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Strategic investment in Manica alluvial operator

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Xtract Resources Plc
("Xtract" or the "Company")
Xtract makes strategic investment in Manica alluvial operator

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") is pleased to announce that it has today made a strategic investment in Moz Gold Limitada' ("**Moz**"). As previously announced on 7 December 2017, Moz currently operates the M Block in the Western mining area of the Manica mining concession in Mozambique owned by the Company's wholly-owned Mozambican subsidiary, Explorator Limitada ("**Explorator**"). The details of the agreement are outlined below.

Highlights

- Xtract to make an initial convertible loan of US\$400,000 to Moz Gold
- Loan and interest at 30% per annum, to be repaid over 5 months
- Xtract has the right to convert the loan at any time into to 25% equity interest in Moz Gold
- Xtract has agreed to provide a further US\$300,000 convertible loan to Moz with the right to convert for a further 10% interest in Moz Gold
- Moz Gold now in commercial production on the M Blocks

Colin Bird, Executive Chairman said: "As owners of the Manica concession, Xtract consider it of shareholder benefit to take a bigger stake in gold production from the concession, since we consider the revenues will be long life and sustainable. This agreement should significantly enhance Xtract's earnings from alluvial activities well beyond initial expectations. All other components of area consolidation are proceeding satisfactorily, and I look forward to updating before year end or certainly early in the new year".

Convertible Loan Agreement

The Company has agreed today to loan a total of US\$700,000 to Moz to be drawn down in two separate tranches, with an interest rate of 30% per annum.

The first tranche of US\$400,000 shall be drawn down shortly after the execution date of the loan. The second tranche of US\$300,000 can only be drawn down at Xtract's discretion and only once the first tranche has been fully repaid or converted into equity in Moz.

The first tranche is to be fully repaid by Moz within 5 months of drawdown, with the first repayment of US\$50,000 within 45 days of execution of the agreement. The remaining balance is payable on maturity. The second tranche will be payable within 4 months of drawdown.

The Borrower will provide Xtract with security over the processing plant and the use of proceeds will be solely for working capital purposes for the alluvial operations.

Xtract reserves the right to convert the loan into to equity at any time after the execution date of the agreement and may elect to convert the loan into a 25% share interest in Moz. The conversion may be in all or part of the loan.

In the event that Xtract elects to convert to equity, Xtract shall repay all loan repayments that have been made back to Moz. Moz will issue and deliver to Xtract a share certificate underlying the conversion within 7 days of the conversion.

On completion of the first tranche, completion being the full repayment or conversion of the principal and interest, Xtract may elect to have the second tranche paid in cash or convert into 10% share in Moz. The conversion may be in all or part at Xtract's election.

Moz will issue and deliver to Xtract a share certificate underlying the conversion within 7 days of the conversion.

Xtract is funding the loan from its existing cash resources.

Moz is a private company newly incorporated in Mozambique, and owned by private individuals, formed to mine the alluvial gold deposits in the Western mining area of Xtract's Manica mining concession in Mozambique. Xtract has granted Moz the alluvial mining contract over the M Blocks. Moz has no other operations. Moz has not yet prepared any audited accounts. Moz's total unaudited liabilities and assets as at 12 December 2017, the last practicable date, amounted to approximately US\$982,000 and US\$ nil respectively, and the unaudited loss before tax to date since incorporation, amounted to approximately US\$991,000 reflecting Moz's start-up costs.

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.

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