xtract
RESOURCES PLC

Annual Report

for the year ended 31 December 2018

Contents

Xtract Resources Plc (AIM:XTR) announces its final results for the year ended 31 December 2018, a year in which the Company focused its activities on its Manica gold project.

Financial highlights

➜ Revenue from gold sales of £0.89m (2017: £0.17 m)

➜ Administrative and operating expenses of £1.65m (2017: £1.06m)

➜ Cash of £0.44m (2017: £1.66m)

➜ Net loss of £0.74m (2017: £1.26m)

➜ Net assets of £10.71m (2017: £11.48m)

Operational highlights

➜ Total alluvial mining contractor gold production of 187.93kg (equivalent to 6,042 ounces) (2017: 39.77kg (equivalent to 1,279 ounces))

➜ Total of 46.88kg (equivalent to 1,508 ounces) attributable to Explorator (inclusive of Nexus' share under the Collaboration Agreement) (2017: 9.94kg (equivalent to 320 ounces))

Corporate highlights

➜ Manica Hard Rock collaboration agreement concluded with Omnia Mining Ltd

➜ Appointment of new company broker

➜ Alluvial Collaboration Agreement terms amended

Chairman's Statement

The period under review has seen the continuation of alluvial mining at our Manica project in Mozambique. Up to the year end and beyond, the operation has performed moderately well producing overall positive cashflow at a local operating level. We have not reached results to our satisfaction because of adverse technical factors such as high stripping ratios and low grades of gold in gravel. This being further exacerbated by the fineness of the gold making recovery difficult. On 30 October 2018, we announced revised terms for the collaboration agreement with Nexus. The key terms of the revised agreement were that the Company would now receive 50% of income after costs, and that the cost sharing would generally be divided equally between the parties. Following the year end, the alluvials operations have continued to produce income in excess of cost and have endured indirectly the cost of the two cyclones which struck northern Mozambique. Whilst there was no direct damage, there was significant interference with material supply logistics particularly diesel.

The Company announced today that it has entered into an agreement with Mutapa Mining and Processing LDA (MMP) for the mining and mineral processing of the Manica hard rock gold deposits at Xtract's Manica mining concession in Mozambique. MMP, in partnership with Omnia, has been appointed as independent mineral processing contractor on Fairbride for the financing and operation of the Manica hard rock properties. In essence, the agreement facilitates using MMP's existing hard rock processing plant, the building by MMP of a carbon-in-leach plant and mining without any capital cost to the Company. The Company will benefit from a direct operating profit interest of between 20% and 23% dependent on gold price. If the gold price is above US$1,250 per oz then the Company will receive 23% and if it falls below US$1,100 per oz, the Company will receive 20% of operating profit. This agreement should endure for a number of years whilst, we further explore the concession and develop a plan to treat sulphides and all mineralisation types within the Manica concession.

The Board has made a decision to broaden the Company's interests to another country and another commodity i.e. copper. This decision was made on the basis of our belief in the mid-term fundamentals for copper and the enormous prospectivity of Zambia for future copper production. Whilst Zambia for over a century has been a significant copper producer, there exists considerable opportunities for discovery outside the main "copper belt trend". The mineralisation style in Central Zambia is considered as iron oxide copper gold (IOCG) and academic research makes references to Olympic Dam type mineralisation which could lead to even bigger projects than those currently being mined in Zambia. It is this style of mineralisation that we intend to pursue, and the Company entered into two exploration option agreements in the first quarter 2019.

With the prospect of significant gold production from Manica and pursuance of our copper/gold projects in Zambia, we feel that we are now well balanced and as such future investment activities will be directed to shareholder enhancement in both arenas. The climate for junior resource companies is quite difficult and is not much better for the majors. World geo-political tensions have resulted in flat base metal prices when general opinion had been of significant price increases. The subdued metal prices have led to major base metal projects being shelved and exploration being difficult to finance. Our view is that these fundamentals can only lead to the supply situation being threatened and thus prices in due course increasing rather dramatically for most base metals, particularly copper and nickel. Patience will be required for the price increase, but in my opinion 2020 will see a dramatic up-tick in overall base metal prices which will in turn should result in improved financing capability. We feel that with our balance of production and exploration we are well poised to meet the challenges facing our sector and progress through the difficult interim period.

I would like to thank my fellow directors and management colleagues for their untiring efforts in what has been a very challenging and difficult year for the Company and the industry in general. During 2019 we will carry out best effort to accelerate Manica hard rock production and improve alluvial performance whilst adding value to our Zambian projects.

Colin Bird
Executive Chairman

29 May 2019

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 .

Mozambique

Manica Hard Rock Gold Project (Fair Bride Gold Project)

Resource Estimate

In 2016, the Company published the Minxcon independent technical report on the Fair Bride Gold Project ("**Mineral Resource Statement**").

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 280m with a resource cut-off of 0.5 g/t. The open pit contains predominantly Measured and Indicated Mineral Resources and is SAMREC-compliant.

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

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:

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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

Definitive Feasibility Study

In 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.

During 2018, the Company continued exploring different options which could accommodate less complex ore.

At the same time the Company continued assessing different options with potential partners and investors to develop the Manica Project.

Manica Hard Rock Gold Project (Excluding Fair Bride Gold Project)

Collaboration and Joint Venture Agreement

During February 2018, the Company concluded a further collaboration agreement ("Joint Venture and Collaboration Agreement") with Omnia Mining Ltd ("Omnia").

Key elements of the Agreement

- All gold recovered from the processing plant in the operating phase, to be split on a 50:50 basis between the Company and Omnia

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- Omnia to manage and control the processing plant and all the processing costs will be for their account
- The Fair Bride Project on Explorator's concession (and feasibility study) is 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, will 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 on a 50:50 basis
- A steering committee to manage the joint venture project and the committee will consist of two members appointed by the Company and two members appointed by Omnia

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 3 km 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.

Manica licence 3990C Hard Rock Collaboration Agreement

On 29 May 2019, a Collaboration Agreement was entered into inter alia by the Company, the Company's wholly owned subsidiary, Explorator Limitada ("**Explorator**"), and Mutapa Mining and Processing LDA ("**MMP**") (the "**Mining Contractor**").

MMP is currently the owner of a 42,000 tonne per month hard rock processing plant, that includes crushing, milling and gravity recovery circuits and a furnace, for mining and mineral processing, located in the Manica region of Mozambique.

The MMP plant has already had over US$11 million invested to date and, so far as the Company is aware, represents the only sophisticated hard rock processing capacity in the Manica region. The MMP plant is the key reason supporting the rationale of agreeing the Collaboration Agreement, as it reduces both capital expenditure requirement and the time to production of the Manica Project. Xtract are satisfied that MMP has the necessary technical and operational capability to execute the proposed development plan at Manica, including the installation, commissioning and operation of the proposed CIL.

This agreement replaces the Omnia Collaboration and Joint Venture Agreement.

Manica Alluvial Gold Project

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 were 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.

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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.

	Year ended 31 December 2018	Year ended 31 December 2017
Production (equivalent ounces)		
Total contractor alluvial gold production	**1,279**	1,811
Explorator share of gold produced	**320**	453
Explorator share of gold sold	**210**	251

The Company recognises the inconsistency of alluvials, but over the last year have gained considerable insights into the intricacies of alluvial mining.

Western Half of the Manica Concession

On 16 January 2019, the Company concluded an additional mining contractor agreement ("**Mining Contractor Agreement**") with Huafei Gold Resources Co Limitada (formerly Sino Minerals Investment Company Limited) ("**Contract Miner**") for the exploitation of alluvial gold deposits at Manica at its Manica mining concession in Mozambique.

The Contract Miner appointed given exclusive right to mine the entire unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area.

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 the Contract Miner as well as rights of early termination either by the Company or the Contract Miner.

The Agreement included performance targets whereby the Contract Miner from 1 February 2019 would be required to have 2 fully operational plants with a minimum throughput of 200 tonnes per hour on a consistent 24 hours per day basis.

The Company will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. The Contractor will be responsible for the smelting of the gold concentrate and delivery of gold dore bars.

The Company will be responsible for all statutory and legal requirements regarding the license and for payment of the Mining Production Tax of 6%.

The Agreement was subject to the condition precedent that the Contractor pays a total entry fee of US$350k to the Company ("Entry Fee"). An initial US$150k was paid on the date signing of the Agreement, and the remaining US$200k to be recovered through future alluvial gold production.

In consideration for the appointment of the Mining Contractor, the Company will initially pay the Mining Contractor a net fee of 72% of gold produced by the Mining Contractor and the Company will therefore initially retain 28% of the sales value of all gold produced (equivalent to 22% after payment by the Company of the applicable Mining Production Tax of 6%) and will continue with the above fee arrangement until the Entry Fee has been settled in full. Thereafter, the Company will pay the Mining Contractor a fee of 74% of gold produced by the Mining Contractor and the Company will therefore retain 26% of the sales value of all gold produced, equivalent to 20% after payment by Explorator of the applicable Mining Production Tax of 6% (the "Net Sales Balance").

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Alluvial Collaboration Agreement

On 30 October 2018, the Company agreed to revise the terms of the collaboration agreement with Nexus Capital Limited (previously Mineral Technologies International Limited, "Nexus"), for the exploitation of alluvial gold deposits at Manica.

The new Collaboration Agreement which took effect as of 1 June 2018 and the principle terms are as follows:

Gold Production & Nexus Fees

The total amount of gold produced from the Mining Concession Area, less the percentage Mining Production Tax and gold paid the Contract Miners, ("Net Gold Production"), to be shared equally the Company and Nexus. Nexus will be entitled to an amount equal to 100% of the sales' price of Nexus's share of the Net Gold Production, less Nexus's pro rata share of transport costs, and 50% of any transporter costs and refinery fees recovered from the Contract Miners.

Any Entry Fees payable by any Mining Contractor to Explorator after 31 May 2018 will now be divided equally between the Company and Nexus.

Project costs

Nexus will be responsible for contributing US$20k towards monthly costs and expenses of the project ("Project Costs") as well 50% of any land compensation costs (comprising any ad hoc compensation payments made to local inhabitants of the Mining Concession Area to allow the alluvial mining of the Mining Concession Area).

Settlements

The Company will pay a settlement amount of US$76k in relation to fees due to Nexus for the period 1 January and 31 May 2018.

As at 31 December 2018, a total fee of US$204k (£160k) (2017-US$57k (£42k)) has been invoiced by Nexus to the Company relating to 2017.

Zambia

Zambian Copper-Gold Projects

The Xtract targets in Zambia can be classified as iron oxide copper gold ("IOCG") type, a deposit type first recognised at the giant Olympic Dam project in Australia. Several mineral deposits of this style have recently been recognised in Zambia, genetically and spatially related to the major sediment-hosted deposits of the nearby Copperbelt. They are generally underexplored compared to the Copperbelt deposits.

Matrix (Kajevu) Project

The project is located in the Kasempa district of southwestern Zambia. It has not previously been systematically explored and no historic drilling is known which might have tested its extension to depth.

A small open pit trial mine was previously developed over a copper-gold mineralised, hematite-quartz breccia vein zone, 3-4m in width. Selective composite grab samples taken by the Company from exposed mineralisation at the western end of the pit returned assay values ranging 3.99-7.28% Cu, 1.0-3.42g/t Au. The pit operators reported recovery and sale of high-grade copper from hand-picked material, as well as recovery of alluvial gold nuggets.

The vein system can be traced continuously for at least 800 metres within the Licence. The system continues to be strongly altered and brecciated towards the west, however there is no visible copper mineralisation at surface outside the pit, probably due to near-surface leaching. Copper mineralisation is also exposed in a trial digging within the southeast corner of the license, more than 2 kilometres from the open pit. A selective grab sample taken from mineralised material at this locality returned assay values of 4.49% Cu, 2.94g/t Au.

Xtract is targeting a larger deposit than that worked by the previous operator by undertaking Licence-wide sampling and surveying. A soil sampling survey comprising 789 samples was carried out during April 2019 on a 100 x 50m grid. Samples were sieved on site and analysed using a hand-held XRF spectrometer for a range of elements. Results returned values up to 177ppm Cu close to the vicinity of the copper-gold mineralisation in the former open pit, above an anomalous threshold of 25ppm Cu. It was noted that anomalous values extend for over 600m to the west as far as the licence boundary. The soil geochemistry provides encouragement that copper-gold mineralisation may extend into the unmined area to the west. Accompanying elements, including iron and potassium, show a marked east-west trend over a strike of up to 2.5km, which may reflect a more extensive alteration zone surrounding the main mineralised structure.

A ground magnetic survey has been commissioned over the property to help delineate structural trends and identify the extent of the mineralised zone at depth.

Summary of the agreement

Eureka Project

The Eureka copper-gold property is accessed by a 100km dirt road from Kabwe, west of the Zambian Copperbelt district. Bedrock comprises primarily metasedimentary rocks of the Katanga Supergroup, similar to those hosting the world-class deposits of the Copperbelt.

Previous exploration, including limited drilling, has been carried out periodically by several companies from the early 1950s until 2006. Work focussed on a northwest-southeast structural corridor with associated bedrock alteration, quartz veining and copper mineralisation in at least two localities, known as Eureka and Eureka West.

Historic records (which have not been independently verified by the Company) reported downhole drill intercepts from the Eureka prospect up to 21.73m @ 2.78% Cu. A subsequent unverified and non-JORC compliant mineral resource was estimated by Caledonia Mining. A small open pit was developed by a local operator within this resource in 2008, when about 1,000 tonnes of ore at 3% Cu was reportedly recovered. The open pit is currently flooded, but mineralised boulder piles at site comprise brecciated vein quartz, heavily oxidised in places with hematite, limonite and malachite evident. A composite grab sample taken by Xtract from this material returned values of 2.01% Cu, 1.00g/t Au, 3.99g/t Ag. Based on review of the historical drilling, the copper-gold zone at Eureka remains open along strike to the northwest and southeast as well as to depth.

A second target, Eureka West, is situated almost a kilometre to the west-southwest from the Eureka open pit. Limited shallow drilling by previous explorers discovered low-grade copper mineralisation. A site visit by Xtract discovered a recent shallow excavation through laterite cover into strongly copper-mineralised bedrock, comprising heavily altered dolomite, with banded iron carbonates and vuggy quartz. A composite grab sample collected from boulder piles at the site assayed 9.81% Cu, 1.94g/t Au, 13.77g/t Ag. It appears that this target was missed by earlier exploration and it has not been tested by drilling to date. Several other targets on the Eureka property also remain to be tested.

The Company has acquired an extensive historic exploration database on the property and is currently compiling and reviewing the data to guide future exploration, with a primary focus on the two areas of high-grade copper-gold mineralisation already identified.

Funding

During 2018, there were no placing of the Company's Ordinary shares.

Business Review

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

Strategic Report

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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 29 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 2018 (£million)	Year ended 31 December 2017 (£million)
Consolidated income resulting from continuing operations		
Revenue		
Sale of gold bars	**0.89**	0.17
Operating and administrative expenses	**(1.65)**	(1.06)
Direct operating	**(0.80)**	(0.40)
Other operating	**(0.1)**	(0.1)
Administration	**(0.75)**	(0.56)
Project costs	**(0.15)**	(0.26)
Other income	**0.06**	0.48
Finance costs	**0.11**	(0.58)
(Loss) for the period from continuing operations	**(0.74)**	(1.26)
(Loss) for the period from discontinuing operations	**—**	—
(Loss) for the period	**(0.74)**	(1.26)
(Loss) per share		
Continuing	**(0.20)p**	(0.60)p
Discontinuing	**(0.20)p**	(0.00)p
Basic	**(0.20)p**	(0.60)p
Consolidated balance sheet position		
Intangible fixed assets	**10.28**	10.20
Tangible fixed assets	**—**	—
Cash	**0.44**	1.66
Total assets	**11.24**	12.20
Total equity	**10.71**	11.48
Total equity – number of issued shares	**350,560,684 shares**	208,797,328 shares

Strategic Report

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Income Statement Analysis

The Group reported a net loss after tax of £0.74 million (2017: £1.26 million), which comprised of a loss from continuing operations of £0.74 million (2017: £1.26 million) and a loss from discontinuing operations of £Nil million (2017: £Nil million). The Group's basic loss per share decreased to 0.20p (2017: basic loss per share of 0.60p). The Manica alluvial operations which commenced with its first production in October 2017, continued with its first full year of production and gold sales for the year amounted £0.89 million (2017: £0.17 million). Operating and administrative expenses from continuing operations increased from the prior year and amounted to £1.65 million (2017: £1.06 million). The increase was primarily due to there being a full year of production at the Manica alluvial operations compared less than 3 months in the prior year as well additional costs relating to new subsidiaries within the group structure. Non-administrative project costs decrease during the year to £0.15 million (2017: £0.26 million). The Company continued implementing certain measures which assist in achieving a corporate overhead cost base consistent with other junior mining companies. The Group's Other income of £0.06 million consisted of mining contractor entry fees received from the Company in 2018 (2017: £0.48) while in 2017 consisted primarily of penalties which were accrued by the Company due to non-performance by alluvial mining contractors. Finance income from continuing and discontinued operations amounted £0.11 million which primarily relates to a foreign exchange gain of £0.09 million and in the prior year a cost of (2017: £0.58 million) of which £0.47 million. related to a provision for bad debts (Income receivable from penalties on non-performance). The loss from discontinuing operations amounted to £Nil million (2017: £Nil million).

Cash Position

The Group's net cash position at 31 December 2018 was £0.44 million (2017: £1.66 million) with no outstanding borrowings (2017: Nil million (US$ Nil million)) under a Loan Note Agreement with YA Global Master SPV Ltd ("YAGM"). At 31 December 2018 the Company had no additional borrowing facilities.

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.

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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 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 2019

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 2018. The Corporate Governance Statement is set out on page 16 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 23. 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 2018 amounts to £0.74k (2017: £1,257k). 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 in the Middle East. He has been involved in a number of public listings in the UK, Canada and South Africa and is currently Chief Executive Officer of Tiger Resource PLC, AIM-traded Galileo Resources PLC and Non-Executive Chairman and founder of Jubilee Metals Group PLC and serves as the Non-Executive Chairman of Europa Metals Ltd and Bezant Resources PLC. He was a founder of Kiwara PLC which discovered the large copper project Kalumbila currently being developed by First Quantum Minerals Ltd. Colin was appointed Executive Chairman in August 2016.

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 Moir has more than 30 years' experience in upstream industry experience with Shell International, BG Group and as an independent Consultant. He has a combination of technical, operational and commercial aspects of the Exploration and Production business. He has been a Non-Executive Director of Xtract Resources Plc since 20 May 2010. He serves as a Director of Elko Energy Inc. and Moir Energy Ventures Ltd. He is a Chartered Engineer in the UK. His qualifications include B.Sc. Civil Engineering and an M.Eng. Petroleum Engineering from Heriot Watt University in Edinburgh.

Retirement by Rotation

In compliance with the Company's Articles of Association, Peter Moir 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 2018 have the following interests in the Company:

	31 December 2018		31 December 2017	
	Ordinary shares	**Options**	Ordinary shares	Options
Peter Moir	**40,000**	—	40,000	—
Colin Bird	**2,418,431**	—	2,418,431	—
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 26 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.

Report of the Directors

CONTINUED

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 meeting at least one third of the Directors are required to resign by rotation.

Major shareholders

The Directors are aware of the following substantial shareholdings of 3% or more of the share capital of 355,174,719 Ordinary shares as at 7 May 2019. As at the date of the report, the Company had not received any notifications of major interest in shares.

Shareholders	7 May 2019	%
Hargreaves Lansdown Asset Management	58,713,719	16.53
Halifax Share Dealing	41,017,553	11.55
Interactive Investors	38,718,628	10.90
Barclays Wealth	29,942,780	8.43
Jarvis Investment Management	20,930,944	5.89
Mr Alex Terry	20,000,000	5.63
HSBC Stockbroker Services	19,464,546	5.48
Mr C Stewart	15,250,000	4.29

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.

Report of the Directors

CONTINUED

Corporate Governance

A report on corporate governance is provided on page 16.

General Meeting

The Company will hold a general meeting on 21 June 2019 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 2019

Corporate Governance

Introduction

In April 2018, the Quoted Companies Alliance (QCA) published an updated version of its Code which provides UK small and mid-sized companies with a corporate governance framework that is appropriate for a Company of our size and nature. The Board considers the principles and recommendations contained in the QCA Code are appropriate and have therefore chosen to apply the QCA Code.

The updated 2018 QCA Code has 10 principles that should be applied. Each principle is listed below together with a short explanation of how the Company applies each of the principles:

Principle One

Business Model and Strategy

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

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

The Company has in the past focused on precious metals and in particular gold projects and as at the date of this report has also 2 new base metal projects in Zambia which meet the above criteria, whether it be an active or strategic investment. The Company will continue to seek to grow both businesses organically and will seek out further joint ventures and other arrangements that create enhanced value.

Principle Two

Understanding & Meeting Shareholder Needs and Expectations

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

Principle Three

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

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

The Company's local subsidiary, Explorator Limitada deals on a regular basis with institutions such as the Ministry of Mines and its subordinate departments, the Ministry of Land and Environmental as well as the Local Government of the District of Manica. The Company is also involved with the local community including projects, which have and will benefit the local community and surrounding areas.

Corporate Governance

CONTINUED

As the Company progresses with its exploration projects in Zambia, it will implement the same procedures as currently in place with the rest of the group.

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

Principle Four

Risk Management

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

Activity	Risk	Impact	Control(s)
Management	Retention of key staff	Effect the overall operating capability	Consideration of longer-term incentive plans along with other forms of remuneration
Strategic	Single Jurisdiction	Changes arising could adversely effect operations & value of assets	Constantly evaluate political and economic risk. Further maintaining cordial relations with the relevant authorities. Evaluate further opportunities in other jurisdictions
	Single Commodity Risk	Commodities being subject to high levels of volatility in price and demand. Being exposed to one type of commodity would have a greater impact operations and profitability.	Company is active in seeking out other opportunities, which may diversify commodity risk.
Regulatory Risk	Non-compliance of AIM rules & Companies Act	Withdrawal of Authorisation and censure	Reliance and guidance from a number of Company advisors which helps instil a culture of compliance in the Company at all levels
Financial	Liquidity, market and credit risk Inappropriate controls and accounting policies	Entity not able to continue as going concern Reduction in asset values Incorrect reporting of assets	Capital management policies and procedures Appropriate authority and investment levels in place

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

Corporate Governance

CONTINUED

Principle Five

A Well-Functioning Board of Directors

The Board currently comprises of 3 members, 2 Executive members (The Executive Chairman Colin Bird and Finance Director Joel Silberstein) and 1 Non-Executive Peter Moir. Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. All the Directors including the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

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

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

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

The QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. In the case of Xtract, the Board has since the Board changes in August 2016 considered its composition to be appropriate considering the stage of operations and the period of restructuring and change.

The Board continues to monitor the need for additional independent Non-Executive directors based on operational performance and costs. Peter Moir is considered to be an Independent Director. The Board continues to review further Non-Executive appointments as scale and complexity grows.

Attendance at Board and Committee Meetings

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

Principle Six

Appropriate Skills and Experience of the Directors

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

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

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

Corporate Governance

CONTINUED

Colin Bird

Executive Chairman

Colin is a chartered mining engineer with multi commodity mine management experience in Africa, Spain, Latin America and in the Middle East. He has been involved in a number of public listings in the UK, Canada and South Africa and is currently Chief Executive Officer of Tiger Resource PLC, AIM-traded Galileo Resources PLC and Non-Executive Chairman and founder of Jubilee Metals Group PLC and serves as the Non-Executive Chairman of Europa Metals Ltd and Bezant Resources PLC. He was a founder of Kiwara PLC which discovered the large copper project Kalumbila currently being developed by First Quantum Minerals Ltd. Colin was appointed Executive Chairman in August 2016. Colin Bird joined the Board of Xtract in September 2012.

Peter Moir

Independent Non-Executive Director

Peter Moir has more than 30 years' experience in upstream industry experience with Shell International, BG Group and as an independent Consultant. He has a combination of technical, operational and commercial aspects of the Exploration and Production business. He serves as a Director of Elko Energy Inc. and Moir Energy Ventures Ltd. He is a Chartered Engineer in the UK. His qualifications include B.Sc. Civil Engineering and an M.Eng. Petroleum Engineering from Heriot Watt University in Edinburgh.

Joel Silberstein

Finance Director

Joel Silberstein joined the Company as Chief Financial Officer in June 2013 and was appointed as Finance Director in February 2014. 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 Honours Bachelor of Accounting Science degree from the University of South Africa and qualified as a chartered accountant with Mazars, Cape Town in 2002.

Principle Seven

Evaluation of Board Performance

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

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

Principle Eight

Corporate Culture

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

Principle Nine

Maintenance of Governance Structures and Processes

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

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

Audit and Compliance Committee

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

Remuneration Committee

The Remuneration Committee comprises Peter Moir who chairs the committee and Colin Bird. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

Nominations Committee

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

Non-Executive Directors

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

Corporate Governance

CONTINUED

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

Principle Ten

Shareholder Communication

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

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

By order of the Board

Colin Bird
Executive Chairman

29 May 2019

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 2018 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 29, 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 2018 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.

Independent Auditor's Report

CONTINUED

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 £10,285,000 as at 31 December 2018.

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 and the resulting net present value.

We also assessed the disclosures included in the financial statements in relation to the intangible non-current assets.

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of any misstatements identified. Based on professional judgement, we determined overall materiality for the group financial statements as a whole to be £112,000, being 1% of Group Total 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.

Independent Auditor's Report

CONTINUED

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.

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

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.

Independent Auditor's Report

CONTINUED

Use of our report

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.

Rowan J. Palmer
(Senior Statutory Auditor)

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

29 May 2019

xtract
RESOURCES PLC

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

Registered number: 5267047

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Continuing operations			
Revenue from gold sales		**892**	166
Operating and administrative expenses			
Direct operating		**(804)**	(398)
Other operating		**(103)**	(97)
Administration		**(746)**	(568)
		(1,653)	(1,063)
Project expenses		**(147)**	(255)
Operating loss		**(908)**	(1,152)
Other gains and (losses)	6	**64**	476
Finance (cost)/income	11	**108**	(581)
(Loss)/profit before tax	8	**(736)**	(1,257)
(Loss)/profit for the period from continuing operations	8	**(736)**	(1,257)
(Loss) for the year from discontinued operation	7	—	—
(Loss) for the year		**(736)**	(1,257)
Attributable to:			
Equity holders of the parent		**(736)**	(1,257)
Net (loss)/profit per share			
Continuing		**(0.20)**	(0.60)
Discontinuing		**(0.00)**	(0.00)
Basic (pence)	13	**(0.20)**	(0.60)
Continuing		**(0.20)**	(0.60)
Discontinuing		**(0.00)**	(0.00)
Diluted (pence)	13	**(0.20)**	(0.60)

The notes on pages 32-62 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
(Loss) for the year	**(736)**	(1,257)
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	**(37)**	23
Other comprehensive income/(loss) for the year	**(37)**	23
Total comprehensive income/(loss) for the year	**(773)**	(1,234)
Attributable to:		
Equity holders of the parent	**(773)**	(1,234)

The notes on pages 32-62 form an integral part of these financial statements

xtract RESOURCES PLC

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	**As at 31 December 2018 £'000**	As at 31 December 2017 £'000	**As at 31 December 2018 £'000**	As at 31 December 2017 £'000
Non-current assets					
Intangible assets	14	**10,285**	10,197	**—**	—
Property, plant & equipment	15	**19**	—	**—**	—
Investment in subsidiary	16	**—**	—	**8,533**	8,533
Financial assets available for sale	17	**—**	—	**—**	—
		10,304	10,197	**8,533**	8,533
Current assets					
Trade and other receivables	19	**24**	142	**413**	176
Loan receivable	18	**318**	158	**—**	—
Inventories	20	**149**	44	**—**	—
Cash and cash equivalents		**442**	1,657	**383**	1,507
		933	2,001	**796**	1,683
Total assets		**11,237**	12,198	**9,329**	10,216
Current liabilities					
Trade and other payables	22	**530**	718	**247**	538
Interest bearing	22	**—**	—	**—**	—
Other payables	22	**—**	—	**—**	—
Amounts due to subsidiaries	22	**—**	—	**8,932**	9,064
		530	718	**9,179**	9,602
Net current assets/(liabilities)		**403**	1,283	**(8,383)**	(7,919)
Non-current liabilities					
Other payables		**—**	—	**—**	—
Provisions		**—**	—	**—**	—
Reclamation and mine closure provision		**—**	—	**—**	—
Total liabilities		**530**	718	**9,179**	9,602
Net assets/(liabilities)		**10,707**	11,480	**150**	614
Equity					
Share capital	23	**4,874**	4,874	**4,874**	4,874
Share premium account		**58,926**	58,926	**58,926**	58,926
Warrant reserve	24	**450**	647	**450**	647
Share-based payments reserve	24	**298**	298	**298**	298
Available-for-sale reserve	24	**—**	—	**—**	—
Foreign currency translation reserve	24	**235**	272	**—**	—
Accumulated losses		**(54,076)**	(53,537)	**(64,398)**	(64,131)
Equity attributable to equity holders of the parent		**10,707**	11,480	**150**	614
Total equity		**10,707**	11,480	**150**	614

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 2019

The notes on pages 32-62 form an integral part of these financial statements

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 2017		**3,355**	**54,439**	**613**	**539**	**—**	**249**	**(52,637)**	**6,558**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(1,257)	(1,257)
Forex currency translation differences		—	—	—	—	—	23	—	23
Revaluation of available-for-sale investments	17	—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**23**	**(1,257)**	**(1,234)**
Issue of shares		1,519	4,995	—	—	—	—	—	6,514
Share issue costs		—	(589)	—	—	—	—	—	(589)
Share based payment expense	24	—	—	—	—	—	—	—	—
Expiry of warrants		—	—	(116)	—	—	—	116	—
Expiry of share options	24	—	—	—	(241)	—	—	241	—
Exercise of warrants		—	81	(81)	—	—	—	—	—
Issue of warrants	24	—	—	231	—	—	—	—	231
As at 31 December 2017		**4,874**	**58,926**	**647**	**298**	**—**	**272**	**(53,537)**	**11,480**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(736)	(736)
Forex currency translation difference		—	—	—	—	—	(37)	—	(37)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**(37)**	**(736)**	**(773)**
Issue of shares	23	—	—	—	—	—	—	—	—
Share issue costs		—	—	—	—	—	—	—	—
Expiry of warrants		—	—	(197)	—	—	—	197	—
Expiry of share options	24	—	—	—	—	—	—	—	—
Exercise of warrants		—	—	—	—	—	—	—	—
Issue of warrants	24	—	—	—	—	—	—	—	—
As at 31 December 2018		**4,874**	**58,926**	**450**	**298**	**—**	**235**	**(54,076)**	**10,707**

The notes on pages 32-62 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 2017		**3,355**	**54,439**	**613**	**539**	**—**	**—**	**(55,897)**	**3,049**
Other Comprehensive income									
Loss for the period		—	—	—	—	—	—	(8,591)	(8,591)
Other comprehensive income		—	—	—	—	—	—	—	—
Revaluation of available-for-sale investments	17	—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(8,591)**	**(8,591)**
Issue of shares		1,519	4,995	—	—	—	—	—	6,514
Share issue costs		—	(589)	—	—	—	—	—	(589)
Expiry of warrants	24	—		(116)	—	—	—	116	—
Expiry of share options		—	—	—	(241)	—	—	241	—
Exercise of warrants		—	81	(81)	—	—	—	—	—
Issue of warrants	24	—	—	231	—	—	—	—	231
As at 31 December 2017		**4,874**	**58,926**	**647**	**298**	**—**	**—**	**(64,131)**	**614**
Other Comprehensive income							—		
Loss for the period		—	—	—	—	—	—	(464)	(464)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(464)**	**(464)**
Issue of shares	23	—	—	—	—	—	—	—	—
Share issue costs		—	—	—	—	—	—	—	—
Expiry of warrants		—	—	(197)	—	—	—	197	—
Expiry of share options	24	—	—	—	—	—	—	—	—
Exercise of warrants		—	—	—	—	—	—	—	—
Issue of warrants	24	—	—	—	—	—	—	—	—
As at 31 December 2018		**4,874**	**58,926**	**450**	**298**	**—**	**—**	**(64,398)**	**150**

The notes on pages 32-62 form an integral part of these financial statements

xtract RESOURCES PLC

Consolidated and Company Cash Flow Statements

		Group		Company	
	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Net cash used in operating activities	25	**(965)**	(1,592)	**(1,124)**	(1,379)
Investing activities					
Acquisition of subsidiary undertaking		**—**	—	**—**	—
Acquisition of intangible fixed assets	14	**(69)**	(147)	**—**	—
Acquisition of tangible fixed assets	15	**(19)**	—	**—**	—
Net cash (used in)/from investing activities		**(88)**	(147)	**—**	—
Financing activities					
SEDA backed loan		**—**	(615)	**—**	(615)
Proceeds on issue of shares		**—**	4,391	**—**	4,391
Proceeds from issue of warrants		**—**	130	**—**	130
Auroch loan		**—**	(533)	**—**	(533)
Loan to Moz Gold		**(160)**	(158)	**—**	—
Loan to subsidiary		**—**	—	**—**	(659)
Net cash from financing activities		**(160)**	3,215	**—**	2,714
Net decrease in cash and cash equivalents		**(1,215)**	1,476	**(1,124)**	1,335
Cash and cash equivalents at beginning of year		**1,657**	181	**1,507**	172
Effect of foreign exchange rate changes		**—**	—	**—**	—
Cash and cash equivalents at end of year		**442**	1,657	**383**	1,507

Significant Non-Cash movements

1. During 2017 a total of £640k of the SEDA backed loan was settled through the issue of new ordinary shares.
2. During 2017 a total of £887k of the Auroch loan was settled through the issue of new ordinary shares.

The notes on pages 32-62 form an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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 3 to 11.

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 Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

No retrospective adjustments were required following the adoption of IFRS 9 and IFRS 15.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. No reclassifications were required.

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 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 Group.

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 2018.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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.

Going concern

The operations of the Group have been financed through operating cash flows as well as through funds which have been raised from shareholders. As at 31 December 2018, the Group held cash balances of £442k and an operating loss has been reported. Since November 2017, the Group has been generating revenues, from its Manica Alluvial operations, 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.

The Directors have assessed the working capital requirements for the forthcoming twelve months and have undertaken assessments which have considered different scenarios based on a number of production forecasts until June 2020.

Upon reviewing those cash flow projections for the forthcoming twelve months, the directors consider that the Company is likely to require additional financial resources in the twelve-month period from the date of approval of these financial statements to enable the Company to fund its current operations and to meet its commitments. 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.

The Directors would then expect for the funds to be raised through further equity fund raising which has been successfully achieved in prior years. As is common with early producing companies, the Company raises finance for its activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities. Further funding will not be required for the Manica Hard Rock collaboration agreement which was signed on 29 May 2019.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate ability to raise resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 2018 was £464k (2017: loss £8,591k).

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Taxation

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

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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 26.

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.

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.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

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

Financial instruments are 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).

(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.

Notes to the Financial Statements

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

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 2018 is determined to be £Nil (2017: £Nil). Further details are given in note 17.

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.

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5. Revenue

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

	Group	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue		
Gold sales	**892**	166
Total Revenue	**892**	166

6. Other gains and losses

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

	Group	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Other income	**64**	476
Total other gains/(losses)	**64**	476

An amount of £64k was received by the Company in relation to an alluvial mining contractor's entry fee. In 2017 £465k included in other income relates to penalties for 2017 which were 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
- Investment and other

Notes to the Financial Statements

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7. Segmental Analysis (continued)

Segment results

Year ended 31 December 2018

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment Revenue				
Sale of gold bars	—	—	892	892
Less: Cost of sales	—	—	—	—
Segment Gross profit	**—**	**—**	**892**	**892**
Operating and administrative expenses	—	(849)	(804)	(1,653)
Project costs		—	(147)	(147)
Segment results	**—**	**(849)**	**(59)**	**(909)**
Other gains and losses	—	64	—	64
Finance income/(costs)	—	136	(28)	108
(Loss)/profit before tax	**—**	**(649)**	**(87)**	**(736)**
Tax credit	—	—	—	—
(Loss)/profit for the year	**—**	**(649)**	**(87)**	**(736)**

Year ended 31 December 2017

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Gold Production (Discontinued) £'000	Total £'000
Segment Revenue				
Sale of gold bars	—	—	166	166
Less: Cost of Sales	—	—	—	—
Segment Gross Profit	**—**	**—**	**166**	**166**
Operating and administrative expenses	—	(708)	(355)	(1,063)
Project costs	—	(255)	—	(255)
Segment result	**—**	**(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)**

Notes to the Financial Statements

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7. Segmental Analysis (continued)

	2018 £'000	2017 £'000
Balance sheet		
Total assets		
Gold production	**367**	225
Mine Development	**10,285**	10,197
Investment & other	**585**	1,776
Consolidated total assets	**11,237**	12,198
Liabilities		
Gold production	**(228)**	(112)
Mine Development	**(2)**	—
Investment & other	**(300)**	(606)
Consolidated total liabilities	**(530)**	(718)

Geographical information

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Mozambique	**892**	161
United Kingdom	**—**	—
	892	161

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Mozambique	**10,652**	10,422
United Kingdom	**585**	1,776
	11,237	12,198

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 operating and administrative expenses:

	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Depreciation of property, plant and equipment	15	**—**	—
Amortisation of intangible fixed assets	14	**—**	—
Auditors remuneration	9	**21**	22
Directors remuneration	10	**187**	170
Share-based payments expense	26	**—**	50

9. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to the Company's auditors and their associates for the audit of the Group's annual accounts	**18**	18
Under provision for the prior year	**—**	1
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	**—**	—
Total audit fees	**18**	19
Fees payable to the Group's auditors and its associates for other services:		
– other assurance services relating to interim reporting	**3**	3
– tax compliance	**—**	—
Total non-audit fees	**3**	3
Total auditors' remuneration	**21**	22

Notes to the Financial Statements

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10. Staff costs

	Year ended 31 December 2018 No.	Year ended 31 December 2017 No.
The average monthly number of employees (including directors) was:	**27**	25

	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	**473**	362
Social security cost	**11**	2
Other pension costs	**—**	—
	484	364

The above staff costs include labour costs of £52k (2017: £61k), which have been capitalised as Mine Development Costs.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	**187**	170
Other pension costs	**—**	—
	187	170

Total remuneration for the highest paid Director in the year was £86k (2017: £83k).

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Peter Moir	**24**	20
Joel Silberstein	**77**	67
Colin Bird	**86**	83

As at 31 December 2018 directors' fees of £172k (2017: £172k) relating to prior year fees remains outstanding, of which £132k (2017: £132k) relates to Colin Bird and £40k (2017: £40k) 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 were issued to Colin Bird on 19 February 2019.

Notes to the Financial Statements

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11. Finance (income)/cost

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Foreign exchange (gains)/losses	**(89)**	(205)
Provision for bad debts	—	465
Bank Charges	**8**	11
Loan interest payable	**(27)**	109
Finance charges	—	151
Cost of issue of warrants	—	50
	(108)	581

12. Tax

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Corporation tax:		
Current year	—	—
Adjustments in respect of prior years	—	—
Total current tax	—	—
Deferred tax	—	—
	—	—

UK corporation tax is calculated at 19% (2017:19.00%) 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 2018 £'000	Year ended 31 December 2017 £'000
Loss before tax from continuing operations	**(736)**	(1,257)
Loss before tax from discontinuing operations	—	—
Loss before tax	**(736)**	(1,257)
Tax at the UK corporation tax rate of 19.00% (2017: 19.00%)	**(140)**	(239)
Tax effect of expenses that are not deductible in determining taxable profit	**(1)**	10
Tax effect of unrecognised tax losses carried forward	**141**	229
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 2018 £'000	Year ended 31 December 2017 £'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	**(736)**	(1,257)
Net (loss) for the year from discontinuing operation attributable to equity holders of the parent	—	—
	(736)	(1,257)

	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	**350,560,684**	208,797,328
Effect of dilutive potential ordinary shares-options and warrants	—	—
Weighted average number of ordinary shares for purposes of diluted EPS	**350,560,684**	208,797,328

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**	**Mineral exploration £'000**	**Total £'000**
At 1 January 2017	—	10,197	—	10,197
Additions – at fair value (Manica)	—	—	—	—
Additions – at cost (Manica)	—	147	—	147
Foreign Exchange	—	(97)	—	(97)
As at 31 December 2017	**—**	**10,197**	**—**	**10,197**
Additions – at fair value (Manica)	—	—	—	—
Additions – at cost (Manica)	—	71	—	71
Foreign exchange	—	17	—	17
As at 31 December 2018	**—**	**10,285**	**—**	**10,285**
Amortisation				
At 1 January 2017	—	—	—	—
Charge for the year	—	—	—	—
As at 31 December 2017	—	—	—	—
Charge for the year	—	—	—	—
As at 31 December 2018	—	—	—	—
Net Book value at 31 December 2017	**—**	**10,197**	**—**	**10,197**
Net book value at 31 December 2018	**—**	**10,285**	**—**	**10,285**

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 2017	—	—	—	—
Additions – at cost	—	—	—	—
As at 31 December 2017	—	—	—	—
Additions – at cost	19	—	—	19
At 31 December 2018	19	—	—	19
Depreciation				
At 1 January 2017	—	—	—	—
Charge for period	—		—	—
At 31 December 2017	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2018	—	—	—	—
Net Book Value				
At 31 December 2017	—	—	—	—
At 31 December 2018	**19**	**—**	**—**	**19**

16. Subsidiaries

Investments in subsidiaries

	2018 £'000	2017 £'000
At 1 January – Cost	**28,219**	28,219
Additions during the year	**—**	—
	28,219	28,219
At 1 January – Impairment	**19,685**	17,878
Impairment during the year	**—**	1,807
At 31 December – Impairment	**19,685**	19,685
At 31 December – Net Book Value	**8,534**	8,534

Notes to the Financial Statements

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16. Subsidiaries (continued)

The impairment in 2018 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 2018 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 2018, the Company held 2,371,365 shares in a non-listed entity which management have valued at £Nil (2017: £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 2018 £'000	As at 31 December 2017 £'000	**As at 31 December 2018 £'000**	As at 31 December 2017 £'000
Loan receivable	**318**	158	**—**	—
	318	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 could 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 was to be fully repaid by Moz Gold within 5 months of drawdown, with the first repayment of US$50k to be settled within 45 days of execution of the agreement. The remaining balance was payable on maturity. The second tranche was to be paid within 4 months of drawdown.

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

The Company reserved 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 could have been in all or part of the loan.

In the event that the Company elected to convert to equity, the Company would be obliged to repay all loan repayments that had been made back to Moz Gold and Moz Gold would 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 would have the option 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.

The Company did not convert the loan into a 25% share interest in Moz Gold.

As at 31 December 2018, Moz Gold had drawn down US$394k (£318k) (2017-US$214k (£158k) of the first tranche and elected not to draw from the second tranche.

Notes to the Financial Statements

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19. Trade and other receivables

	Group		Company	
	As at 31 December 2018 £'000	As at 31 December 2017 £'000	**As at 31 December 2018 £'000**	As at 31 December 2017 £'000
Other debtors	**3**	90	**393**	133
Prepayments	**21**	52	**20**	43
	24	142	**413**	176

20. Inventories

	Group	
	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Gold dore bars on hand	**149**	44
	149	44

21. 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.

22. Trade and other payables

	Group		Company	
	As at 31 December 2018 £'000	As at 31 December 2017 £'000	**As at 31 December 2018 £'000**	As at 31 December 2017 £'000
Trade creditors and accruals	**530**	718	**247**	538
Amounts due to subsidiaries	**—**	—	**8,932**	9,064
Other payables	**—**	—	**—**	—
	530	718	**9,179**	9,602

Notes to the Financial Statements

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23. Share capital

	2018		2017	
	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
Shares issued during the period	—	—	14,840,181,122	1,484
	—	—	34,461,243,001	3,447
Share Consolidation*	—	—	(34,461,243,001)	(3,447)
At 31 December	—	—	—	—
Deferred shares of 0.09p each				
At 1 January	**5,338,221,169**	**4,804**	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**	5,338,221,169	4,804
Ordinary shares of 0.02p each				
At 1 January	**350,560,684**	**70**	—	—
Share Consolidation*	—	—	172,306,215	34
Issued during the period	—	—	178,254,469	36
Outstanding as at 30 June	**350,560,684**	**70**	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.

There were no Ordinary Shares of 0.02p issued during the period.

The following warrants expired during the year:

- Issued 18 November 2014 –341,893 exercisable at 4p per share
- Issued 16 February 2017 – 2,539,100 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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24. 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.

25. Notes to the cash flow statement

	Group		Company	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
(Loss) for the year	**(736)**	(1,257)	**(464)**	(8,591)
Adjustments for:				
Net finance costs	**(116)**	581	—	871
Other losses/(gains)	—	(465)	—	—
Impairment of loan to subsidiary	—	—	—	5,075
Impairment of investment in subsidiary	—	—	—	1,808
Depreciation of property, plant and equipment	—	—	—	—
Amortisation of intangible assets	—	—	—	—
Share-based payments expenses	—	50	—	50
Operating cash flows before movements in working capital	**(852)**	(1,091)	**(464)**	(787)
(Increase)/decrease in inventories	**(105)**	(44)	—	—
(Increase)/decrease in receivables	**118**	52	**(237)**	110
Increase/(decrease) in payables	**(189)**	(650)	**(291)**	(654)
Cash used in operations	**(1,028)**	(1,733)	**(992)**	(1,331)
Net finance costs	**116**	28	—	—
Foreign currency exchange differences	**(53)**	113	**(132)**	(48)
Net cash used in operating activities	**(965)**	(1,592)	**(1,124)**	(1,379)

Notes to the Financial Statements

CONTINUED

25. 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.

26. 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 2018		Year ended 31 December 2017	
	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	**5,777,243**	**12.60**	7,171,476	9.60
Granted during the year	**—**	**—**	12,686,159	2.55
Exercised during the year	**—**	**—**	(7,647,59)	1.70
Expired during the year	**(2,880,993)**	**4.00**	(6,433,333)	5.00
Outstanding at the end of the year	**2,896,250**	**21.50**	5,777,243	12.60
Exercisable at the end of the year	**2,846,250**	**21.50**	5,667,243	12.60

The share options outstanding at 31 December 2018 had a weighted average exercise price of 21.5p (2017:12.6p), a weighted average remaining contractual life of 2.53 years (2017: 3.53 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 Nil (2017: 12,686,159) 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 Nil (2017: 1.7p).

Share-options have been valued using the Black-Scholes model.

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 £Nil (2017: £50k). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £298k (2017: £298k) in the share-based payments reserve after the reversal of expired and lapsed share options, and £450k (2017: £647k) in the warrants reserve.

Notes to the Financial Statements

CONTINUED

27. 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.

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.

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

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 2018 £'000	31 December 2017 £'000	**31 December 2018 £'000**	31 December 2017 £'000
US dollar	**50**	15	**71**	—
Danish Krone	**—**	—	**1**	7
Euro	**57**	107	**16**	15
Mozambican Metica	**189**	72	**28**	152

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.

28. 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 £376k (2017: £47k).

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 £17k plus VAT. An amount of £4k was outstanding as at 31 December 2018 (2017: £7k).

As at 31 December 2018 directors' fees of £172k (2017: £172k) relating to current and prior year fees remains outstanding, of which £ 132k (2017: £132k) relates to Colin Bird and £40k (2017: £40k) relates to Peter Moir.

The emoluments of the Directors are disclosed in note 10 on page 47.

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

Notes to the Financial Statements
CONTINUED

28. Related party transactions (continued)

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 47.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Salaries and other short-term employee benefits	**344**	322
Post-employment benefits	—	—
Termination payments	—	—
Share-based payments	—	—
	344	322

29. Events after the balance sheet date

Manica Gold Alluvial Mining Contractor Agreement

On 16 January 2019, the Company concluded an additional mining contractor agreement ("**Mining Contractor Agreement**") with Huafei Gold Resources Co Limitada (formerly Sino Minerals Investment Company Limited) ("**Contract Miner**") for the exploitation of alluvial gold deposits at Manica at its Manica mining concession in Mozambique.

Contract Mining Agreement

The Contract Miner appointed given exclusive right to mine the entire unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area.

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 the Contract Miner as well as rights of early termination either by the Company or the Contract Miner.

The Agreement included performance targets whereby the Contract Miner from 1 February 2019 would be required to have 2 fully operational plants with a minimum throughput of 200 tonnes per hour on a consistent 24 hours per day basis.

The Company will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. The Contractor will be responsible for the smelting of the gold concentrate and delivery of gold dore bars.

The Company will be responsible for all statutory and legal requirements regarding the license and for payment of the Mining Production Tax of 6%.

Consideration and Payments

The Agreement is subject to the condition precedent that the Contractor pays a total entry fee of US$350k to the Company ("Entry Fee"). An initial US$150k was paid on the date signing of the Agreement, and the remaining US$200k to be recovered through future alluvial gold production.

Notes to the Financial Statements

CONTINUED

29. Events after the balance sheet date (continued)

In consideration for the appointment of the Mining Contractor, the Company will initially pay the Mining Contractor a net fee of 72% of gold produced by the Mining Contractor and the Company will therefore initially retain 28% of the sales value of all gold produced (equivalent to 22% after payment by the Company of the applicable Mining Production Tax of 6%) and will continue with the above fee arrangement until the Entry Fee has been settled in full. Thereafter, the Company will pay the Mining Contractor a fee of 74% of gold produced by the Mining Contractor and the Company will therefore retain 26% of the sales value of all gold produced, equivalent to 20% after payment by Explorator of the applicable Mining Production Tax of 6%.

Issue of Equity

On 19 February 2019, the Company completed the issue of the Settlement Shares today on the terms as previously announced on 28 December 2017, whereby the Company had conditionally agreed to issue 4,614,035 new Shares to Colin Bird in settlement of accrued but unpaid fees (which amounted at that time to £131,500) at an issue price of 2.85p per share.

Share Options

On 19 February 2019, the Board agreed to award in aggregate 23,300,000 new options over ordinary shares ("New Options"). 15,000,000 New Options were awarded to Directors and a further 8,300,000 New Options were awarded to employees and officers of the Company.

The New Options vest in three equal tranches, with one-third vesting and being exercisable immediately on award, one-third vesting when the Company's closing mid-market share price ("Closing Price") is 1.25p and the remainder vesting on the Closing Price reaching 2p. The New Options will lapse five years after the date of the award, being 19 February 2024.

The New Options have an exercise price of 1p per share for the first-vested tranche, 1.25p per share for the second-vested tranche and 2p for the third-vested tranche.

Zambia Copper Exploration Agreement

On 11 February 2019, the Company announced that it had concluded a Memorandum of Agreement ("Agreement") with a consortium ("Consortium") to jointly undertake exploration works on the copper / gold small scale mining license number 8370-HQ-SML ("Licence") located at Kajevu, Kasempa, North Western Province In The Republic of Zambia ("Matrix Project").

Key terms of the Agreement

The parties agreed to incorporate a special purpose company ("Newco") to acquire the shares of Starshine Mineral Exploration Limited ("Starshine"), incorporated in the Republic of Zambia. This Agreement shall come into force and effect upon signature and shall endure for a term of 24 months. The Company will hold a 50% share in Newco with one of the two directors of Newco being a representative of the Company. Within 14 days of incorporation, Newco will be issued with 90% shares of Starshine, with the remaining 10% of the Starshine to held by a local shareholder (with no voting rights). The Company will appoint one of the two directors of the board of Sunshine. The Licence is currently being transferred to Starshine. Under the current licence agreement, only in the event that Starshine builds a mine and commences production and reaches a target of 15,000 tonnes of copper per annum for 15 years, an aggregate amount of US$4,900,000 in deferred consideration will become payable in 49 instalments of US$100,000 to the former Licence holder.

Notes to the Financial Statements

CONTINUED

29. Events after the balance sheet date (continued)

Exploration programme

To date, the Consortium has undertaken preliminary studies at the Matrix Project and the Parties agreed that the preliminary prospecting work would be undertaken on the License within 6 months from the date of the Agreement. Upon completion of preliminary prospecting works and in the event that the prospect is not worthy of development, none of the Parties will be obliged to contribute any further funding. Upon completion of the preliminary prospecting works and agreement from both Parties to proceed, the Parties agreed that further detailed exploration work shall be undertaken on the Licence area for a period of no more than 18 months from the date of the Agreement.

Budget

The Parties agreed that the total budget for exploration works should not exceed US$1,000,000, apportioned as follows:

- US$200,000 in relation to preliminary prospecting works; and
- US$800,000 in relation to detailed exploration works.

Early termination during the Exploration Works Period

Neither party shall be compelled to remain as a shareholder in the event of a party requiring to exit as shareholder; • The exiting party shall have no claims against the Company or its shareholders; •The exiting party will ensure that it acts in good faith to ensure that the remaining party has all the benefits and obligations of the license.

Option Agreement Eureka Copper/Gold Project Zambia

On 5 March 2019, the Company announced that it concluded a Memorandum of Agreement ("Agreement") with KPZ International Ltd. ("KPZ") to enter into an Option Agreement for the Eureka project on the copper-gold small scale mining licence number 22134-HQ-SML ("Licence") located in the Central part of The Republic of Zambia ("Eureka Project").

Key terms of the Agreement

The Company agreed to spend up to US$200,000 ("Initial Expenditure Phase") to assess the suitability of the Eureka Project for a resource drilling programme and thereafter feasibility study. In the event that the Company would not wish to proceed with the Eureka Project, the Company would be required to provide to KPZ all information and results gathered from the Initial Expenditure Phase.

If the Company decides to proceed, then by no later than 1 October 2019, and following the Initial Expenditure Phase, the Company has an option to acquire 50% of the Eureka Project for the amount expended by it on the Initial Expenditure Phase.

KPZ agreed to incorporate a local Zambian newly formed special purpose vehicle to hold the Eureka Project ("SPV"). KPZ will initially hold 100% (less 1 share to be held by a Zambian Shareholder) in the SPV. In the event that the Company exercises its option described above, KPZ's shareholding in the SPV would be transferred to a second newly-formed company ("Newco") such that Newco holds 100% (less 1 share held by a Zambian Shareholder) in the SPV, and the Company and KPZ would therefore each hold 50% (less 1 share) in Newco.

No later than 1 December 2019, the Company would be required to present a detailed budget to KPZ to continue to scoping study. Should KPZ wish to fund their 50% share of the scoping study costs then they will be required to confirm this by 1 February 2020 and each party will equally fund the Project. If KPZ do not wish to further fund the Project, they will be diluted to 25% in Newco with the Company's interest increasing from 50% to 75%.

The Company may at any time during the period withdraw, should they deem the Project unsuitable for further investment and at the same time will forfeit any rights they have to the Project.

Notes to the Financial Statements

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29. Events after the balance sheet date (continued)

Manica licence 3990C Hard Rock Collaboration Agreement

On 29 May 2019 inter alia by the Company, the Company's wholly owned subsidiary, Explorator Limitada ("**Explorator**"), and Mutapa Mining and Processing LDA ("**MMP**") (the "**Mining Contractor**").

MMP is currently the owner of a 42,000 tonne per month hard rock processing plant, that includes crushing, milling and gravity recovery circuits and a furnace, for mining and mineral processing, located in the Manica region of Mozambique.

The MMP plant has already had over US$11 million invested to date and, so far as the Company is aware, represents the only sophisticated hard rock processing capacity in the Manica region. The MMP plant is the key reason supporting the rationale of agreeing the Collaboration Agreement, as it reduces both capital expenditure requirement and the time to production of the Manica Project. Xtract are satisfied that MMP has the necessary technical and operational capability to execute the proposed development plan at Manica, including the installation, commissioning and operation of the proposed CIL.

Manica licence 3990C Hard Rock Collaboration Agreement

On 29 May 2019, a Collaboration Agreement was entered into inter alia by the Company, the Company's wholly owned subsidiary, Explorator Limitada ("**Explorator**"), and Mutapa Mining and Processing LDA ("**MMP**") (the "**Mining Contractor**").

MMP is currently the owner of a 42,000 tonne per month hard rock processing plant, that includes crushing, milling and gravity recovery circuits and a furnace, for mining and mineral processing, located in the Manica region of Mozambique.

The MMP plant has already had over US$11 million invested to date and, so far as the Company is aware, represents the only sophisticated hard rock processing capacity in the Manica region. The MMP plant is the key reason supporting the rationale of agreeing the Collaboration Agreement, as it reduces both capital expenditure requirement and the time to production of the Manica Project. Xtract are satisfied that MMP has the necessary technical and operational capability to execute the proposed development plan at Manica, including the installation, commissioning and operation of the proposed CIL.

This agreement replaces the Omnia Collaboration and Joint Venture Agreement.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of Xtract Resources Plc (**Company**) will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on Friday 21 June 2019 at 3:00 p.m.

Whether or not you propose to attend the Annual General Meeting, please complete and submit an online proxy form in accordance with the instructions set out in this document or, if a hard copy is requested, the instructions printed on it. All proxies should be received by no later than 3.00 p.m. on 19 June 2019.

You will be asked to consider and vote on 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 of the Company for the year ended 31 December 2018, together with the auditors' report thereon.

Resolution 2

To re-elect Mr Peter Moir 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 (**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 **£71,034.95** 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 2020 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 (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 **£5,239.25** 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 **£71,034.95**;

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.

Appointing a proxy

If you would like to vote on the resolutions to be proposed at the Annual General Meeting but cannot attend the Annual General Meeting, you should appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting.

Unlike previous years, and in order to reduce the Company's environmental impact, you will not receive a hard copy form of proxy for the 2019 Annual General Meeting in the post automatically. Instead, you will be able to appoint a proxy electronically using the link **www.signalshares.com**. Details of how to appoint a proxy in this way are set out on page 65 of this document. Alternatively, you may request a hard copy form of proxy directly from our Registrar, Link Asset Services. Details of how to request, and complete, a hard copy form of proxy are set out on page 66 of this document.

Voting by proxy prior to the AGM does not affect your right to attend the Annual General Meeting and vote in person should you so wish. All proxy instructions must be received by the Registrars by no later than 3:00 p.m. on 19 June 2019.

Recommendation

The Board considers that each of the resolutions to be put to the Annual General Meeting is in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends that shareholders vote in favour of each of the resolutions to be put to the Annual General Meeting, as the directors intend to do in respect of their own shareholdings in the Company.

29 May 2019

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. Attending the Annual General Meeting in person

If you wish to attend the Annual General Meeting in person, you should arrive at the venue in good time to allow your attendance to be registered. Only those shareholders entered in the register of members of the Company as at 6.00 p.m. on 19 June 2019 or, in the event that the Annual General Meeting is adjourned, in the register of members of the Company at 6.00 p.m. two business days prior to the adjourned Annual General Meeting will be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on 19 June 2019 or, in the event that the Annual General Meeting is adjourned, in the register of members of the Company at 6.00 p.m two business days prior to the adjourned Annual General Meeting will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting .

2. Appointment of proxies

A member of the Company entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to exercise all or any of his or her rights to attend and to speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to any hard copy form of proxy (if applicable). If members wish their proxy to speak on their behalf at the Annual General Meeting, members will need to appoint their own choice of proxy (not the Chairman) and give their instructions directly to them.

A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to different shares held by that member. A member may not appoint more than one proxy to exercise rights attached to any one share.

A member may instruct their proxy to abstain from voting on any resolution to be considered at the Annual General Meeting by marking the “Vote Withheld” option when appointing their proxy. 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 no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.

The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if they wish. If you have appointed a proxy and vote at the Annual General Meeting in person in respect of shares for which you have appointed a proxy, your proxy appointment in respect of those shares will automatically be terminated.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have the right to appoint any proxies under the procedures set out in these notes and should read note 10 below.

In order for a proxy appointment to be valid, your appointment must be received no later than 3.00 p.m. on 19 June 2019 or, in the event that the Annual General Meeting is adjourned, by no later than 48 hours (excluding non-business days) before the time of any adjourned Annual General Meeting or, in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting, for the taking of the poll at which it is to be used.

3. Appointment of a proxy online

Members may appoint a proxy online at www.signalshares.com (the “Website”) by following the on-screen instructions, in particular at the “Proxy Voting” link, by no later than the deadline set out in note 2 above. In order to appoint a proxy using the Website, members will need to log into their Signal Shares account or register if they have not previously done so. To register members will need to identify themselves with their Investor Code which is detailed on their share certificate or available from our Registrar, Link Asset Services, on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Notice of Annual General Meeting

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4. Appointment of a proxy using a form of proxy

You may request a hard copy form of proxy directly from our Registrar, Link Asset Services, on Tel: 0371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

To be effective the completed and signed form of proxy must be lodged at the office to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) by no later than the deadline set out in note 2 above. Alternatively, you may send any document or information relating to proxies to the electronic address indicated on the form of proxy.

To appoint more than one proxy using a hard copy form of proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If possible, all forms should be returned together in the same envelope.

5. Appointment of a proxy through CREST

CREST members who wish to appoint and/or give instructions to 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 and by logging on to the following website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (the CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is 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 Link Asset Services (ID RA10) by no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that 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 Applications Host) from which Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST 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 or her CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, 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) or the Uncertificated Securities Regulations 2001.

6. Appointment of a proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy (in hard copy, by electronic means or through CREST), only the appointment submitted by the more 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 more senior). For proxy appointment submitted by hard copy, the signature of only one of the joint holders is required on the form of proxy.

Notice of Annual General Meeting

CONTINUED

7. Changing a proxy appointment

To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions: any amended proxy appointment received after the relevant cut-off time will be disregarded.

If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

8. Revocation of a proxy appointment

In order to revoke a proxy instruction, you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, The Registry,34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or a duly appointed attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services no later than 3.00 p.m. on 19 June 2019. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.

9. Corporate representatives

Any corporation which is a member may appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

10. Nominated persons

If you are a person who has been nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person"):

(a) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (the "Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;

(b) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and

(c) your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them, not the Company, regarding any changes or queries relating to your personal details and your interest in the Company, including any administrative matters. The only exception to this is where the Company expressly requests a response from you.

11. Voting rights

At 28 May 2019, the Company's issued share capital consists of **355,174,759** ordinary shares of 0.02 pence each. Each carrying the right to one vote at a general meeting of the Company. As at the date of this document, the Company does not hold any ordinary shares in treasury. Therefore, the total number of voting rights in the Company as at 28 May 2019 was **355,174,759**.

Notice of Annual General Meeting

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12. Audit concerns

Under section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which Annual Accounts and Reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

13. Further questions and communication

Pursuant to section 319A of the Act, any shareholder attending the Annual General Meeting has the right to ask questions relating to the business being dealt with at the Annual General Meeting. In certain circumstances prescribed by section 319A of the Act, the Company need not answer the questions.

Except as provided above, members who wish to communicate with the Company in relation to the Annual General Meeting should do so by writing to Link Asset Services, Shareholder Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. No other methods of communication will be accepted. In particular, you may not use any electronic address provided either in this Notice of Annual General Meeting or in any related documents, including in the form of proxy, to communicate with the Company for any purposes other than those expressly stated.

14. Website giving information regarding the Annual General Meeting

A copy of this Notice of Annual General Meeting and other information required by section 311A of the Act is available at www.xtractresources.com.

15. Documents available for inspection

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.

Notice of Annual General Meeting

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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 (**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 2018. 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 Peter Moir is retiring by rotation and offers himself for re-election.

Biographical details of all of the directors are set out on pages 12 and 13 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 **£71,034.95** (such amount equating to the aggregate nominal value of the issued ordinary shares 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 **£71,034.95** in accordance with paragraph 5.3 of Resolution 5, equates to 100 per cent of the aggregate nominal value of the issued ordinary shares 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 2020 or 30 June 2020.

xtract
RESOURCES PLC

Company Information

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

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