



[Xtract Resources plc](#) - XTR

# Alluvial Mining Contractor new agreement & update

Released 14:06 06-Mar-2018

RNS Number : 8689G  
Xtract Resources plc  
06 March 2018

For immediate release  
6 March 2018

## Xtract Resources Plc ("Xtract" or the "Company") Alluvial Mining Contractor new agreement and update

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") announces that the Company's wholly-owned Mozambican subsidiary, Explorator Limitada ("**Explorator**") has agreed new terms ("**New Mining Contractor Agreement**" or "**New Agreement**") with Moz Gold Group Limitada ("**Contract Miner**" or "**Moz Gold**") for the exploitation of the M blocks of the alluvial gold deposits at Manica on the Western Area at its Manica mining concession in Mozambique.

### Highlights

- Moz Gold to continue to mine Block M of the western half of the Company's alluvial interest in the Manica Concession
- New Agreement replaces original payments provisions with a gold split
- Processing plant capacity to increase from a total of 3 to 7 processing plants
- New Agreement entitles Explorator to a percentage of the gold mined, based on a sliding scale
- Moz Gold will make a minimum kilogram gold payment of 2.25kg of gold for March 2018, and 3kg of gold (after the provision for mining production tax) each and every further calendar month of the contract term after March 2018
- Gold payments attributable 40% to Xtract and 60% to Nexus Capital Limited under the terms of the alluvial collaboration agreement
- Initial contract period of 10 years or the depletion of alluvials whichever comes first

**Colin Bird, Executive Chairman said:** "The change in the New Agreement to a gold split should enable easier and more efficient monitoring of the operation, along with and bi-weekly payment increasing cash flow. Moz Gold have stripped a considerable amount of overburden and are expected now to increase their gold production. The Manica alluvial operations are beginning to stabilise after recent heavy rains falls. The availability of processing plant and earth moving equipment should ensure significant and further increased production levels. The decrease in rain fall, together with plant build up should also facilitate increased production levels".

### Background

On 19 June 2017, Xtract announced that the Company's wholly-owned Mozambican subsidiary, Explorator, had concluded a mining contractor agreement ("**June Agreement**") with Omnia Mining Ltd ("**Omnia**") and Moz Gold for the exploitation of alluvial gold deposits at Explorator's Manica mining concession in Mozambique. The June Agreement provided for monthly payments by Omnia and Moz Gold based on the monthly run-of-mine performance whereby Explorator would receive a base net price per tonne of ore processed by Omnia and Moz Gold, and

additional incremental payments based on a proportion of any increase in the gold price above a reference price of US\$1,250 per ounce and / or any failure by Omnia and Moz Gold to achieve the agreed production targets.

In December 2017, Xtract announced that the June Agreement had been amended whereby the Western mining area was to be divided into two blocks ("M" blocks and "O" blocks), with Moz Gold appointed on an exclusive basis to conduct alluvial mining and process on the M blocks and Omnia agreed to enter into a new agreement for the O blocks ("**Amended June Agreement**").

To date Moz Gold has mined a total of 98,784 tonnes run-of-mine and has not met the agreed production targets set out in the June Agreement, and accordingly there are accrued penalties payable by Moz Gold for non-performance. As at 1 March 2018, Moz Gold owes in aggregate approximately US\$1.5 million to Explorator, comprising US\$1.3 million in respect of performance penalties, and a further US\$0.2 million in respect of accrued but unpaid run-of-mine payments under the June Agreement (the "**Moz Gold Indebtedness**"). Payments of the Moz Gold Indebtedness are attributable as to 40% to Xtract and 60% to Nexus Capital Limited ("**Nexus**") under the alluvial collaboration agreement between Nexus and Xtract.

Moz Gold has agreed to enter into the New Agreement which replaces the Amended June Agreement. A summary of the principal terms of the New Agreement is set out below.

### **New Agreement**

The New Agreement entered into today by Company's wholly-owned Mozambican subsidiary, Explorator, and Moz Gold, sets out the terms for the exploitation of the M blocks of the alluvial deposits at Manica on the Western Area of the Mining Concession area. The New Agreement will endure for a period of 10 years or the depletion of alluvials.

The Contractor shall, during and for the duration of the contract term perform the continuous, optimal and efficient alluvial mining of the permitted area, and the processing of the mined material for the extraction of Gold. Moz Gold will only be entitled to continue to access and undertake alluvial mining (or any other mining activity) of the Permitted Hard Rock Area until 31 August 2018.

Explorator will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. Moz Gold shall be responsible for the smelting of the gold concentrate into doré bars, for delivery to Explorator on a weekly basis. Explorator's net share of the gold produced is based on a sliding scale of gold produced plus 6% of the recorded gold concentrate produced as described further below.

Explorator will be responsible for all statutory and legal requirements regarding the licenses.

#### Consideration and Payments

In consideration for the appointment of Moz Gold, Explorator will pay Moz Gold a fee in gold equal to the following:

- 85% of the first 20kg of gold produced in any calendar month. Explorator will retain 15% of the first 20kg of gold produced in a calendar month; and
- 82.5% of the following 5kg of gold produced in any calendar month. Explorator will retain 17.5% of the following 5kg of gold produced in a calendar month; and
- 80% of the following 5kg of gold produced in any calendar month. Explorator will retain 20% of the following 5kg of gold produced in a calendar month; and
- 76.5% of all gold in excess of 30kg produced in any calendar month. Explorator will retain 23.5% of all Gold over 30kg produced in a calendar month.

The gold retained by Explorator is attributable as to 40% to Xtract and 60% to Nexus under the alluvial collaboration agreement between Nexus and Xtract.

Explorator shall be entitled to deduct and withhold from service fees payable to the Moz Gold the applicable mining production tax.

### **Minimum Monthly Delivery**

Moz Gold has agreed to produce and deliver a minimum monthly amount of gold to Explorator for Explorator's sole benefit and account of not less than 2.25kg of gold (after the provision for mining production tax) for March 2018, and 3kg of gold (after the provision for mining production tax) each and every further calendar month of the Contract Term after March 2018.

Moz Gold shall be liable to pay Explorator any shortfall in the Minimum Monthly Delivery, which shall be paid to Explorator on demand either in gold or cash.

### **Outstanding Moz Gold Indebtedness**

As described above, Moz Gold owes approximately US\$1.5 million under the Amended June Agreement. Explorator has agreed to give Moz Gold a discount of 25% on Moz Gold Indebtedness provided that Moz Gold pays an initial amount of US\$130,000 no later than 29 March 2018 and 12 monthly instalments of US\$83,122 (together with any accrued interest) to Explorator to repay the debt in full. The outstanding balance of the discounted amount owed will incur interest at the rate of 12% per annum compounded monthly in arrears. The first instalment is payable no later than 31 May 2018. If Moz Gold fails to make any payment of any Instalment amount by the due date for payment then the Explorator is entitled to demand immediate payment of the full outstanding undiscounted amount and all accrued interest.

As described above, payments of the Moz Gold Indebtedness are attributable as to 40% to Xtract and 60% to Nexus under the alluvial collaboration agreement between Nexus and Xtract.

### **Other**

Moz Gold will be responsible and liable for any rehabilitation of the mining concession to the extent mined by Moz Gold as required under the relevant mining laws.

The Agreement contains an indemnity from Moz Gold to Explorator and further customary terms and conditions (including termination).

### **Update on Moz Gold Loan**

On 15 December 2017, Xtract announced that it had agreed to loan a total of US\$700,000 to Moz Gold to be drawn down in two separate tranches of US\$400,000 and US\$300,000 respectively, with an interest rate of 30% per annum ("**Loan Agreement**"). A total of US\$324,000 of the 1<sup>st</sup> tranche has been drawn down by Moz Gold and is fully repayable by 22 May 2018. The second tranche of US\$300,000 can only be drawn down at Xtract's discretion and only once the first tranche has been fully repaid or converted into equity in Moz Gold. As at 1 March 2018 the total amount owed by Moz Gold under the Loan Agreement (including accrued interest) amounted to US\$338,000.

Further details about the company's project portfolio as well as a copy of this announcement are available from the Company's website: [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.

### **Enquiries:**

Xtract Resources Plc Colin Bird, Executive Chairman +44 (0)20 3416 6471

Beaumont Cornish Michael Cornish +44 (0)207628 3369  
Roland Cornish  
Felicity Geidt  
Email: [corpfin@b-cornish.co.uk](mailto:corpfin@b-cornish.co.uk)

ENDS

This information is provided by RNS  
The company news service from the London Stock Exchange

END