



[Xtract Resources plc](#) - XTR

# Operational Update

Released 10:48 20-Jan-2015



RNS Number : 6299C

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**Xtract Resources Plc  
("Xtract" or "the Company")**

## **Operational Update**

Xtract Resources Plc (AIM: XTR) announces a production update and refers shareholders to the announcement of 19 November 2014 in which the Company announced that it had raised US\$1.3m to fund further drilling and development at the Company's Chepica Gold and Copper mine in Chile (the "Mine") and that production was forecast to ramp up to 8,500t/month by December 2014. The announcement also stated that the Mine was expected to be cash flow positive by the start of 2015. Since this time the Company has applied most of the capital received to purchase mining equipment for underground development at the Mine.

The independent rock mechanic advice, together with new capital investments resulted in a new operational horizon being developed. Unfortunately, the gold bearing rock, when accessed, proved to be discontinuous and unstable, requiring the development of a bypass loop. The mining of the loop seriously disrupted production resulting in a significant reduction in plant production from 8,500t to 4,500t in December 2014, with plant production of 4,500t now forecast for January 2015. The Company has appointed a specialist mining contractor to assist with the development of the reef horizon through the severely displaced and unstable ground conditions. Should development be established on the reef horizon within the next week the Mine will be able to achieve its revised forecasted production cash flow for January 2015. It is now expected that the Mine will be cash flow positive in February 2015.

As a result of the impact on the working capital the Company is negotiating a deferment of certain creditor payments until the end of March 2015. The current earn-in option agreement (the "Option Agreement") structure, whereby a payment of US\$110,000 is due by the end of January 2015, payments of US\$135,000 and US\$175,000 are due by the end of February and March 2015 respectively, payments of US\$350,000 are payable for the following three quarters, with increased payments, totalling US\$2.4 million, due on a quarterly basis from December 2015 until December 2016, cannot be funded by the operations on a sustainable basis and as a result the Company is in the process of re-negotiating the Option Agreement. Should the Option Agreement not be re-negotiated successfully or option payments not be deferred until the working capital situation improves, the Company will consider suspending mining operations at the Mine.

The Company will, however, keep shareholders updated on a regular basis as to the progress of the development at the Mine during this critical period as well as progress on the re-negotiation of the Option Agreement.

Jan Nelson, CEO of Xtract Resources, commented: "We are continuing with our efforts to combat adverse ground conditions and ore body discontinuity, which is requiring additional capital and preventing the Company from meeting

operational and financial forecasts. The Board are monitoring the situation on a daily basis to ensure that all decisions taken are in the best interests of shareholders."

Ends.

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