xtract

RESOURCES PLC




Annual Report

for the year ended 31 December 2017

Contents

Xtract Resources Plc (AIM:XTR) announces its final results for the year ended 31 December 2017, a year in which the Company focused its activities on its Manica gold project.

Financial highlights

- Revenue from gold sales of £0.17m (2016: £Nil m)
- Administrative and operating expenses of £1.06m (2016: £1.65m)
- Cash of £1.66m (2016: £0.18m)
- Net loss of £1.26m (2016: £8.94m)
- Net assets of £11.48m (2016: £6.56m)

Operational highlights

- Definitive Feasibility Study for the Fair Bride Project completed
- Two alluvial mining contractor agreements successfully concluded
- Recovery and smelting of first gold in October 2017
- Terms agreed for Manica Gold Alluvial Collaboration Agreement between the Company and Nexus Capital Limited

Corporate highlights

- Settlement reached with Auroch Exploration on outstanding amounts in relation to Manica acquisition
- Reorganisation of loan agreement with YA II EQ Ltd
- Reorganisation of the Company's issued share capital
- Total of £4.88 million raised through equity placings
- Outstanding amounts due to Auroch Exploration and YA II EQ Ltd settled in full

Chairman's Statement

Dear Shareholder,

During the year under review we have seen much progress at the Manica gold mining site. On 28 February 2017 we announced the Definitive Feasibility Study ("DFS") for the Manica Fair Bride Project. The DFS was independently prepared by Minxcon (Pty) Ltd and produced a very favourable result. The initial project has a seven-year mine life and consists of a simple open pit operation with no consideration being taken of developing the underground resources, which amount to almost a further 1 million oz accessible from the Fair Bride open pit.

This approach has been taken to give shareholders confidence in the future of this operation after the imbalance between expectation and delivery during 2015 and 2016. The key numbers of the project are an IRR of 41% total capital expenditure of US$43.7 million with a NPV of US$42 million at a discount rate of 8.4%. Of particular note is the direct cash cost of US$556 per oz and all up cost to include royalties and capital of US$862 per oz. This makes the project particularly robust against the current gold price and the projections of future gold price.

The Company elected not to pursue own operation of the alluvials with Nexus and decided to appoint a number of contractors to operate various alluvial areas within the concession. The agreement, known as the "Collaboration Agreement" was signed with Nexus and announced on 20 June 2017.

The first contractor agreement was signed on 19 June 2017 with a partnership between Omnia Mining Limited ("Omnia") and Moz Gold Limitada ("Moz Gold"). Omnia have had a presence in the Manica region and have operated as alluvial miners within their own concession. Moz Gold principals have a history of alluvial mining for diamonds in the region of Kimberley, South Africa.

The second alluvial mining contractor agreement was signed on 11 July 2017 with a company known as Sino Minerals Investment Company Ltd ("Sino Minerals"), again a company experienced in alluvial mining. Immediately on signing, the companies set about recruiting labour and getting their equipment on site and the recovery of the first gold was announced on 8 October 2017. The first gold recovery was from Sino Minerals and marked a milestone in the Company's history. Since that date, and up to the period of writing this report, we have been hectically involved in increasing the daily production.

Since November 2017 Manica has been generating cash flows to cover the Manica overhead but has yet to fulfil the expectation of management and, of course, shareholders. The operations close to the river have been moderately successful on the east, whilst the operations on the west river bank have been less than successful. Alluvial gold mining in the upper terraces has produced some large nuggets although contractors, understandably, have been reluctant to remove large amounts of overburden necessary to access the alluvials. The rainy season this year was particularly aggressive and delayed operations on the west, whilst Sino Minerals on the east were able to continue working with some disturbance although not terminal. This is testament to their innovative approach to alluvial mining, which removes the need for trucking and transporting.

Our experience of alluvial mining at Manica over the last six months has confirmed what is generally accepted in the industry i.e. alluvial mining results are difficult to define and results can be erratic and random. I often use the phrase "feast and famine" which does describe the situation very well. On the west we are seeing very fine gold, which requires an additional process plant and equipment specifically designed to recover fine gold and we are currently carrying out testwork aimed at recovering fine gold.

Omnia advised us that they no longer wished to work on our alluvial concession and we are in discussion with Moz Gold regarding plant modification or exit. We have a loan facility of US$0.4 million with Moz Gold which gives us a 20% conversion right into their company as well as default ownership of their processing plant. Dependent on our test-work, we may elect to utilise the plant on our own account or, alternatively, make it available to new contractors with the responsibility for fine gold modification being theirs.

Chairman's Statement

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At the time of writing this report, we are reviewing a number of contractor proposals who wish to work the alluvials on our behalf. This bodes well for mid-2018 improving performance and I am convinced that results will remain cash positive during the change phase.

In terms of the hard rock mining, we are reviewing several proposals to either finance, work for royalty or equipment provision against interest for the Fair Bride hard rock open pit. We expect to conclude an arrangement during the second half of the year and thereafter move into project development.

We have entered into a hard rock joint venture agreement with Omnia which simplistically mean that both parties contribute their hard rock occurrences for treatment into a common plant owned by Omnia and within their license area. Initial outcrop exposure testwork is under way and a concession potential analysis has been carried out by consultant geologists.

During the year a number of placements were made, with the Company raising £4.88 million (before costs) and allowing for all debt and liabilities to be extinguished. The Company now is in cash flow and is self-financing in Manica, whilst not yet cash positive at group level.

The outlook for our sector is strong especially for those companies who have operations or are close to operation. We continue to look for opportunities which might further favourably position the Company within the market and give the potential for an increase in shareholder value.

I would like to thank my fellow Directors and colleagues for their supportive and tireless work during the period especially those engaged in settling down the alluvials at Manica.

Colin Bird
Executive Chairman

29 May 2018

Strategic Report

The board continued to pursue its investment framework to identify and invest in a portfolio of near-term resource assets that:

- Can be brought to into production with 2 years;
- Are near or at surface without major capital expenditure;
- Are on the low end of the cash cost curve and have upside growth potential;
- Low entry cost and located in favourable mining jurisdictions.

The year ended under review saw numerous developments within the Company both on the operational and corporate level.

Manica Hard Rock Gold Project, Mozambique

Fair Bride Gold Project

In November 2016 the Board completed a review covering all past work from previous owners and consultant contributors in order to establish the most appropriate way forward for the project. Minxcon (Pty) Ltd ("Minxcon") was appointed to complete open pit optimisation modelling.

The review concluded to develop Manica solely on an open pit basis and dismissed the concept of a high grade open pit operation followed by an underground mine. This decision was based on the need in underground development for crown pillars, which would sterilise a significant portion of the resource. Weak wall rock conditions underground were expected to require back-fill, which would have a serious adverse effect on underground operating cost.

During 2017 the Company continued to focus its efforts on the Fair Bride Project and on the 28 February 2017, the Company announced the Definitive Feasibility Study ("**DFS**") for the Fair Bride Project in Manica in Mozambique and the results were summarised as follows:

- After-tax Internal Rate of Return of 41.1% at a gold price of US$1,262 per ounce
- Project life of 7 years with average gold grade of 2.62 g/t producing 215,293 recovered ounces
- Project payback within 2 years
- Direct cash cost ("C1") of US$556 per ounce
- All-in sustainable cost (including royalties and capital) of US$862 per ounce
- Total capital expenditure of US$43.68 million
- The Net Present Value of US$42 million at 8.4% discount rate
- A further 992,000 ounces in resource for additional evaluation and future exploitation
- Considerable exploration potential within the concession and nearby

The DFS produced demonstrated that the Fair Bride Project is a robust project which is neither complex nor capital demanding.

Strategic Report

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Resource Estimate

The Company published on 11 May 2016 the Minxcon independent technical report on the Fair Bride Gold Project ("**Mineral Resource Statement**"). The DFS was based on, and the reported resources are as set out, in the Mineral Resource Statement. A geological model of the Fair Bride orebody was constructed. These sections were used to create a wireframe for the orebody or mineralised portion.

The Mineral Resource was classified into Measured, Indicated and Inferred Mineral Resource categories as defined in the SAMREC Code based on the kriging efficiency, number of samples and search radii. The Mineral Resource estimation for the Fair Bride open pit is presented in Table 1 below, declared to a depth of 280 m with a resource cut-off of 0.5 g/t. The open pit contains predominantly Measured and Indicated Mineral Resources and is SAMREC-compliant.

Table 1: Open Pit Mineral Resource as at 4 March 2016

Mineral Resource Category	Tonnes Mt	Au g/t	Au kg	Au koz
Measured	9.750	1.86	18,130	582.9
Indicated	3.310	1.62	5,368	172.6
Total M&I	**13.060**	**1.80**	**23,498**	**755.5**
Inferred	0.894	1.17	1,049	33.7
Total Measured Indicated and Inferred	**13.954**	**1.76**	**24,547**	**789.2**

Notes:

1. Source: Minxcon independent technical report on the Fair Bride Gold Deposit, issue date 15 April 2016, and the DFS, Executive Summary
2. 0.5g/t cut-off
3. Declared to a depth of 280m
4. The effective date of the Mineral Resource Statement was 4 March 2016
5. The Inferred Mineral Resources have a large degree of uncertainty as to their existence and whether they can be mined economically or legally
6. Only Mineral Resources lying within the legal boundaries are reported
7. Mineral Resources are inclusive of Mineral Reserves
8. No Geological losses are accounted for
9. The operator of the Project is Explorator Lda., a wholly-owned subsidiary of Xtract. Gross and Net Attributable resources are the same

Strategic Report

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Reserve Estimate

The Mineral Reserve is based on the Mineral Resources Statement and the DFS, which includes the appropriate application of Modifying Factors, Minxcon has prepared a SAMREC-compliant estimate of Mineral Reserves as at 27 February 2017 as set out in Table 2 below:

Table 2: Mineral Reserves as at 27 February 2017

Mineral Reserve Category	Tonnes Delivered Mt	Delivered Grade g/t	Gold Content koz
Proven	2.90	2.63	245.2
Probable	0.31	2.44	24.3
Total Mineral Reserves	**3.21**	**2.62**	**269.5**

Notes:

1. Strategic Ore (Low Grade Material) is not included
2. Au cut-off of 1.0 g/t
3. Gold Price of US$1,270/oz
4. The Competent Person is Daan van Heerden, B.Eng.(Min.Eng), M.Comm.(Bus.Admin.), ECSA, MSAIMM, AMMSA
5. Tonnes refer to tonnes deliver to the processing plant
6. The effective date of the Mineral Resource Statement is 27 February 2017
7. The operator of the Project is Explorator Lda., a wholly-owned subsidiary of Xtract. Gross and Net Attributable resources are the same

Project Summary

Mining Method

The mining method that will be implemented at the Manica Project is Contractor Mining with Conventional Open Pit Mining, using truck and excavator combinations. The mining method requires the removal of topsoil, which will be stockpiled. The mining of the harder material is conducted with drilling and blasting activities.

Mining Cut-off Grade

A mining cut-off grade of 0.4 g/t was applied for the open pit project and all material below 0.4 g/t is classified as waste. The economic cut-off grade from the pit optimisation was calculated as 1.05 g/t. All material between 0.4 g/t and 1.0 g/t is therefore classified as low grade material. The Run of Mine ("RoM") ore for this project is ore material with a grade in excess of 1.0 g/t. The RoM material is fed to the processing plant at 42 ktpm.

Pit Optimisation

The objective of open pit optimisation is to determine an open pit shape (shell) that provides the highest value for a deposit. The final pit design and production scheduling are based on the selected pit from the pit optimisation.

Diluted Production Schedules

The production schedule prioritises oxide material early in the Life of Mine to ensure higher initial ore recoveries. The average stripping ratio is 7.6 (strategic ore considered as waste). The production scheduling of the final pit resulted in a life of mine of 7. A smoothed plant feed of 42 ktpm was possible without the need for pre-stripping. Oxide material will be depleted within two years and fresh material will gradually be introduced until year four, thereafter only fresh material will be processed.

Strategic Report

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Processing Strategy

The material will be crushed in a three-stage crushing circuit prior to processing in a ball milling and classification circuit.

Engineering and Infrastructure

The Manica Gold Project is located 3.7 km to the north of the town of Manica. The project can be classified as a Greenfield's project with minimal to low infrastructure being available on the project area. In order to establish a fully functional gold mining operation a number of critical infrastructure items are required. These will include reliable power supply infrastructure that has sufficient capacity to serve the mining operation and process plant with the required amenities.

Capital Estimation

A contingency of 10% was added to all the capital. No additional renewals and replacements costs have been included for the mining in the model as this is accounted for in the mining contractor rate. A 6.0% renewals and replacement cost has been included for the plant based on the plant operating costs.

The initial capital costs and the peak-funding requirement amounting to US$44 million. The funding requirement is for contractor mining and excludes the initial fleet cost as the fleet cost is included in the contractor rate. The engineering, procurement, and construction management ("**EPCM**") cost is included in the capital costs. After the first year the only capital is for Tailings Storage Facility wall expansions.

Power supply to the project area constitutes a risk due to misalignment with the project timeline and the construction timeline of Electricidade de Mozambique ("**EDM**"). The Company will need to set up a contact session with the EDM to align timelines for the required installations and upgrades to the power supply network. Capital allowances have been made for these upgrades and installations.

The Company continues to discuss with potential partner with regards to the next stage of the Fair Bride Project.

Manica Hard Rock – Collaboration and Joint Venture Agreement

On 19 February 2018 the Company concluded a further collaboration agreement ("Joint Venture and Collaboration Agreement") with Omnia Mining Ltd ("Omnia") for the exploitation of the hard rock gold deposits at the Company's Manica mining concession in Mozambique other than the Fair Bride Project as well as 3 targets within the adjacent Omnia concession. All of the Omnia targets have been extensively drilled. The 1st target is closely situated to the Omnia plant, the 2nd target approximately 1 km from the plant adjacent to a high grade adit with further potential and the 3rd target being 3km away from the plant.

The Company has carried out and completed a thorough desktop study including a full review on the concession and will shortly be completing the next phase of which includes mapping, trenching and process of sampling for the 1st target and will shortly be commencing work on the 3rd target.

It is the Company's intention to focus on small deposits in the area within 10 km radius of the Omnia plant.

Manica Alluvial Gold Project

During 2017 the Company concluded two Mining Contractor Agreements for the exploitation of alluvial gold deposits at the Manica mining concession in Mozambique.

Strategic Report

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Eastern Half of the Manica Concession

On 10 July 2017, the Company concluded a mining contractor agreement ("Agreement") with Sino Minerals Investment Company Limited ("Sino Minerals") who have been given exclusive mining rights to mine the Eastern half of the alluvial in the Manica Concession.

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 Sino Minerals as well as rights of early termination either party.

The Agreement includes performance targets which required Sino Minerals to have a fully operational plant with a mining capacity of 200 tonnes per hour from the 15 October 2017, with an increase in mining capacity to 400 tonnes from 15 January 2018.

The Company has the responsibility for recording the gold concentrate produced on a daily basis and Sino Minerals is responsible for the smelting of the gold concentrate and delivering to the Company gold dore bars equal to 25% of the gold concentrate produced and the Company retains an equivalent of 19% after the deduction of the 6% mining production tax. Sino Minerals is responsible and liable for any rehabilitation of the mining concession to the extent mined, as required under the relevant mining laws.

Sino have applied themselves to the task and have consistently produced modest returns and we currently expect that they are poised to improve their returns in the coming months.

Western Half of the Manica Concession

On 19 June 2017, the Company concluded an initial agreement with Omnia Mining Limited ("**Omnia**") and Moz Gold Group Limitada ("**Moz Gold**") ("**Contract Miners**") to mine the western half of the alluvials in the Manica Concession.

On 6 December 2017, the Company agreed to amended terms for the western half of the alluvial concession under the existing agreement concluded on 19 June 2017. Under the agreement the western half would be divided into two blocks ("**M**" blocks and "**O**" blocks). Moz Gold was appointed on an exclusive basis to conduct alluvial mining and process on the M blocks while Omnia agreed to enter into a new agreement for the O blocks subject to a new agreement being agreed.

While on 8 February 2018, the Company concluded a new agreement with Omnia, which appointed Omnia to exclusive rights to mine the O block. On 27 April 2018 Omnia advised the Company that it did not wish to continue with the execution of the Omnia Agreement and had elected to continue operations solely in their own concession.

On 6 March 2018, the Company concluded a new agreement with Moz Gold. The New Agreement entered into by the Company and Moz Gold, provided terms for the exploitation of the M blocks of the alluvial deposits at Manica on the Western Area of the Mining Concession area and will endure for a period of 10 years or the depletion of alluvials.

The Company is responsible for recording the gold concentrate produced from the permitted area on a daily basis, while Moz Gold are responsible for the smelting of the gold concentrate into dore bars, for delivery to Explorator on a weekly basis, with the Company's net share of the gold produced is based on a sliding scale of gold produced plus an additional 6% of the recorded gold concentrate produced.

Moz Gold agreed to produce and deliver a minimum monthly amount of gold to the Company for the Company's sole benefit and account, of not less than 2.25kg of gold (after the provision for mining production tax) for March 2018, and 3kg of gold (after the provision for mining production tax) each and every further calendar month of the Contract Term after March 2018. Moz Gold is liable to pay the Company any shortfall in the Minimum Monthly Delivery, which shall be paid to the Company on demand either in gold or cash.

The Company is responsible for all statutory and legal requirements regarding the licenses and Moz Gold is responsible and liable for any rehabilitation of the mining concession to the extent mined by Moz Gold as required under the relevant mining laws.

Strategic Report

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As at the date of this report, the mining results in the Western half have been somewhat unsatisfactory due mainly to fine gold and a plant not fit for purpose of recovering this gold. Moz Gold's financial resources are unlikely to allow them to carry out the necessary adaptions to their plant. As such Moz Gold is in discussions with the Company to remedy the situation. General default would that mean Moz Gold will forfeit all rights to the plant to the Company who will carry out test work to suit fine gold recovery.

Alluvial Collaboration Agreement

On 13 February 2017 the Company announced that it had entered into an agreement with Nexus Capital Limited (previously Mineral Technologies International Limited, "**Nexus**") and agreed to develop the alluvial gold interest of the Mining Concession together through the appointment of third party contract miners, who would have the exclusive right to mine unconsolidated alluvial deposits on specified areas of the Mining Concession area. The Company would operate a smelter ("**Smelter**") to smelt the alluvial gold recovered by the Contract Miners from the Mining Concession. Previously each Contract Miner would have been expected to enter into a different agreement, to be agreed by both the Company and Nexus and would have required a front end payment.

On 20 June 2017 the parties agreed that they would use their best endeavours to procure that each alluvial contract mining agreement would require an upfront payment and that Nexus would receive all front end fees, if and when any front end fees are received from the Contract Miners.

Project costs

The parties also agreed that the Company will be responsible for unpaid historic costs of US$95,000, all transportation costs and 40% of the smelter costs capped at US$16,000 per month in addition to other operating costs (including gold export royalties and taxes). Nexus would be responsible for all refining costs, 60% of the smelter costs capped at US$24,000 as well as all capital costs including project equipment and project vehicles.

Nexus would be paid a refining administration fee ("**Refining Admin Fee**") equal to 5.5% of all alluvial gold delivered on Explorator's account to a refiner for refining and a service fee equal to 60% of all alluvial contract mining proceeds received by the Company from Contract Miners less the applicable Refining Admin Fee and Nexus' 60% share of the smelter costs.

As at 31 December 2017, a total fee of $57K (£42K) has been invoiced by Nexus to the Company relating to 2017.

Funding

In 2017, the Company raised a total of £4.88 million (before costs) through Placings in the year:

- In February 2017, the Company completed a subscription of equity by certain investors amounting to £1,879k. An additional 10,156,398,001 Ordinary Shares of 0.01p were issued at a price of 0.0185p per Ordinary Share.
- In August 2017, the Company completed a subscription of equity by certain investors amounting to £1,300k. An additional 76,470,590 Ordinary Shares of 0.02p were issued at a price of 1.7p per Ordinary Share.
- In November 2017, the Company completed a subscription of equity by certain investors amounting to £1,700k. An additional 59,649,140 Ordinary Shares of 0.02p were issued at a price of 2.85p per Ordinary Share.

The placings in August and November 2017 were conducted after the Company had completed a capital reorganisation which comprised two elements: (i) A consolidation by which every 200 existing Ordinary Shares of 0.01p each were consolidated into one Ordinary Share of 2p each ("Consolidated Share"); and (ii) A subdivision whereby immediately following the consolidation, each Consolidated Share was then sub-divided into one new Ordinary Share of 0.02p each and twenty-two New Deferred Shares of 0.09p each.

Strategic Report

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Business Review

The Company evaluates new exploration and appraisal opportunities continually, including businesses and projects in precious and base metals.

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements can be found within this Strategic Report. The Business Review contains certain forward-looking statements, which have been made by the Directors in good faith based on information available to them at the date of this report. These statements may be affected by the factors outlined in the Risks and Uncertainties section of this report.

Details of significant events since the balance sheet date are contained in note 31 to the financial statements.

Performance

The key indication of performance of the Group is the extent of its success in identifying, acquiring, progressing and divesting investments in projects so as to build shareholder value. At this stage in its development, the Group's performance is not readily measured using quantitative key performance indicators. However, a qualitative summary of performance in the period is provided in the Executive Chairman's Statement and Strategic Report.

Financial Review

Financial Summary Table

	Year ended 31 December 2017 (£million)	Year ended 31 December 2016 (£million)
Consolidated income resulting from continuing operations		
Administrative and operating expenses	**(1.06)**	(1.65)
Revenue		
Sale of gold bars	**0.17**	—
Project costs	**(0.26)**	(0.25)
Other income	**0.48**	—
Finance costs	**(0.58)**	(1.99)
(Loss) for the period from continuing operations	**(1.26)**	(3.89)
(Loss) for the period from discontinuing operations	—	(5.05)
(Loss) for the period	**(1.26)**	(8.94)
(Loss) per share		
Continuing	**(0.60)p**	(6.00)p
Discontinuing	**(0.00)p**	(10.00)p
Basic	**(0.60)p**	(16.00)p
Consolidated balance sheet position		
Intangible fixed assets	**10.20**	10.15
Tangible fixed assets	—	—
Cash	**1.66**	0.18
Total assets	**12.20**	10.88
Total equity	**11.48**	6.56
Total equity – number of issued shares	**208,797,328 shares**	145,947,725 shares

Strategic Report

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Income Statement Analysis

The Group reported a net loss after tax of £1.26 million (2016: £8.94 million), which comprised of a loss from continuing operations of £1.26 million (2016: £3.89 million) and a loss from discontinuing operations of £Nil million (2016: £5.05 million). The Group's basic loss per share decreased to 0.06p (2016: basic loss per share of 16.00p). The Manica alluvial operations commenced with its first production in October 2017 and gold sales for the year amounted £0.17 million (2016- £Nil). Administrative and operating expenses from continuing operations continued to decrease from the prior year and amounted to £1.06 million (2016: £1.65 million) as well as non-administrative project costs of £0.26 million (2016: £0.25 million). The Company continued implementing certain measures, as in the prior year which would resulted in a reduction of corporate overheads and consistent with other junior mining companies. The Group's other income of £0.48 million (2016: £Nil) consisted primarily of penalties for 2017 which have been accrued by the Company due to non-performance by alluvial mining contractors. Finance costs from continuing and discontinued operations amounted £0.58 million (2016: £2.54 million) of which £0.47 million (2016: £Nil) relates to a provision for bad debts (Income receivable from penalties on non-performance) as well as an unrealised exchange gain of £0.20 (2016: £1.17 million loss). The loss from discontinuing operations amounted to £Nil million (2016: £5.05 million) which included a net impairment charge of £Nil million (2016: £3.32 million).

Cash Position

The Group's net cash position at 31 December 2017 was £1.66 million (2016: £0.18 million) with no outstanding borrowings (2016: £1.47 million (US$1.77 million)) under a Loan Note Agreement with YA Global Master SPV Ltd ("YAGM"). At 31 December 2017 the Company had no additional borrowing facilities and had extinguished all previously outstanding debt.

Environmental Responsibility

The Company recognises that the Group's operations require it to have regard to the potential impact these activities may have on the environment. Wherever possible, the Company also ensures that all related companies are encouraged to comply with the local regulatory requirements with regard to the environment.

Risks and Uncertainties

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

General and Economic Risks:

- Contractions in the world economies or increases in the rate of inflation resulting from international conditions;
- Movements in the equity and share markets in the United Kingdom and throughout the world;
- Movements in global equity and share markets and changes in market sentiment towards the resource industry;
- Currency exchange rate fluctuations and, in particular, the relative prices of the US Dollar, Mozambican Metical and the UK Pound;
- Adverse changes in factors affecting the success of exploration and development and mining operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; and unforeseen adverse geological factors or prolonged weather conditions.

Strategic Report

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Funding Risk:

- The Company may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

Commodity Risk:

- Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Company. Production costs depend on a wide range of factors, including commodity prices, capital and operating costs in relation to any operational site.

Exploration and Development Risks:

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs;

- Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects;

- Some of the countries in which the Company operates have native title law, which could affect exploration activities;

- The companies in which the Company has an interest may be required to undertake clean-up programmes resulting from any contamination from their operations or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all necessary laws and regulations and it is not aware of any present material issues in this regard.

- Alluvial gold is random in nature and its distribution varies in degrees of fineness and maybe insufficient in quantity and could present processing constraints with recoverability;

Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company, with significant developments disseminated through stock exchange announcements. The Board regards the annual general meeting as a forum for communication between the Company and its shareholders and encourages shareholders' participation in its agenda.

Outlook

The year has been a challenging one, but I am pleased to say that we issue this report in a stable, focused manner with a clear vision on how the Company will go forward. The Manica Project offers many opportunities which can be exploited. We intend to move forward with the hard rock open pit and to bring it into production as soon as is practicable and are currently discussing various financing and contracting proposals.

We are confident that we will further engage with other contractors in the Manica area working the alluvials, which we anticipate should lead to additional revenues being achieved. Geopolitical tensions and finance market uncertainties lead us to believe that the coming year will see a stronger gold price which the Company could benefit from.

Colin Bird
Executive Chairman

29 May 2018

Report of the Directors

The Directors present their report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2017. The Corporate Governance Statement is set out on page 17 and forms part of this report.

Going Concern

These consolidated financial statements are prepared on a going concern basis, which the Directors believe appropriate as referred to in note 3 of the financial statements.

Capital Structure

Details of the Company's share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 24. The Company has one class of ordinary share and one class of deferred share. No person has any special rights of control over the Company's share capital and all issued shares are fully paid and carry no right to fixed income.

There are no specific restrictions on the size of holding or on the transfer of the ordinary shares. The Directors are not aware of any agreements between shareholders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

The deferred shares have certain rights and are subject to certain restrictions. Inter alia, the deferred shares do not carry any entitlement to dividends or to participate in any way in the income or profits of the Company, do not confer on the holders thereof any entitlement to receive notice of or to attend or speak at or vote at any general meeting of the Company and shall not be capable of transfer at any time other than with the prior consent of each of the Directors.

Under its Articles of Association, the Company had authority to issue up to 2,000,000,000 ordinary shares. Pursuant to the Companies Act 2006 and with effect from 1 October 2009, the requirement for a Company to have an authorised share capital has been abolished and the new Articles which the Company adopted at the 2009 AGM reflect this. However, there are certain restrictions as to the number of shares that can be allotted in terms of the Companies Act 2006.

Results and Dividends

The net loss for the Group for the year ended 31 December 2017 amounts to £1,257K (2016: £8,939K). No dividends were paid or proposed by the Directors in either the current or previous year.

Directors

The Directors of the Company who held Office during the year are as follows:

- **Colin Bird**
- **Joel Silberstein**
- **Peter Moir**

Colin Bird, *Executive Chairman (member of audit, remuneration, nomination and technical committees)*

Colin is a chartered mining engineer with 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 listings in the UK, Canada and South Africa and is currently Chief Executive Officer of Tiger Resource Finance Plc, Executive Chairman of AIM quoted Galileo Resource Plc and non-Executive Chairman of Jubilee Platinum Plc.

Report of the Directors

CONTINUED

Joel Silberstein, *Finance Director*

Joel joined the Company as Chief Financial Officer in June 2013. Prior to this Joel held the position of Group Controller and Vice President Finance of Toronto Stock Exchange quoted European Goldfields Limited, where he supported the executive team in growing a mining concern from exploration through development phases until the Company was taken over by Eldorado Gold Corporation. He has an Honours Bachelor of Accounting Science degree from the University of South Africa and qualified as a chartered accountant with Mazars, Cape Town in 2002. Joel was appointed to the Board as Finance Director on 25 February 2014.

Peter Moir, *Non-executive Director (member of audit, remuneration and nomination committees)*

Peter's qualifications include BSc Civil Engineering and MEng Petroleum Engineering. He is a Chartered Engineer in the UK and has more than 30 years' experience in technical, operational and commercial aspects of the Exploration and Production business.

Retirement by Rotation

In compliance with the Company's Articles of Association, Colin Bird will retire by rotation at the Company's forthcoming Annual General Meeting, and, being eligible, will offer himself for re-election.

Directors' Remuneration

The Company aims to remunerate the Directors at a level commensurate with the size of the Company and their experience. During the year, the Remuneration Committee consisted of Colin Bird and Peter Moir.

The emoluments for the Directors are disclosed on in note 10 of the Financial Statements.

Directors' Interests

The Directors who held office at 31 December 2017 have the following interests in the Company:

	31 December 2017		31 December 2016	
	Ordinary shares	**Options**	Ordinary shares	Options
Peter Moir	**40,000**	—	40,000	—
Colin Bird	**2,418,431**	—	2,418,431	984,848
Joel Silberstein	—	**100,000**	—	100,000

No Director held any interest in any of the Company's subsidiaries at the beginning (or, if later, the date of their appointment) or the end of the year.

Further details of the share options and warrants in the Company can be found in note 27 of the Financial Statements.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and these remain in force at the date of this report.

Directors' Service Contracts

Directors' contracts are continuous until terminated by either party upon six months' notice for Executive Directors and three months' notice for Non-Executive Directors. In accordance with the Company's Articles, at the forthcoming annual general meetings at least one third of the Directors are required to resign by rotation.

Report of the Directors

CONTINUED

Major shareholders

The Directors are aware of the following substantial shareholdings of 3% or more of the share capital of 350,560,684 Ordinary shares as at 04 May 2018. As at the date of the report, the Company had not received any notifications of major interest in shares.

Shareholders	04 May 2018	%
Hargreaves Lansdown Asset Mgt	64,404,650	18.37
Interactive Investor Sharedealing	46,101,619	13.15
Halifax Share Dealing	36,630,560	10.45
Barclays Wealth and Investment Management (UK)	26,219,857	7.48
SimplyStockbroking	17,621,654	5.03
Mr Alex Terry	16,500,000	4.71
Jarvis Investment Management	15,664,176	4.47
HSBC Private Bank (UK)	14,250,759	4.07
A J Bell Securities	12,812,788	3.65
Mr C Stewart	12,000,000	3.42
Redmayne-Bentley Stockbrokers	11,342,877	3.24
Trading/Market Maker Account	11,559,018	3.30

Statement of Directors' Responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

A report on corporate governance is provided on page 17.

Report of the Directors

CONTINUED

General Meeting

The Company will hold a general meeting on 22 June 2018 to lay the annual accounts before the shareholders and to deal with any other business for the consideration of the shareholders. The notice of the meeting with full details of the business to be considered thereat is included in the document.

Auditors

Each of the persons who are a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Chapman Davis LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Colin Bird
Executive Chairman

29 May 2018

Corporate Governance

Corporate Governance Practices

To date the Company has not adopted a specific corporate governance code. The board recognises the importance of sound corporate governance commensurate with the size of the Company and the interests of shareholders and considers that its corporate governance practices to date have been appropriate for a Company of its current size. In this regard it has established systems of accountability and control through its corporate governance framework, has in place appropriate guidance, training, policies and procedures to ensure compliance with the UK Bribery Act and has adopted a Share Dealing Practice which applies to directors, senior management and any employee who is in possession of inside information. The Company is currently managed by two Executive Directors.

Pursuant to the new AIM Rules for Companies published in March 2018, the Company will adopt a recognised corporate governance code and publish on the Company's website on or before 28 September 2018 how the Company complies with that code and, in so far as it departs from its chosen corporate governance code, provide an explanation of the reasons for doing so.

Board of Directors and Board Committees

The board is responsible for approving Company policy and strategy, holds regular board meetings and is supplied with appropriate and timely information in order to discharge its duties. The board has established appropriately constituted Audit, Nomination, Remuneration, Safety, Health and Environment and Technical committees with formally designated responsibilities.

The board and its committees are supplied with full and timely information, including detailed financial information, to enable the Directors to discharge their responsibilities. All Directors have access to the advice and services of the Company secretary, who is responsible for ensuring that board procedures are followed, and that applicable rules and regulations are complied with. Independent professional advice is also available to directors in appropriate circumstances.

Service Contracts

The Executive Directors have service contracts with 6 month notice periods. Non-executive Directors have formal letters of appointment setting out their duties and responsibilities with 3 month notice periods.

Relations with Shareholders

The Company fully values the views of its shareholders and is committed to maintaining the highest standards of disclosure ensuring that all investors and potential investors have the same access to high quality, relevant information in an accessible and timely manner to assist them in making informed decisions. Members of the Board attempt to regularly meet with investors, brokers and other institutions, to inform them of the objectives of the Group. The Board also regards the AGM as a forum for communication between the Company and its shareholders and are encouraged to ask questions. The Company operates and updates its website www.xtractresources.com, uploading recent investor presentations, operational information and financial reports in a timely manner.

Internal Control

The Board is responsible for establishing and maintaining a sound system of internal control to safeguard shareholder's investment and the Company's assets. These internal controls are designed to provide reasonable assurance to users and stakeholders regarding the reliability of the Group financial statements. Inherent limitations in control systems mean that only reasonable and not absolute assurance can be provided against material misstatement or loss.

Taking account of the size and account of the nature of the Group, the board has implemented processes for identifying and evaluating the key operational, financial and compliance risks facing the Group. Under the direction of the Executive Chairman and Finance Director and with guidance from the non-executive Director, this process continues to evolve as the Group grows in size. Where weaknesses are identified, appropriate measures are made to the control systems.

By order of the Board

Colin Bird
Executive Chairman

29 May 2018

Independent Auditor’s Report

TO THE MEMBERS OF XTRACT RESOURCES PLC

Opinion

We have audited the financial statements of Xtract Resources Plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2017 which comprise the Consolidated Income Statement , the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes 1 to 31, including the significant accounting policies in note 3.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 December 2017 and of the Group’s and the Parent Company’s loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of intangible non-current assets – Development expenditure

The Group’s Intangible Non-Current Assets which entirely comprises of the Manica licence 3990C represents a significant asset on its statement of financial position totalling £10,197,000 as at 31 December 2017.

Independent Auditor's Report

CONTINUED

Management and the Board are required to ensure that only costs which meet the IFRS criteria of an asset and accord with the Group's accounting policy are capitalised within Development Expenditure assets. Additionally, in accordance with the requirements of IFRS Management and the Board are required to assess whether there is any indication of impairment of these assets.

Given the significance of the intangible non-current assets on the Group's statement of financial position and the significant management judgement involved in the determination and the assessment of the carrying values of these assets there is an increased risk of material misstatement.

How the Matter was addressed in the Audit

The procedures included, but were not limited to, assessing and evaluating management's assessment of whether any impairment indicators have been identified within the Group's intangible non-current assets, the indicators being:

- Expiring or imminently expiring concessions, licences or rights;
- Projections of declining gold prices and/or declining demand;
- Projections of increased future capital costs or operating costs.

In addition, we reviewed the Definitive Feasibility Study which supports the underlying value in use for the Concession as a potential cash-generating unit and assessed the reasonableness of the forecasted revenues and expenditure, the reserve estimations, the projected gold grade and prices and production levels to confirm the resulting net present values being comfortably in excess of the carrying values.

We also assessed the disclosures included in the financial statements and our results found the carrying value for intangible non-current assets to be acceptable in addition to the lack of an Impairment charge being reasonable.

The materiality for the group financial statements as a whole was set at £115,000, being 1% of Group Net Assets, with a lower materiality set at £85,000 for intangible non-current assets.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors 'Report and Strategic Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report

CONTINUED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit we have not identified material misstatements in the Directors' Report and Strategic Report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Rowan J. Palmer
(Senior Statutory Auditor)

for and on behalf of
Chapman Davis LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

29 May 2018

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

Registered number: 5267047

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Continuing operations			
Revenue from gold sales		**166**	—
Administrative and operating expenses		**(1,063)**	(1,647)
Project expenses		**(255)**	(246)
Operating loss		**(1,152)**	(1,893)
Other gains and (losses)	6	**476**	—
Finance (cost)/income	11	**(581)**	(1,998)
(Loss)/profit before tax	8	**(1,257)**	(3,891)
(Loss)/profit for the period from continuing operations	8	**(1,257)**	(3,891)
(Loss) for the year from discontinued operation	7	**—**	(5,048)
(Loss) for the period		**(1,257)**	(8,939)
Attributable to:			
Equity holders of the parent		**(1,257)**	(8,939)
Net (loss)/profit per share (2016 restated)			
Continuing		**(0.60)**	(6.00)
Discontinuing		**(0.00)**	(10.00)
Basic (pence)	13	**(0.60)**	(16.00)
Continuing		**(0.60)**	(6.00)
Discontinuing		**(0.00)**	(10.00)
Diluted (pence)	13	**(0.60)**	(16.00)

The notes on pages 27-61 form an integral part of these financial statements

xtract
RESOURCES PLC

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group	
	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(Loss) for the year	**(1,257)**	(8,939)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss	—	—
Gains on revaluation of available-for-sale investment taken to equity	—	—
Exchange differences on translation of foreign operations	**23**	478
Other comprehensive income/(loss) for the year	**23**	478
Total comprehensive income/(loss) for the year	**(1,234)**	(8,461)
Attributable to:		
Equity holders of the parent	**(1,234)**	(8,461)

The notes on pages 27-61 form an integral part of these financial statements

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000
Non-current assets					
Intangible assets	14	**10,197**	10,148	—	—
Property, plant & equipment	15	—	—	—	—
Investment in subsidiary	16	—	—	**8,533**	10,341
Financial assets available for sale	17	—	—	—	—
		10,197	10,148	**8,533**	10,341
Current assets					
Trade and other receivables	19	**142**	194	**176**	286
Loan receivable	18	**158**	—	—	—
Derivative financial instruments	21	—	352	—	352
Inventories	20	**44**	—	—	—
Cash and cash equivalents		**1,657**	181	**1,507**	172
		2,001	727	**1,683**	810
Total assets		**12,198**	10,875	**10,216**	11,151
Current liabilities					
Trade and other payables	23	**718**	1,427	**538**	1,250
Interest bearing	23	—	1,473	—	1,473
Other payables	23	—	1,417	—	1,417
Amounts due to subsidiaries	23	—	—	**9,064**	3,962
		718	4,317	**9,602**	8,102
Net current assets/(liabilities)		**1,283**	(3,590)	**7,919**	(7,292)
Non-current liabilities					
Other payables		—	—	—	—
Provisions		—	—	—	—
Reclamation and mine closure provision		—	—	—	—
Total liabilities		**718**	4,317	**9,602**	8,102
Net assets/(liabilities)		**11,480**	6,558	**614**	3,049
Equity					
Share capital	24	**4,874**	3,355	**4,874**	3,355
Share premium account		**58,926**	54,439	**58,926**	54,439
Warrant reserve	26	**647**	613	**647**	613
Share-based payments reserve	26	**298**	539	**298**	539
Available-for-sale reserve	26	—	—	—	—
Foreign currency translation reserve	26	**272**	249	—	—
Accumulated losses		**(53,537)**	(52,637)	**(64,131)**	(55,897)
Equity attributable to equity holders of the parent		**11,480**	6,558	**614**	3,049
Total equity		**11,480**	6,558	**614**	3,049

The financial statements of Xtract Resources Plc, registered number 5267047, were approved by the Board of Directors and authorised for issue. It was signed on behalf of the Company by:

Joel Silberstein
Director

29 May 2018

The notes on pages 27-61 form an integral part of these financial statements

xtract RESOURCES PLC

Consolidated Statement of Changes in Equity

Group

	Note	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share based payments reserve £'000	Available-for-sale reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2016		**2,253**	**48,688**	**500**	**440**	**—**	**(229)**	**(44,099)**	**7,553**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(8,939)	(8,939)
Forex currency translation differences		—	—	—	—	—	478	—	478
Revaluation of available-for-sale investments	17	—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**478**	**(8,939)**	**(8,461)**
Issue of shares		1,102	5,947	—	—	—	—	—	7,049
Share issue costs		—	(196)	—	—	—	—	—	(196)
Share based payment expense	27	—	—	—	99	—	—	—	99
Expiry of warrants		—	—	(401)	—	—	—	401	—
Exercise of warrants		—	—	—	—	—	—	—	—
Issue of warrants	27	—	—	514	—	—	—	—	514
As at 31 December 2016		**3,355**	**54,439**	**613**	**539**	**—**	**249**	**(52,637)**	**6,558**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(1,257)	(1,257)
Forex currency translation difference		—	—	—	—	—	23	—	23
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**23**	**(1,257)**	**(1,234)**
Issue of shares	24	1,519	4,995	—	—	—	—	—	6,514
Share issue costs		—	(589)	—	—	—	—	—	(589)
Expiry of warrants		—	—	(116)	—	—	—	116	—
Expiry of share options	27	—	—	—	(241)	—	—	241	—
Exercise of warrants		—	81	(81)	—	—	—	—	—
Issue of warrants	27	—	—	231	—	—	—	—	231
As at 31 December 2017		**4,874**	**58,926**	**647**	**298**	**—**	**272**	**(53,537)**	**11,480**

The notes on pages 27-61 form an integral part of these financial statements

Statement of Changes in Equity

Company

	Note	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share based payments reserve £'000	Available-for-sale reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2016		**2,253**	**48,688**	**500**	**440**	**—**	**—**	**(53,777)**	**(1,896)**
Other Comprehensive income									
Loss for the period		—	—	—	—	—	—	(2,521)	(2,521)
Other comprehensive income		—	—	—	—	—	—	—	—
Revaluation of available-for-sale investments	17	—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(2,521)**	**(2,521)**
Issue of shares		1,102	5,947	—	—	—	—	—	7,049
Share issue costs		—	(196)	—	—	—	—	—	(196)
Share based payment expense	27	—	—	—	99	—	—	—	99
Expiry of share options		—	—	(401)	—	—	—	401	—
Exercise of warrants		—	—	—	—	—	—	—	—
Issue of warrants	27	—	—	514	—	—	—	—	514
As at 31 December 2016		**3,355**	**54,439**	**613**	**539**	**—**	**—**	**(55,897)**	**3,049**
Other Comprehensive income							—		
Loss for the period		—	—	—	—	—	—	(8,591)	(8,591)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(8,591)**	**(8,591)**
Issue of shares	24	1,519	4,995	—	—	—	—	—	6,514
Share issue costs		—	(589)	—	—	—	—	—	(589)
Expiry of warrants		—	—	(116)	—	—	—	116	—
Expiry of share options	27	—	—	—	(241)	—	—	241	—
Exercise of warrants		—	81	(81)	—	—	—	—	—
Issue of warrants	27	—	—	231	—	—	—	—	231
As at 31 December 2017		**4,874**	**58,926**	**647**	**298**	**—**	**—**	**(64,131)**	**614**

The notes on pages 27-61 form an integral part of these financial statements

Consolidated and Company Cash Flow Statements

		Group		Company	
	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Net cash used in operating activities	26	**(1,592)**	(1,310)	**(1,379)**	(3,263)
Investing activities					
Acquisition of subsidiary undertaking		**—**	(3,902)	**—**	(3,902)
Acquisition of intangible fixed assets	14	**(147)**	(2,465)	**—**	—
Acquisition of tangible fixed assets	15	**—**	(272)	**—**	—
Net cash (used in)/from investing activities		**(147)**	(6,639)	**—**	(3,902)
Financing activities					
SEDA backed loan		**(615)**	1,346	**(615)**	1,346
Proceeds on issue of shares		**4,391**	2,298	**4,391**	2,298
Proceeds from issue of warrants		**130**	—	**130**	—
Land Option payments		**—**	(112)	**—**	—
Auroch loan		**(533)**	—	**(533)**	—
Loan to Moz Gold		**(158)**	—	**—**	—
Loan to subsidiary		**—**	—	**(659)**	—
Net cash from financing activities		**3,215**	3,532	**2,714**	3,644
Net decrease in cash and cash equivalents		**1,476**	(4,417)	**1,335**	(3,521)
Cash and cash equivalents at beginning of year		**181**	3,763	**172**	3,693
Cash acquired during the year		**—**	85	**—**	—
Effect of foreign exchange rate changes		**—**	750	**—**	—
Cash and cash equivalents at end of year		**1,657**	181	**1,507**	172
Cash flows from discontinued operations					
Net cash used operating activities		**—**	(1,101)	**—**	—
Net cash used in investing activities		**—**	(1,116)	**—**	—
Net Cash (used in)/from financing equivalents		**—**	(112)	**—**	—
		—	(2,329)	**—**	—

Significant Non Cash movements

1. A total of £640K of the SEDA backed was settled through the issue of new ordinary shares.
2. A total of £887K of the Auroch loan was settled through the issue of new ordinary shares.
3. The assets and liabilities of Mistral Resource Development Corporation and its subsidiary undertaking, Explorator Limitada, were acquired in March 2016 by the issue of new Ordinary Shares of 0.01p each, to a value of £2,843k, in addition to total cash consideration of £5,694k of which £1,792k is deferred.

The notes on pages 27-61 form an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Xtract Resources Plc is a Company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 7/8 Kendrick Mews, South Kensington, London, SW7 3HG. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 4 to 12.

These financial statements are presented in Pound Sterling. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new and revised Standards

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018.

IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

IFRS 17 Insurance Contracts (effective date 1 January 2021).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union. The financial statements have been prepared under the historical cost convention modified for certain items carried at fair value, as stated in the accounting policies. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). These consolidated financial statements are made up for the year ended 31 December 2017.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Going concern

The Group has historically been financed through funds which have been raised from shareholders. As at 31 December 2017 an operating loss has been reported. In October 2017, the alluvial mining contractors started producing on the Manica concession and since November 2017 the Group has been generating revenues, which have been covering the Manica operating costs and not the costs for the rest of the Group. The Directors anticipate net operating cash outflows for the Group for the next twelve months from the date of signing these financial statements.

As at 31 December 2017, the Group held cash balances of £1,657k.

The Group has assessed the working capital requirements for the forthcoming twelve months and has considered different scenarios based on a number of production forecasts and are comfortable that this would maintain at least a position of breakeven cash flows until 30 June 2019 on this project.

Furthermore, the Group incurs corporate overhead costs on an ongoing basis. In the going concern review, the Group has reviewed further cash savings which may be made if required.

Considering the funds on hand at the date of this report, the operating cash inflows generated from the alluvial operations in Mozambique and the corporate overhead costs in the assessment carried out by the Group, management forecast the Group maintaining positive cash balances for the next twelve months.

In preparing these financial statements the Directors have given consideration to the above matters and on that basis they believe that it remains appropriate to prepare the financial statements on a going concern basis.

Parent only income statement

Xtract Resources Plc has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss for the year ended 31 December 2017 was £8,591k (2016: loss £2,521k).

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Foreign currencies

The individual financial statements of each Group Company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in Pound Sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as Sterling denominated assets and liabilities.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Intangible assets

Land acquisition rights and mine development costs

The costs of land acquisition rights in respect of mining projects and mine development are capitalised as intangible assets. These costs are amortised over the expected life of mine to their residual values using the units-of-production method using estimated proven and probable mineral reserves.

Intangible exploration and evaluation expenditure assets

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights, are capitalised as intangible assets. Exploration and evaluation expenditure is capitalised within exploration and evaluation properties until such time that the activities have reached a stage which permits a reasonable assessment of the existence of commercially exploitable reserves when they are transferred to tangible assets. Capitalised exploration and evaluation expenditure is assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 Exploration for and Evaluation of Mineral Reserves. In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the year. Capitalised exploration costs are not amortised.

Property, plant and equipment

Tangible fixed assets represent mining plant and equipment, office and computer equipment and are recorded at cost, net of accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, which is calculated on either a fixed period or the expected life of mine using the unit of production method, as appropriate.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

The average life in years is estimated as follows:

Office and computer equipment	3-10
Plant and machinery	7-15

Until they are brought into use, fixed assets and equipment to be installed are included within assets under construction and are not depreciated.

The cost of maintenance, repairs and replacement of minor items of tangible fixed assets are charged to the income statement as incurred. Renewals and asset improvements are capitalised. Upon sale or retirement of tangible fixed assets, the cost and related accumulated depreciation are eliminated from the financial statements. Any resulting gains or losses are included in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalue amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. Significant accounting policies (continued)

Available-for-sale financial assets ('AFS')

Listed and unlisted equity instruments held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses that are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the closure of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value, discounted cash flow analysis and option pricing models.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in the foreign currency and translated at the spot rate at the balance sheet date. Other foreign exchange gains and losses are recognised in other comprehensive income.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets if expected to be settle within 12 months, otherwise, they are classified as non-current.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity instruments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant accounting policies (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in the national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks or rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset, and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset, and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities

Initial recognition

Financial liabilities are recognised initially at fair value and in the case of interest-bearing loans and borrowings, net of direct transactions costs.

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit and loss.

The group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Financial liabilities at fair value through profit or loss

Financial liabilities at Fair Value through Profit or Loss ("FVTPL") include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains and losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Loans and borrowings and trade and other payables

Interest-bearing loans and borrowings and trade and other payables are measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the statement of profit and loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium or costs that are integral part of EIR.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled.

Inventory

Inventories consist of the Company's share of gold dore bars produced by the Alluvial Mining Contractors, which have been smelted and are available for further processing. All inventories are valued at the lower of cost of operations and net realisable value. Costs include cost, which are closely related to the overall alluvial operations including monitoring and compensation costs. Net Realisable value is the estimated future sales price of the product the Company is expected to realise after the product is processed and sold less costs to bring the product to sale. Where inventories have been written down to net realisable value, a new assessment is made in the following period. In instances where there has been change in circumstances which demonstrates an increase in the net realisable value, the amount written down will be reversed.

Share-based payments

Equity-settled share-based payments to certain Directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Finance Income

Finance income comprises interest income (including available-for-sale financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Operating Leases

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Finance Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the finance lease obligation. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Non-current assets under finance leases are depreciated over the useful life of the asset, under the reasonable expectation that the group will obtain ownership of the leased asset at the end of the lease term.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Reclamation cost and mine closure provision

The Group records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation and closure where the liability is probable and reasonable estimate can be made of the obligation. The estimated present value of the obligation is reassessed on an annual basis or where new material information becomes available. Increases or decreases to the obligation usually arise due to change in legal or regulatory requirements, the extent of environmental remediation required, methods of reclamation, cost estimates, or discount rates. The present value is determined based on current market assessments of the time value of money using discount rates specific to the country in which the reclamation site is located and is determined as the risk- free rate of borrowing approximated by the yield on sovereign debt for that country, with a maturity approximating the end of mine life.

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales tax or duty. Revenue from sales of gold dore bars, is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This occurs when the concentrate is physically transferred on the date of shipment. Interest is recognised in profit and loss, using the effective interest rate method.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Chairman who is responsible for allocating resources and assessing performance of the operating segments.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value. The Group does not have any liabilities measured at fair value.

	2017			2016		
	Level 2 £000	**Level 3 £000**	**Total £000**	Level 2 £000	Level 3 £000	Total £000
Available-for-sale financial assets	—	—	—	—	—	—
Financial assets at fair value through profit or loss	—	—	—	—	—	—
– Derivative financial instruments	—	—	—	352	—	352
Total assets	**—**	**—**	**—**	**352**	**—**	**352**

The Group does not hold any financial instruments in Level 1.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

(i) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments; and
- the fair value of derivative financial instrument is calculated based on the Company's quoted market price and a prescribed formula in accordance with the respective equity swap

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(ii) Financial instruments in Level 3 Specific criteria used to estimate the value financial instruments include:

- management's assessment of the applicable market and sector;
- financial reports and other information supplied the investee's management; and
- transactions in the investee's shares

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Available for sale investments

The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This requires management to make an estimate of the fair value of the unquoted securities in the absence of an active market, which has mainly been established by use of recent arm's length transactions, as adjusted by a discount, where required. Uncertainty also exists due to the early stage of development of certain of the investments. The fair value of available for sale investments at 31 December 2017 is determined to be £Nil (2016: £Nil). Further details are given in note 17.

Notes to the Financial Statements

CONTINUED

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of intangible assets and investments

The assessment of intangible assets for any indications involves judgement. If an indication of impairment, as defined in IFRS 6 or IAS 36 as appropriate, exists, a formal estimate of recoverable amount is performed, and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. The calculation of recoverable amount requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Estimates in determining the life of the mines (LOM)

The LOM is determined from development plans based on mine management's estimates and includes total mineral reserve and a portion of the mineral resource. These plans are updated from time to time and take into consideration the actual current cost of extraction, as well as certain forward projections. These projections are reviewed by the board.

Estimates in determining inventory value

Net realisable value tests are performed at the reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is sold less costs to bring the product to sale. Ore stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and are assessed primarily through surveys and assays.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes model.

Fair value of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of the equity swaps is calculated using the prescribed formula in the equity swap agreement and the Company's prevailing market price at the year end.

Equity swaps have a carrying value of £Nil (2016: £352K). The loss on re-measuring to fair value is recognised under finance costs in the Income Statement.

Notes to the Financial Statements

CONTINUED

5. Revenue

An analysis of the Group's revenue is as follows:

	Group	
	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue		
Gold sales	**166**	—
Total Revenue	**166**	—

6. Other gains and losses

An analysis of the Group's other gains and losses are as follows:

	Group	
	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Other income	**476**	—
Total other gains/(losses)	**476**	—

An amount of £465K included in other income relates to penalties for 2017 which have been accrued by the Company due to non-performance by alluvial mining contractors.

7. Segmental Analysis

During the year the Group operated in gold & precious metal mining which had a separate operational segment from July 2017 after the Company concluded its second Manica Alluvial Mining Contract. From March 2016, the Group included an additional segment relating to the Manica hard rock Gold Project (Mine Development) and maintained the investment & other segment. These divisions are the basis on which the Group reports its primary segment information to its Executive Chairman, who is the Chief Operating Decision maker of the Group. The Executive Chairman and the Chief Operating Officer are responsible for allocating resources to the segments and assessing their performance.

Principal activities are as follows:

- Operating alluvial gold mining segment – Mozambique
- Mine Development – Mozambique
- Discontinued Operations – Chile
- Investment and other

Notes to the Financial Statements

CONTINUED

7. Segmental Analysis (continued)

Segment results

Year ended 31 December 2017

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment Revenue				
Sale of gold bars	—	—	166	166
Less: Cost of sales	—	—	—	—
Segment Gross profit	—	—	166	166
Administrative and operating expenses	—	(708)	(355)	(1,063)
Project costs	—	(255)	—	(255)
Segment results	**—**	**(963)**	**(189)**	**(1,152)**
Other gains and losses	—	11	465	476
Finance income/(costs)	—	(201)	(380)	(581)
(Loss)/profit before tax	**—**	**(1,153)**	**(104)**	**(1,257)**
Tax credit	—	—	—	—
(Loss)/profit for the year	**—**	**(1,153)**	**(104)**	**(1,257)**

Year ended 31 December 2016

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Gold Production (Discontinued) £'000	Total £'000
Segment Revenue				
Concentrate revenue	—	—	287	287
Less: Cost of Sales	—	—	(940)	(940)
Segment Gross Profit	—	—	(653)	(653)
Administrative and operating expenses	—	(1,647)	(539)	(2,186)
Project costs	—	(246)	—	(246)
Segment result	**—**	**(1,893)**	**(1,192)**	**(3,085)**
Finance income/(costs)	(218)	(1,780)	(541)	(2,539)
Other gains and losses	—	—	—	—
Impairment of intangible assets	—	—	(3,315)	(3,315)
Impairment of financial assets for sale	—	—	—	—
(Loss)/profit before tax	**(218)**	**(3,673)**	**(5,048)**	**(8,939)**
Tax credit	—	—	—	—
(Loss)/profit for the year	**(218)**	**(3,673)**	**(5,048)**	**(8,939)**

Notes to the Financial Statements
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7. Segmental Analysis (continued)

	2017 £'000	2016 £'000
Balance sheet		
Total assets		
Gold production	**225**	—
Mine Development	**10,197**	10,148
Investment & other	**1,776**	727
Consolidated total assets	**12,198**	10,875
Liabilities		
Gold production	**(112)**	(1)
Mine Development	—	—
Investment & other	**(606)**	(4,316)
Consolidated total liabilities	**(718)**	(4,317)

Geographical information

The following table provides information about the Group's segment revenues by geographical location:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Chile	—	287
Mozambique	**161**	—
United Kingdom	—	—
	161	287

The following table provides information about the Group's segment assets by geographical location:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Chile	—	—
Mozambique	**10,422**	10,148
United Kingdom	**1,776**	727
	12,198	10,875

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Board for the purposes of resource allocation and assessment of segment performance.

Notes to the Financial Statements

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8. Loss before taxation

Profit/(loss) from continuing operations and discontinued operations for the year has been arrived at after charging the following under administrative and operating expenses:

	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Depreciation of property, plant and equipment	15	**—**	100
Amortisation of intangible fixed assets	14	**—**	180
Auditors remuneration	9	**22**	21
Directors remuneration	10	**170**	346
Share-based payments expense	27	**50**	99

9. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Fees payable to the Company's auditors and their associates for the audit of the Group's annual accounts	**18**	15
Under provision for the prior year	**1**	6
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	**—**	—
Total audit fees	**19**	21
Fees payable to the Group's auditors and its associates for other services:		
– other assurance services relating to interim reporting	**3**	—
– tax compliance	**—**	—
Total non-audit fees	**3**	—
Total auditors' remuneration	**22**	21

10. Staff costs

	Year ended 31 December 2017 No.	Year ended 31 December 2016 No.
The average monthly number of employees (including directors) was:	**25**	81

	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	**362**	1,043
Social security cost	**2**	32
Other pension costs	**—**	—
	364	1,075

Notes to the Financial Statements

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10. Staff costs (continued)

The above staff costs include labour costs of £61k (2016: £49k), which have been capitalised as Mine Development Costs.

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	**170**	346
Other pension costs	**—**	—
	170	346

Total remuneration for the highest paid Director in the year was £83k (2016: £103k).

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Peter Moir	**20**	80
Joel Silberstein	**67**	103
Colin Bird	**83**	80
Jan Nelson	**—**	83

During 2017, a total of £80K was settled in respect of Colin Bird's fees and £20K with regards to Peter Moir. As at 31 December 2017 directors fees of £172k (2016: £254k) relating to prior year fees remains outstanding, of which £132k (2016: £149k) relates to Colin Bird and £40k (2016: £105k) relates to Peter Moir.

On 28 December 2017 the Company agreed to conditionally issue 4,614,035 New Ordinary Shares at 2.85p per share in settlement of the £132k owed to him. Colin Bird had agreed to defer settlement of his fees to preserve the Company's cash resources and had previously indicated his willingness to accept new shares as settlement as and when the Company was no longer in a close period. The new Shares will be issued conditional on approval by shareholders of an increase in the Company's general share authorities at the next general meeting of the Company.

In September 2016 Jan Nelson resigned his position as Chief Executive Office of the Company.

11. Finance (income)/cost

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Foreign exchange (gains)/losses	**(205)**	1,165
Provision for bad debts	**465**	—
Bank Charges	**11**	13
Loan interest payable	**109**	299
Finance charges	**151**	682
Cost of issue of warrants	**50**	380
	581	2,539

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Notes to the Financial Statements

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12. Tax

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Corporation tax:		
Current year	—	—
Adjustments in respect of prior years	—	—
Total current tax	—	—
Deferred tax	—	—
	—	—

UK corporation tax is calculated at 19.00% (2016: 20.00%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group tax credit for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss before tax from continuing operations	**(1,257)**	(3,891)
Loss before tax from discontinuing operations	—	(5,048)
Loss before tax	**(1,257)**	(8,939)
Tax at the UK corporation tax rate of 19.00% (2016: 20.00%)	**(239)**	(1,788)
Tax effect of expenses that are not deductible in determining taxable profit	**10**	683
Tax effect of unrecognised tax losses carried forward	**229**	1,105
Difference in overseas tax rates	—	—
Tax charge/(credit) for the year	—	—

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13. (Loss) per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(Loss) for the purposes of basic and diluted earnings per share (EPS) being:		
Net (loss) for the year from continuing operation attributable to equity holders of the parent	**(1,257)**	(3,891)
Net (loss) for the year from discontinuing operation attributable to equity holders of the parent	—	(5,048)
	(1,257)	(8,939)

	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	**208,797,328**	59,320,763
Effect of dilutive potential ordinary shares-options and warrants	—	—
Weighted average number of ordinary shares for purposes of diluted EPS	**208,797,328**	59,320,763

In accordance with IAS 33, the share options and warrants do not have a dilutive impact on earnings per share, which are set out in the consolidated income statement. No shares have been issued since the year end.

14. Intangible assets

	Land acquisition costs £'000	**Development expenditure £'000**	**Reclamation & mine closure costs £'000**	**Mineral exploration £'000**	**Total £'000**
At 1 January 2016	4,184	1,016	266	—	5,466
Additions – at fair value (Manica)	—	8,521	—	—	8,521
Additions – at cost (Manica)	—	1,626	—	—	1,626
Additions – at cost (Chepica)	—	839	—	—	839
Impairment – Chepica	(4,184)	(1,855)	(266)	—	(6,305)
As at 31 December 2016	**—**	**10,147**	**—**	**—**	**10,147**
Additions – at fair value (Manica)	—	—	—	—	—
Additions – at cost (Manica)	—	147	—	—	147
Foreign exchange	—	(97)	—	—	(97)
As at 31 December 2017	**—**	**10,197**	**—**	**—**	**10,197**
Amortisation					
At 1 January 2016	363	89	22	—	474
Charge for the year	112	60	7	—	179
Impairment of Chepica	(475)	(149)	(29)	—	(653)
As at 31 December 2016	—	—	—	—	—
Charge for the year	—	—	—	—	—
As at 31 December 2017	—	—	—	—	—
Net Book value at 31 December 2016	**—**	**10,147**	**—**	**—**	**10,147**
Net book value at 31 December 2017	**—**	**10,197**	**—**	**—**	**10,197**

Notes to the Financial Statements

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14. Intangible assets (continued)

In March 2016, The Company acquired the Manica licence 3990C ("Manica Project") from Auroch Minerals NL. The Manica Project is situated in central Mozambique in the Beira Corridor. At the time of acquisition the project had a JORC compliant resource of 900koz (9.5Mt@ 3.01g/t) in situ, which has increased to 1.257moz (17.3Mt @ 2.2g/t) following an independent technical report completed by Minxcon (Pty) Ltd in May 2016.

15. Property, plant and equipment

Cost or fair value on acquisition of subsidiary

	Mining plant & equipment £'000	Land & Buildings £'000	Furniture & Fittings £'000	Total £'000
At 1 January 2016	1,417	103	12	1,532
Additions – at cost	272	—	—	272
Impairment – (Chepica)	(1,689)	(103)	(12)	(1,804)
As at 31 December 2016	—	—	—	—
Additions – at cost	—	—	—	—
At 31 December 2017	—	—	—	—
Depreciation				
At 1 January 2016	197	19	7	223
Charge for period	86	12	3	101
Impairment – (Chepica)	(283)	(31)	(10)	(324)
At 31 December 2016	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2017	—	—	—	—
Net Book Value				
At 31 December 2016	—	—	—	—
At 31 December 2017	**—**	**—**	**—**	**—**

16. Subsidiaries

Investments in subsidiaries

	2017 £'000	2016 £'000
At 1 January – Cost	**28,219**	19,686
Additions during the year	**—**	8,533
	28,219	28,219
At 1 January – Impairment	**17,878**	17,878
Impairment during the year	**1,807**	—
At 31 December – Impairment	**19,685**	17,878
At 31 December – Net Book Value	**8,534**	10,341

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16. Subsidiaries (continued)

The impairment in the current year relates impairment of Polar Mining (Barbados) Limited. The impairment in prior periods relate to the relinquishing of licenses and other losses arising from the discontinuation of oil and gas exploration activities by three subsidiaries.

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name	Place of Incorporation and Operation	Date controlling interest acquired	Proportion of ownership & voting power held Group %	Parent %	Principal Activity
Sermines de Mexico S.A. de C.V.	Mexico	08/08/2005	100	100	Dormant
Xtract International Limited	England and Wales	15/11/2006	100	100	Dormant
Xtract Energy Spain SL	Spain	10/09/2009	100	100	Not Trading
Xtract Energy Holdings Limited	England and Wales	03/12/2007	100	100	Dormant
Elko Energy Inc.	Canada	11/01/2010	100	—	Not Trading
Elko Energy A/S	Denmark	11/01/2010	100	—	Not Trading
RPK Finance & Holdings BV	The Netherlands	11/01/2010	100	100	Holding Company
Elko Energy BV	The Netherlands	11/01/2010	100	—	Not Trading
Elko Exploration BV	The Netherlands	11/01/2010	100	—	Not Trading
Polar Mining (Barbados) Limited	Barbados	03/03/2014	100	100	Holding Company
Minera Polar Limitada	Chile	03/03/2014	100	1	Not Trading
Mistral Resource Development Corporation	BVI	01/03/2016	100	100	Holding Company
Explorator Limitada	Mozambique	01/03/2016	100	2	Operating Company
Sandown Holdings	Mauritius	31/10/2017	100	100	Trading
Newmarket Holdings	Mauritius	31/10/2017	100	100	Trading

All of these subsidiaries, other than Minera Polar Limitada, have been consolidated for the period of ownership.

17. Available-for-sale investments

At 31 December 2017, the Company held 2,371,365 shares in a non-listed entity which management have valued at £Nil (2016: £Nil) an additional 1.5 million shares would be issued to the Company if, the entity listed on any Stock Exchange or other market. Management have assessed financial and other information available to them has decided to impair their investment. The shares were previously held as Available-for-sale investments and had a fair value of £570k and were written down to Nil at 31 December 2015. There is no active share market on which the shares can be traded and given the sustained low oil prices management feel that it is unlikely that the entity will achieve a listing which would enable the Company to realise value from their investment.

18. Loan receivable

	Group		Company	
	As at 31 December 2017 £'000	As at 31 December 2016 £'000	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000
Loan receivable	**158**	—	—	—
	158	—	—	—

Convertible Loan Agreement – Moz Gold Limitada

On 15 December 2017, the Company agreed to loan a total of US$700K to Moz Gold to be drawn down in two separate tranches, with an interest rate of 30% per annum. The first tranche of US$400K was to be drawn down shortly after the execution date of the loan. The second tranche of US$300K may only be drawn down at the Company's discretion and only once the first tranche has been fully repaid or converted into equity in Moz Gold.

The first tranche is to be fully repaid by Moz Gold within 5 months of drawdown, with the first repayment of US$50K 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.

Moz Gold agreed to provide the Company with security over the processing plant and the use of proceeds will be solely for working capital purposes for the alluvial operations.

The Company reserves the right to convert the loan into 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 Gold. The conversion may be in all or part of the loan.

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

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

As at 31 December 2017, the company had drawn down US$214K (£158K) of the first tranche.

Notes to the Financial Statements

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19. Trade and other receivables

	Group		Company	
	As at 31 December 2017 £'000	As at 31 December 2016 £'000	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000
Other debtors	**90**	187	**133**	279
Prepayments	**52**	7	**43**	7
	142	194	**176**	286

20. Inventories

	Group	
	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Gold dore bars on hand	**44**	—
	44	—

21. Derivative Financial Instruments – Group and Company

Equity swaps

Derivative financial instruments of £Nil (2016: £352k) comprise amounts receivable pursuant to an equity swap agreement to be settled across 12 monthly payments based on a formula related to the difference between the prevailing market price of the Company's ordinary shares in any month and a benchmark share price of 0.0308p. The net funds to be received by the Company are dependent on the future performance price of the Company's ordinary shares.

22. Deferred tax

The Group currently has unused tax losses which could possibly be utilised for future tax relief and losses in excess of £10 million relates to the United Kingdom. No deferred tax asset is recognised on the above losses as there is insufficient evidence that taxable profits will arise in the foreseeable future.

23. Trade and other payables

	Group		Company	
	As at 31 December 2017 £'000	As at 31 December 2016 £'000	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000
Trade creditors and accruals	**718**	1,427	**538**	1,250
Land option instalments	**—**	—	**—**	—
Amounts due to subsidiaries	**—**	—	**9,064**	3,962
Other payables	**—**	1,417	**—**	1,417
SEDA backed loan	**—**	1,473	**—**	1,473
	718	4,317	**9,602**	8,102

Notes to the Financial Statements

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23. Trade and other payables (continued)

SEDA Backed Loan

On 12 December 2013, the Company and YA Global Master SPV Ltd ("YAGM") entered into a loan note agreement ("Loan Agreement") pursuant to which YAGM agreed to issue an unsecured loan of a principal amount of up to US$5,000K to the Company. The note carried an interest of 12% per annum and each tranche was repayable in 12 monthly instalments. The Company paid 8% of each drawn tranche as an implementation fee. An initial tranche of US$300K was drawn down by the Company on 12 December 2013 and further tranches of US$250K and US$500K on the 18 November 2014 and 21 November 2014 respectively.

On 10 May 2016 and 23 May 2016 respectively, the Company drew further tranches of US$850K. On 19 July 2016, the Company drew a further tranche of US$400K and the parties agreed to reschedule the monthly instalments with the final repayment due on 1 August 2017.

As 31 December 2016 a total of £1,473k (US$1,774k) remained outstanding on the SEDA Backed Loan.

Reorganisation of Loan Agreement

On 4 April 2017, the Company announced that it had entered into an agreement (the "Supplemental Agreement") with YA II EQ, Ltd (Formerly YAGM). (the "Investor") which was supplemental to the SEDA-backed loan note agreement dated 12 December 2013.

The Company and the Investor agreed to modify the Loan Agreement and the repayment schedules in respect of the amounts outstanding.

Following the execution of the Supplemental Agreement, the Company made a cash payment to the Investor in the amount of US$120K. The Company was discharged of its obligation to repay US$350K of the amount outstanding under the Loan Agreement by the issuance and allotment to the Investor of 1,513,513,514 new Ordinary Shares of 0.01p (the "Repayment Shares") as determined by converting US$350K into GBP at the relevant exchange rate at a share price of 0.0185p per ordinary share.

The outstanding balance owed under the Loan Agreement, after taking the above repayments into account, amounted to US$1.04 million (the "Balance").

In respect of US$520K of the Balance, the Company agreed to make 9 monthly cash payments of principal and interest in accordance with new repayment schedule beginning on 1 July 2017 at a rate US$60K per month for 2017, and on average US$60K per month for 2018 and ending on 1 March 2018.

In respect of the remaining US$520K of the Balance, the Company agreed to pay such amount on 1 April 2018, plus any accrued and unpaid interest thereon, to the extent that any such amount has not been previously discharged through conversion into new ordinary shares of the Company as described further below.

The Investor could at any time from the date of execution of the Supplemental Agreement until 1 April 2018, convert all or any of the amount then outstanding under the Loan Agreement into new fully paid new Ordinary Shares of 0.01p ("Conversion Shares") at a conversion price equal to a 15% discount to the average volume weighted average price of the Company's ordinary shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per ordinary share.

On 19 June 2017, the Company received a conversion notice from the Investor to convert U$100K of the Balance, together with interest of US$3K, at a conversion price of 0.012p.

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23. Trade and other payables (continued)

On 11 July 2017, the Company received a conversion notice from the Investor to convert U$150K of the Balance, together with interest of US$2K, at a conversion price of 2.4p (equal to the floor price). The Company issued 4,884,450 new Ordinary Shares of 0.02p to the Investor at an issue price of 2.4p per Ordinary share.

On 31 July 2017, the Company received a conversion notice from the Investor to convert U$169K of the Balance, together with interest of US$2K, at a conversion price of 2.4p (equal to the floor price). The Company issued 5,382,666 new Ordinary Shares of 0.02p to the Investor at an issue price of 2.4p per Ordinary share.

On 31 August 2017, the Company made a payment of US$580K in full and final settlement of the amount outstanding to the Investor under the existing Loan Agreement and accordingly the facility was terminated.

Auroch Minerals

On 1 March 2016, the Company acquired 100% shares of Mistral Resource Development Corporation from Auroch Minerals NL ("Auroch"). A total of US$2,500K of the purchase consideration was deferred and on 20 July 2016, the parties agreed to a schedule of repayments which included payments of US$750K and US$150K which were paid during August 2016. As at 31 December 2016, a total of £1,417K (US$1,748K) (including interest) remained outstanding. The loan carried an interest of 8% per annum.

On 9 February 2017, the Company reached an agreement with Auroch regarding the outstanding amounts of US$1,748K owed to Auroch. The terms under the agreement US$748K was satisfied by the issue of a convertible note agreement ("Convertible Loan Note"), which was repaid in full on 28 March 2017, and the balance of US$1,000K as a loan agreement ("Loan Agreement") together with a royalty agreement over the production at Manica in Auroch's favour ("Royalty Agreement").

1. Convertible Loan Note

The Company agreed to issue an unsecured Convertible Loan Notes to the value of US$748K to Auroch with interest of 10% per annum payable quarterly in advance. Any outstanding amount due under the Convertible Loan Note, together with accrued but unpaid interest thereon, is to be repaid on or before 31 December 2017 or, if earlier, a change of control of the Company, sale of the Manica Gold Project or completion of a joint venture.

In the event of a fundraising by the Company, the Noteholder required that 15% of the net proceeds of the fundraising be applied to redeem part of the Convertible Loan Notes. The Convertible Loan Notes would also become immediately due for redemption on the occurrence of certain events, including the suspension of the Company's shares from trading on AIM or the Noteholder determining, acting reasonably, that the value of the Company's assets is materially reduced or threatened.

The Noteholder could, at any time, from the date of execution of the Convertible Loan Note Agreement until 31 December 2017, convert all or any of the Convertible Loan Notes into new fully paid Ordinary Shares ("Conversion Shares") at a conversion price equal to a 15% discount ("Conversion Discount") to the average volume weighted average price of the Company's Ordinary Shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per Ordinary Share. In the event of a material breach of the terms of Convertible Loan Note Agreement by the Company which had not been remedied by the Company to the Noteholder's satisfaction, acting reasonably, the Conversion Discount would increase to 30%.

On 16 February 2017, the Company issued 1,589,623,629 new Ordinary Shares of 0.01p to Auroch at an issue price of 0.013282p, (equal to a 15 per cent. discount to the VWAP during the 10 business days prior to the issue of the Convertible Loan Notes) following receipt of notice from Auroch to convert US$200K of the outstanding Convertible Loan Notes, and in settlement of the Convertible Loan Note arrangement fee due of US$50K and interest payable in advance of US$10K.

Notes to the Financial Statements

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23. Trade and other payables (continued)

On 10 March 2017, the Company received a notice from Auroch to convert a further US$200K of the outstanding Convertible Loan Notes. The Company issued 796,812,502 new Ordinary Shares of 0.01p to Auroch at an issue price of 0.020485p (equal to a 15% discount to the VWAP during the 10 business days prior to the issue of this Conversion Notice).

On 27 March 2017, the Company received a notice to convert US$30K of the outstanding Convertible Loan Notes. The Company issued 134,835,331 new Ordinary Shares of 0.01p to Auroch at an issue price of 0.016492p (equal to a 15% discount to the VWAP during the 10 business days prior to the issue of this Conversion Notice).

The Company also repaid the outstanding balance of Convertible Loan Notes amounting to US$300K. Accordingly, following the conversion and the repayment, there was no further outstanding amount on the Convertible Loan Notes as at 31 December 2017.

2. Loan Agreement

The Company entered into the unsecured Loan Agreement with Auroch for the balance of the Manica Debt amounting to US$1 million. Under the terms of the Loan Agreement, the Company agreed to repay the Loan Agreement together with interest, which accrued at a rate of 10% per annum, on or before 31 December 2017. In addition, it was agreed that the Company would endeavour to obtain relevant shareholder authorities on or before 30 June 2017 to authorise the Company to replace the Loan Agreement with a convertible loan note on substantially the same terms as the Convertible Loan Notes. In the event that the Company did not obtain the necessary approvals by 31 December 2017, an accelerated interest rate of 30% per annum would accrue going forward on any outstanding balance of the Loan Agreement. The necessary authorities were approved by shareholders at the General Meeting of the Company held on 13 March 2017.

On 19 September 2017, Auroch converted US$200K of the outstanding loan and the Company issued 6,219,370 new Ordinary Shares of 0.02p to Auroch at an issue price of 2.4p per new Ordinary Share.

On 16 October 2017 Auroch converted $250K of the outstanding loan and the Company issued 7,873,758 new Ordinary Shares of 0.02p to Auroch at an issue price of 2.4p per new Ordinary Share.

On 26 October 2017 Auroch converted $250K of the outstanding loan and the Company issued 6,784,899 new Ordinary Shares to Auroch at an issue price of 2.798p per new ordinary share, based on the price equal to a 15% discount to the average volume weighted average price of the Company's Ordinary Shares during the 10 business days prior to the conversion date. The Company also repaid the outstanding balance of the Loan amounting to US$371K.

Accordingly, following the conversion and above repayments, there was no further outstanding amount on the Loan as at 31 December 2017.

3. Royalty Agreement relating to the Manica Gold Project

To provide security to Auroch, the Company further agreed to enter into the Royalty Agreement over the Manica Gold Project pursuant to which Auroch would be entitled to receive a royalty equal to 3% of gross revenue from commercial operations (including any alluvial gold production), payable by the Company to Auroch. The maximum royalty payment in aggregate was US$1,750K (the "Maximum Royalty Payment"), being an amount equal to the Manica Debt. Any payments made under the Royalty Agreement would reduce the amounts due to Auroch under the Convertible Loan Note and the Loan Agreement. The Royalty Agreement terminated upon full settlement by the Company of the Manica Debt.

Notes to the Financial Statements

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24. Share capital

	2017		2016	
	Number of shares	£'000	Number of Shares	£'000
Issued and fully paid ordinary shares of 0.01 pence each				
At 1 January	**19,621,061,879**	1,963	**8,603,503,522**	861
Shares issued during the period	**14,840,181,122**	1,484	**11,017,558,357**	1,102
	34,461,243,001	3,447	**19,621,061,879**	1,963
Share Consolidation*	**(34,461,243,001)**	(3,447)	—	—
At 31 December	—	—	**19,621,061,879**	1,963
Deferred shares of 0.09p each				
At 1 January	**1,547,484,439**	1,392	**1,547,484,439**	1,392
Subdivision**				
Issued during the period	**3,790,736,730**	3,412	—	—
At 31 December	**5,338,221,169**	4,804	**1,547,484,439**	1,392
Ordinary shares of 0.02p each				
At 1 January	—	—	—	—
Share Consolidation*	**172,306,215**	34	—	—
Issued during the period	**178,254,469**	36	—	—-
Outstanding as at 30 June	**350,560,684**	70	—	—

Consolidation and subdivision of the existing ordinary shares ("Capital Reorganisation")

At the Annual General Meeting of the Company held on 22 June 2017, shareholders approved a capital reorganisation of the Company's issued share capital which comprised two elements:

- Every 200 existing Ordinary Shares were consolidated into one ordinary share of 2 pence (a "Consolidated Share").
- Immediately following the consolidation, each Consolidated Share was then sub-divided into one New Ordinary Share of 0.02 pence and 22 New Deferred Share of 0.09 pence.

The Capital Reorganisation became effective immediately following close of business on 22 June 2017.

The following Ordinary Shares of 0.01p were issued during the period:

- Issued 6 January 2017 – 335,484,611 ordinary shares at 0.018p per share
- Issued 16 February 2017 – 1,589,623,629 ordinary shares at 0.0132p per share
- Issued 16 February 2017 – 3,496,940,001 ordinary shares at 0.0185p per share
- Issued 10 March 2017 – 796,812,502 ordinary shares at 0.0204p per share
- Issued 10 March 2017 – 6,659,458,000 ordinary shares at 0.0185p per share
- Issued 28 March 2017 – 134,835,331 ordinary shares at 0.0164p per share

Notes to the Financial Statements

CONTINUED

24. Share capital (continued)

- Issued 5 April 2017 – 1,513,513,514 ordinary shares at 0.0185p per share
- Issued 5 April 2017 – 313,513,514 ordinary shares at 0.0185p per share
- Issued 20 June 2017 – 20 ordinary shares at 0.0185p per share

The following Deferred Shares of 0.09p were created during the period

- Issued 22 June 2017 – 3,790,736,730 deferred shares

The following Ordinary Shares of 0.02p were issued during the period:

- Issued 22 June 2017 – 172,306,215 ordinary shares
- Issued 26 June 2017 – 3,342,537 ordinary shares at 2.4p per share
- Issued 12 July 2017 – 4,884,450 ordinary shares at 2.4p per share
- Issued 31 July 2017 – 5,382,666 ordinary shares at 2.4p per share
- Issued 12 August 2017 – 76,470,590,450 ordinary shares at 1.7p per share
- Issued 19 September 2017 – 6,219,370 ordinary shares at 2.4p per share
- Issued 16 October 2017 – 7,8373,758 ordinary shares at 2.4p per share
- Issued 17 October 2017 – 7,647,059 ordinary shares at 1.7p per share
- Issued 26 October 2017 – 6,784,899 ordinary shares at 2.79p per share
- Issued 14 November 2017 – 59,649,140 ordinary shares at 2.85p per share

Options and Warrants (see note 27)

The following warrants were issued during the year:

- Issued 9 February 2017 – 2,500,000 exercisable at 4p per share
- Issued 16 February 2017 – 2,539,100 exercisable at 3.7p per share
- Issued 9 August 2017 – 7,647,059 exercisable at 1.7p per share

The following warrants were exercised during the year:

- Issued 9 August 2017 – 7,647,059 exercisable at 1.7p per share

The following warrants expired during the year:

- Issued 9 February 2017 – 2,500,000 exercisable at 4p per share
- Issued 22 December 2016 – 3,333,333 exercisable at 4p per share

All of the above share options and warrants entitle the holder to one fully paid share in the Company upon payment of the exercise price per share.

Notes to the Financial Statements

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25. Reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the costs relating to share-based payments issued to employees and officers of the group.

Warrant reserve

The warrant reserve is used to represent the costs relating to share warrants issued to the Company's brokers and lenders.

Available-for-sale reserve

The available-for-sale reserve is used to recognise fair value movements on available-for-sale investments until they are disposed of or become impaired.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26. Notes to the cash flow statement

	Group		Company	
	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
(Loss) for the year	**(1,257)**	(8,939)	**(8,591)**	(2,521)
Adjustments for:				
Finance costs	**609**	2,349	**871**	1,829
Impairment of intangible assets	**—**	3,315	**—**	—
Other losses/(gains)	**(465)**	—	**—**	—
Impairment of loan to subsidiary	**—**	—	**5,075**	—
Impairment of investment in subsidiary	**—**	—	**1,808**	—
Depreciation of property, plant and equipment	**—**	101	**—**	—
Amortisation of intangible assets	**—**	180	**—**	—
Share-based payments expenses	**50**	99	**50**	99
Operating cash flows before movements in working capital	**(1,063)**	(2,895)	**(787)**	(593)
(Increase)/decrease in inventories	**(44)**	45	**—**	—
(Increase)/decrease in receivables	**52**	1,555	**110**	630
Increase/(decrease) in payables	**(650)**	(493)	**(654)**	(3,300)
Cash used in operations	**(1,705)**	(1,788)	**(1,331)**	(3,263)
Income tax paid	**—**		**—**	
Foreign currency exchange differences	**113**	478	**(48)**	—
Net cash used in operating activities	**(1,592)**	(1,310)	**(1,379)**	(3,263)

Notes to the Financial Statements

CONTINUED

26. Notes to the cash flow statement (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets approximates to their fair value.

27. Share-based payments

Options/Warrants

The Company has issued share options and to certain employees and officers of the Group, along with external third parties and warrants to the Company's brokers for costs directly associated with share issuance. All share options/warrants vest immediately or within three years of the issue date. If the share options/warrants remain unexercised after the relevant time period from the date of grant the share options/warrants expire.

Details of the Company's share options/warrants outstanding during the year are as follows:

	Year ended 31 December 2017		Year ended 31 December 2016 (Restated)	
	Number of share options/ warrants	**Weighted average exercise price p**	Number of share options/ warrants	Weighted average exercise price p
Outstanding at beginning of year	**7,171,476**	9.60	**1,940,940**	7.00
Granted during the year	**12,686,159**	2.55	**5,958,333**	1.80
Exercised during the year	**(7,647,059)**	1.70	—	—
Expired during the year	**(6,433,333)**	5.00	**(727,797)**	6.00
Outstanding at the end of the year	**5,777,243**	12.60	**7,171,476**	9.60
Exercisable at the end of the year	**5,667,243**	12.60	**7,015,466**	8.00

The share options outstanding at 31 December 2017 had a weighted average exercise price of 12.6p (2016:8.00p), a weighted average remaining contractual life of 3.53 years (2016: 4.65 years). All share options issued to directors and employees are recognised as an expense in the income statement over the vesting period of the options. During the year a total of 12,686,159 (2016: Nil) warrants issued to brokers directly and upon the issuance of a convertible loan. Warrants associated with fund raisings were exercised at a weighted average price of 1.7p (2016: Nil).

Notes to the Financial Statements

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27. Share-based payments (continued)

Share-options have been valued using the Black-Scholes model as follows:

Date of issue	No of warrants/ options issued (000)	Fair Value (£'000)	Share price (p)	Strike price (p)	Expected volatility (%)	Expected life (years)	Expected Risk free rate (%)	Dividend yield (%)
09 February 2017	2,500	50	0.03	4.00	107.70	0.75	0.25	0
16 February 2017	10,000	102	0.05	3.70	107.70	2	0.25	0
09 August 2017	316,250	82	0.02	1.70	107.70	2	0.25	0

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year.

The expected life used in the model has been adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The total charge in the year to the income statement was £50k (2016: £99k). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £232k (2016: £539k) in the share-based payments reserve after the reversal of expired and lapsed share options, and £358k (2016: £613k) in the warrants reserve.

28. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern. The Group is not subject to externally imposed capital requirements. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Since October 2017, the Group started generating cash from its alluvial operations in Mozambique. And had previously managed its liquidity through raising finance to finance its activities for limited periods until further funding was required in order to provide for any shortfall in working capital and operating costs.

The group will also look at a combination project funding where necessary.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

The Group calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable at the balance sheet date.

The Group's financial assets and liabilities, which book value approximate their fair value.

Trade payables are non-interest bearing and are normally settled within 30 days. Other payables are to be settled within the next 12 months, as and when they become due.

Notes to the Financial Statements

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28. Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of foreign currency exchange rates. The Group applies a continuous review process to manage its exposure to foreign currency and equity price risk:

- The respective exchange rates of the currencies for which the Group holds significant balances are monitored on a daily basis;
- known cash requirements in the respective currencies in which the Group transacts are matched against cash reserves and any shortfalls are addressed through transfers throughout the longest practical timeframes in order to minimise as best as possible foreign currency risk; and
- strategies are updated on a regular basis to reflect actual market data and the changing needs of the business.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies and consequently exposures to exchange rate fluctuations arise.

The Group is mainly exposed to the US Dollar, Mozambican Metical and Euro currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including tax liabilities) at the reporting date are as follows:

	Liabilities		**Assets**	
	31 December 2017 £'000	31 December 2016 £'000	**31 December 2017 £'000**	31 December 2016 £'000
US dollar	**15**	1,485	**—**	3
Danish Krone	**—**	48	**7**	7
Euro	**107**	115	**15**	14
Mozambican Metica	**72**	—	**152**	1

Interest rate risk management

The Group's exposure to interest rate risk is limited to its cash and cash equivalents held and are not considered material.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's principal financial assets are cash deposits and the credit risk on these liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

An allowance for impairment is made where there is an identified loss event, which is evidence of a reduction in the recoverable cash flows.

Notes to the Financial Statements

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29. Related party transactions

Group

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. During the year the Company invoiced fees to subsidiaries within the group amounting to a total of £47k (2016: £63k).

Transactions with directors

Lion Mining Finance Limited, a Company incorporated in the England and Wales, in which Colin Bird is a Director and shareholder has provided and continues to provide essential administrative services to the Company to carry out its operations in a cost-efficient manner. The total for services provided during the year amounted to £38K plus VAT. An amount of £7K was outstanding as at 31 December 2017 (2016: £35k).

During the year Joel Silberstein loaned £Nil to the Company respectively (2016: £23k). These loans were interest free and repayable by mutual agreement. The loan from Joel Silberstein was repaid in full during 2016.

As at 31 December 2017 directors fees of £172k (2016: £254k) relating to current and prior year fees remains outstanding, of which £132k (2016: £149k) relates to Colin Bird and £40k (2016: £105k) relates to Peter Moir.

The emoluments of the Directors are disclosed in note 10 on pages 41 to 42.

The Directors' shareholding and options are disclosed in the Report of the Directors.

Remuneration of key management personnel

The remuneration of the Directors and other staff members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in note 10 on page 42.

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Salaries and other short-term employee benefits	**322**	458
Post-employment benefits	**—**	—
Termination payments	**—**	—
Share-based payments	**—**	—
	322	458

Notes to the Financial Statements

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30. Acquisition of Manica Gold Project

On 1 March 2016, the Company acquired from Auroch Minerals Mozambique (Pty) Ltd the entire issued share capital of its wholly owned subsidiary, Mistral Resource Development Corporation, the parent company of Explorator Limitada, a Mozambican incorporated entity with a 100% direct interest in the Manica Gold Project. The total consideration of the acquisition was £8,537K.

The net assets acquired and goodwill arising are as follows:-

	Carrying value before combination £(000)	Fair value adjustment £(000)	Fair value £(000)
Intangible fixed assets	4,311	4,210	8,521
Property, plant and equipment	—	—	—
Trade and other receivables	2	—	2
Bank and cash balances	85	—	85
Trade and other payables	(71)	—	(71)
	4,327	4,210	8,537
Consideration:			
Shares issued		2,843	
Cash		3,902	
Deferred Cash		1,792	(8,537)
Goodwill on consolidation			—

The consideration for the acquisition was £8,537k comprising of £2,843k, satisfied by the allotment and issue of 1,137,258,065 Ordinary shares of 0.01p, which were credited 7 March 2016 as fully paid at a price of 0.25p per Ordinary Share and cash of £5,694k, of which £1,792k being Deferred Cash.

31. Events after the balance sheet date

Manica Gold Alluvial Mining Contractor Agreement – Omnia Mining Ltd

On 8 February 2018 the Company concluded a new Mining Contractor agreement ("Agreement") with Omnia Mining Ltd ("Omnia") for the exploitation of alluvial gold deposits at its Manica mining concession in Mozambique following, the addendum signed on the 7 December 2017, to the agreement which had been entered into by the Company and Omnia on the 19 June 2017.

Contract Mining Agreement

The Company appointed Omnia to acquire exclusive right to mine the O block of the western half of the unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area. The Agreement will endure for a maximum period of 10 years or if sooner, the depletion of alluvials and includes rights of early termination by Company. The Agreement included performance targets whereby Omnia from 15 May 2018 would be required to have in place a fully operational plant with a mining capacity of delivering to the Company 100 tonnes per hour, and from no later than 12 February 2018, that Omnia would be entitled to start to build necessary settling dams and process the mining material at its plant. The Company would be able to direct Omnia to suspend carrying out of services for such time as the Company considered it necessary and could terminate the Agreement, inter alia, if Omnia failed to achieve and maintain any production target for more than two consecutive months. The Company would receive a base net price per tonne of ore processed by the Mining Contractor and an additional incremental payment based on a proportion of any increase in the gold price above a reference price of US$1,250 per ounce. Omnia would be responsible and liable for any rehabilitation of the mining concession to the extent mined by the Mining Contractor as required under the relevant mining laws.

Notes to the Financial Statements

CONTINUED

31. Events after the balance sheet date (continued)

On 27 April 2018 Omnia advised the Company that it did not wish to continue with the execution of the Agreement and elected to continue operations solely in their own concession.

Collaboration and Joint Venture Mining Agreement with Omnia Mining Ltd

On 19 February 2018 the Company concluded a further collaboration agreement ("Joint Venture and Collaboration Agreement") with Omnia Mining Ltd ("Omnia") for the exploitation of the hard rock gold deposits at Xtract's Manica mining concession in Mozambique other than the Fair Bride Project, which remains under the sole control and management of the Company.

The terms of the Joint Venture and Collaboration Agreement were as follows:

- All gold recovered from the processing plant in the operating phase, to be split 50:50 between the Company and Omnia.
- Omnia to manage and control the processing plant and all the processing costs will be for their account.
- The Fair Bride Project excluded from the Agreement.
- The Company to advise, manage and control all mining and mining operations and will be responsible for all mining related costs.
- All hard rock gold occurrences (excluding the Fair Bride Project), if any, to be supplied to Omnia's Processing Plant provided that the development of these occurrences results in an internal rate of return which exceeds 25%: If the return is lower than the 25% hurdle, the parties can agree in writing to continue mining these occurrences.
- Transport cost of the mining mineral will be split between the Company and Omnia 50:50.
- A steering committee to be setup to manage the joint venture project consisting of two members appointed by the Company and two members appointed by Omnia.

New Manica Gold Alluvial Mining Contractor Agreement – Moz Gold Group Limitada

On 6 March 2018, the Company agreed new terms ("New Agreement") with Moz Gold Group Limitada ("Moz Gold") for the exploitation of the M blocks of the alluvial gold deposits at Manica on the Western Area at its Manica mining concession in Mozambique.

The New Agreement entered into by Company's and Moz Gold provides terms for the exploitation of the M blocks of the alluvial deposits at Manica on the Western Area of the Mining Concession area. The New Agreement will endure for a period of 10 years or the depletion of alluvials.

Moz Gold shall, during and for the duration of the contract term perform the continuous, optimal and efficient alluvial mining of the permitted area, and the processing of the mined material for the extraction of gold.

The Company will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. Moz Gold shall be responsible for the smelting of the gold concentrate into dore bars, for delivery to Explorator on a weekly basis with the Company's net share of the gold produced is based on a sliding scale of gold produced plus 6% of the recorded gold concentrate produced.

31. Events after the balance sheet date (continued)

Moz Gold has agreed to produce and deliver a minimum monthly amount of gold to the Company for the Company's sole benefit and account of not less than 2.25kg of gold (after the provision for mining production tax) for March 2018, and 3kg of gold (after the provision for mining production tax) each and every further calendar month of the Contract Term after March 2018.

Moz Gold shall be liable to pay the Company any shortfall in the Minimum Monthly Delivery, which shall be paid to the Company on demand either in gold or cash.

The company will be responsible for all statutory and legal requirements regarding the licenses and Moz Gold will be responsible and liable for any rehabilitation of the mining concession to the extent mined by Moz Gold as required under the relevant mining laws.

Outstanding Moz Gold Indebtedness

Moz Gold owed the Company US$1.5 million under the New Agreement. The Company agreed to give Moz Gold a discount of 25% on Moz Gold Indebtedness provided that Moz Gold paid an initial amount of US$0.13 million no later than 29 March 2018 and 12 monthly instalments of US$0.083 million (together with any accrued interest) to the Company to repay the debt in full. The outstanding balance of the discounted amount owed will incur interest at the rate of 12% per annum compounded monthly in arrears. The first instalment is payable no later than 31 May 2018. If Moz Gold fails to make any payment of any Instalment amount by the due date for payment then the Company is entitled to demand immediate payment of the full outstanding undiscounted amount and all accrued interest.

xtract
RESOURCES PLC

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of Xtract Resources Plc will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 22 June 2018 at 3:00 p.m. for the purpose of considering, and if thought fit, passing the following resolutions of which resolutions 1 to 4 will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution.

Ordinary Business

Resolution 1

To receive and adopt the directors' report and financial statements for the year ended 31 December 2017, together with the auditors' report thereon.

Resolution 2

To re-elect Mr Colin Bird as a director of the Company who retires by rotation and offers himself for re-election.

Resolution 3

To appoint Chapman Davis LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the directors to determine their remuneration.

Resolution 4

That for the purposes of section 551 of the Companies Act 2006 ("the Act"), the directors of the Company be and are hereby generally and unconditionally authorised (in substitution for any and all authorities previously conferred upon the directors for the purposes of section 551 of the Act, but without prejudice to any allotments made pursuant to the terms of such authorities) to exercise all powers of the Company to issue and allot or grant equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £70,112 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the conclusion of the next Annual General Meeting of the Company or 30 June 2019 save that the Company may before such expiry make an offer or agreement, which would or might require equity to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Business

Resolution 5

That, subject to and conditional upon the passing of resolution 4 above, the directors of the Company be and hereby empowered pursuant to section 570 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 4 (in substitution for any and all authorities previously conferred upon the directors for the purposes of section 570 of the Act, but without prejudice to any allotments made pursuant to the terms of such authorities) as if section 561 of the Act did not apply to any such allotment PROVIDED THAT the power conferred by this resolution shall be limited to:

5.1 the allotment of equity securities for cash in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities subject only to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under laws of any territory, or the requirements of any regulatory body or stock exchange in any territory;

Notice of Annual General Meeting

CONTINUED

5.2 the allotment of equity securities for cash up to an aggregate nominal value of £1,155 in connection with the exercise of options and warrants that have been granted by the Company to subscribe for ordinary shares in the Company; and

5.3 the allotment (otherwise than pursuant to paragraphs 5.1 and 5.2 above) of equity securities for cash up to an aggregate nominal value of £70,112;

and the power conferred by this resolution 5 shall expire (unless previously renewed, revoked or varied by the Company in General Meeting), at such time as the general authority conferred on the directors of the Company by resolution 4 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

29 May 2018

By order of the Board

Lion Mining Finance Limited
Company Secretary

1st Floor
7/8 Kendrick Mews
South Kensington
London
SW7 3HG

Notice of Annual General Meeting

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Notes:

1. Any member of the Company who is entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at the Annual General Meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Such proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. A member may not appoint more than one proxy to exercise the rights attached to any one share. Appointing a proxy will not prevent a member from attending and voting at the Annual General Meeting in person if they so wish.

2. A form of proxy is enclosed for use in relation to the Annual General Meeting. To be valid and effective, the form of proxy and any power of attorney or other authority under which it is executed (or a notarially certified copy of such authority) must be deposited, duly completed, signed and dated, at the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time appointed for the Annual General Meeting or any adjournment thereof. If a form of proxy is returned without an indication as to how your proxy shall vote on any particular resolution, your proxy may vote or abstain as he or she thinks fit in relation to each such resolution. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Withheld" option or no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.

3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

4. To change your proxy instructions simply submit a new proxy appointment using the methods set out in these notes and the notes to the proxy form. To revoke your proxy you will need to inform the Company in writing by sending a hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Link Asset Services. Note that the cut-off time for receipt of proxy appointments (see 2 above) also applies in relation to amended instructions or revocation of proxy and any amended proxy instructions or proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services. Where you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to you attending the Annual General Meeting in person, your proxy appointment will remain valid. For the avoidance of doubt, if you have appointed a proxy and attend the Annual General Meeting in person, your proxy appointment will automatically be terminated.

5. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("EUI") and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (CREST ID: RA10) by no later than 3:00 p.m. on 20 June 2018 or, in the

Notice of Annual General Meeting

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case of an adjournment, 48 hours before the time appointed for the reconvened Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

7. CREST members and, where applicable, their CREST sponsors or voting services providers should note that EUI does not make available special procedures in EUI for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the register of members of the Company as at close of business on 20 June 2018, and in the case of an adjourned meeting, two days before such adjourned meeting, shall be entitled to attend, speak and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after the close of business on 20 June 2018, or if the Annual General Meeting is adjourned, after close of business on the day two days before the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak and vote at the Annual General Meeting.

9. Any corporation which is a member of the Company can appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

10. A member of the Company may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purpose other than those expressly stated.

11. The following documents will be available for inspection: (a) at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting; and (b) at the place of the Annual General Meeting from 15 minutes prior to and during the meeting:

    (a) a copy of the register of directors' interests in the shares of the Company and its subsidiaries;

    (b) copies of all contracts of service under which directors of the Company are employed by the Company or any of its subsidiaries;

    (c) copies of the non-executive directors' letters of appointment; and

    (d) a copy of the articles of association of the Company.

12. As at 6:00 p.m. on 25 May 2018 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 350,560,684 ordinary shares of 0.02 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at such date is 350,560,684.

xtract RESOURCES PLC

Notice of Annual General Meeting

CONTINUED

Explanatory Notes

To the Notice of Annual General Meeting

1. Directors' report and accounts (Resolution 1)

This resolution will be proposed as an ordinary resolution. The directors of the Company (the "directors") are required by the Act to present to the meeting the directors' and auditors' reports and the audited accounts for the year ended 31 December 2017. The report of the directors and the audited accounts have been approved by the directors and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the annual report and accounts of the Company.

2. Director re-election (Resolution 2)

This resolution will be proposed as an ordinary resolution. Article 92 of the Company's articles of association states that at each annual general meeting one-third of the directors (or, if their number is not a multiple of three, the number of directors nearest to but not greater than one-third, unless their number is fewer than three, in which case one director) shall retire from office by rotation. Accordingly, Mr Colin Bird is retiring by rotation and offers himself for re-election under this provision. Biographical details of all of the directors are set out on pages 13 and 14 of the annual report and accounts of the Company.

3. Appointment and remuneration of auditors (Resolution 3)

This resolution will be proposed as an ordinary resolution. This resolution proposes the appointment of Chapman Davis LLP as the auditors of the Company and, in accordance with standard practice, gives authority to the directors to determine their remuneration.

4. Authority to allot shares (Resolution 4)

This resolution will be proposed as an ordinary resolution. Resolution 4 enables the directors to allot equity securities (including new ordinary shares). The maximum nominal amount of securities which the board will have authority to allot pursuant to this resolution is £70,112 (such amount equating to the aggregate nominal value of the issued share capital of the Company at the date of this notice). Resolution 5 will, if passed, renew the authority to allot given to the directors at last year's Annual General Meeting.

5. Disapplication of pre-emption rights (Resolution 5)

This resolution will be proposed as a special resolution. Resolution 5 is required to authorise the directors to allot equity securities for cash as if the statutory pre-emption rights in favour of shareholders did not apply, subject to the limitations set out in Resolution 5 and subject also to the maximum number of shares the directors are authorised to allot in accordance with Resolution 4. The allotment of shares up to a maximum nominal amount of £70,112 in accordance with paragraph 5.3 of Resolution 5, equates to 100 per cent of the aggregate nominal value of the issued share capital of the Company as at the date of this notice.

The authority sought under Resolutions 4 and 5 will expire at the earlier of the conclusion of the annual general meeting of the Company in 2019 or 30 June 2019.

Company Information

Company Registered Number

5267047

Directors:

Colin Bird, Executive Chairman
Joel Silberstein, Finance Director
Peter Moir, Non-Executive Director

Company Secretary

Lion Mining Finance Ltd
7/8 Kendrick Mews
South Kensington
London SW7 3HG

Nominated Advisor

Beaumont Cornish
2nd Floor, Bowman House
29 Wilson Street
London EC2M 2SJ

Joint Brokers

Beaumont Cornish
2nd Floor, Bowman House
29 Wilson Street
London EC2M 2SJ

NOVUM Securities Ltd
8-10 Grosvenor Gardens
London SW1W 0DH

Bankers

NatWest
2nd Floor
180 Brompton Road
London SW3 1HL

Solicitors

Fladgate LLP
16 Great Queen Street
London WC2B 5DG

Auditors

Chapman Davis LLP
2 Chapel Court/Borough High St
10 Salisbury Square
London SE1 1HH

Registrars

Link Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU

Registered address

7/8 Kendrick Mews
South Kensington
London SW7 3HG

For your notes

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