Xtract Resources plc_ - XTR

Half-year Report

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Xtract Resources plc
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For immediate release
27 September 2019
Xtract Resources Plc
("Xtract" or "the Company")

Unaudited Interim Results for the six months ended 30 June 2019

Xtract Resources Plc (AIM: XTR), the gold producer, exploration and development company with projects in Mozambique and Zambia, announces an update of operations and projects and its unaudited interim results for the six months ended 30 June 2019 ("Period").

Financial highlights

· Revenue from gold sales of £0.81m (H1 18: £0.46)
· Net loss of £0.32m (H1 18: £0.41m)
· Administration & Operating expenses £0.95 m (H1 18: £0.83m)
· Cash of £0.35m (FY 18: £0.44m)
· Net assets of £10.63m (FY 18: £10.71m)

Corporate highlights

· Manica hard rock collaboration agreement concluded with Mutapa Mining & Processing LDA
· Memorandum of Agreement concluded with a Consortium to explore copper/gold small scale mining license at Kajevu, Zambia (Matrix Project)
· Option agreement entered into with KPZ International Ltd for the copper/gold small scale mining license located in Central Zambia (Eureka Project)
· Alluvial mining contractor Huafei Gold Resources appointed to mine Manica alluvial deposits

Operational highlights

· Total alluvial mining contractor gold production of 74.1kg (equivalent to 2,138 ounces) (H1 18: 90.3kg (equivalent to 2,903 ounces))
· Total of 19.5Kg (equivalent to 628 ounces) attributable to Explorator (H1 18: 22.5kg (equivalent to 723 ounces))

Colin Bird, Executive Chairman commented:
"The period under review has been extremely progressive with hard rock profit sharing collaboration agreement being secured with Mutapa Mining and Processing LDA. Our partners in this operation, have advised that certain key items of equipment have been ordered and deposits paid, whilst letters of intent have been originated for other major items of equipment. This agreement allows for a net profit interest share of 23%, provided the gold price remains above US$1,250 per ounce. The profit share decreases should the gold price fall

below US$1,250 per ounce, and 20% net profit interest at a gold price of US$1,100 per ounce which remains the floor percentage interest.

The Company also established an exploration presence in Zambia on two very important projects, namely the Matrix and Eureka projects. These projects are considered to be iron oxide copper gold (IOCG) mineralisation style and our initial work suggest that both projects have potential for significant discovery and small-scale copper ore mining, since both projects report directly to surface.

Our alluvial operations in Manica, Mozambique, continued with Huafei Gold Resources Company (formerly Sino Investment Company) taking over total mining operations adjacent to the river.

Operations continue to be modest but cash generative and, in every month, operational cash flow exceeded cost. The higher gold price and increased profit share resulted in overall earnings to the Company being higher than the same period of last year and indeed the second half of the prior year.

Post balance sheet, the Company entered into a 90-day processing agreement for the Kalengwa processing zone concession in Zambia. Kalengwa was a very rich copper operation in the 1970s and 20% of its ore grade was in excess of 25% CU, being directly shipped to Copperbelt smelters. There remains considerable dumps and tailings, together with primary mining potential, in all directions surrounding the former open pit. It is our intentions to identify the extension potential as well as treat the secondary material currently on surface.

The higher gold price has resulted in several mining companies approaching us to work the terrace alluvials, as well as small concessions the Company holds in the Manica region. We continue with our discussions and one company has been allowed to carry out trial mining on the terraces, whilst another is carrying out exploration on an adjoining concession.

We look forward to the second half of the year, resulting in all our projects, both exploration and production proceeding, against our very aggressive timetable to build shareholder value."

Enquiries:

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This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014 on market abuse. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person who arranged for the release of this announcement on behalf of the Company was Joel Silberstein, Director.

Further details are available from the Company's website which details the company's project portfolio as well as a copy of this announcement: www.xtractresources.com

Xtract Resources PLC
Consolidated Income Statement
For the six month period ended 30 June 2019

	Notes	Six months ended 30 June 2019 Unaudited £'000	Six months ended 30 June 2018 Unaudited £'000	Year ended 31 December 2018 Audited £'000
Continuing operations				
Revenue from Gold sales		807	460	892
Administrative and operating expenses		(948)	(825)	(1,653)
Direct Operating		(472)	(305)	(804)
Other Operating		(54)	(56)	(103)
Administration		(422)	(464)	(746)
Project expenses		(184)	(73)	(147)
Operating loss		(325)	(438)	(908)
Other gains and losses		-	-	64
Finance (cost)/income		5	30	108
(Loss)/profit before tax		(320)	(408)	(736)
(Loss)/profit for the period from continuing operations	3	(320)	(408)	(736)
(Loss)/profit for the period from discontinued operations	3	-	-	-
(Loss)/profit for the period	6	(320)	(408)	(736)
Attributable to:				
Equity holders of the parent		(320)	(408)	(736)
Net (loss)/profit per share				
Continuing		(0.09)	(0.12)	(0.20)
Discontinued		(0.00)	(0.00)	(0.00)
Basic (pence)	6	(0.09)	(0.12)	(0.20)
Continuing		(0.09)	(0.12)	(0.20)
Discontinued		(0.00)	(0.00)	(0.00)
Diluted (pence)	6	(0.09)	(0.12)	(0.20)

Xtract Resources PLC
Consolidated statement of comprehensive income
For the six month period ended 30 June 2019

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
(Loss)/profit for the period	(320)	(408)	(736)
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	10	13	(37)
Other comprehensive (loss)/income for the period	(310)	(395)	(773)
Total comprehensive (loss)/income for the period	(310)	(395)	(773)
Attributable to:			
Equity holders of the parent	(310)	(395)	(773)
	(310)	(395)	(773)

Xtract Resources PLC
Consolidated statement of changes in equity
As at 30 June 2019

	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share-based payments reserve £'000	Available-for-sale investment reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
Balance at 31 December 2017	4,874	58,926	647	298	-	272	(53,537)	11,480
Loss for the period	-	-	-	-	-	-	(409)	(409)
Foreign currency translation difference	-	-	-	-	-	13	-	13
Issue of Shares	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Expiry of warrants	-	-	(101)	-	-	-	101	-
Exercise of warrants	-	-	-	-	-	-	-	-
Balance at 30 June 2018	4,874	58,926	546	298	-	285	(53,845)	11,084
Loss for the period	-	-	-	-	-	-	(327)	(327)
Foreign currency translation differences	-	-	-	-	-	(50)	-	(50)
Issue of Shares	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Expiry of warrants	-	-	(96)	-	-	-	96	-
Expiry of Share options	-	-	-	-	-	-	-	-
Issue of Warrants	-	-	-	-	-	-	-	-
Exercise of warrants	-	-	-	-	-	-	-	-
Balance at 31 December 2018	4,874	58,926	450	298	-	235	(54,076)	10,707
Loss for the period	-	-	-	-	-	-	(320)	(320)
Foreign currency translation difference	-	-	-	-	-	10	-	10
Issue of Shares	1	131	-	-	-	-	-	132
Share issue costs	-	-	-	-	-	-	-	-
Issue of share options	-	-	-	99	-	-	-	99
Issue of warrants	-	-	-	-	-	-	-	-
Exercise of warrants	-	-	-	-	-	-	-	-
Balance at 30 June 2019	4,875	59,057	450	397	-	245	(54,396)	10,628

Xtract Resources PLC
Consolidated Statement of Financial Position
As at 30 June 2019

	Notes	30 June 2019 Unaudited £'000	30 June 2018 Unaudited £'000	31 December 2018 Audited £'000
Non-current assets				
Intangible Assets	7	10,304	10,242	10,285
Property, plant & equipment	8	19	17	19
Financial assets available-for-sale		-	-	-
		10,323	10,259	10,304
Current assets				
Trade and other receivables		86	69	24
Loan receivable	10	316	312	318
Inventories		76	55	149
Cash and cash equivalents		354	1,012	442
		832	1,448	933
Total assets		11,155	11,707	11,237
Current liabilities				
Trade and other payables	9	527	623	530
Interest bearing		-	-	-
Other payables		-	-	-
		527	623	530
Non-current liabilities				
Other payables		-	-	-
Provisions		-	-	-
Reclamation and mine closure provision		-	-	-
		-	-	-
Total liabilities		527	623	530
Net current assets/(liabilities)		304	(825)	403
Net assets		10,628	11,084	10,707
Equity				
Share capital	11	4,875	4,874	4,874
Share premium account		59,057	58,926	58,926
Warrant reserve		450	546	450
Share-based payments reserve		397	298	298
Available-for-sale investment reserve		-	-	-
Foreign currency translation reserve		245	285	235
Accumulated losses		(54,396)	(53,845)	(54,076)
Equity attributable to equity holders of the parent		10,628	11,084	10,707
Total equity		10,628	11,084	10,707

Xtract Resources PLC
Consolidated Statement of Cash Flows
For the six month period ended 30 June 2019

	Notes	6 months period ended 30 June 2019 Unaudited £'000	6 months period ended 30 June 2018 Unaudited £'000	Year ended 31 December 2018 Audited £'000
Net cash used in operating activities	12	(69)	(405)	(965)
Investing activities				
Acquisition of intangible fixed assets		(19)	(17)	(69)
Acquisition of tangible fixed assets		-	(45)	(19)
Net cash from/(used in) investing activities		(19)	(62)	(88)
Financing activities				
Proceeds on issue of shares		-	-	-
Proceeds from issue of warrants		-	-	-
Loan to Moz Gold		-	(154)	(160)
Net cash from financing activities		-	(154)	(160)
Net increase/(decrease) in cash and cash equivalents		(88)	(621)	(1,215)
Cash and cash equivalents at beginning of period		442	1,657	1,657
Effect of foreign exchange rate changes		-	(24)	-
Cash and cash equivalents at end of period		354	1,012	442

Significant Non-Cash movements
1. During the period to 30 June 2019, a total of £131K of trade and other payables was settled through the issue of ordinary shares.

Xtract Resources PLC
Notes to the interim financial information

For the six month period ended 30 June 2019

1. General information

Xtract Resources PLC ("Xtract") is a company incorporated in England and Wales under the Companies Act 2006. The Company's registered address is 1st Floor, 7/8 Kendrick Mews, London, SW7 3HG. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The Company invests and engages in the management, financing and development of early stage resource assets.

2. Accounting policies

Basis of preparation

Xtract prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The consolidated interim financial information for the period ended 30 June 2019 presented herein has been neither audited nor reviewed. The information for the period ended 31 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 but has been derived from those accounts. The auditor's report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Reporting'.

The interim financial information is presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

The interim consolidated financial information of the Group for the six months ended 30 June 2019 were authorised for issue by the Directors on 27 September 2019.

Going concern

As at 30 June 2019, the Group held cash balances of £354k. As is common with junior mining companies, the Company in the past has raised finance from shareholders for its activities, in discrete tranches to finance its activities for limited periods only and further funding would be required from time to time to finance those activities.
An operating loss has been reported for the Group, however, as at the date of the release of the consolidated financial information, the Group's assets have been and continue to generate revenues.

The Directors have assessed the working capital requirements for the forthcoming twelve months and have undertaken the following assessment.

Upon reviewing those cash flow projections for the forthcoming twelve months, the Directors consider that in the event that the Group is unable to achieve the forecasted revenue, the Company may require additional financial resources in the twelve-month period from the date of authorising the consolidated information to enable the Company to fund its current operations and to meet its commitments.

Nevertheless, after making enquiries and considering the risks and uncertainties as described in the Company's Annual Report, the Directors have a reasonable expectation that the Company will continue generating cash flows and at the same time has adequate ability to raise finance.
The Directors therefore continue to adopt the going concern basis of accounting in preparing the consolidated financial information and therefore the consolidated financial information does not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary if the going concern basis of preparation of the consolidated financial information is not appropriate.

On this basis the Board believes that it is appropriate to prepare the consolidated financial information on the going concern basis.

Changes in accounting policy
The accounting policies applied are consistent with those adopted and disclosed in the Group Consolidated financial statements for the year ended 31 December 2018, except for the changes arising from the adoption of new accounting pronouncements detailed below.

There are no amendments or interpretations to accounting standards that would have a material impact on the financial statements.

3. Business segments

Segmental information
During the period the Group operated in gold & precious metal mining which had a separate operational segment from July 2017 after the Company concluded its second Manica Alluvial Mining Contract. From March 2016, the Group included an additional segment relating to the Manica hard rock Gold Project (Mine Development) and maintained the investment & other segment. These divisions are the basis on which the Group reports its primary segment information to its Executive Chairman, who is the chief operating decision maker of the Group. The Executive Chairman and the Chief Operating Officer are responsible for allocating resources to the segments and assessing their performance.

Principal activities are as follows:

- **Operating alluvial gold mining segment - Mozambique**
- **Mine Development - Mozambique**
- **Investment and other**

Segment results

6 months ended 30 June 2019

	Mine Development (Continuing)	Investment And Other (Continuing)	Alluvial Gold Mining Production (Continuing)	Total
	£'000	£'000	£'000	£'000
Segment revenue				
Sale of gold bars	-	-	807	807
Less: Cost of sales	-	-	-	-
Segment Gross profit	-	-	807	807
Administrative and operating expenses	-	(476)	(472)	(948)
Project costs	-	(73)	(111)	(184)
Segment result	-	(549)	225	(325)
Other gain and losses	-	-	-	-
Finance costs	-	(2)	7	5
(Loss)/profit before tax	-	(551)	231	(320)
Tax	-	-	-	-
(Loss)/profit for the period	-	(551)	231	(320)

6 months ended 30 June 2018

	Mine Development (Continuing)	Investment and Other (Continuing)	Alluvial Gold Mining Production (Continuing)	Total
	£'000	£'000	£'000	£'000
Segment revenue				
Sale of gold bars	-	-	460	460
Less: Cost of sales	-	-	-	-
Segment Gross profit	-	-	460	460

Administrative and operating expenses	-	(458)	(367)	(825)
Project Costs	-	-	(73)	(73)
Segment result		(458)	(440)	(898)
Other gain and losses	-	-	-	-
Finance costs	-	38	(8)	30
(Loss)/profit before tax	-	(420)	12	(408)
Tax	-	-	-	-
(Loss)/Profit for the period	-	(420)	12	(408)

Year ended 31 December 2018

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment revenue				
Sale of gold bars	-	-	892	892
Less: Cost of sales	-	-	-	-
Segment Gross profit	-	-	892	892
Administrative and operating expenses	-	(849)	(804)	(1,653)
Project Costs	-	-	(147)	(147)
Segment result	-	(849)	(59)	(909)
Other gains and losses	-	64	-	64
Finance income / (costs)	-	136	(28)	108
(Loss)/Profit before tax	-	(649)	(87)	(736)
Tax	-	-	-	-
(Loss)/Profit for the period	-	(649)	(87)	(736)

Balance Sheet	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Total Assets			
Gold production	557	285	367
Mining Development	10,304	10,242	10,285
Investment & other	293	1,179	585
Total segment assets	11,154	11,707	11,237
Liabilities			
Gold production	(290)	(118)	(228)
Mining Development	-	-	(2)
Investment & other	(237)	(505)	(300)
Total segment liabilities	(527)	(623)	(530)

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. Segment results represent the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Board for the purposes of resource allocation and assessment of segment performance.

4. Tax

At 30 June 2019, the Group has no deferred tax assets or liabilities and no income tax is chargeable for the period.

5. Revenue

An analysis of the Group's revenue is as follows:

Six months ended			Year ended
	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Revenue from gold sales	810	460	892
	810	460	892

6. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

Six months ended			Year ended
Losses	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
(Losses)/profit for the purposes of basic earnings per share being:			
Net loss from continuing operation attributable to equity holders of the parent	(320)	(408)	(736)
Net loss from discontinuing operation attributable to equity holders of the parent	-	-	-
	(320)	(408)	(736)
Number of shares			
Weighted average number of ordinary and diluted shares for the purposes of basic earnings per share	353,670,697	350,560,684	350,560,684
(Loss)/profit per ordinary share basic and diluted (pence)	(0.09)	(0.12)	(0.20)

In accordance with IAS 33, the share options and warrants do not have a dilutive impact on earnings per share, which are set out in the consolidated income statement. Details of the shares issued during the period as shown in Note 11 of the Financial Statements.

7. Intangible assets

	Land acquisition costs	Development expenditure (Manica)	Reclamation & mine closure costs	Mineral Exploration	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2019	-	10,285	-	-	10,285
Additions - at fair value	-	-	-	-	-
Additions - at cost	-	19	-	-	19
As at 30 June 2019	-	10,304	-	-	10,304
Amortisation					
As at 1 January 2019	-	-	-	-	-
Charge for the year	-	-	-	-	-
As at 30 June 2019	-	-	-	-	-
Net book value					
At 30 June 2019	-	10,304	-	-	10,304
At 31 December 2018	-	10,285	-	-	10,285

1. In March 2016, The Company acquired the Manica licence 3990C ("Manica Project") from Auroch Minerals NL. The Manica Project is situated in central Mozambique in the Beira Corridor. At the time of acquisition, the project had a JORC compliant resource of 900koz (9.5Mt@ 3.01g/t) *in situ*, which increased to 1.257moz (17.3Mt @ 2/2g/t) following an independent technical report completed by Minxcon (Pty) Ltd in May 2016.

8. Property, plant and equipment

Cost or fair value on acquisition of subsidiary	Mining plant & equipment	Land & Buildings	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000
At 1 January 2019	19	-	-	19
Additions - at cost	-	-	-	-
At 30 June 2019	19	-	-	19
Depreciation				
At 1 January 2019	-	-	-	-
Charge for the period	-	-	-	-
At 30 June 2019	-	-	-	-
Net book value				
At 30 June 2019	19	-	-	19
At 1 January 2019	19	-	-	19

9. Trade and other payables

	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
	£'000	£'000	£'000
Trade creditors and accruals	527	623	530
Other payables	-	-	-
	527	623	530

10. Loan Receivable

	As at 30 June 2019 £'000	As at 30 June 2018 £'000	As at 31 December 2018 £'000
Loan receivable	316	312	318
	316	312	318

Convertible Loan Agreement - Moz Gold Limitada

On 15 December 2017, the Company agreed to loan a total of US$700K to Moz Gold to be drawn down in two separate tranches, the first tranche of US$400K and second tranche of US$300K, with an interest rate of 30% per annum.
Moz Gold at the time agreed to provide the Company with security over the processing plant and the use of proceeds will be solely for working capital purposes for the alluvial operations.
As at 30 June 2019, the total amount outstanding, including interest, amounts to US$ 441K (£316K) and US$441K (£318K) - 31 December 2018.

11. Share capital

	As at **30 June 2019** **Number**	As at 30 June 2018 Number	As at 31 December 2018 Number
Issued and fully paid			
Ordinary shares of 0.01p each			
at 1 January	-	-	-
Share issued during the period	-	-	-
Outstanding as at 30 June	-	-	-
Deferred shares of 0.09p each			
As at 1 January	5,338,221,169	5,338,221,169	5,338,221,169
Issued during the period	-	-	-
	5,338,221,169	5,338,221,169	5,338,221,169
Ordinary shares of 0.02p each			
As at 1 January	350,560,684	350,560,684	350,560,684
Issued during the period	4,614,035	-	-
Outstanding as at 30 June	355,174 ,719	350,560,684	350,560,684

Options and warrants
The following options were issued during the period:

- Issued 19 February 2019 - 11,650,000 exercisable at 1.0p per share
- Issued 19 February 2019 -7,190,000 exercisable at 1.25p per share
- Issued 19 February 2019 - 4,460,000 exercisable at 2.0p per share

12. Cash flows from operating activities

	Six month period ended	Six month period ended 30 June 2018 £'000	Year ended 31 December 2018

	30 June 2019 £'000		£'000
Profit/(loss) for the period	(320)	(408)	(736)
Adjustments for:			
Continuing Operations			
Depreciation of property, plant and equipment	-	-	-
Amortisation of intangible assets	-	-	-
Finance costs	5	18	(116)
Impairment of intangible assets	-	-	-
Other (gains) /losses	-	-	-
Share-based payments expense	99	-	-
Operating cash flows before movements in working capital	(216)	(390)	(852)
Decrease/(Increase) in inventories	73	(11)	(105)
(Increase)/decrease in receivables	(61)	73	118
(Decrease)/increase in payables	128	(95)	(189)
Cash used in operations	(76)	(423)	(1,028)
Net finance costs	-	-	116
Foreign currency exchange differences	7	18	(53)
Net cash used in operating activities	(69)	(405)	(965)

13. Related party transactions

There have been no changes to related party arrangements or transactions as reported in the 2018 Annual Report. Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. The only other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the Half Yearly Report, and which will be disclosed in the Group's next Annual Report.

14. Events after the balance sheet date

Issue of Equity

On 25 July 2019 the Company announced that it had raised £1,000,000 (before expenses) following the placement of 83,333,333 new Ordinary Shares of 0.02p each at 1.20p per new Ordinary Share.

Zambian Processing Copper Project

On 15 July 2019, the Company announced that it concluded a Memorandum of Agreement ("Agreement") with KPZ International Ltd ("KPZ") for the Company to act as contractor for the Kalengwa Processing project on the copper large scale mining license number 24401-HQ-LEL ("Licence") located in the central part of The Republic of Zambia ("Kalengwa Project").

Key terms of the Agreement

KPZ agreed to incorporate a local Zambian special purpose vehicle (the "SPV") to carry out the processing of copper concentrates from ores obtained from the Kalengwa Mine.

The Company will act as a contractor and funder to the SPV ("Contractor"), and will be responsible for either identifying a third party, or use its own resources, to build a small scale processing copper concentrate plant ("Initial processing Plant"), and then subsequently an enlarged plant capable of producing not less than 6,000 tonnes of copper metal in concentrate per annum ("Large Scale processing Plant"). The Company will be responsible for managing and carrying out all related processing operations and will carry out exploration and metallurgical test work to assess the potential for the open pit expansion. Results from exploration and modelling will determine the ultimate size of the operation including the process plant.

The Parties will decide no later than 30 November 2019, whether to commit to the construction of the Large Scale Processing Plant and, should the Parties mutually agree to proceed, this is to be satisfied by commencement of the construction of the Large Scale Processing Plant by no later than February 2020 or, if both Parties agree for it to be delayed, August 2020.

On commencement of production, the Company as the Contractor, will be entitled to a monthly payment equal to 33.3% of SPV's net profits ("Company Profit Share"). The Company has estimated that its capital costs to act as Contractor are up to US$ 1 million, which the Company intends to fund from its 33.3% share of SPV's net profit from processing and existing resources. The Company may at any time withdraw, should the Company deem the Kalengwa Processing Project unsuitable for further investment. Should the Company withdraw, it will forfeit any rights it has to the Kalengwa Processing Project.

The Parties will enter into a 90-day due diligence period (the "Option Period") and, on completion of the Option Period should the Company wish to proceed to act as Contractor, the Company will pay KPZ US$200,000 to be settled through the issuance of new Xtract ordinary shares ("New Xtract Shares"). The share price used to determine the number of New Xtract Shares shall be the volume weighted average share price for the month ended 30 June 2019. From the date of issue until the date six months thereafter, KPZ may not dispose of any New Xtract Shares. Thereafter, KPZ may sell such number of New Xtract Shares as set out below in the relevant period, provided that so as to maintain an orderly market in the trading of Xtract ordinary shares, KPZ must give Xtract 60 days' notice of the number of New Xtract Shares KPZ wishes to sell and any such sale must be conducted through Xtract's Broker:

- 20% for a period of 6-12 months;
- 50% for a period of 12-18 months; and
- 30% for a period of 18-24 months

Following expiry of the lock-in period at the end of the 24th month, KPZ will be free to dispose of the balance of any New Xtract Shares it then holds without restriction.

There is an historic debt of US$15m in respect of the Kalengwa Processing Project owed by KPZ (the "Loan"), primarily made up of previous sunk costs that relate to the dumps and has been lodged with the relevant Zambian authorities and bears interest at a rate of 6% per annum. The Company will have no liability whatsoever in respect of this Loan or any of the interest or capital which are to be repaid by KPZ from SPV's net income (capped at 66.67% of SPV's net income taking account of the Company's Profit Share).

Provided that the Loan has been fully repaid (the "SPV Option"), the Company will have the right to acquire an interest of 43.33% of SPV in consideration for the transfer by the Company to SPV of the title to the processing plant. Following any exercise of the SPV Option, payment of the Company's Profit Share would terminate.
The Processing Area includes all dumps and extension of the existing open or new pits and exclude any concessions which already form part of KPZ.

ENDS

END