



[Xtract Resources plc](#) - XTR

Update and Successfully Re-negotiated Option Terms

Released 12:35 24-Feb-2015



RNS Number : 7273F

Xtract Resources plc

24 February 2015

24 February 2015

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

Operational Update and Successful Re-negotiation of Earn-in Option Agreement Terms

Xtract Resources Plc (AIM:XTR) announces an update and refers shareholders to the announcements of 20 January 2015 and 3 February 2015 in which the Company announced an operational update and the re-negotiation of the earn-in option agreement at the Chepica Gold and Copper Mine in Chile (the "Mine").

Highlights

- Successfully re-negotiated the Mine's earn-in option agreement and has now agreed a revised payment schedule commencing in October 2015
- Safely developed through severely faulted ground conditions and now intersected the reef horizon
- Mine on track to mill 6,500 tonnes in March and 8,500 tonnes in April and expected to break even in March, and generate a profit in April 2015
- Transitioned the Mine over to contract mining leading to increased efficiencies and reduction of operating cost
- In the process of capitalizing the mine by approximately US\$300k through the sale of surplus mine equipment

Operational Update

At the Chepica Gold and Copper Mine in Chile, severely bad ground conditions resulted in the reef horizon only being intersected last week after two previous attempts at developing 30 to 45m bypass loops to reef were stopped due to faulting which led to their collapse. New blasting and support practices were implemented along with a specialist development contractor being engaged to develop to reef. This has proved successful and development has been re-established on reef. As a result the mine milled 2,500 tonnes in January and 3,500 tonnes in February which has impacted on the forecast cash flow position of the mine. As a result the entire mine has now been transitioned over to contract mining, which has led to improved efficiencies and a lowered operating cost.

Inter-levels are also currently being developed that will leading to more mining faces being available for stoping and increased flexibility of the development and scalability of the mine.

The mine is now forecast to mill 6,500 tonnes in March and 8,500 tonnes in April. The Chepica mine is expected to break even in March and is expected to be profitable in April 2015.

As a result in moving over to contract mining (where the contractor supplies its own mining equipment) and changing the development approach, the mine is in a position to sell certain of its mine equipment which should realize proceeds of approximately US\$300k.

Option Agreement

The Company has successfully re-negotiated the terms of the earn-in option agreement and all payments that are due under the Option Agreement have been suspended by the agreement of both parties until October 2015. Under the revised payment schedule, a payment of US\$350,000 is due by 15 October 2015, relating to the 30 September quarter payment. All remaining quarterly payments until 31 December 2016, which total US\$2.4 million, remain unchanged. On the 1 January 2017, the Company will then make a final payment of US\$1.1 million (the deferred payments from January 2015 to July 2015) and will thereafter acquire a 100% interest in the Mine.

Jan Nelson, CEO, commented: "The past four months has been a very challenging time for the Company's management, creditors and of course our shareholders. We have now successfully re-established the mine on reef despite the most severe ground conditions I have experienced in my career. Our COO, Eduard Victor has been permanently on site and he and his team have made a significant impact in overcoming the adverse ground conditions, thereby bringing gold production back on track. We have successfully re-negotiated the terms of the option agreement to allow the mine to build up adequate capital over the coming months. The team's focus over the next three months will be to ensure the mine returns to profitability and that we capitalize the Company sufficiently in order to move forward with our development plans."

Enquiries:

Xtract Resources Plc	Jan Nelson, CEO	+44 (0)20 3416 6471
Cenkos Securities Plc	Alan Stewart Derrick Lee	+44 (0)131 220 6939
Hume Capital Securities plc	Jon Belliss Abigail Wayne	+44 (0)20 3693 1470
St James's Corporate Services Limited	Phil Dexter	+44 (0)20 7796 8647 +44 (0)7798 634398
Gable Communications Limited	John Bick Xtract@gablecommunications.com	+44 (0)20 7193 7463 +44 (0) 7872 061007

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

END