xtract
RESOURCES PLC

Annual Report

for the year ended 31 December 2019

Contents

Xtract Resources Plc (AIM:XTR) announces its final results for the year ended 31 December 2019, a year in which the Company focused its activities on its Manica gold project and copper-gold exploration projects in Zambia.

Financial highlights

- Revenue from gold sales of £1.35m (2018: £0.89m)
- Administrative and operating expenses of £1.81m (2018: £1.65m)
- Cash of £0.36m (2018: £0.44m)
- Net loss of £1.09m (2018: £0.74m)
- Net assets of £10.78m (2018: £10.71m)

Operational highlights

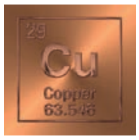
- Collaboration Agreement concluded with Mutapa Mining and Processing LDA for the mining and mineral processing of the Manica hard rock gold deposits in Mozambique
- Additional mining contractor agreement concluded with Huafei Gold Resources for the exploitation of alluvial gold deposits at Manica in Mozambique
- Total alluvial mining contractor gold production of 137.55kg (equivalent to 4,420 ounces) (2018: 187.93kg (equivalent to 6,042 ounces))
- Total of 37.31kg (equivalent to 1,199 ounces) attributable to Explorator (2018: 46.88kg (equivalent to 1,508 ounces))

Corporate highlights

- Memorandum of Agreement concluded with a consortium to jointly undertake exploration works on the copper/gold small scale mining license 8370-HQ-SML at Kajevu, NW Province in Zambia
- Memorandum of Agreement concluded with KPZ International Ltd to enter into an Option Agreement for the Eureka project on the copper-gold small scale mining licence 22134-HQ-SML in Central Zambia
- Memorandum of Agreement concluded with KPZ International Ltd to act as contractor for the Kalengwa Processing project on the copper large scale mining license 24401-HQ-LEL
- Total of £1 million raised through an equity placing

Chairman's Statement

Colin Bird
Executive Chairman



The period under review has been generally positive with the Company establishing a clear mission to be a small scale mine developer, coupled with quality exploration situations in Mozambique and Zambia and at the time of writing the report the Company has announced a new conditional acquisition in Australia.

During the period, the directors elected to balance small scale production with exploration and also to seek positions in Zambia for both production and exploration since the country has an excellent mining history with a transparent and supportive government.

The Company has elected to focus in all of its activities on copper and gold being exploration or production. The Company announced early February 2019 that it had acquired the Matrix project in Zambia, followed by the acquisition of the Eureka project during early March 2019. Both these projects were drilled during the year and the results are reported in the Operations Report. Whilst the Matrix project did not meet our criteria, the Eureka project proved to be very exciting potentially large-scale project.

The alluvial project in Manica Mozambique, with our Chinese partners and during most of the year Nexus, proved to be challenging with variable production although we achieved a surplus of income over expenditure for every month during the period continuing to the date of writing this report.

We were advised during the first week of December 2019 by our partners Nexus that they wished to terminate the collaboration agreement. This termination was accepted and from the date of the termination our local company Explorator was entitled to 100% instead of 50% of the attributable income from the contractual agreement.

At the commencement of this review period, we announced that Huafei Gold Resources Co Limitada were to be appointed as sole contractor for the entire alluvial held in the concession adjacent to the river.

At the time of writing this report, the Company is actively discussing bringing into production an alluvial operation on an additional licence nearby with other contractors. Similarly, we are in discussions to carry out some hard rock mining on areas where gold can be liberated by gravity matters or non-complex leaching. If these discussions are successful there should be a meaningful addition to overall gold production and financial contribution from the Manica project.

On 29 May 2019 we announced an agreement with Mutapa Mining and Processing LDA who had entered into agreement with a nearby owner of a crusher, ball-mill gravity circuit with the plan to advance the plant into a full CIL plant able to handle suitable ore types which show good amenability to cyanide leaching. We in turn entered into a collaboration agreement to treat suitable ores types within the Manica concession with particular emphasis on the Fairbride deposit. The agreement provides for the Company receiving a 23% direct profit interest provided the gold price stays below US$1,250 per oz. Should the gold price drop below US$1,100, the benefits are reduced to a floor level of 20% against a formula.

On 15 July 2019 we concluded an agreement with KPZ International Limited for the treatment of the secondary material at Kalengwa, which arose as a result of high grade mining operation between 1970 and 1980. The Kalengwa open pit produced approximately 1.9 million tonnes at a grade of 9.4% copper with over 20% of the material grading in excess of 20% copper which was shipped for direct smelting at the then Chibulama operation. The agreement caters for the retreatment of the secondaries which include waste rock and in particular floatation tailings which grade at 1%. The open pit has hard rock extension potential at both extremities and is open to the east. This allows potential for future primary concurrent or sequential mining. We have carried out considerable test work during the period and are now in discussions to develop an operating project for optimum tailings and waste rock retreatment.

Chairman's Statement

CONTINUED

Prior to writing this report, the Company announced that it had conditionally acquired a 100% beneficial interest in the Bushranger project in the Lachlan Fold Belt in New South Wales Australia. This acquisition includes a partially explored porphyry which has JORC (2012) compliant inferred resource of some 71 million tonnes at 0.44% copper with 0.064 g/t gold. Drilling indicates that the gold values increase with depth as does the overall copper equivalent. The porphyry is open ended on strike and depth and presents immediate shareholder enhancement potential. In conjunction with the porphyry are a number of epithermal gold targets which have good indications of prospectivity.

Anglo American Corporation have a buy back option at certain levels of discovery or decision to mine. We look forward to advancing this project in the short-term.

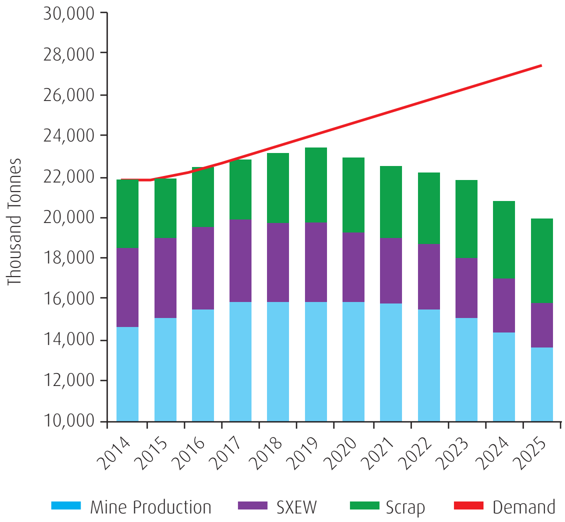
The junior resource sector was generally subdued during the period under review with only modest financing taking place and IPO activity reduced to low volumes. This continued to the outbreak of COVID-19 leading to more uncertain times although some secondary financings were achieved during and up to the point of writing this statement. Against an uncertain climate the board are of the opinion that our portfolio is balanced and presents good opportunities for value accretion during the balance of this year and the mid-term.

I would like to take this opportunity to thank my fellow directors and management for their efforts during this difficult but progressive for the Company period.

Colin Bird
Executive Chairman

5 June 2020

Mine Production Peaks in 2019



Source: Wood Mackenzie, CRU, ICSG, Teck

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 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.

Operations

2019 was a landmark year for the Company. Contractor-operated alluvial gold mining activities continued during the year in the Manica district of Mozambique, while a hard rock collaboration agreement was signed over the adjacent Fair Bride hard-rock gold deposit to bring that into production while mitigating risk to the Company.

During the year, interests were acquired in three new copper-gold projects in Zambia, at Kalengwa, Eureka and Kajevu. Zambia hosts one of the major global mining centres in the Copperbelt and acquisition of these projects allows the Company to spread country and commodity risk while opening up exciting new exploration and development opportunities in a well-established mining jurisdiction. The new projects include advanced exploration and brownfield sites with potential for early production from historic mine dumps and extensions to known orebodies, as well as strong exploration upside at previously under-explored discoveries.

Post year-end, the company built substantially on its copper-gold portfolio when it announced that it had conditionally acquired a 100% interest in the major Bushranger copper-gold porphyry deposit within Australia's world-class Lachlan Fold Belt district of New South Wales. The resource is open to significant expansion, with the deposit broadening at depth and gold grades strengthening. In addition, there is excellent upside potential for further discoveries on the surrounding ground. Importantly, this development gives the Company a very strong foothold within a low-cost, mining-friendly region with excellent infrastructure.

Summary of Company projects

Mozambique

The Manica Gold Project was the Company's first investment into Southern Africa. Mozambique, has traditionally been seen as good mining jurisdiction within a favourable political and legal regime. The Manica Gold Project is situated in the Odzi-Mutare-Manica Greenstone belt, with an estimated 2 million ounces of gold previously mined in the area.

Since 2017, the Company has engaged mining contractors to exploit the alluvials within the concession and this is expected to continue into the first half of 2021, with part of the revenues accruing to Xtract.

The Fairbride Project is an open pit project with a SAMREC compliant resource of 1.262 million ounces (782k ounces measured and indicated). In 2019, the Company was given the opportunity to move the Fairbride project forward, from development stage to production within 12 months mitigating any execution risk.

Major further exploration opportunities exist within the concession and adjacent areas, with only 10% of the concession having been drilled to date.

Strategic Report
CONTINUED

Zambia
Eureka
A programme of seven angled diamond drill holes was completed by Xtract at the Eureka copper-gold project in Zambia, focussed on testing strike and depth continuity of shallow mineralisation encountered by historic drilling within a 3.5km long soil geochemical anomaly. A small trial open pit was previously developed on the prospect. Drilling results were highly encouraging.

Among the more significant assay intervals encountered was 32.0m @ 1.58% Cu, 0.07g/t Au in hole EX-01 from 50.0-82.0m and 14.0m @ 0.81% Cu, 0.20g/t Au in hole EX-02 from 106.0-120.0m. The latter intercept included 4.0m @ 2.35% Cu, 0.53g/t Au at its base. Geological interpretation based on drilling suggests that near-surface gossanous mineralisation at Eureka may be remobilised from potentially extensive stratabound sulphides, such as found in the basal intercept in EX-02. This type of mineralisation is analogous to that seen in some of the major mines on the Copperbelt.

Post year-end, a follow-up 3-D modelling study was undertaken by Addison Mining Services of the UK, combining historic drilling with the results of Xtract's programme. The modelling exercise concluded that there appears to be both shallow oxide copper potential in the vicinity of the open pit and greater size potential along strike to the northwest, where the deposit bi-furcates and both limbs remain open. The copper-gold intercept in hole EX-02 also remains open down-plunge. Based on the strong results from its initial drilling programme and the 3-D modelling study, the Company plans further drilling follow-up in 2020.

Kalengwa
The Kalengwa open pit Copper Mine is believed to have been one of the highest-grade copper mines in Zambia. Total production of 1.9Mt of 9.44% Cu and 50g/t Ag was reported from the open pit over a 12-year period from 1970 to 1982 resulting in circa 15,000 tonnes of copper production per annum.

Previous drilling of the orebody down-plunge and on the north-east and south-west flanks of the open pit have demonstrated that further resources that remain unexploited in these areas. Xtract believes that additional drilling has the potential to significantly increase the historically reported, non-JORC compliant, Resource of 1.45Mt @ 2.50% Cu (for 36,300 tonnes of copper metal). The historic resource was prepared in 1998 but is not compliant with a recognised standard and has not been subsequently updated or verified (Source: African Minerals Ltd, Assessment of Kalengwa Mine, 1998, as reported by Lunga Resources Ltd, 2013).

Rock dumps from the historic mine workings remain on site and it is planned to evaluate these with a view to reprocessing them to recover copper. In addition, operations at the Kalengwa mine generated tailings that have been assessed as containing a historic, non-JORC compliant Resource of approximately 2Mt averaging 1.015% Cu, giving total copper content of 20,300 tonnes, with some by-product silver. Recent channel sampling by Xtract has confirmed the general tenor of the reported grades, giving confidence to the reported resource. Further evaluation test work can confirm the suitability of the tailings for re-treatment.

Australia
Bushranger project
On 1 June 2020, the Company conditionally agreed to acquire 100% of ProspectOre's share capital for a total consideration of £1.25 million to be settled in new Xtract ordinary shares.

The Bushranger Project hosts the Copper-Gold Porphyry-Style Racecourse deposit, where a JORC (2012) compliant Inferred Resource has been estimated at 71Mt @ 0.44% Cu and 0.064g/t Au using a 0.3% Cu cut-off. This is believed to be one of the largest currently undeveloped porphyry deposits in the LFB and remains open for expansion down-plunge and along strike. The most recent drilling at Racecourse intersected substantially wider mineralisation – 159m @ 0.37% Cu, 0.21g/t Au (Hole ID BRD001), including 16m @ 0.73g/t Au – and with gold grades increasing with depth. In addition, several geophysical and geochemical targets with characteristics of porphyry style mineralisation are ready for drill testing on a 10km belt along strike from the Racecourse deposit. Western portions of the Bushranger Project are also prospective for high-grade gold mineralisation such as was historically mined at Mt David and Lucky Draw.

ProspectOre owns a 100% interest in the Bushranger Copper-Gold Project, located in the Lachlan Fold Belt ("LFB"), New South Wales, Australia's world-class copper-gold province where several major mines are currently operating in an area with excellent infrastructure. There is renewed interest in The Lachlan Fold Belt following Alkane's recent Boda discovery, including a 1,167m drill interval grading 0.25% Cu, 0.55g/t Au.

Mozambique

Project Detail

Manica licence 3990C

Hard Rock Collaboration Agreement

On 29 May 2019, the Company entered into a Collaboration Agreement with Mutapa Mining and Processing LDA ("MMP") (the "Mining Contractor").

MMP currently owns a 42,000 tonnes per month hard rock processing plant, 9km from the Fairbride orebody, that includes crushing, milling and gravity recovery circuits and a furnace, for mining and mineral processing, located in the Manica region of Mozambique. With the current plant in place, this has given the parties an opportunity to consolidate all hard rock mining operations within a 12km radius.

The historic investment by MMP of US$11 million in its hard rock processing plant, 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 the risk areas in both capital expenditure requirement and the time to production of the Manica Project. The Company is 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.

Appointment

The Company appointed MMP an independent mineral processing contractor, to provide a technical solution for processing the Explorator's material, to conduct hard rock mining on the Manica Project for a period of 10 years with an option to extend. MMP agreed to contribute their hard rock processing plant and committed to the purchase and commission of suitable CIL plant. Construction (as demonstrated by the placement of an order for the CIL), was to commence no later than 1 November 2019 with the plan to complete the installation work and commercial production (throughput of capacity of 29,000 tonnes) being achieved no later than 1 October 2020. This agreement replaced the Joint Venture and Collaboration Agreement entered into with Omnia Mining Ltd on 19 February 2018. An update on progress is set out further below.

Mining Rights

The Company agreed to maintain the Concession and the Mining Rights in good standing and grant MMP exclusive rights to the hard rock mining aspects of the Concession and the Mining Rights for the duration of the contract.

Strategic Report

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Consideration & Payments

MMP will receive 77% of all the operating profit produced from the permitted area through the performance of the contract by MMP when the prevailing price of Gold is greater than US$1,250 per ounce. MMP's entitlement shall be increased to 78.5% at a prevailing Gold price greater than US$1,175, and to 80% when the prevailing price of Gold is less than US$1,100 per ounce. Profit is defined as: Revenue on Sale less deductible costs (excluding non-cash items) and corporation tax.

Exploration

The Company and MMP agreed to incorporate a gold mining exploration special purpose vehicle ("SPV"), on a 50:50 owned basis which will be separately managed with both parties having an equal interest, and with a monthly budget to be agreed by the parties from time to time. Participation in exploration projects and costs of exploration will be decided on a case by case basis.

In the event of a significant new discovery, each party will have first right of refusal, should they wish to sell their share in the SPV. If during the exploration phase either partner dilutes to less than 25 per cent of the SPV by not participating in the exploration expenses, it will enter into a drag/tag along agreement with the other party should they wish to dispose of the overall enlarged asset.

Option to purchase the concession

The Company granted MMP an option to purchase the Fairbride concession for an amount equal to the greater of:

- An amount equal to 80% of the net present value using a discount rate of 15%; or
- US$20 million

The option to purchase has a term of 2 years and is only in respect of the known resources in the Permitted Area. In the event that the parties agree that the operation has extended life potential (beyond 8 years) or alternatively discovers a larger deposit then the parties may agree a buyout by mutual consent on the basis of an amount equal to 80% of the net present value of the larger resource, again using a discount rate of 15%.

During 2019, MMP completed a hard rock Project operational budget and plan, with environmental and social risks identified and built into the plan. Letters of intent were exchanged with suppliers on certain long lead items including items such as elution heater package, feed thickener, flocculant plant and tower crane. Deposits were paid to commence remedial work on existing crushing and grinding circuits.

Preparations are underway to ship major components, once border restrictions due to Covid-19 are lifted, at the end June 2020. The equipment will be accompanied by the necessary lifting equipment for installation. The Company is confident MMP will do everything within their control ensure to commence commercial production will commence before the year end. The Company is currently engaging another group on mining the Guy Fawkes and Boa Esperanca small hard rock deposits which have indicated free milling gold at good grades.

Strategic Report

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The previously published resource and reserve estimates for Manica as at 4 March 2016 are reproduced below:

Resource Estimate

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

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 USD1,270/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 and reserves are the same.

Strategic Report

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Manica Alluvial Gold Project

Western Half of the Manica Concession

On 16 January 2019, the Company concluded an additional mining contractor agreement with Huafei Gold Resources Co Limitada ("Contract Miner") for the exploitation of alluvial gold deposits in the Manica Concession. The Agreement will endure for a period until all alluvials have been depleted. The Company remains responsible for all statutory and legal requirements regarding the license and for payment of the Mining Production Tax of 6%.The Contractor agreed to pay a total entry fee of US$350k to the Company ("Entry Fee") with an initial US$150k paid on the date signing of the Agreement, and the remaining US$200k recovered through future alluvial gold production.

In consideration for the appointment of the Mining Contractor, the Company initially paid the Mining Contractor a net fee of 72% of gold produced by the Mining Contractor and the Company retained 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%) until the Entry Fee had 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 following table sets out a summary of the alluvial production for the two years ended 31 December 2019:

	Year ended 31 December 2019	Year ended 31 December 2018
Production (equivalent ounces)		
Total contractor alluvial gold production	**4,422**	6,042
Explorator share of gold produced	**1,199**	1,508
Explorator share of gold sold	**1,373**	1,159

The presence of gold in alluvial deposits is unpredictable and inconsistent and therefore operational results will vary month-to-month. The Company expects the viable alluvials in the Western Half to be extracted by the first half of 2021. The Company is currently in discussions with a Chinese group who have shown interest in mining on the adjacent licence 7569L, based on similar terms to the agreements currently in place for the Western half.

Alluvial Collaboration Agreement

On 2 December 2019, Nexus Capital Holdings PTE Limited ("Nexus") informed the Company that it had terminated with immediate effect the Collaboration Agreement which was agreed on 30 October 2018, pursuant to which the Company's net share of its wholly-owned gold revenue and costs was 50%, the balance being for Nexus. Following termination of the Collaboration Agreement, the Company's net share of gold revenue and costs increased to 100%. Alluvial production remains unaffected by the termination.

Zambia

Project detail

Zambian Copper-Gold Projects

During the year drill testing has been carried out at Eureka and Kajevu projects and results for Eureka in particular have been strongly encouraging.

Strategic Report

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Eureka Project

Background

Previous exploration focussed on a northwest-southeast structural corridor with associated copper mineralisation in two localities, known as Eureka and Eureka West. Historic records reported downhole drill intercepts from the Eureka prospect up to 21.73m @ 2.78% Cu. Based on interpretation of the drill results, the deposit was understood to remain open in several directions. A small open pit, which is currently flooded, was developed by a local operator in 2008.

Exploration by Xtract

Xtract conducted a detailed overview of the large historic data package covering the project. This highlighted a northwest structural corridor with coincident anomalous regional soil geochemistry for copper and gold, covering the Eureka prospect and its environs. The anomaly extends for over 3km, with peak values of 1,315ppm Cu, 540ppb Au located within the area of the shallow Eureka copper pit.

Based on the outcome of the detailed review, a follow-up diamond drilling programme was undertaken by Xtract for late 2019/early 2020, focussed on testing strike and depth continuity of shallow mineralisation encountered previously. In all, seven angled diamond drill holes designated EX-01 to EX-07 were completed, totalling 761 metres. Selected intervals of drill core were cut by diamond saw, sampled and sent for analysis to the SGS laboratory in Kalulushi, Zambia. The more significant analytical results are detailed in the table below.

Eureka Project, Zambia – Significant Drill Core Analytical Intervals

Hole No.	Depth From (m)	Depth To (m)	Width (m)	Cu%	Au g/t
EX-01	50.0	82.0	32.0	1.58	0.07
Including	51.2	70.2	19.0	2.08	0.08
EX-02	106.0	120.0	14.0	0.81	0.20
Including	116.0	120.0	4.0	2.35	0.53
EX-03	51.0	66.4	15.4	0.81	0.07
Including	51.0	54.0	3.0	2.55	0.07

EX-01 was drilled beneath the south-eastern end of the open pit and confirmed the tenor of previously reported copper and gold mineralisation over a significant width. The mineralisation occurs in a gossanous structural zone with cavities within leached and vuggy dolomites, with copper oxides at shallower levels giving way to primary chalcopyrite sulphides at depth. EX-02 was sited 20m behind EX-01 to check the down-plunge continuation of the steeply dipping mineralised zone beneath previous drilling. This was successfully demonstrated, with particular interest in the occurrence of strongly disseminated and stringer chalcopyrite mineralisation, along with gold values of interest, at the base of the interval. This zone exhibits bedding-parallel mineral textures, similar in style and setting to several of the main Copperbelt orebodies.

EX-03 was sited 50m to the southeast of EX-01 and EX-02 and demonstrated strike continuity of the mineralised zone beyond the limit of the historic pit, intersecting primarily oxidised copper mineralisation at relatively shallow levels. EX-04, drilled beneath EX-03 was more weakly mineralised.

Geological interpretation based on drilling suggests that the near-surface gossanous mineralisation at Eureka may be remobilised from potentially extensive stratabound sulphides, such as the deeper intercept (4m @ 2.35% Cu, 0.53g/t Au) seen in EX-02.

Post year-end a follow-up 3-D modelling study was undertaken by Addison Mining Services of the UK, combining historic drilling with the results of Xtract's programme. The modelling exercise concluded that there appears to be both short term immediate resource potential within remaining oxide material below, and adjacent to, the current pit, and longer-term size potential along strike. Copper mineralisation in the northwest of the pit appears to bi-furcate and both limbs remain open – to the northwest of the pit with approximately 400m strike potential, and west-northwest with strike potential of approximately 800m.

Based on the strong encouragement obtained from its initial drilling programme and the 3-D modelling study, the Company plans to follow-up with additional drilling and testing of soil and geophysical anomalies to further extend the Eureka deposit and to drill test the Eureka West target.

Drill hole layout plan at Eureka main pit

Drilling in progress at Eureka

Strategic Report

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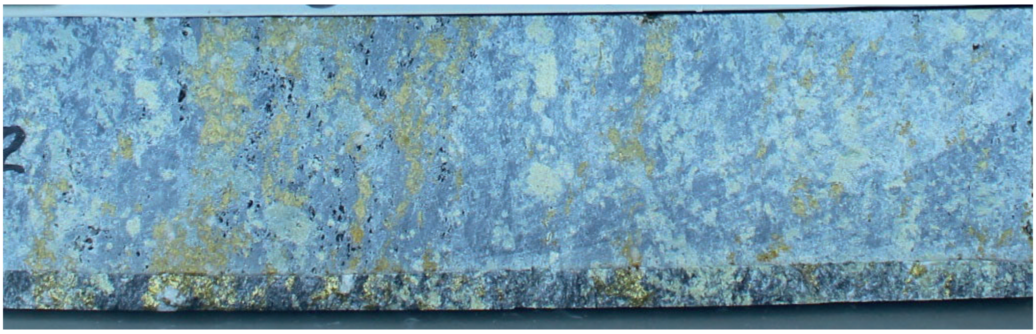
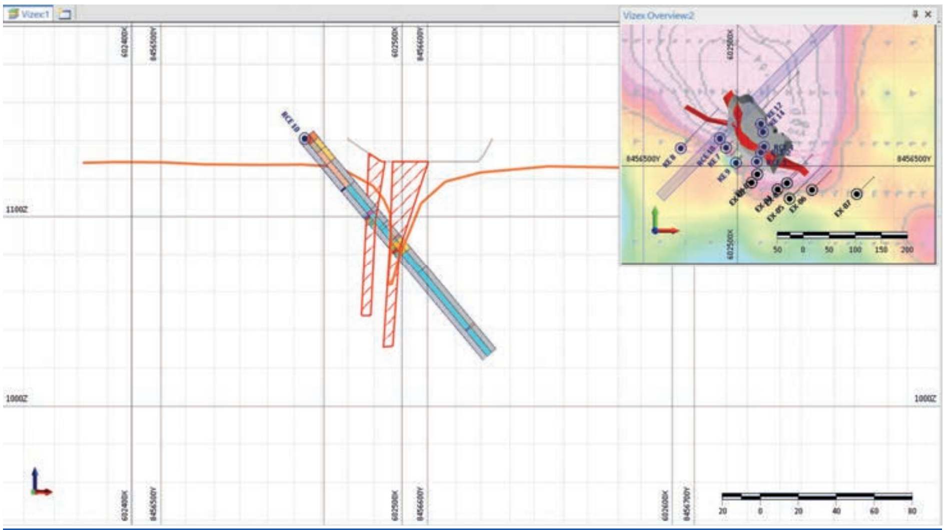
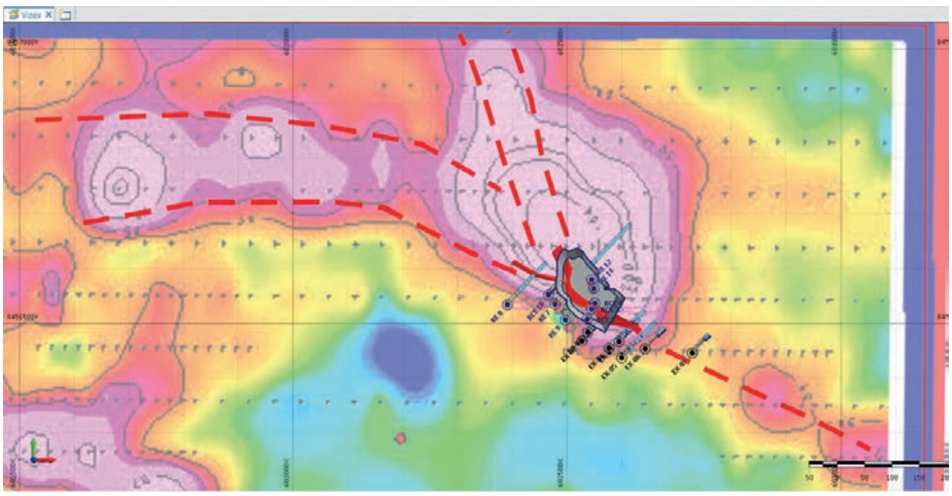
Banded and disseminated chalcopyrite copper mineralisation in drill core from hole EX-02



Drill section through NW end of Eureka pit showing bi-furcation of copper-gold zone (Source: Addison Mining)



Interpretation of potential extensions to mineralisation at Eureka plotted on a base of copper soil geochemistry (Source: Addison Mining)



Strategic Report
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Key terms of the Agreement

The Company agreed to spend up to US$200k ("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 decided not to proceed with the Eureka Project, the Company would be required to provide to KPZ all information and results.

Initial Expenditure Phase

If the Company decides to proceed, 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"). In the event that the Company exercises its option described the Company would acquire 50% stake of the Eureka Project. The Company is 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 retain a 50% stake and if not, they will be diluted to 25%. 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.

Kalengwa Copper Project

The Kalengwa open pit Copper Mine is believed to have been one of the highest-grade copper mines in Zambia. Total production of 1.9Mt of 9.44% Cu and 50g/t Ag was reported from the open pit over a 12-year period from 1970 to 1982 resulting in circa 15,000 tonnes of copper production per annum.

Previous drilling of the orebody down-plunge and on the north-east and south-west flanks of the open pit have demonstrated that further resources may potentially remain unexploited in these areas. Xtract believes that additional drilling has the potential to significantly increase the historically reported resources. There is a historic resource, which was prepared in 1998 but is not compliant with a recognised standard and which has not been subsequently updated or verified ("Non-JORC compliant Resource"), of 1.45Mt @ 2.50% Cu (for 36,300 tonnes of copper metal) at the Kalengwa Mine (Source: African Minerals Ltd, Assessment of Kalengwa Mine, 1998, as reported by Lunga Resources Ltd, 2013).

Rock dumps from the historic mine workings remain on site and it is planned to evaluate these with a view to reprocessing them to recover copper. In addition, mining and processing operations at the Kalengwa mine generated tailings which were contained initially in a tailings storage facility, reportedly 6-8m deep, while later tailings were deposited directly into an adjacent swamp. According to a 2013 report and resource estimate by a previous site operator, Lunga Resources Limited, periods of poor concentrator recovery at the mine resulted in relatively high-grade copper material being sent to tailings. There is a historic, non-JORC compliant tailings Resource, which was reported in 2013 but is not compliant with a recognised standard and which has not been subsequently updated or verified, of approximately 2Mt averaging 1.015% Cu, giving total copper content of 20,300 tonnes, with some by-product silver (Source: Lunga Resources Limited, Kalengwa-Jikambo Summary Report, 2013).

In July 2019 the Company undertook a preliminary confirmatory sampling programme along three hand-dug trenches across the tailings dumps. Two trenches were opened within the main tailings facility, while the third was within the swamp area, for a total of 420m, with 93 channel samples being collected. Analytical results were received for these samples from the SGS Kalulushi geochemical laboratory in Zambia for copper and silver yielding an average grade of 1.03% Cu, 4.44ppm Ag for all samples, with copper values ranging from 0.59% to 2.48%. Encouragingly, results overall support the copper grades reported in the 2013 resource estimate.

Strategic Report

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Kalengwa processed ore stockpiles in foreground with water-filled open pit behind

View of Kalengwa tailings

On 12 July 2019 the Company and KPZ International (the "Parties") entered into Memorandum of Agreement to collaborate with KPZ on its Kalengwa Processing Project to process copper ores from the various dumps for commercial sale. The Company conditionally was appointed to oversee and commence initial production from the Kalengwa dumps and carry out exploration and metallurgical test work to assess the potential for the open pit expansion. Results from exploration and modelling will determine the ultimate size of the operation including the process plant. The Parties agreed to a 90-day due diligence period (the "Option Period") and, on completion of the Option Period and following completion should the Company wish to proceed to act as Contractor, the Company would pay KPZ US$200k through the issuance of new ordinary shares ("New Xtract Shares") with certain restrictions regarding their disposal. On 21 October 2019, the Company exercised the option and issued the shares to KPZ.

KPZ would be responsible for incorporating a local entity with the intention of commencing an initial ore sorting programme building up to an annual production target rate of 6,000 tonnes of copper metal. Should the Company decide to proceed as contractor it would be entitled to receive 33.33% of net profits from operations. The Company has estimated that its capital costs to act as Contractor are up to US$1 million

Strategic Report
CONTINUED

An historic debt of US$15 million currently exists in respect of the Kalengwa Processing Project owed by KPZ (the "Loan"), primarily made up of previous sunk costs that relate to the dumps and has been lodged with the relevant Zambian authorities and bears interest at a rate of 6% per annum. The Company will have no liability whatsoever in respect of this Loan or any of the interest or capital which are to be repaid by KPZ from SPV's net income. Provided that the Loan has been fully repaid (the "SPV Option"), the Company will have the right to acquire an interest of 43.33% of SPV in consideration for the transfer by Xtract to SPV of the title to the processing plant.

It is the Company's intention to wherever possible, utilise local Zambian personnel as well as introduce local training and development for the local Kalengwa operation.

Matrix (Kajevu) Project

The project is located in the Kasempa district of southwestern Zambia. A small open pit trial mine was previously developed over a copper-gold mineralised, hematite-quartz breccia vein zone, 3-4m in width. An agreement was entered into to jointly undertake exploration work in order to identify a gold-copper resource. The Company would acquire a 50% share in the project through the joint funding of an exploration programme of up to US$1 million. During the year a short diamond drilling programme was undertaken by Xtract to test the continuity of the zone along strike and down-dip. Mineralisation was found to be tightly confined to the immediate area of the open pit with little depth continuity. On 31 March 2020, the Company announced that no further work would be carried out on the Kajevu Licence.

Funding

In 2019, the Company raised a total of £1 million (before costs) through a Placing during the year:

- In July 2019, the Company completed a subscription of equity by certain investors amounting to £1,million. An additional 83,333,333 Ordinary Shares of 0.02p were issued at a price of 1.20p per Ordinary Share.

Business Review

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

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

Details of significant events since the balance sheet date are contained in note 30 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.

Strategic Report

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Financial Review

Financial Summary Table

	Year ended 31 December 2019 (£million)	Year ended 31 December 2018 (£million)
Consolidated income resulting from continuing operations		
Revenue		
Sale of gold bars	**1.35**	0.89
Operating and administrative expenses	**(1.81)**	(1.65)
Direct operating	**(0.79)**	(0.80)
Other operating	**(0.12)**	(0.1)
Administration	**(0.90)**	(0.75)
Project costs	**(0.30)**	(0.15)
Other income	**0.01**	0.06
Finance costs	**(0.34)**	0.11
(Loss) for the period from continuing operations	**(1.09)**	(0.74)
(Loss) for the period from discontinuing operations	—	—
(Loss) for the period	**(1.09)**	(0.74)
(Loss) per share		
Basic	**(0.30)p**	(0.20)p
Consolidated balance sheet position		
Intangible fixed assets	**10.32**	10.28
Tangible fixed assets	**0.02**	0.02
Cash	**0.36**	0.44
Total assets	**11.12**	11.24
Total equity	**10.78**	10.71
Total equity – number of issued shares	**438,508,052 shares**	350,560,684 shares

Income Statement Analysis

The Group reported a net loss after tax of £1.09 million (2018: £0.74 million), The Group's basic loss per share increased to 0.30p (2018: basic loss per share of 0.20p). Manica alluvial gold sales for the year amounted £1.35 million (2018: £0.89 million).This was primarily due to an increase in the number of ounces sold along with a higher gold price compared to the previous year. Operating and administrative expenses increased from the prior year and amounted to £1.81 million (2018: £1.65 million). The majority of the increase related to legal and professional fees incurred in Xtract as well additional costs relating to new subsidiaries within the group structure. Non-administrative project costs which in 2019 included costs relating to the Zambian exploration projects, amountedto £0.30 million (2018: £0.15 million). The Company continues to look at different areas of where potential savings could be achieved and continues to implement certain measures which assist in achieving a corporate overhead cost base consistent with other junior mining companies. Finance Cost for 2019 amounted to £0.34 million which comprises of a foreign exchange loss of £0.10 million and a provision for bad debts of £0.17 million in relation to a loan to an alluvial mining contractor in Mozambique, compared to finance income in the prior year of £0.11 million.

Cash Position

The Group's net cash position at 31 December 2019 was £0.36 million (2018: £0.44 million) with no outstanding borrowings (2018:Nil). At 31 December 2019 the Company had no additional borrowing facilities.

Strategic Report

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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;
- COVID-19 and other pandemics could lead potential disruptions in terms of people, goods, supplies and spares. Certain countries may also impose travel restrictions. Risks could be placed on the Company and wider economy which could impact the Company's ability to operate and ultimately impact its cashflows.

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;

Strategic Report
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- 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 continues to offer many opportunities which can be exploited. Our agreement with Mutapa Mining and Processing will ensure that the hard rock open pit will be brought into production allowing the Company to benefit by receiving between 20%-23% of the profit depending on the gold price.

We are actively discussing bringing into production an alluvial operation on an additional licence nearby with other contactors, which we anticipate should lead to additional revenues being achieved.

We intend to move forward with our base metal projects in Zambia, one of which has proved to be very exciting potentially large scale project.

Covid-19, geopolitical tensions and finance market uncertainties lead us to believe that the coming year will continue to see a stronger gold price which the Company could benefit from and at the same time that our current portfolio is balanced thereby presenting good opportunities for value accretion in the coming months and mid term.

Colin Bird
Executive Chairman

5 June 2020

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 2019. The Corporate Governance Statement is set out on page 23 and forms part of this report.

Going Concern

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

Capital Structure

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

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

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

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

Results and Dividends

The net loss for the Group for the year ended 31 December 2019 amounts to £1,090k (2018: £0.74k). 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, Joel Silberstein 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 2019 have the following interests in the Company:

	31 December 2019		31 December 2018	
	Ordinary shares	**Options**	Ordinary shares	Options
Peter Moir	**40,000**	**—**	40,000	—
Colin Bird	**10,532,266**	**10,000,000**	2,418,431	—
Joel Silberstein	**—**	**5,100,000**	—	100,000

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

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

Directors' Indemnities

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

xtract RESOURCES PLC

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 457,303,288 Ordinary shares as at 12 May 2020. As at the date of the report, the Company had not received any notifications of major interest in shares.

Shareholders	12 May 2020	%
Hargreaves Lansdown Asset Management	70,346,374	15.38
Interactive Investors	47,430,540	10.37
Halifax Share Dealing	46,419,688	10.15
Barclays Wealth	33,114,362	7.24
Jarvis Investment Management	25,317,936	5.54
Sanderson Capital Partners	20,450,000	4.47
Mr Alex Terry	20,000,000	4.37
KMP International Limited	18,795,236	4.11
HSBC Stockbroker Services	16,749,893	3.66
Mr C Stewart	15,250,000	3.33

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 23.

General Meeting

The Company will hold a general meeting on 30 June 2020 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 will be sent to shareholders in a separate circular.

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

5 June 2020

Corporate Governance

Corporate Governance Report

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 2 base metal projects in Zambia and one conditional base metal project in Australia 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 as permitted in compliance with any current regulatory other legal restrictions in respect of Covid-19. 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 groups including internal and external stakeholders. The Board recognises the importance of the Company reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders.

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 and authorities based in Maputo. 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 or practical to incorporate an internal audit function. The Board will continue to monitor the need for an internal audit function and continue to work closely with the Company's financial accountant to ensure the effectiveness of its control systems.

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 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

Corporate Governance

CONTINUED

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 as permitted in compliance with any current regulatory other legal restrictions in respect of Covid-19.

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

5 June 2020

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 2019 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 30, 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 2019 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 £10.3m as at 31 December 2019.

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 £165,000, being less than 1.5% of Group Total 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.

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

5 June 2020

xtract
RESOURCES PLC

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

Registered number: 5267047

	Note	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Continuing operations			
Revenue from gold sales	5	**1,351**	892
Operating and administrative expenses			
Direct operating		**(795)**	(804)
Other operating		**(116)**	(103)
Administration		**(903)**	(746)
		(1,814)	(1,653)
Project expenses		**(298)**	(147)
Operating loss		**(761)**	(908)
Other gains	6	**12**	64
Finance (cost)/income	11	**(341)**	108
(Loss) before tax	8	**(1,090)**	(736)
(Loss) for the year		**(1,090)**	(736)
Attributable to:			
Equity holders of the parent		**(1,090)**	(736)
Net (loss) per share			
Basic (pence)	13	**(0.30)**	(0.20)
Diluted (pence)	13	**(0.30)**	(0.20)

The notes on pages 39-66 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group	
	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
(Loss) for the year	**(1,090)**	(736)
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	**41**	(37)
Other comprehensive income/(loss) for the year	**41**	(37)
Total comprehensive (loss) for the year	**(1,049)**	(773)
Attributable to:		
Equity holders of the parent	**(1,049)**	(773)

The notes on pages 39-66 form an integral part of these financial statements

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		As at 31 December 2019 £'000	As at 31 December 2018 £'000	**As at 31 December 2019 £'000**	As at 31 December 2018 £'000
Non-current assets					
Intangible assets	14	**10,318**	10,285	**—**	—
Property, plant & equipment	15	**24**	19	**—**	—
Investment in subsidiary	16	**—**	—	**8,533**	8,533
Financial assets available for sale	17	**—**	—	**—**	—
		10,342	10,304	**8,533**	8,533
Current assets					
Trade and other receivables	19	**167**	24	**758**	413
Loan receivable	18	**133**	318	**—**	—
Inventories	20	**117**	149	**—**	—
Cash and cash equivalents		**361**	442	**216**	383
		778	933	**974**	796
Total assets		**11,120**	11,237	**9,507**	9,329
Current liabilities					
Trade and other payables	22	**336**	530	**147**	247
Interest bearing	22	**—**	—	**—**	—
Other payables	22	**—**	—	**—**	—
Amounts due to subsidiaries	22	**—**	—	**8,936**	8,932
		336	530	**9,083**	9,179
Net current assets/(liabilities)		**442**	403	**(8,109)**	(8,383)
Non-current liabilities					
Other payables	—	**—**	—	**—**	—
Provisions	—	**—**	—	**—**	—
Reclamation and mine closure provision	—	**—**	—	**—**	—
Total liabilities		**336**	530	**9,083**	9,179
Net assets		**10,784**	10,707	**424**	150
Equity					
Share capital	23	**4,892**	4,874	**4,892**	4,874
Share premium account		**59,884**	58,926	**59,884**	58,926
Warrant reserve	24	**54**	450	**54**	450
Share-based payments reserve	24	**397**	298	**397**	298
Available-for-sale reserve	24	**—**	—	**—**	—
Foreign currency translation reserve	24	**276**	235	**—**	—
Accumulated losses		**(54,719)**	(54,076)	**(64,803)**	(64,398)
Equity attributable to equity holders of the parent		**10,784**	10,707	**424**	150
Total equity		**10,784**	10,707	**424**	150

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

5 June 2020

The notes on pages 39-66 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 2018		**4,874**	**58,926**	**647**	**298**	**—**	**272**	**(53,537)**	**11,480**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(736)	(736)
Forex currency translation differences		—	—	—	—	—	(37)	—	(37)
Revaluation of available-for-sale investments	17	—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**(37)**	**(736)**	**(773)**
Issue of shares		—	—	—	—	—	—	—	—
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**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(1,090)	(1,090)
Forex currency translation difference		—	—	—	—	—	41	—	41
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**41**	**(1,090)**	**(1,049)**
Issue of shares	23	18	1,114	—	—	—	—	—	1,132
Share issue costs		—	(156)	—	—	—	—	—	(156)
Expiry of warrants		—	—	(447)	—	—	—	447	—
Issue of share options	24	—	—	—	99	—	—	—	99
Exercise of warrants		—	—	—	—	—	—	—	—
Issue of warrants	24	—	—	51	—	—	—	—	51
As at 31 December 2019		**4,892**	**59,884**	**54**	**397**	**—**	**276**	**(54,719)**	**10,784**

The notes on pages 39-66 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 2018		**4,874**	**58,926**	**647**	**298**	**—**	**—**	**(64,131)**	**614**
Other Comprehensive income									
Loss for the period		—	—	—	—	—	—	(464)	(464)
Other comprehensive income		—	—	—	—	—	—	—	—
Revaluation of available-for-sale investments	17	—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(464)**	**(464)**
Issue of shares		—	—	—	—	—	—	—	—
Share issue costs		—	—	—	—	—	—	—	—
Expiry of warrants	24	—	—	—	—	—	—	—	—
Expiry of share options		—	—	—	—	—	—	—	—
Exercise of warrants		—	—	(197)	—	—	—	197	—
Issue of warrants	24	—	—	—	—	—	—	—	—
As at 31 December 2018		**4,874**	**58,926**	**450**	**298**	**—**	**—**	**(64,398)**	**150**
Other Comprehensive income									
Loss for the period		—	—	—	—	—	—	(852)	(852)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(852)**	**(852)**
Issue of shares	23	18	1,114	—	—	—	—	—	1,132
Share issue costs		—	(156)	—	—	—	—	—	(156)
Expiry of warrants		—	—	(447)	—	—	—	447	—
Issue of share options	24	—	—	—	99	—	—	—	99
Exercise of warrants		—	—	—	—	—	—	—	—
Issue of warrants	24	—	—	51	—	—	—	—	51
As at 31 December 2019		**4,892**	**59,884**	**54**	**397**	**—**	**—**	**(64,803)**	**424**

The notes on pages 39-66 form an integral part of these financial statements

Consolidated and Company Cash Flow Statements

		Group		Company	
	Note	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Net cash used in operating activities	25	**(895)**	(965)	**(1,062)**	(1,124)
Investing activities					
Acquisition of subsidiary undertaking		**—**	—	**—**	—
Acquisition of intangible fixed assets	14	**(76)**	(69)	**—**	—
Acquisition of tangible fixed assets	15	**(5)**	(19)	**—**	—
Net cash (used in)/from investing activities		**(81)**	(88)	**—**	—
Financing activities					
Proceeds on issue of shares		**895**	—	**895**	—
Proceeds from issue of warrants		**—**	—	**—**	—
Loan to Moz Gold		**—**	(160)	**—**	—
Loan to subsidiary		**—**	—	**—**	—
Net cash from financing activities		**895**	(160)	**895**	—
Net decrease in cash and cash equivalents		**(81)**	(1,215)	**(167)**	(1,124)
Cash and cash equivalents at beginning of year		**442**	1,657	**383**	1,507
Effect of foreign exchange rate changes		**—**	—	**—**	—
Cash and cash equivalents at end of year		**361**	442	**216**	383

The notes on pages 39-66 form an integral part of these financial statements

xtract
RESOURCES PLC

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Xtract Resources Plc is a Company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 7/8 Kendrick Mews, South Kensington, London, SW7 3HG. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 4 to 18.

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

No new or revised Standards and Interpretations have been required to be adopted, or are applicable in the current year to the Group, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2019 are not material to the Group.

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 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 2019.

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

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

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Going concern

The 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 2019, the Group held cash balances of £361k 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 2021.

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 2019 was £852k (2018: loss £464k).

Business combinations

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

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

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

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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

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

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

Foreign currencies

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

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

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

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

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

Taxation

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

Notes to the Financial Statements

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3. Significant accounting policies (continued)

Deferred tax

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

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

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

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

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

Intangible assets

Land acquisition rights and mine development costs

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

Intangible exploration and evaluation expenditure assets

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

Notes to the Financial Statements

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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.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

Financial instruments

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

Financial assets

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

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

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:

- Isignificant financial difficulty of the issuer or counterparty; or
- Idefault or delinquency in interest or principal payments; or
- Iit 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

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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.

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.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

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.

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.

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Notes to the Financial Statements

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4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Available for sale investments

The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This requires management to make an estimate of the fair value of the unquoted securities in the absence of an active market, which has mainly been established by use of recent arm's length transactions, as adjusted by a discount, where required. Uncertainty also exists due to the early stage of development of certain of the investments. The fair value of available for sale investments at 31 December 2019 is determined to be £Nil (2018: £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.

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5. Revenue

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

	Group	
	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Revenue		
Gold sales	**1,351**	892
Total Revenue	**1,351**	892

6. Other gains and (losses)

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

	Group	
	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Other income	**12**	64
Total other gains	**12**	64

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 2019

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment Revenue				
Sale of gold bars	—	—	1,351	1,351
Less: Cost of sales	—	—	—	—
Segment Gross profit	**—**	**—**	**1,351**	**1,351**
Operating and administrative expenses	—	(1,019)	(795)	(1,814)
Project costs		(102)	(196)	(298)
Segment results	**—**	**(1,121)**	**360**	**(761)**
Other gains	—	12	—	12
Finance (costs)	—	(91)	(250)	(341)
(Loss)/profit before tax	**—**	**(1,200)**	**110**	**(1,090)**
Tax credit	—	—	—	—
(Loss)/profit for the year	**—**	**(1,200)**	**110**	**(1,090)**

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 result	**—**	**(849)**	**(59)**	**(908)**
Other gains and losses	—	64	—	64
Finance income/(costs)	—	136	(28)	108
(Loss) before tax	**—**	**(649)**	**(87)**	**(736)**
Tax credit	—	—	—	—
(Loss) for the year	**—**	**(649)**	**(87)**	**(736)**

Notes to the Financial Statements

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7. Segmental Analysis (continued)

	2019 £'000	2018 £'000
Balance sheet		
Total assets		
Gold production	**290**	367
Mine Development	**10,318**	10,285
Investment & other	**512**	585
Consolidated total assets	**11,120**	11,237
Liabilities		
Gold production	**(306)**	(228)
Mine Development	**(2)**	(2)
Investment & other	**(28)**	(300)
Consolidated total liabilities	**(336)**	(530)

Geographical information

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Mozambique	**1,351**	892
United Kingdom	—	—
	1,351	892

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Mozambique	**10,608**	10,652
United Kingdom	**512**	585
	11,120	11,237

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 2019 £'000**	Year ended 31 December 2018 £'000
Depreciation of property, plant and equipment	15	**—**	—
Amortisation of intangible fixed assets	14	**—**	—
Auditors remuneration	9	**21**	21
Directors remuneration	10	**250**	187
Share-based payments expense	26	**98**	—

9. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'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	**—**	—
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**	18
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**	21

Notes to the Financial Statements

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10. Staff costs

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
The average monthly number of employees (including directors) was:	**26**	27

	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	**498**	473
Social security cost	**11**	11
Total salaries and fees	**509**	484
Share based payments	**98**	—
	607	484

The above staff costs include labour costs of £53k (2018: £52k), which have been capitalised as Mine Development Costs.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	**187**	187
Share based payments	**63**	—
	250	187

Total remuneration for the highest paid Director in the year was £128k (2018: £86k).

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Peter Moir	**24**	24
Joel Silberstein	**98**	77
Colin Bird	**128**	86

As at 31 December 2019 directors' remuneration included a share-based payment charges of which £42k (2018: £Nil) relates to Colin Bird and £21k (2018: £Nil) and relates to Joel Silberstein.

As at 31 December 2019 directors' fees of £40k (2018: £172k) relating to prior year fees remains outstanding, of which £Nil (2018: £132k) relates to Colin Bird and £40k (2018: £40k) relates to Peter Moir.

Notes to the Financial Statements

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11. Finance cost/(income)

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Foreign exchange (gains)/losses	**105**	(89)
Provision for bad debts	**166**	—
Penalties	**54**	—
Bank Charges	**8**	8
Loan interest payable	**7**	(27)
Finance charges	**1**	—
	341	(108)

12. Tax

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Corporation tax:		
Current year	**—**	—
Adjustments in respect of prior years	**—**	—
Total current tax	**—**	—
Deferred tax	**—**	—
	—	—

UK corporation tax is calculated at 19.00% (2018:19.00%) 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 2019 £'000	Year ended 31 December 2018 £'000
Loss before tax from continuing operations	**(1,090)**	(736)
Loss before tax	**(1,090)**	(736)
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	**(207)**	(140)
Tax effect of expenses that are not deductible in determining taxable profit	**20**	(1)
Tax effect of unrecognised tax losses carried forward	**187**	141
Difference in overseas tax rates	**—**	—
Tax charge/(credit) for the year	**—**	—

Notes to the Financial Statements

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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 2019 £'000	Year ended 31 December 2018 £'000
(Loss) for the purposes of basic and diluted earnings per share (EPS) being:		
Net (loss) for the year from continuing operation attributable to equity holders of the parent	**(1,090)**	(736)
	(1,090)	(736)

	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	**383,652,633**	350,560,684
Effect of dilutive potential ordinary shares-options and warrants	—	—
Weighted average number of ordinary shares for purposes of diluted EPS	**383,652,633**	350,560,684

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 2018	—	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**
Additions – at fair value (Manica)	—	—	—	—
Additions – at cost (Manica)	—	76	—	76
Foreign exchange	—	(43)	—	(43)
As at 31 December 2019	**—**	**10,318**	**—**	**10,318**
Amortisation				
At 1 January 2018	—	—	—	—
Charge for the year	—	—	—	—
As at 31 December 2018	—	—	—	—
Charge for the year	—	—	—	—
As at 31 December 2019	—	—	—	—
Net Book value at 31 December 2018	**—**	**10,285**	**—**	**10,285**
Net book value at 31 December 2019	**—**	**10,318**	**—**	**10,318**

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 2018	—	—	—	—
Additions – at cost	19	—	—	19
As at 31 December 2018	19	—	—	19
Additions – at cost	5	—	—	5
At 31 December 2019	24	—	—	24
Depreciation				
At 1 January 2018	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2018	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2019	—	—	—	—
Net Book Value				
At 31 December 2018	**19**	**—**	**—**	**19**
At 31 December 2019	**24**	**—**	**—**	**24**

16. Subsidiaries

Investments in subsidiaries

	2019 £'000	2018 £'000
At 1 January – Cost	**28,219**	28,219
Additions during the year	—	—
	28,219	28,219
At 1 January – Impairment	**19,686**	19,686
Impairment during the year	—	—
At 31 December – Impairment	**19,686**	19,686
At 31 December – Net Book Value	**8,533**	8,533

Notes to the Financial Statements

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16. Subsidiaries (continued)

Details of the Company's subsidiaries at 31 December 2019 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 2019, the Company held 2,371,365 shares in a non-listed entity which management have valued at £Nil (2018: £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.

Notes to the Financial Statements

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18. Loan receivable

	Group		Company	
	As at 31 December 2019 £'000	As at 31 December 2018 £'000	**As at 31 December 2019 £'000**	As at 31 December 2018 £'000
Opening balance – 1 January	**318**	158	—	—
Additions	—	149	—	—
Interest accrued	—	11	—	—
Foreign exchange	**(19)**	—	—	—
Provision for doubtful debts	**(166)**	—	—	—
	133	318	—	—

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 Company reserved the right to convert the loan into equity at any time after the execution date of the agreement to elect to convert the loan into a 25% share interest in Moz Gold. However, the Company decided not to convert the loan.

During 2019, the Company provided for an amount US$166k (£185k) as irrecoverable.

As at 31 December 2019, a total US$175k (£133k) (2018: US$394k (£318k) remains oustanding.

19. Trade and other receivables

	Group		Company	
	As at 31 December 2019 £'000	As at 31 December 2018 £'000	**As at 31 December 2019 £'000**	As at 31 December 2018 £'000
Other debtors	**159**	3	**125**	393
Trade debtors	—	—	**627**	—
Prepayments	**8**	21	**6**	20
	167	24	**758**	413

20. Inventories

	Group	
	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Gold dore bars on hand	**117**	149
	117	149

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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 2019 £'000	As at 31 December 2018 £'000	**As at 31 December 2019 £'000**	As at 31 December 2018 £'000
Trade creditors and accruals	**336**	530	**147**	247
Amounts due to subsidiaries	**—**	—	**8,936**	8,932
Other payables	**—**	—	**—**	—
	336	530	**9,083**	9,179

23. Share capital

	2019		2018	
	Number of shares	**£'000**	Number of Shares	£'000
Issued and fully paid ordinary shares of 0.01 pence each				
At 1 January	**—**	**—**	—	—
Shares issued during the period	**—**	**—**	—	—
	—	**—**	—	—
Share Consolidation*	**—**	**—**	—	—
At 31 December	**—**	**—**	—	—
Deferred shares of 0.09p each				
At 1 January	**5,338,221,169**	**4,804**	5,338,221,169	4,804
Subdivision**				
Issued during the period	**—**	**—**	—	—
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**	350,560,684	70
Share Consolidation*	**—**	**—**	—	—
Issued during the period	**87,947,368**	**18**	—	—
Outstanding as at 31 December	**438,508,052**	**88**	350,560,684	70

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

- Issued 6 March 2019 – 4,614,035 at 2.80p per share
- Issued 23 August 2019 – 83,333,333 at 1.20p per share

Notes to the Financial Statements

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23. Share capital (continued)

The following share options were issued during the year:

- Issued 19 February 2019 – 11,650,000 exercisable at 1.00p per share
- Issued 19 February 2019 – 7,190,000 exercisable at 1.25p per share
- Issued 19 February 2019 – 4,460,000 exercisable at 2.00p per share

The following warrants were issued during the year:

- Issued 23 August 2019 – 8,333,333 exercisable at 1.20p per share

The following warrants expired during the year:

- Issued 9 May 2016 –1,581,250 exercisable at 4.00p per share
- Issued 19 July 2016 – 843,750 exercisable at 4.00p 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.

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.

Notes to the Financial Statements

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25. Notes to the cash flow statement

	Group		Company	
	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
(Loss) for the year	**(1,090)**	(736)	**(852)**	(464)
Adjustments for:				
Net finance costs	**341**	(116)	**—**	—
Other losses/(gains)	**(12)**	—	**—**	—
Impairment of loan to subsidiary	**—**	—	**—**	—
Impairment of investment in subsidiary	**—**	—	**—**	—
Depreciation of property, plant and equipment	**—**	—	**—**	—
Amortisation of intangible assets	**—**	—	**—**	—
Share-based payments expenses	**98**	—	**98**	—
Operating cash flows before movements in working capital	**(663)**	(852)	**(754)**	(464)
(Increase)/decrease in inventories	**32**	(105)	**—**	—
(Increase)/decrease in receivables	**(143)**	118	**(345)**	(237)
Increase/(decrease) in payables	**(51)**	(189)	**37**	(291)
Cash used in operations	**(825)**	(1,028)	**(1,062)**	(992)
Net finance costs	**(70)**	116	**—**	—
Foreign currency exchange differences	**—**	(53)	**—**	(132)
Net cash used in operating activities	**(895)**	(965)	**(1,062)**	(1,124)

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.

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26. Share-based payments (continued)
Details of the Company's share options/warrants outstanding during the year are as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	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	**2,846,250**	**21.50**	5,777,243	12.60
Granted during the year	**31,633,333**	**1.25**	—	—
Exercised during the year	—	—	—	—
Expired during the year	**(2,425,000)**	**4.00**	(2,880,993)	4.00
Outstanding at the end of the year	**32,104,583**	**2.87**	2,896,250	21.50
Exercisable at the end of the year	**27,644,583**	**3.01**	2,846,250	21.50

The share options outstanding at 31 December 2019 had a weighted average exercise price of 2.87p (2018:21.5p), a weighted average remaining contractual life of 3.44 years (2018: 2.53 years).

On 19 February 2019, the Company issued 23,300,000 options of which 15,000,000 options were awarded to Directors and a further 8,300,000 options were awarded to employees and officers of the Company. The 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 options will lapse five years after the date of the award, being 19 February 2024. The 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.

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 8,333,333 (2018: Nil) warrants associated with the fundraising were issued to brokers directly. No warrants were exercised during the year.

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 £98k (2018: £Nil). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £397k (2018: £298k) in the share-based payments reserve after the reversal of expired and lapsed share options, and £54k (2018: £450k) in the warrants reserve.

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.

Notes to the Financial Statements

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27. Financial instruments (continued)

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.

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 2019 £'000	31 December 2018 £'000	**31 December 2019 £'000**	31 December 2018 £'000
US dollar	**242**	50	**303**	71
Danish Krone	**—**	—	**—**	1
Euro	**77**	57	**14**	16
Mozambican Metica	**293**	189	**8**	28

Notes to the Financial Statements

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27. Financial instruments (continued)

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 £526k (2018: £376k).

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 £35k plus VAT. An amount of £14k was outstanding as at 31 December 2019 (2018: £4k).

As at 31 December 2019 directors' fees of £40k (2018: £172k) relating to current and prior year fees remains outstanding, of which £Nil (2018: £132k) relates to Colin Bird and £40k (2018: £40k) relates to Peter Moir.

The emoluments of the Directors are disclosed in note 10 on page 53.

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

Remuneration of key management personnel

The remuneration of the Directors and other staff members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in note 10 on page 53.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Salaries and other short-term employee benefits	**341**	344
Post-employment benefits	**—**	—
Termination payments	**—**	—
Share-based payments	**88**	—
	429	344

29. Contingent liability

Nexus Collaboration Agreement

On 10 December 2019, the Company announced that the Collaboration Agreement for the exploitation of the Manica alluvials had been terminated by Nexus Capital Holdings PTE Limited ("Nexus") with an effective date of 2 December 2019. Prior to termination, Nexus had disputed the receipts in respect of alluvial gold production and pending resolution of this and as provided for under the Collaboration agreement, Nexus had submitted a claim to South African arbitration on 21 June 2019 for payment of US$347,028, being the gross proceeds from alluvial gold sales due to Nexus as at the end of April 2019.

On 3 October 2019, Nexus amended its claim to US$110,128 plus interest which was submitted by Nexus to the arbitrators. On 14 November 2019, a South African "arbitral tribunal" determined that Nexus' claim could be heard in South Africa, but no ruling was made on the quantum of Nexus' claim. Explorator challenged whether a South African arbitration tribunal had jurisdiction and appealed on this basis to the South African High Court. The arbitration is still proceeding, and the Company is currently waiting for the appeal to be heard. The above claim could include further charges in excess of the US$110,128 plus interest. However, it is the Board's view that it is unlikely that there will be an award in favour of Nexus. Nexus subsequently indicated that they intend to claim for damages based on future earnings from the alluvial operations. The Board believe there is no basis whatsoever for such a claim were it to be filed and is confident it would have little chance of success.

30. Events after balance sheet date

Issue of Equity

On 5 January 2020, the Company completed the issue of shares to KPZ International Ltd ("KPZ") on the terms as previously announced on 21 October 2019. The Company had informed KPZ that it intended to exercise its option to act as contractor for the Kalengwa Processing project on the copper large scale mining license number 24401-HQ-LEL located in the central part of Zambia. Under the Kalengwa Processing agreement, the Company had agreed to pay US$200,000 to KPZ on exercising its option to act as operator, to be settled through the issuance of 18,795,236 new ordinary shares an issue price of 0.8395p per share.

Bushranger Agreement

On 1 June 2020 the Company concluded a conditional Sale and Purchase Agreement (the "Acquisition Agreement") to acquire the entire issued share capital of ProspectOre Ltd ("ProspectOre") for a total consideration of £1.25 million, to be satisfied in new Xtract ordinary shares. In addition to the Consideration Shares, the Company has agreed that on notification by the Seller, prior to Completion, to settle from existing cash resources, a maximum amount of A$200,000 (£108,000) in cash relating to outstanding liabilities of ProspectOre, primarily being the cost to acquire the Anglo Tenements as described above, and Director loans of A$25,000 (£13,500).

ProspectOre's assets principally comprise its rights, title and interest in the Bushranger Project and the Anglo Tenements. In the event that ProspectOre is unable to complete the share transfer pursuant to the Acquisition Agreement, the Acquisition will proceed by way of an Asset sale and ProspectOre has agreed to sell the Assets on Completion.

Completion of the acquisition is subject to, and conditional upon, the satisfaction or waiver of a number of conditions precedent including:

(i) From the date of signing the agreement, a 30 day due diligence period enabling the Company, to verify that ProspectOre is the legal and beneficial owner of the Tenements or, in respect of the Anglo Exploration Tenements, has a legally binding right to acquire such. In the event that the above condition is not satisfied, the Company will have the right to terminate the agreement.

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30. Events after balance sheet date (continued)

(ii) In the event of an Asset sale, New South Wales Minister for Energy and the Environment approval of the sale and written consent from Anglo to the assignment of the ProspectOre's interest in the Anglo Acquisition Agreement by no later than the cut-off date, being 31 October 2020, or such later date agreed by the Company and ProspectOre. In the event that the above condition is not satisfied by such date, both parties will have the right to terminate.

(iii) In the event of a Share sale, New South Wales Minister for Energy and the Environment consent to the change in control of the seller no later than the cut-off date of 31 October 2020 or such later date agreed by the Company and ProspectOre.

(iv) Written approval no later the cut-off date of 31 October 2020, or such later date agreed by Xtract and ProspectOre, from the Foreign Investment Review Board that there is no objection under the Foreign Acquisitions and Takeovers Act 1975. In the event that the above condition is not satisfied, both parties will have the right to terminate.

Company Information

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

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