

Xtract Resources PLC Corporate Governance Report (June 2024)

Introduction

The Board considers the principles and recommendations contained in the Quoted Companies Alliance (QCA) Code are appropriate and have therefore chosen to apply the QCA Code.

The 2018 QCA Code has 10 principles that should be applied. Each principle is listed below together with a short explanation of how the Company applies each of the principles. The QCA Code was updated in 2023 and applies to all Companies with financial years beginning on or after 1 April 2024. The Company will apply the new QCA Code in 2025.

Principle One

Business Model and Strategy

The Board has and continues to pursue a strategy which can achieve long term value to its shareholders. The investment framework has been to identify and invest in near-term resources assets that:

- Can be brought into production within 24 months;
- Are near or at surface without major capital expenditure;
- Are on the low end of the cash cost curve and have further upside growth potential;
- A low entry cost and located in favourable mining jurisdictions

The Company has in the past focused on precious metals (gold projects) as well as base metal projects (copper projects). As at the date of this report, the Company no longer has any precious metal projects, 2 base metal projects in Zambia (North West Zambia and the Silverking Copper project) and a further base metal project in Australia (Bushranger Copper project) which meet the above criteria, whether it be an active or strategic investment. The Company will continue to seek to grow both businesses organically and will seek out further joint ventures and other arrangements that create enhanced value.

Principle Two

Understanding & Meeting Shareholder Needs and Expectations

The Board is fully committed to developing a good understanding of the needs and expectations of the Company's shareholder base as well as maintaining good communication and having constructive dialogue with its shareholders. There are currently no institutional shareholders with the majority shareholder base being private shareholders. The Company has ongoing relationships with its private shareholders. All shareholders are encouraged to attend the Company's Annual General Meeting and other shareholder meetings. Investors also have access to current information on the Company through its website, www.xtractresources.com, social media platforms and via the Executive Chairman, Colin Bird who is available to answer investor relations enquiries.

Principle Three

Considering wider stakeholder & social responsibilities & their implications for long-term success

Long-term success relies upon good relations with different stakeholder groups including internal and external stakeholders. The Board recognises the importance of the Company reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders.

PropsectOre Pty Ltd has its operations on the Bushranger Project regulated by the New South Wales Resources Regulator, who is the company's most important external stakeholder. The New South Wales Resources Regulator, approve the location and design of all drill holes and access tracks and then monitor rehabilitation of all land disturbed on the Bushranger.

Project. Drilling cannot be completed without the approval of the New South Wales Resources Regulator. ProspectOre is currently in full compliance with all directives of the New South Wales Resources Regulator and there are no outstanding issues which have been raised by the New South Wales Resources Regulator with ProspectOre. The Bushranger Project predominantly covers land owned by Forestry New South Wales, a state government forestry company. ProspectOre and Forestry New South Wales have agreed a land access agreement which defines the notice ProspectOre must give Forestry New South Wales regarding the exploration activities which ProspectOre wishes to undertake. ProspectOre conducts regular meetings with Forestry New South Wales to keep them updated on the status of the Bushranger Project and future plans. Currently Forestry New South Wales have not raised any issues of concern with ProspectOre.

Cooperlemon Consultancy, Xtract's Joint Venture partner plays its role by managing key aspects that are cardinal in the management of Xtract's interest with respect to the North Western Zambia Copper Projects.

Cooperlemon Consultancy manage and coordinate a wide range of activities that answer to the requirements of the Regulator, Ministry of Mines and Mineral Development on statutory and regulatory obligations as well as the social licensing that encourages community engagement on social-economic issues and ensures integration for adequate knowledge transfer. This ensures statutory and regulatory compliance, optimising resource management through efficient exploration programmes, and fostering community engagement.

Compliance

Cooperlemon Consultancy ensure that licences are fully compliant and act as the interface between Xtract with the following Regulatory Bodies:

1. Ministry of Mines and Mineral Development:
 - Department of Cadastre; licencing, applications, renewals and conversion of licence, uploading and submission of quarterly and annual reports, submission of exploration and mining expenditure;
 - Department of Geological survey; pegging certification
2. Ministry of lands:
 - Commissioner of Lands with respect to surface rights subject to Certificate of Title;
3. Ministry of Green Economy and Environment:
 - Zambia Environmental Management Agency (ZEMA); applications for Environmental Project Brief (EPB) and Environmental Impact Assessment (EIA)
4. Patents and Companies Registration Agency (PACRA): maintenance of the companies Directors' and shareholders' register with the Registrar;
5. Zambia Revenue Authority (ZRA); maintenance of the Tax Clearance Certificates for the company and remitting annual returns.

Community Engagement and Project Development (CSR)

Cooperlemon Consultancy plans and coordinates Corporate Social Responsibility (CSR) programmes on behalf of Xtract Resources Plc in the communities that are situated in the licence areas whose involvement is for the benefit of the local populace and surrounding areas. These initiatives are designed to promote visibility of Xtract in the community and sustain the social licence required for a good working relationship with the local community.

Management have focused on implementing put in place processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

Principle Four

Risk Management

In addition to its other roles and responsibilities, the Audit Committee will be focusing on further ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out those risks and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit Committee will review and assess the risk matrix and the effectiveness on an annual basis. The following principal risks and controls to mitigate them, have been identified:

Activity	Risk	Impact	Control(s)
Management	Retention of key staff	Effect the overall operating capability	Consideration of longer-term incentive plans along with other forms of remuneration and wherever possible preserving cash resources.
Strategic	Single Jurisdiction	Changes arising could adversely effect operations & value of assets	Constantly evaluate political and economic risk. Further maintaining cordial relations with the relevant authorities. Evaluate further opportunities in other jurisdictions. The Company currently operates in 2 jurisdictions.
	Pandemic Risk	Should a new pandemic occur, there remains a risk that challenges could be placed on the Company and the wider economy will impact the Group's ability to operate, which will ultimately impact its cash flows.	Company's focus to protect all personnel, site visitors and stakeholders and at the same time to ensure business continuity. The necessary changes have taken place in all the relevant jurisdictions and the Group continues to monitor government guidance to mitigate the above risk.
	Single Commodity Risk	Commodities being subject to high levels of volatility in price and demand. Being exposed to one type of commodity would have a greater impact operations and profitability.	The Company is active in seeking out other opportunities, which may diversify commodity risk. The Company has exposure to base metals
Regulatory Risk	Non-compliance of AIM rules & Companies Act	Withdrawal of Authorisation and censure	Reliance and guidance from numerous advisors of the Company which helps instill a culture of compliance in the Company at all levels
Financial	Liquidity, market and credit risk	Entity not able to continue as going concern	Capital management policies and procedures
	Inappropriate controls and accounting policies	Reduction in asset values Incorrect reporting of assets	Appropriate authority and investment levels in place

The Directors will continue to further establish procedures, as represented by this statement, for the purpose of providing a system of internal control. Due to the size of the Company and the interaction on a daily basis between Directors and Officers of the Company, the Board at this stage continue not to deem it necessary or practical to incorporate an internal audit function. The Board will continue to monitor the need for an internal audit function and continue to work closely with the Company's financial accountant to ensure the effectiveness of its control systems.

Principle Five

A Well-Functioning Board of Directors

The Board currently comprises of 4 members, 2 Executive members (The Executive Chairman Colin Bird and Finance Director Joel Silberstein) and 2 Non-Executive Directors (Alastair Ford and Kjeld Thygesen). Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. All the Directors including the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

All letters of appointment of Directors are available for inspection at the Company's registered office during normal business hours. The Board elects a Chairman to chair every meeting.

The Board holds formal meetings periodically as issues arise and require more details. The Directors are in contact and discuss all necessary issues on a regular basis and to ensure that the Non-Executive director, while not involved in the day to day running of the Company is still kept up to date on a regular basis.

The Company has an established Audit Committee as well as a Remuneration Committee, particulars of which appear hereafter. All appointments to the Board are made by the Board as a whole as oppose to a Nominations Committee. The Non-Executive Director is considered to be part time but can be expected to provide as much time to the Company as is required. From September 2012 to August 2016, Colin Bird acted as the Non-Executive Chairman. In August 2016, Colin Bird moved from being a Non-Executive Director to Executive Chairman shortly before the resignation of the former CEO. This change to an executive role came at a challenging time for the Company and through Colin Bird's leadership and guidance the Company has been able to refocus operations, from a single jurisdiction Company to two jurisdictions.

The QCA recommends a balance between executive and Non-Executive Directors and recommends that there be two independent non-executives. In the case of Xtract, the Board has since the Board changes in August 2016 considered its composition to be appropriate. Since July 2020, the Company has maintained a minimum of 2 Non-Executive directors in line with the current portfolio of projects in multi jurisdictions.

The Board continues to monitor the need for additional independent Non-Executive directors based on operational performance and costs. The current Non-Executive directors are considered to be Independent Directors. The Board continues to review further Non-Executive appointments as scale and complexity grows.

Attendance at Board and Committee Meetings

To date the Directors, have attended meetings. In order to be efficient, the Directors wherever possible try and meet formally and informally both in person and if not practical then by telephone or online means.

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of four Directors and, in addition, the Company has employed the outsourced services of Lion Mining Finance Ltd to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets.

The Board recognises that it currently has the necessary skills but will consider as part of any future recruitment an additional Non-Executive director with mining experiences, if the Board concludes that replacement or additional directors are required.

Given the stage of the Company's mining exploration projects and the Executive Chairman's experience in managing numerous projects and his familiarity with the Company's projects, it is the Company's view that it is appropriate for the roles of Chairman and Chief Executive Officer to be combined at this stage. The Company will keep this under review until it is deemed necessary to split the roles and can justify the need for a separate Chief Executive Officer role.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Colin Bird

Executive Chairman

Executive Chairman Colin is a chartered mining engineer and a Fellow of the Institute of Materials, Minerals and Mining with more than 40 years' experience in resource operations management, corporate management, and finance. Colin has multi commodity mine management experience in Africa, Spain, Latin America and the Middle East. He has been the prime mover in a number of public company listings in the UK, Canada and South Africa. His most notable achievement was founding Kiwara Resources Plc and selling its prime asset, a copper property in Northern Zambia, to First Quantum Minerals for US\$260 million in November 2009.

Alastair Ford

Independent Non-Executive Director

Alastair has been involved in the mining sector for more than two decades. For many years he was the mining correspondent at The Investors' Chronicle, the UK's number one investment magazine. He also played a key role at Minesite.com, the mining investment portal that was prominent during the last mining boom and in the aftermath. He was subsequently Chief Investment Officer and Chief Executive of Mineral & Financial Investments, an AIM-listed mining and commodities investment vehicle, and is currently a non-executive director of Great Western Mining.

Kjeld Thygesen

Independent Non-Executive Director

Kjeld has a wealth of natural resource industry experience having worked as an executive director of N M Rothschild International Asset Management and subsequently, as the investment manager to several natural resource funds. Between 2002 and 2010 he served as a director of Ivanhoe Mines Ltd, which discovered and developed the Oyu Tolgoi mine in the South Gobi Desert of Mongolia, which was acquired by Rio Tinto. Mr Thygesen's particular focus is in financing, valuation and corporate development.

Joel Silberstein

Finance Director

Joel holds an Honours Bachelor of Accounting Science degree from the University of South Africa.

He qualified as a chartered accountant with Mazars, Cape Town in 2002, and subsequently joined Toronto-quoted European Goldfields Limited. There he held the position of Group Financial Controller and Vice President Finance, supporting the executive team in growing the company through its exploration and development phases, until it was bought by Eldorado Gold in a C\$2.5bn deal. He joined AIM-traded Xtract Resources plc in mid-2013 and was appointed finance director in February 2014. He has subsequently assisted in several corporate transactions, including those surrounding the Manica gold mining operations, and he has experience of working in multiple jurisdictions around the world. He also joined the Galileo Resources Plc board in October 2020 as Financial Director. He is a member of the

Institute of Chartered Accountants of South Africa as well a Fellow of the Institute of Chartered Accountants in England and Wales.

Principle Seven

Evaluation of Board Performance

The Company does not perform any Internal evaluation of the Board, the Committee and individual Directors. This will be undertaken going forward on an annual basis. The process will be in the form of peer appraisal and discussions in order to determine the effectiveness and performance of the Executive Directors, as well as the continued independence of the Non-Executive Directors.

The Appraisals will take place during the 2nd half of the calendar year. The results of the appraisals of each director will be benchmarked against any previous targets or milestones set in the previous year and will identify any new corporate and financial targets for the coming year.

Principle Eight

Corporate Culture

The Board's decisions regarding strategy and risk could impact the corporate culture of the Company as a whole and could impact the performance of the Company. The Board is aware that the tone and culture set by the Board could impact all aspects of the Company as a whole and have an effect on the employees. The Board recognises that their decisions regarding strategy and risk could also impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board could impact all aspects of the Company as a whole and the way that employees behave. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities, which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine

Maintenance of Governance Structures and Processes

The QCA code recommends that the Company maintains governance structures and processes in line with its culture and appropriate to its size and complexity.

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority, which set out matters, which are reserved to the Board. The Executive Chairman is responsible for the effectiveness of the Board, and the management of the Company's business and primary contact with shareholders has been delegated by the Board to the Executive Chairman.

Audit and Compliance Committee

The Audit Committee comprises Kjeld Thygesen who chairs the committee and Alastair Ford. This committee has primary responsibility for monitoring the Financial Reporting function and internal controls in order to ensure that the financial performance of the Company is properly measured and reported. The committee receives the Financial reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

Remuneration Committee

The Remuneration Committee comprises Alastair Ford who chairs the committee and Kjeld Thygesen. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves bonuses under the Company's Incentive Scheme approved by shareholders at the 2021 annual general meeting, as well as the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

Nominations Committee

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

Non-Executive Directors

The Board is in the process of adopting guidelines for the appointment of Non-Executive Directors, which will be in place in the early part of 2025. The guidelines will provide for the orderly succession and rotation of the Chairman and Non- Executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms. The Chairman may serve as a Non-Executive Director before commencing a first term as Chairman.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten

Shareholder Communication

The Board has been and continues to be committed to maintaining good communication and having constructive dialogue with its shareholders. The Company currently has no institutional shareholders and has ongoing relationships with its private shareholders. The Executive Chairman regularly attends investor shows and conferences. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

The Company maintains a website (www.xtractresources.com) which allows investors to access any Company information. Any questions can be e-mailed to the Company and will be answered by the relevant member of management available to answer investor relations enquiries. The Company will continue to investigate ways of improving communication with shareholders whether through its current format or possibly moving to electronic communications with shareholders in order to maximise efficiency.