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Manica Gold Alluvial Mining Contractor Agreement

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Xtract Resources Plc
("Xtract" or the "Company")
Manica Gold Alluvial Mining Contractor Agreement

The Board of Xtract Resources Plc ("Xtract" or the "Company") is pleased to announce that the Company's wholly-owned Mozambican subsidiary, Explorator Limitada ("**Explorator**") has concluded an additional mining contractor agreement ("**Mining Contractor Agreement**" or "**Agreement**") with Huafei Gold Resources Co Limitada (formerly Sino Minerals Investment Company Limited) ("**Contract Miner**") for the exploitation of alluvial gold deposits at Manica at its Manica mining concession in Mozambique.

Highlights

- Established and experienced current alluvial mining contractor now appointed to mine the alluvials of the entire concession
- An entry fee to be paid to the Company: Initial US\$150,000 to be paid on the date of the Agreement, and the remaining US\$200,000 to be recovered through future alluvial gold production
- Agreement provides for Explorator to be entitled to retain net percentage of the gold mined (after settlement by Explorator of the Mining Production Tax) of 22% until the entry fee has been settled in full, and 20% thereafter
- Initial contract period of 10 years or the depletion of alluvials, with an option to extend for a further 5 years if the alluvials are not yet depleted

Colin Bird, Executive Chairman said: "A number of contractors have expressed interest in mining the other areas of the alluvials in the Manica concession. Huafei Gold Resources was chosen because of their willingness to pay an upfront payment and demonstrated consistency of operation with their existing contract. They provided extra equipment into the concession and we look forward to increased production over the coming months and on completion of the rainy season."

Contract Mining Agreement

The Company's wholly-owned Mozambican subsidiary, Explorator, has today appointed the Contract Miner who will have the exclusive right to mine the entire unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area. The Agreement will endure for a period of 10 years or the depletion of alluvials, with the option to extend for a further period of 5 years, if the alluvials have not depleted, by the Contract Miner as well as rights of early termination either by Explorator or the Contract Miner.

The Agreement includes performance targets whereby the Contract Miner from 1 February 2019 will be required to have 2 fully operational plants with a minimum throughput of 200 tonnes per hour on a consistent 24 hours per day basis.

Explorator will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. The Contractor will be responsible for the smelting of the gold concentrate and delivery of gold dore bars.

Explorator will be responsible for all statutory and legal requirements regarding the license and for payment of the Mining Production Tax of 6%.

Consideration and Payments

The Agreement is subject to the condition precedent that the Contractor pays a total entry fee of US\$350,000 to Explorator ("**Entry Fee**"). An initial US\$150,000 is to be paid on or before the date signing of the Agreement, and the remaining US\$200,000 to be recovered through future alluvial gold production.

In consideration for the appointment of the Mining Contractor, Explorator will initially pay the Mining Contractor a net fee of 72% of gold produced by the Mining Contractor and Explorator will therefore initially retain 28% of the sales value of all gold produced (equivalent to 22% after payment by Explorator of the applicable Mining Production Tax of 6%) and will continue with the above fee arrangement until the Entry Fee has been settled in full. Thereafter, Explorator will pay the Mining Contractor a fee of 74% of gold produced by the Mining Contractor and Explorator will therefore retain 26% of the sales value of all gold produced, equivalent to 20% after payment by Explorator of the applicable Mining Production Tax of 6% (the "**Net Sales Balance**").

The Net Sales Balance and the Entry Fee will be apportioned between Xtract and Nexus on the basis of the agreed terms of the amended collaboration agreement for the exploitation of alluvial gold deposits at Manica ("**Collaboration Agreement**") as announced on 30 October 2018.

Other

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

The Agreement contains an indemnity from the Mining Contractor to Explorator and further customary terms and conditions (including termination).

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

This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014 on market abuse. The person who arranged for the release of this announcement on behalf of the Company was Joel Silberstein, Director.

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