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## Manica alluvial gold collaboration agreement

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### Xtract Resources Plc ("Xtract" or the "Company") Manica Gold Alluvial Collaboration Agreement

The Board of Xtract Resources Plc ("Xtract" or the "Company") are pleased to announce that Xtract and Nexus Capital Limited (previously Mineral Technologies International Limited, "Nexus") have agreed the terms of a collaboration agreement for the exploitation of alluvial gold deposits at Manica. The Xtract Board previously announced that it would conduct a total review of the Company's position and prospects relative to its various projects. An essential part of this internal review was the alluvial contract, which was previously announced on 4 May 2016. The alluvial contract in its existing form was questioned by both parties who agreed that there was a more commercial and risk free basis to jointly work the alluvial gold deposits by contracting with surrounding mining operators and to receive a royalty while minimising financing, execution and operating risk to Xtract and Nexus.

#### Highlights

- Collaboration agreement ("**Collaboration Agreement**") signed between the Company and Nexus
- Xtract and Nexus have identified several mining contractors in the area who have long term commercial experience of operating alluvials in the area together with unutilised processing plant capacity
- Nexus to assume all costs with the exception of contribution to monitoring staff and transport of gold doré to the chosen refinery
- Xtract expects to receive first income under the new agreement during Quarter 2 of 2017
- Collaboration Agreement will allow several sub-agreements with 3<sup>rd</sup> party mining contractors within the Manica concession resulting in potential revenues for the Company's wholly-owned Mozambican subsidiary, Explorator Limitada ("**Explorator**")
- Discussions are currently being held with a number of third parties to conclude commercial agreements for exploitation of alluvials within the Manica concession
- The Collaboration Agreement provides Xtract with ongoing potential for long term royalties without any operating risk.

**Colin Bird, Chairman said:** "The Board's strategic review of Xtract's portfolio identified major risk in financing and working alluvial operations when the asset cannot be defined in gold quantity or deposition i.e. value. The Collaboration Agreement extinguishes this risk and will result in potential near-term income which has the possibility to grow significantly in the coming months. There are many alluvial mining operations in the Manica area and significant expertise has been gained in the art as well as the science of working such deposits. I am pleased with the outcome of the last six months discussions with Nexus and the prospects of short-term income which has the

propensity to increase considerably. The accelerating of income from the mining of the alluvial deposits is the last hurdle in the Company's strategic review and we can now move forward with restoring shareholder value."

### **Contract Mining**

The Company and Nexus (a private Hong Kong registered company) have agreed to develop the alluvial gold interest of the Mining Concession together through the appointment of third party contract miners ("**Contract Miners**"), who will have the exclusive right to mine unconsolidated alluvial deposits on specified areas of the Mining Concession area. The Company will operate a smelter ("**Smelter**") to smelt the alluvial gold recovered by the Contract Miners from the Mining Concession.

Each Contract Miner is expected to enter into a different agreement which will be agreed by both Explorator and Nexus. Explorator will then smelt the gold and on sale, will pay the Contract Miner a proportion of the sales price and the balance will be apportioned between Xtract and Nexus on the basis as explained further below.

As recognition for Nexus' investment to date in respect of plant and equipment at the Mining Concession (which is estimated to currently amount to US\$1 million), Nexus will be entitled to receive the first US\$1 million of any front end payment paid by the contract miners. After the first US\$1 million, any further front end payments will be split as to 60% Nexus and 40% to Explorator. On payment of the US\$1 million to Nexus, all previous agreements between Nexus and Xtract will lapse and be superseded by the Collaboration Agreement.

### **Smelter**

Nexus and Explorator have agreed to establish and operate a smelter operation, which will operate as a separate division of Explorator, with a maximum agreed monthly budget of fixed operating costs ("**Fixed Opex Budget**") of US\$16,000 to Explorator. The Fixed Opex Budget includes project personnel, vehicles, smelter and office facilities. The Smelter operation will collect gold concentrate as described above from the Contract Miners on a daily basis from any and all alluvial mining of the Mining Concession area and produce 1kg gold doré bars. Explorator will then be responsible for the transportation and sale of the gold doré bars to an agreed refinery.

### **Project costs**

Pursuant to the Collaboration Agreement, Nexus will fund the Fixed Opex Budget up to a maximum agreed monthly budget of US\$40,000. Any shortfall between net monthly income received by Explorator on gold sales (after payment to the Contract Miners of their fixed proportionate share of sales) and the Fixed Opex Budget will be funded by Nexus and in the event that that no net income is received by Explorator, Nexus will fund 100% of the Fixed Opex Budget.

### **Project Income distribution**

In respect of any monthly income from the sale of alluvial gold mined in the concession, Nexus will receive a payment equal to 11% of gross total monthly gold sales and the balance will be retained by Explorator. Based on an illustrative rate of payment to the Contract Miners of 75% of gold sales and 6% relating to other variable costs, Explorator's share of gross total monthly gold sales would be in the region of 8%.

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](http://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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