused fertiliser producer advancing the 100% owned Arapua Fertiliser Project, which produces KPfertil, a proven, multi-nutrient, slow release, organic, MAPA-certified remineraliser. KPfertil offers many economic and agronomic benefits and addresses the significant demand for locally produced fertiliser in Brazil, with its abundant agricultural land; currently, the country imports 90% of the potash it uses but has a target to be self-sufficient in fertilisers by 2020. Covering 14,946 hectares and located in the heart of the Brazilian agriculture belt in Minas Gerais, Arapua is a shallow, low cost mine with an indicated and inferred resource of 13.07Mt at 3.1% K₂O and 2.49% P₂O₅. This is based on drilling just 6.7% of the known mineralisation, leaving significant upside potential. This resource is equivalent over 29 years' production and the known mineralisation expected to support 100+ years' production at 450,000 tonnes per annum.