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# Strategic Review at Chepica Mine

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This announcement contains inside information

## Strategic Review at Chepica Mine

The Board of Xtract Resources Plc ("Xtract" or the "Company") announces that after undertaking a review of the Chepica Gold/Copper Mine in southern Chile (the "Mine"), it has determined that the underlying fundamentals and the risk associated with the project are no longer supportive of continuing investment by the Company. On this basis, the Company has advised the option holder that it will not make future option payments. The next option payment is due on 15 October 2016 following which the Company will relinquish its option and mining rights at Chepica.

The reasons for this decision are:

- The Board does not consider that the Mine can consistently produce 10,000 tonnes of ore month by month at the required gold ore grade;
- Previous studies have suggested that the Mine performance has improved and the weakness was a less than optimal processing plant. In addition to the plant improvements, it has been established that the Mine requires new transport and mining equipment, the lease or purchase cost of which has not been included in future operating cost estimates; and
- The timeline to achieving revenues in excess of cost is expected to be longer than previously determined. In order to achieve positive cash generation and profitability, significant and more than previously forecast funding would be required. The Board now believes that taking into consideration the historical Mine performance, it is extremely unlikely that an acceptable return on new investment could be made.

Accordingly, the Board has advised the option holder of its decision to relinquish its option and mining rights at the Mine and will cease any further funding of the Company's local subsidiary, Minera Polar Limitada ("Minera") through which it has operated the Mine, with immediate effect.

Xtract, via Minera, will seek an orderly disposal of this investment in due course and in the interim will do all things necessary to introduce new interested parties whose mission is small scale underground mining and whose operations include either a presence or an intention to operate in Latin America.

Further to the Company's notification on 17 August 2016, the Company will provide an update on its Manica asset during the early part of next week.

Colin Bird, Executive Chairman, said: "The Chepica mine has been challenged technically and commercially for an extended period.

The technical challenges received a further set back in late 2015 when the region experienced a major earthquake and, separately, a tragic dual fatality at the surface plant. Our internal review concludes that a new operator, with a separate

input capital structure and operating experience in Latin America, may be able to achieve the operating returns required for new investment.

Shareholders will be advised on progress and exit discussions and identification of the new direction for the Mine as soon as possible."

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