xtract
RESOURCES PLC

Annual Report

for the year ended
31 December 2020

Contents

Xtract Resources Plc (AIM:XTR) announces its final results for the year ended 31 December 2020, a year in which the Company focused its activities on its Bushranger copper-gold exploration project in Australia and copper-gold exploration projects in Zambia.

Corporate & Operational highlights

- Company agreed conditional acquisition of a 100% interest in the Bushranger Copper-Gold Project within the world-class Lachlan Fold Belt in New South Wales, Australia
- Completion of sale & purchase agreement to acquire 100% interest in the Bushranger Copper-Gold project in Australia for £1.25m was settled in new Xtract ordinary shares
- Bushranger Project has a JORC (2012) compliant Inferred Resource of 71Mt @ 0.44% Cu and 0.064g/t Au, with deposit widths and gold grades increasing down-plunge
- At Manica in Mozambique, two further mining contractor agreements were concluded post period end to develop the Guy Fawkes and Boa Esperanza hard rock gold deposits
- At the Eureka copper-gold project in Zambia, exploration pitting post period end encountered high grade sample suggesting there is potential to extend the known deposit to over 300m length
- Data integration at the historic high-grade Kalengwa mine site in Zambia confirms that much of the near-mine copper-silver potential remains to be adequately drill tested
- Total of £0.65 million (before expenses) raised through an equity placing
- Additional mining contractor agreement concluded for the exploitation of alluvial gold deposits at Manica in Mozambique
- Total of 19.38kg (equivalent to 620 ounces) of production attributable to Explorator (2019: 37.31kg (equivalent to 1,199 ounces)

Financial highlights

- Cash of £0.92m (2019: £0.36m)
- Net assets of £11.93m (2019: £10.78m)
- Revenue from gold sales of £1.73m (2019: £1.35m)
- Administrative and operating expenses of £2.09m (2019: £1.81m)

Chairman's Statement

Colin Bird
Executive Chairman

Dear Shareholder,

The period under review has been very positive, with the Company advancing its mission to be a major explorer with small scale mining operations. The objective being to have meaningful income to explore any discovery, which has the potential to become a large-scale mining operation. This balance of production and operation can mitigate the inevitable effect of dilution against discovery, since any discovery will require a large drilling budget to establish its value.

A major step for the Company was the acquisition of the Bushranger Copper-Gold project in NSW, Australia in late October 2020 and we commenced drilling on 16 December 2020. We drilled 5 holes, all of which encountered considerable widths of copper mineralisation, with the first hole encountering 920m of continuous mineralisation. Post balance sheet, we completed the programme, received some assay results, conducted a major geophysical programme and did some initial open pit modelling.

The results of the geophysics have been extremely encouraging and the porphyry appears to be open in all directions, with particularly strong indications of mineralisation to the northwest and southeast at relatively shallow depths. The Directors were extremely encouraged by the results of the initial programme and are planning a second drilling programme to commence early Quarter 3, 2021 for at least 20,000m. We are currently modelling a potential open pit, based on previous drill holes and eagerly await the outcome of the modelling against more positive copper prices and mid-term projections.

The Racecourse Project in the Lachlan Fold Belt has well surpassed our expectations and we look forward with anticipation to phase 2 of the drilling programme.

In Zambia the period commenced with reconnaissance drilling and the results were extremely encouraging at Eureka, whilst the Kajevu programme showed only sporadic mineralisation. We therefore decided to continue with Eureka and discontinue further work at Kajevu. The Eureka project has continued to progress, and we are particularly pleased with the extension to the former open pit and the strike remains open. It appears that the oxide mineralisation extends to at least 60m depth and there is sufficient ore to commence an open pit for concentrated ore supply to local processing facilities. After the period under review, further drilling was carried out and in the region of the former open pit and very high copper results have been received. Thus, future exploration will have a dual focus. We will drill to extend the oxide open pit and we will drill deeper to test the continuity of the body into sulphides. It has been postulated that Eureka may well be an IOCG deposit, and we will investigate that prognosis. At the time of writing, we are moving drilling equipment to further test the extension of strike.

The Kalengwa processing project received much test work ranging from rudimentary upgrading to building a leach process site. The latter was somewhat hampered by leaching results and the prospect of prolonged rains interfering with a 12-month operation. We are settled on an upgrading process for the tailings and are confident that we can produce a +10% material for transport to Copperbelt processing facilities. Drilling was carried out south of the open pit and we are confident that we can conduct primary mining south of the pit without necessarily blasting, since the material seems amenable to scraping. A primary operation together with the hard rock dumps, justifies sulphide processing circuit and this will form the second part of our Kalengwa processing operation.

The Manica Fairbride operation in Mozambique continued but was severely hampered by the excessive rains in Manica, with the area suffering the tail end of two cyclones. Construction of equipment in South Africa continued but smaller items could not be transported to site, because of Covid-19 restrictions between the borders of South Africa and Mozambique. At the time of writing, the tailings dams are complete, civil works are in progress, most equipment has been manufactured and we are confident for a third quarter 2021 start-up of operations.

Chairman's Statement

CONTINUED

The delays at the Fairbride project motivated us to approach our partners to investigate the Guy Fawkes and Boa Esperanza projects with local contracting groups. We engaged a group to work on the Guy Fawkes project, which is predominantly underground. They have established entrances to the orebody and are blocking the upper levels out for stoping. Currently, they are mining a deeper entrance to block out deeper levels, prior to commencing more productive stoping methods.

The alluvials continue to produce modest results, and since the date of commencing operations, we have made a surplus of income over expenditure in the current year, despite very adverse operating conditions, which are essentially deep overburden and low grade. We are optimistic for gold production for the third quarter of this year, when all operations are active.

The second part of 2021 should be very exciting for the Company since we have high expectations for production income increasing and receiving positive results from our phase 2 drilling programme in Australia. We have succeeded in keeping all operations progressing through the Covid-19 outbreak, while minimising disruption.

I thank all of my fellow directors and staff for their efforts and contributions during the period under review and the period thereafter and look forward to their patience and effort bringing rewards to our shareholders towards year end.

Colin Bird
Executive Chairman

25 June 2021

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

In late 2020 the Company built substantially on its copper-gold portfolio by acquiring a 100% interest in the highly prospective Bushranger copper-gold porphyry deposit within Australia's world-class copper-gold province in the Lachlan Fold Belt district of New South Wales. The Racecourse Mineral Resource (currently estimated to be **71Mt @ 0.44% Cu & 0.064g/t Au, at a 0.3% Cut-Off**) is open to significant expansion, with excellent upside potential for further discoveries on Xtract's exploration licences surrounding the Racecourse Resource. A Phase 1 drilling programme commenced in 2020 and was successfully completed in April 2021 to test the down-plunge continuity and grade of the previously established mineral resource. Combined with the results of a ground geophysical survey carried out post year-end, the results highlighted the potential to significantly extend the mineral resource, and options for possible open-pit mining are being reviewed.

In Zambia the Eureka copper project was advanced by drilling during 2020 and into 2021, extending the strike of the shallow, structurally-controlled mineralised zone to over 300m, with scope for further extension. The Company reached agreement with a local processing plant to supply a copper ore concentrate from the deposit and, post year-end, development commenced on a small open pit mine.

At the former Kalengwa mine, tests were carried out on mine tailings to establish the potential for upgrading the tailings for sale to a Copperbelt processing facility. Drilling immediately south of the former open pit also confirmed the presence of in-situ shallow copper oxide mineralisation which could be free-digging. The aim will be to process this material together with the hard rock dumps, to form the second part of a Kalengwa processing operation.

Development at the planned Manica Fairbride hard-rock gold mining operation in Mozambique continued but was severely hampered by excessive rains. Nevertheless, construction progress was made, and the tailings facility completed, with mining start-up planned for Quarter 3, 2021. The contract alluvial operations at Manica continue to provide modest income to the Company.

Summary of Company projects

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 transaction was completed on 10 November 2020. 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.

Strategic Report

CONTINUED

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, down-dip and along strike to the northwest and southeast. The most recent drilling at Racecourse prior to Xtract's involvement intersected substantially wider mineralisation than previously – 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.

Following completion of the acquisition, Xtract carried out a six-hole Phase One drilling programme at Racecourse. This work started in 2020 and was finished post year-end, for a total drill advance of just over 5,000m. The five holes which were completed (one hole was abandoned due to excessive deviation) all intersected the zoned Racecourse porphyry copper alteration-mineralisation system.

Assay results were received for the first hole (BRDD-20-001) of the programme, drilled down the plunge of the deposit. These returned an overall intersection of 920m @ 0.3% Cu, 0.02g/t Au and 1.45g/t Ag (0.33% CuEq) from 110m. Higher-grade zones within the overall mineralised envelope included 156m @ 0.48% Cu, 0.04g/t Au & 2.44g/t Ag (0.52% CuEq) from 110m and 44m @ 0.50% Cu, 0.05g/t Au & 1.92/t Ag (0.55% CuEq) from 504m.

The overall mineral intersection and higher-grade zones in drill hole BRDD-20-001 compare very favourably with intercepts reported by Alkane Resources Limited ("Alkane") for their Boda copper-gold discovery located 170km from Bushranger.

Also post-year end, an Induced Polarisation (IP) MIMDAS geophysical survey was commissioned at Bushranger to potentially trace copper-gold and associated sulphide alteration to beyond 1,000m vertical depth and laterally. The information obtained will be used in planning a Phase Two drilling programme to further extend the mineral resource towards the target of 2Mt of contained copper equivalent.

Zambia

Eureka

Following on from the successful Phase 1 drilling programme completed in 2019, a 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 appears to bifurcate and both limbs remain open.

A programme of exploration pitting was subsequently carried out to trace the northwest extension of the Eureka mineralisation. This returned channel samples in weathered bedrock up to 2.65% Cu in one pit, potentially extending the strike length of the deposit to at least 300m, with the zone still open beyond this point.

A Phase 2 drilling programme commenced post year-end to test the Eureka copper-gold deposit strike extent and further define the internal grade and continuity of the mineralisation. This information will be used to define a copper resource sufficient to support an open pit mining operation for a minimum of 3 years. The Company also announced that plans were being prepared to excavate a box-cut at the base of the current open pit to obtain a bulk sample and provide break points for benches. Roads in and around the area were being upgraded to receive heavy vehicles and allow the transport of ore from site. Tenders were received from several Zambia-based open pit contractors for the pit operation.

Strategic Report

CONTINUED

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.

Historic drilling of the orebody down-plunge and on the north-east and south-west flanks of the open pit has demonstrated that further resources remain unexploited in these areas. (Source: African Minerals Ltd, Assessment of Kalengwa Mine, 1998, as reported by Lunga Resources Ltd, 2013).

Compilation of historic mine drilling data identified a shallow zone of semi-consolidated copper oxide mineralisation located just south of the old open pit. Post year-end, a reconnaissance diamond drilling programme of six short vertical holes was completed by Xtract. Based on preliminary testing by hand-held XRF, the most interesting hole, KXD-006, was selected for laboratory assay, returning an intersection of 69.0m @ 0.88% Cu, 2.59g/t Ag from 9.0m depth, including sub-intervals of 12m @ 1.01% Cu and 17m @ 1.07% Cu.

KXD-006 is located about 100m from the open pit and the intersection is approximately twice the thickness reported in historic holes. The Company will review results from KXD-006, along with information from the remaining holes, to plan for further delineation of the mineralised zone.

Mozambique

The Manica Gold Project was the Company's first investment into Southern Africa. Mozambique, has traditionally been seen as stable mining jurisdiction within a favorable 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 for the remainder 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 18 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.

Australia

Bushranger project

Acquisition Agreement

Background

On 1 June 2020, an Acquisition Agreement was entered into by the Company and ProspectOre, an Australian public unlisted company. 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.

ProspectOre acquired the Bushranger Copper-Gold Project from Anglo American Exploration (Australia) Pty Ltd ("Anglo") in December 2017 ("Bushranger Acquisition Agreement"). Under this agreement, Anglo has a "buy-back" option, as described further below. ProspectOre also entered into an Exploration Farm-in and Joint Venture Agreement ("JV") with Anglo at the same time to farm-in to the surrounding exploration tenure covering 3 additional exploration licences: EL8305, EL8306 and EL8585 ("Anglo Exploration Tenements"). Subsequently, ProspectOre has agreed with Anglo ("Anglo Acquisition Agreement") to acquire outright the Anglo Exploration Tenements, which supersedes the JV agreement, for a cash consideration of A$50,000.

Key terms of the Agreement

Xtract agreed to conditionally purchase all of the issued share capital of ProspectOre for a total consideration of £1.25 million, to be satisfied by the allotment and issue of 100,000,000 new Ordinary Shares of 0.02p each ("Consideration Shares") at an issue price of 1.25p per Ordinary Share.

The total consideration was apportioned as to £10,000 in value for licence EL8305; £10,000 in value for licence EL8306; £10,000 in value for licence EL8585; and £1,220,000 in value for licence EL5574 (the Racecourse resources lies entirely within EL5574). Licence EL 5574 and EL 8585 expired on 4 June 2021 and 5 June 2021 respectively. The Company have formally filed the renewal documents with the relevant authorities in Australia and await approval for both licenses. The Company have not been made aware of any reason that they will not be granted.

In addition to the Consideration Shares, Xtract agreed 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.

Xtract agreed to spend at least A$350,000 (£189,000) on exploration drilling and resource definition drilling on the Tenements within twelve months of the date of Completion.

Anglo Buy-back option

Under the terms the Bushranger Acquisition agreement, if a deposit of greater than 2 million tonnes of contained Cu equivalent (e.g. 450Mt @ 0.45% Cu equivalent) is ultimately identified, Anglo may buy-back 80% of the Racecourse deposit at fair market value as determined by an Independent Expert in accordance with the JORC and Valmin Code. Anglo and ProspectOre would then provide funding pro-rata to their interests, save that ProspectOre may decide not to provide its share of funding and be diluted, ultimately retaining a 0.75% net smelter royalty (NSR). If a "Decision to Mine" is taken by ProspectOre prior to the identification of 2 million tonnes of contained Cu equivalent, Anglo also have an opportunity to exercise the buy-back. Anglo have a once-only opportunity to exercise the 80% buy-back whether the opportunity comes through the discovery of 2 million tonnes of contained Cu equivalent or a decision to mine.

If Anglo does not exercise the buy-back and ProspectOre ultimately develops a mine, ProspectOre would hold a 100% project interest, less 3.5% in NSR royalties and a A$7.5 million development payment to historic holders (which includes Anglo).

Future Sale of Anglo Tenements

If within three years of completion of the acquisition of the Anglo Exploration Tenements, ProspectOre sells the Anglo Tenements, ProspectOre must notify Anglo of the sale and if the sale value is more than A$100,000, an additional payment is due to Anglo equal to 50% of the sale value in excess of A$100,000. If the sale value is less than or equal to A$100,000 no further payment is due to Anglo.

Project Background

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.

Strategic Report

CONTINUED

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. Drilling at Racecourse subsequent to the Inferred Resource estimate 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.

Xtract Drilling Programme

Following completion of the acquisition, Xtract carried out a six-hole Phase One drilling programme at the Racecourse Mineral Resource. This work started in 2020 and was completed post year-end, for a total drill advance of just over 5,000m. The Phase One drilling programme was designed to follow up on the strong results obtained by Anglo in 2014 and 2015 (refer to RNS released on 01 June 2020). The objective of the programme was to continue to extend the highest-grade copper-gold intersections to the northwest, beyond the limits of previous drilling and to investigate the copper-gold zonation within the Racecourse Mineral Resource. The programme was expanded from an initial three holes to six holes due to the encouraging mineralisation and intersection lengths encountered in the initial holes.

Five of the six holes were drilled to completion and all intersected the zoned Racecourse porphyry alteration-mineralisation system, with core logging indicating that copper mineralisation extends significantly further down-plunge to the northwest than shown by previous drilling, as well as confirming continuity of the width of the body at depth. Drill core was logged and sampled by diamond saw for dispatch to the analytical laboratory.

Assay results were received for the first three holes (BRDD-20-001 to 003) of the Phase One Drilling Programme – these are detailed in Table 1 below. Down-plunge hole BRDD-20-001 returned an overall intersection of 920m @ 0.33% CuEq from 110m. Higher-grade zones within the overall mineralised envelope included 156m @ 0.52% CuEq from 110m and 44m @ 0.55% CuEq from 504m. These correspond well those reported from drilling undertaken by Anglo American Exploration Australia Pty Ltd ("Anglo") in 2014 and 2015.

BRDD-21-002 and BRDD-21-003 were drilled obliquely across the deposit to test the width and grade of the mineralisation within the deposit extension. These holes intersected wider mineralised zones than anticipated in the form of disseminated and fracture-fill chalcopyrite, accompanied by pyrrhotite and pyrite. Among the better assay intervals in these two holes were 362m @ 0.20% CuEq from 422m, including 14m @ 0.36% CuEq from 500m and 26m @ 0.32% CuEq from 638m in BRDD-21-002, and 200m @ 0.20% CuEq from 598m, including 68m @ 0.26% CuEq from 676m and 16m @ 0.31% CuEq from 714m in BRDD-21-003.

Results from these three holes, along with historic drilling results indicate that, as the Racecourse copper mineralisation extends northwest beyond the existing Inferred Mineral Resource, it increases significantly in width, however the higher-grade mineralisation occurs at shallower depths, enhancing the open pit potential of the deposit.

The overall mineral intersections and higher-grade zones in the first three Xtract holes are comparable to intercepts reported by Alkane Resources Limited ("Alkane") for their Boda copper-gold discovery located 170km from Bushranger.

Strategic Report

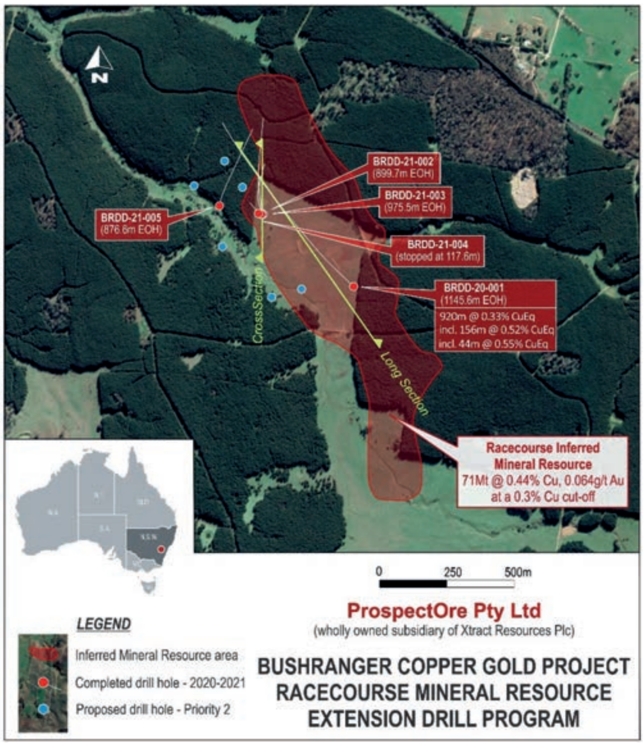
CONTINUED

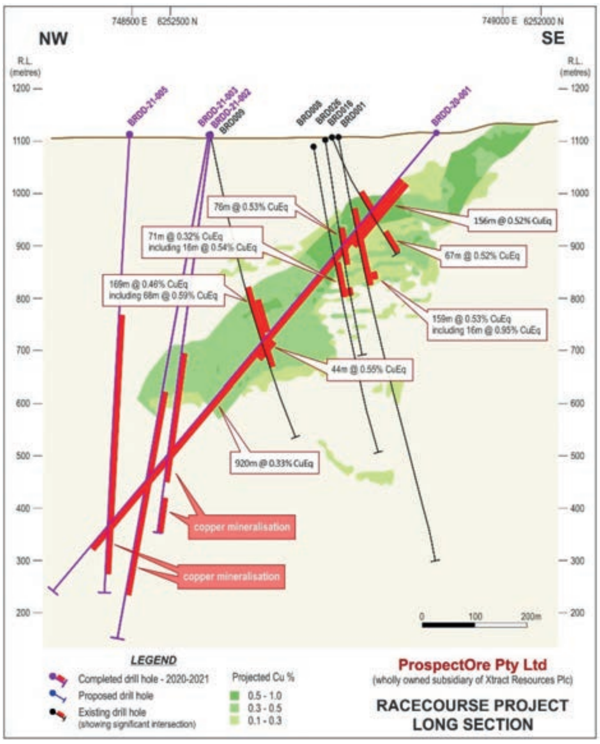
Table 1 – Assay Results from Drill Hole BRDD-21-001 to 003

Hole No.	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)*
BRDD-20-001	110	1,030	920	0.30	0.02	1.45	**0.33**
incl.	110	266	156	0.48	0.04	2.44	**0.52**
and	366	552	186	0.37	0.03	1.82	**0.40**
incl.	504	548	44	0.5	0.05	1.92	**0.55**
BRDD-21-002	442	804	362	0.19	0.01	0.9	**0.20**
incl.	468	520	52	0.25	0.01	1.7	**0.27**
incl.	500	514	14	0.33	0.01	2.3	**0.36**
and	638	664	26	0.30	0.02	1.0	**0.32**
and	776	794	18	0.28	0.01	1.1	**0.30**
incl.	784	794	10	0.31	0.02	1.2	**0.33**
BRDD-21-003	598	798	200	0.18	0.01	1.2	**0.20**
incl.	626	744	118	0.21	0.01	1.2	**0.23**
incl.	676	744	68	0.24	0.02	1.3	**0.26**
incl.	714	730	16	0.28	0.02	1.6	**0.31**

*CuEq Formula: CuEq = Cu% + 0.62xAu (g/t) + 0.0093xAg (g/t)

Also post-year end, an Induced Polarisation (IP) MIMDAS survey geophysical survey was commissioned at Bushranger. This IP system was chosen due to its excellent depth penetration abilities and good signal to noise ratio. The survey was designed to potentially trace copper-gold and associated sulphide mineralisation to beyond 1,000m vertical depth. This will permit tracking of extensions to the Racecourse deposit down plunge to the northwest, as well as along strike to the northeast and southwest where little historic drilling has been completed. The information obtained will be used in planning a Phase Two drilling programme to further extend the mineral resource towards the target of 2Mt of contained copper equivalent. Results of this survey will be reported when work is completed and results are processed.





Strategic Report
CONTINUED

Drill rig operating at the Racecourse project

Disseminated chalcopyrite copper mineralisation in drill core at Racecourse

Zambia Project detail
Zambian Copper-Gold Projects
Eureka Project
Background

Previous exploration focused 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.

Strategic Report
CONTINUED

Exploration by Xtract

Based on the strong encouragement obtained from its previously reported initial drilling programme, Addison Mining Services (UK) was contracted to undertake a 3-D modelling study on the Eureka main pit copper-gold deposit, combining historic drilling with the results of Xtract's recent drill programme. Among the conclusions were:

- There appears to be both immediate resource potential within remaining oxide material below, and adjacent to, the current pit, and potential for a larger sulphide deposit along strike.
- The +0.2% Cu envelope is well developed in the northwest of the pit and remains open, appearing to bifurcate.
- The main limb trends to the northwest of the pit with approximately 400m of strike potential within the licence, while a subordinate limb trends west-northwest with strike potential of approximately 800m. The latter trend is coincident with a spur of the main copper anomaly in soils.
- Mineralisation is also open down-plunge, below the relatively shallow intercepts drilled to date.
- Towards the east-southeast the mineralised zone appears to weaken, however it may re-develop further along strike where the coincident soil anomalies become stronger.

Based on these conclusions the Company undertook an exploration pitting programme to further extend the Eureka deposit to the north-west.

A total of 19 pits were dug by mechanical excavator at 50m spacing along north-south profiles to a maximum depth of 7m, chiefly on the main Eureka open pit extension, but also including several in the area of the 'villager's pit' on the Eureka West target. The weathering profile in the vicinity of the main Eureka open pit is quite deep and most of the exploration pits did not encounter solid bedrock, mainly cutting through overlying soils and saprolite. Channel profile samples were taken every metre down the pits and these were subsequently dried, sieved, labelled and bagged in the field for later analysis. Prepared samples were analysed for copper by GeoQuest, an independent geological contracting company based in Lusaka, using a hand-held XRF analyser.

Results showed strongly anomalous values in four pits, designated EX-P1 to EX-P4, to the northwest of the open pit mine. Although visible copper mineralisation was not identified in the heavily weathered profile, all of these pits returned sample values in excess of 1,000ppm Cu, with values peaking in Pit EX-P3 at 2.65% Cu. This strongly indicated a potential north-westerly extension of the mineralisation drilled at the open pit which could extend the known 200m strike of the Eureka deposit by a further 110m to more than 300m overall – with scope for additional extensions again beyond the line of exploration pits.

At Eureka West, almost 1km to the southwest of the main Eureka target, three exploration pits were completed near the Villager's pit excavation, with channel samples returning values up to 0.21% Cu in pit EX-P35. These results support the previous identification of disseminated copper mineralisation in bedrock and boulders and could expand the target over a greater width.

Post year-end the Company carried out a planned Phase 2 drilling programme with several aims:

- To test the deposit north-west strike extension suggested by exploration pitting, thereby demonstrating at least 300m of strike extent
- To provide additional information on internal deposit width and grade to support open pit mine planning
- To define a copper resource sufficient to support an open pit mining operation for a minimum of 3 years

Core from this drilling programme is currently being processed and results will be reported in due course.

Strategic Report

CONTINUED

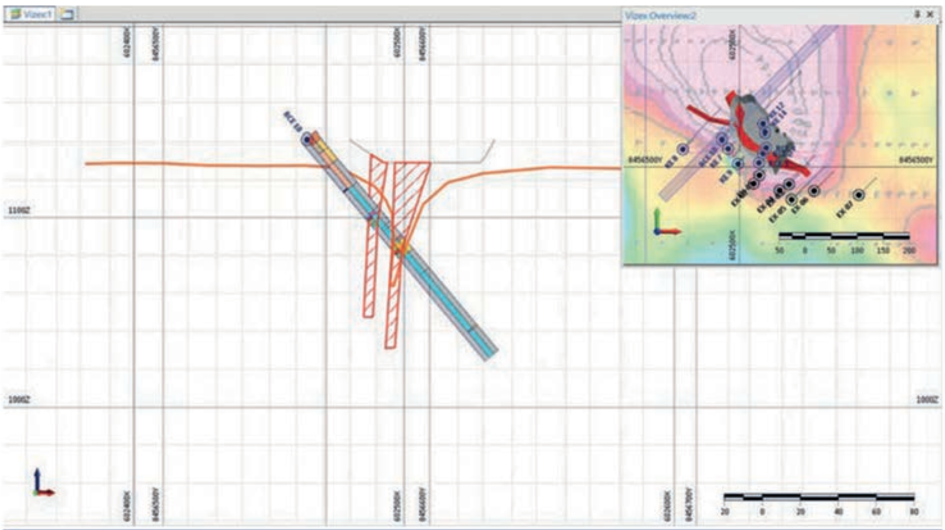
In addition, the Company announced that it was preparing plans to make a box-cut excavation at the base of the current Eureka open pit in order to obtain a bulk sample of copper-gold oxide material to test its suitability for processing at a local plant. Previous mining did not excavate sufficiently through the near-surface leached zone, hence the need for a box-cut to access the mineralisation. The Company also announced that the roads in and around the pit area were being upgraded to receive heavy vehicles and allow the transport of ore from site and that a number of Zambia based open pit contractors had submitted tenders for the pit operation.

View of the flooded Eureka open pit looking southeast

Coarse chalcopyrite copper mineralisation in drill core

Eureka Phase 2 drill core in storage at Lusaka

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



Strategic Report

CONTINUED

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 historic 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 (Source: African Minerals Ltd, Assessment of Kalengwa Mine, 1998, as reported by Lunga Resources Ltd, 2013).

The Company compiled historic exploration information for the Kalengwa Project area with a view to identifying priority targets for reconnaissance drill testing. This work highlighted a shallow, fault-controlled zone of copper oxide mineralisation of significant thickness sitting just below surface immediately south of the old open pit. This unmined spur of the main Kalengwa open pit ore zone extends for over 100m to the south-southwest of the open pit based on very limited historic drilling. Historic drill intercepts by previous licence holders include 38.1m @ 0.69% Cu and 29.0m @ 1.27% Cu. The shallow mineralisation and morphology of the deposit suggest that it could be amenable to low-cost open pit mining. Although known to the original mine operators in the 1970s, this zone would most likely have been considered below cut-off grade for their operations that were based on exceptionally high ore grades.

Post year-end, in order to test this zone, Xtract completed a limited programme of six shallow reconnaissance vertical diamond drillholes totalling 415m. The completed holes encountered a profile of deep bedrock oxidation, comprising a variety of clays and weathered bedrock. The holes were stepped out at 50m spacing on two traverses, oriented NE-SW (along strike) and NW-SE (across strike). As copper oxide mineralisation is often difficult to recognise in such core, a portable XRF instrument was used to provide preliminary information regarding the presence and grade of copper. XRF results indicated copper values over a wide interval in the final hole of the programme, KXD-006, located about 100m south of the Kalengwa pit margin, with disseminated chalcocite-malachite mineralisation identified in a conglomerate unit towards the base of the section.

Assay results for split core from KXD-006 were received from the SGS laboratory at Kalulushi in Zambia, returning consistent copper results over an interval of 69.0m as set out in Table 1. Full logging and testing of the remaining holes has yet to be completed.

Table 2: Kalengwa Near-Mine Drilling – Laboratory Assay Results Summary

Hole No.	From (m)	To (m)	Interval (m)	Cu%	Ag (g/t)
KXD-006	9.0	78.0	69.0	0.88	2.59
Incl.	21.0	33.0	12.0	1.01	0.83
and	60.0	77.0	17.0	1.07	5.44

The mineralised zone encountered is substantially thicker than indicated by historic drilling and the results from the reconnaissance drill programme will be reviewed to develop a plan to more fully delineate the zone.

Sample of Kalengwa ore showing green malachite copper mineralisation

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"). This agreement replaced the Joint Venture and Collaboration Agreement entered into with Omnia Mining Ltd on 19 February 2018.

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 Carbon in Leach plant.

Strategic Report

CONTINUED

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.

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. As at the date of this report, no SPV has been incorporated.

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.

During 2020, the construction of equipment in South Africa continued, however certain items could not be transported to site, because of Covid-19 restrictions between South Africa and Mozambique.

A large part of the bulk cut and fill works was undertaken during the year with a locally based leading construction and open cast mining company, completing final trim. Other works which commenced during the year included crusher feed refurbishment, cone crusher work and mill rectification works including lubrication system and liquid resister starter connection.

Scott Wilson consulting engineers completed updated design of tailings dam. The tailings construction contract was agreed and the contractor mobilised the necessary earth moving equipment to site to commence clearing and topsoil removal.

Strategic Report
CONTINUED

Post year end, the tailings dams have been completed, most equipment has been manufactured and civil works in progress. The Company is confident MMP will do everything within their control ensure to commence commercial production will commence during the second half of 2021.

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.

Guy Fawkes

On 19 August 2020, the Company concluded a mining contractor agreement ("Guy Fawkes Agreement") with Longhau Tianci Mining Co Ltd ("Longhau" or "Contract Miner") for the exploitation of the Guy Fawkes hard rock gold deposit at its Manica mining concession in Mozambique. Under the Mutapa Agreement concluded in May 2019,, the Company had appointed MMP as an independent mineral processing contractor to conduct hard rock mining on the Manica Project permitted area comprising the main deposit at Fairbride, and the three ancillary deposits at Guy Fawkes, Dots Luck and Boa Esperanza. The Company and MMP subsequently agreed to release the three ancillary deposits at Guy Fawkes, Dots Luck and Boa Esperanza from the Mutapa Agreement in order to enable Xtract to appoint third party mining contractors who might be able to provide early cash flow pending construction by MMP at Fairbride.

Guy Fawkes Contract Mining Agreement

- Longhau appointed to mine the Guy Fawkes hard rock gold deposit for 6 years or until the ore body is depleted or no longer viable
- Guy Fawkes Agreement provides for Explorator to receive 20% of gold production (after settlement by Explorator of the Mining Production Tax)
- Explorator will remit 35% of its share of Guy Fawkes gold production (after applicable expenses and tax) to Mutapa the Company's existing hard rock collaboration partner
- Longhau to commence adit mining and initial underground development during the processing build phase

Project Technical Summary

Guy Fawkes is a near-vertically dipping Archean Greenstone Belt Orogenic Gold deposit occurring within the 10km long west-northwest trending Mutamborico shear zone in western Mozambique. It sits in a multi-deformed quartz vein stockwork zone hosted within meta-sedimentary mafic lithologies. Gold is associated with non-refractory arsenopyrite-pyrite sulphide mineralisation.

The project has been mined historically since 1893 and was one of the largest of a series of hard-rock gold mines in the district, with total production of almost 16,000oz Au reported.

A 2016 technical report commissioned by Xtract estimated a SAMREC Code (2009) compliant Indicated and Inferred Mineral Resource of 1.13Mt @ 1.91g/t Au (ca. 70,000 oz. contained gold), as reproduced in the table below:

Strategic Report
CONTINUED

Guy Fawkes Total Mineral Resource

Mineral Resource Category	Tonnes Mt	Au g/t	Au kg	Au koz
@ 0.5g/t Open Cut and 1.5g/t Underground				
Measured	—	—	—	—
Indicated	0.908	1.82	1,648	52.98
Total M&I	0.908	1.82	1,648	52.98
Inferred	0.225	2.30	519	16.68
Total Measured, Indicated and Inferred	**1.133**	**1.91**	**2,167**	**69.66**
@ 0.5g/t Au Open Cut				
Measured	—	—	—	—
Indicated	0.718	1.69	1,216	39.09
Total M&I	0.718	1.69	1,216	39.09
Inferred	0.060	1.43	86	2.76
Total Measured, Indicated and Inferred	**0.778**	**1.67**	**1,302**	**41.86**
@ 1.5g/t Underground				
Measured	—	—	—	—
Indicated	0.190	2.27	432	13.89
Total M&I	0.190	2.27	432	13.89
Inferred	0.165	2.62	433	13.92
Total Measured, Indicated and Inferred	**0.356**	**2.43**	**865**	**27.81**

Notes:

Orebody volume estimated from digital wireframe.

Source: 2016 Mineral Resource estimation carried out by Mr L. Hope of Minxcon (NHD (Econ Geol.), Pr.Sci.Nat.) under supervision of and verified by Mr U Engelmann, as Competent Person of the report, with an effective date of 8 June 2016.

The Inferred Mineral Resources have a large degree of uncertainty as to their existence and whether they can be mined economically or legally.

Only Mineral Resources lying within the legal boundaries are reported.

Mineral Resources would be inclusive of Mineral Reserves (no Mineral Reserves were declared).

Mineral Resources are declared at cut-offs shown in the table above and a gold price of US$1,466 per oz.

No Geological losses are accounted for.

All figures are in metric tonnes.

1 kg = 32.15076 oz.

Explorator is the operator and owns 100% of the Manica gold project such that gross and net attributable mineral resources are the same.

The resource utilised data from several phases of diamond and RC drilling by various operators along a strike length of 1.35km, and the cut-off grade was based on a gold price of US$1,466/oz.

Boa Esperanza

On 25 August 2020 the Company concluded an additional mining contractor agreement (“Boa Esperanza Agreement“) with Longhau Tianci Mining Co Ltd (“Longhau” or “Contract Miner”) for the exploitation of the Boa Esperanza hard rock gold deposit at its Manica mining concession in Mozambique.

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RESOURCES PLC

Strategic Report

CONTINUED

Boa Esperanza Contract Mining Agreement

- Longhau appointed to mine the Boa Esperanza hard rock gold deposit for 6 years or until the ore body is depleted or no longer viable
- Boa Esperanza Agreement provides for Explorator to receive 20% of gold production (after settlement by Explorator of the Mining Production Tax)
- Explorator will remit 35% of its share of Boa Esperanza gold production (after applicable expenses and tax) to Mutapa Mining and Processing LDA, Explorator's existing hard rock collaboration partner
- Longhau to commence adit mining and initial underground development during the processing build phase

Project Technical Summary

Boa Esperanza is a steeply north-dipping Archean Greenstone Belt Orogenic Gold deposit occurring within the 10km long west-northwest trending Mutamborico shear zone in western Mozambique. It lies within a complex area of sheared and tectonised Banded Iron Formation ("BIF") and quartz veining. Gold is associated with disseminated pyrite mineralisation which is oxidised near surface.

The project was mined historically since at least 1936, with total production of 4,800oz Au reported from two small open pits and underground workings.

Limited exploration drilling has been undertaken, with 12 holes for which records are available, totalling about 1,000m in all. Four of these holes completed in 2003 using diamond core drilling, intersected mineralisation of note, including BED001 which intersected a zone of 15.45m @ 1.35g/t Au from 38.15m downhole, and BED002 which intersected 31.48m @ 0.76g/t Au from 49.95m downhole, including 5.15m @ 1.97g/t Au.

A 2016 technical report commissioned by Xtract estimated a SAMREC Code (2009) compliant Inferred Mineral Resource of 143,000 tonnes @ 0.77g/t Au, as detailed in the table below:

Boa Esperanza Total Mineral Resource

Mineral Resource Category	Tonnes Mt	Au g/t	Au kg	Au koz
@ 0.5g/t Less 20% Mine Depletion				
Measured	—	—	—	—
Indicated	—	—	—	—
Total M&I	—	—	—	—
Inferred	0.143	0.77	111	3.55
Total Measured, Indicated and Inferred	**0.143**	**0.77**	**111**	**3.55**

Notes:

Orebody volume estimated from digital wireframe.

Source: 2016 Mineral Resource estimation carried out by Mr L. Hope of Minxcon (NHD (Econ Geol.), Pr.Sci.Nat.) under supervision of and verified by Mr U Engelmann, as Competent Person of the report, with an effective date of 8 June 2016.

The Inferred Mineral Resources have a large degree of uncertainty as to their existence and whether they can be mined economically or legally.

Only Mineral Resources lying within the legal boundaries are reported.

Mineral Resources would be inclusive of Mineral Reserves (no Mineral Reserves were declared).

Mineral Resources are declared at cut-offs shown in the table above and a gold price of US$1,466 per oz.

No Geological losses are accounted for.

All figures are in metric tonnes.

1 kg = 32.15076 oz.

Explorator is the operator and owns 100% of the Manica gold project such that gross and net attributable mineral resources are the same.

Strategic Report

CONTINUED

The drilling at Boa Esperanza, as well as underground sampling, indicates that there are potentially pockets or shoots of higher-grade ore within the overall resource. Also, the Duque gold workings, located 5km along strike to the west-northwest, suggests potential for additional discoveries beneath scree and overburden cover where the zone has been only sparsely drilled or remains untested by drilling.

Manica Alluvial Gold Project

Western Half of the Manica Concession

The following table sets out a summary of the alluvial production for the two years ended 31 December 2020:

	Year ended 31 December 2020	Year ended 31 December 2019
Production (in ounces)		
Explorator share of gold produced	**620**	1,199

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 second half of 2021.

On 8 December 2020, the Company announced that it had agreed an alluvial processing agreement with Omnia Mining Limitada over the Company's existing adjacent licence 7569L at Manica. The contract covers an area of 1,727 hectares.

Funding

In 2020, the Company raised a total of £0.65 million (before costs) through a Placing during the year:

- In September 2020, the Company completed a subscription of equity by certain investors amounting to £0.65million. An additional 54,666,666 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 33 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

CONTINUED

Financial Review

Financial Summary Table

	Year ended 31 December 2020 (£million)	Year ended 31 December 2019 (£million)
Consolidated income resulting from continuing operations		
Revenue		
Sale of gold bars	**1.73**	1.35
Operating and administrative expenses	**(2.10)**	(1.81)
Direct operating	**(1.00)**	(0.79)
Other operating	**(0.05)**	(0.12)
Administration	**(1.05)**	(0.90)
Project costs	**(0.10)**	(0.30)
Other losses	**(0.16)**	(0.15)
Finance costs	**(0.18)**	(0.18)
(Loss) for the period from continuing operations	**(0.81)**	(1.09)
Taxation	**(0.11)**	—
(Loss) for the period	**(0.92)**	(1.09)
(Loss) per share		
Basic	**(0.20)p**	(0.30)p
Consolidated balance sheet position		
Intangible fixed assets	**11.98**	10.32
Tangible fixed assets	**0.02**	0.02
Cash	**0.92**	0.36
Total assets	**13.10**	11.12
Total equity	**11.93**	10.78
Total equity – number of issued shares	**487,748,658 shares**	438,508,052 shares

Income Statement Analysis

The Group reported a net loss before tax of £0.81 million (2019: £1.09 million), The Group's basic loss per share decreased to 0.20p (2019: basic loss per share of 0.30p). Manica alluvial gold sales for the year amounted £1.73 million (2019: £1.35 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 £2.10 million (2019: £1.81 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 Southern African projects, amounted to £0.09 million (2018: £0.30 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 2020 amounted to £0.18 million which comprises of a foreign exchange charge compared to finance costs in the prior year of £0.18 million.

Cash Position

The Group's net cash position at 31 December 2020 was £0.92 million (2019: £0.36 million) with no outstanding borrowings (2019:Nil).

On 30 September 2020, the Company entered into an unsecured convertible loan funding facility (the "Facility") for £1 million with Sanderson Capital Partners Ltd the Lender"). The Facility is a standby facility as a potential additional source of working capital for the Company in the context of uncertainty created by COVID-19. The Company can use the Facility, at its discretion, to fund the working capital requirements of the Company and its subsidiaries as determined by the Company.

The Facility is interest free with the option and not the obligation to drawn down in three tranches as follows:

- £350,000 to be drawn down from 1 November 2020 or within 6 months of the drawdown date ("Loan Tranche 1");
- £350,000 to be drawn down from 1 January 2021 or within 6 months of the drawdown date ("Loan Tranche 2"); and
- £300,000 to be drawn down from 1 May 2021 or within 6 months of the drawdown date ("Loan Tranche 3").

As at 31 December 2020 the Company had not drawn down on the facility.

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 Company's planning and an important aspect of the Group's internal control system. The board and the executive committee keep the risks inherent in an exploration business under constant review. The principal risks for an exploration company and the measures taken by the Company to mitigate them are detailed below:

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, Australian 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.

Dependence on key personnel:

- The Company is dependent upon its executive management team and various technical consultants, the retention of their staff cannot be guaranteed. The development and success of the Company depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Company grows could have an adverse effect on future business and financial conditions.

xtract RESOURCES PLC

Strategic Report

CONTINUED

COVID-19 risk:

- COVID-19 and other pandemic risk which has the potential to cause further disruption and continues to pose a further threat on similar operations worldwide and could impact the Company's ability to operate and ultimately impact its cashflows. It remains the Group's focus to protect all personnel, site visitors and stakeholders and at the same time to ensure business continuity. The necessary changes have taken place in all the relevant jurisdictions and the Group continues to monitor government guidance in each territory in which it operates to mitigate the above risk.

Market perception:

Market perception of mining and exploration companies may change, which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by issue of further shares in the Company.

Political risk:

- Political risk is the risk that assets will be lost through expropriation and unrest or war. The Group minimises political risk by operating in countries with relatively stable political systems, established fiscal and mining codes and a respect for the rule of law.

Uninsurable risks:

The Group may become subject to liability for accidents, pollution and other hazards, which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, such as in amounts, which exceed policy limits.

Security of tenure

The Group investigates its rights to explore and extract minerals from all of its material properties and, to the best of its knowledge; those rights are expected to be in good standing. However, no assurance can be given that the Group will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to it, or that governments in the jurisdiction in which the Group operates will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments or other claimants. Although the Group is not aware of any existing title uncertainties with respect to any of its material properties, there is no assurance that such uncertainties, if negative, will not result in future losses or additional expenditures, which could have an adverse impact on the Group's future cash flows, earnings, results of operations and financial condition.

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:

- Commodity risk is the risk that the price earned for minerals will fall to a point where it becomes uneconomic to extract them from the ground and process. 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. The principal metals in the Group's portfolio are gold, copper. The prices of these elements have been volatile during the year, but an uptrend is in place. The potential economics of all the Group's projects are kept under close review on a regular basis.

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.

Reserve and resource estimates

- The Company's future reported reserves and resources are only estimates. No assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral and metal reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral and metal reserve and resource estimates may require revision (either up or down) based on actual production experience or further sampling. Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or can be brought into profitable production. Furthermore, a decline in the market price for natural resources that the Company may discover or invest in could render reserves containing relatively lower grades of these resources uneconomic to recover and may ultimately result in a restatement of reserves.

Operational risk

Exploration and subsequent mining operations are subject to hazards normally encountered in exploration, development and production. Although it is intended to take adequate precautions during each stage of development to minimise risk, there is a possibility of a material adverse impact on the Group's operations and its financial results. The Group will develop and maintain policies appropriate to the stage of development of its various projects. Recruiting and retaining skilled and qualified personnel are critical to the Group's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. While the Group has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on the Group's business, results of operations and financial condition. Members of staff are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Group.

Mining risk There is no guarantee that the minerals contained in the various assets can be mined either practically, technically or at a cost less than the realisable value of the contained minerals. The cost of development and access may preclude the development of the mine. Should a mine be developed there is no assurance that operations can continue since operations are dependent on product prices, direct operating cost and the cost of "stay in business" capital. Mining operations are often challenged by difficult mining and/or slope stability conditions, variability of grade, excess water and small faulting. All of these factors could adversely affect mining production rate and therefore profitability. 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.

Strategic Report
CONTINUED

Environmental factors
All mining operations have some degree of an environmental risk. Although the directors have made reasonable assessment, no assurance can be given that no outstanding or intended claims against disturbance of the environment exist. In addition, the Group will also be subjected to, where appropriate, clean-up costs and for any toxic or hazardous substances, which may be produced as a result of its operation. Environmental legislation and permitting are evolving in a non-mining supportive manner, which could result in onerous standards and enforcement with the risk of consequential fines, penalties and closure. As the Company develops, the directors intend to carry out the appropriate environmental base-line studies with experts outsourced from independent environmental consultancies.

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.

We intend to move forward with our base metal projects in Australia and Zambia, both of which have proved to be very exciting potentially large scale projects.

The Manica Project continues to offer many opportunities which can be exploited. Our agreement with Mutapa Mining and Processing will ensure to benefit to the Company by receiving between 20%-23% of the profit depending on the gold price when mining the hard rock open pit which the Board expects will be brought into production during the second half of 2021.

We successfully concluded agreements for Guy Fawkes and Boa Esperanza hard rock projects with local contracting groups along with another group to mine the alluvials on the adjacent licence 7568L. We anticipate that this should lead to additional revenues being achieved.

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

Colin Bird
Executive Chairman

25 June 2021

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 2020. The Corporate Governance Statement is set out on page 33 and forms part of this report.

Going Concern

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

Capital Structure

Details of the Company's share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 23. The Company has one class of ordinary share and one class of deferred share. No person has any special rights of control over the Company's share capital and all issued shares are fully paid and carry no right to fixed income.

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

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

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

Results and Dividends

The net loss for the Group for the year ended 31 December 2020 amounts to £914k (2019: £1,090k). 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
- Alastair Ford (appointed 23 July 2020)
- Jeremy Read (appointed 3 November 2020)
- Peter Moir

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.

Joel Silberstein, *Finance Director*

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

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

Alastair Ford, *Non-executive Director (member of audit and remuneration committees)*

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

Jeremy Read, *Non-executive Director (member of audit and remuneration committees)*

Jeremy Read is an experienced minerals resource industry executive, having worked on a broad range of precious and base metals projects in Australia, Africa, North America, India, and Scandinavia. Mr Read has wide ranging experience from project generation, greenfields, brownfields and project development. He has extensive exploration experience for gold, copper, and nickel sulphides. Mr Read spent 11 years working for BHP in Africa and Australia, including several years as the Manager of BHP's Australian Exploration Team. Mr Read played key roles at BHP in the discovery of the Kabanga North nickel deposit, in Tanzania, and the Cairn Hill magnetite copper deposit in South Australia, and subsequently at Discovery Metals Limited, in the discovery of the Boseto Copper deposit in Botswana. Since 2003, Mr Read has concentrated on developing junior mineral resource companies. He has been the Managing Director of a number of ASX listed resource companies: Discovery Metals Limited, Meridian Minerals Limited, Avalon Minerals Limited, MinQuest Limited, and Pursuit Minerals Limited. Mr Read is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM'").

Peter Moir, *Non-executive Director (member of audit and remuneration 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.

Report of the Directors
CONTINUED

Retirement by Rotation
In compliance with the Company's Articles of Association, Colin Bird will retire by rotation at the Company's forthcoming Annual General Meeting and 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 Alastair Ford, Peter Moir and Jeremy Read.

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 2020 have the following interests in the Company:

	31 December 2020		31 December 2019	
	Ordinary shares	**Options**	Ordinary shares	Options
Peter Moir	**40,000**	—	40,000	—
Colin Bird	**10,532,266**	**17,000,000**	10,532,266	10,000,000
Jeremy Read	**10,545,906**	—	—	—
Alastair Ford	—	**1,000,000**	—	—
Joel Silberstein	—	**8,000,000**	—	5,100,000

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

Further details of the share options and warrants in the Company can be found in note 26 of the Financial Statements.

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

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.

Report of the Directors

CONTINUED

Major shareholders

The Directors are aware of the following substantial shareholdings of 3% or more of the share capital of 842,518,683 Ordinary shares as at 16 June 2021. As at the date of the report, the Company had not received any notifications of major interest in shares.

Shareholders	16 June 2020	%
Hargreaves Lansdown Asset Management	163,630,597	19.42
Interactive Investors	87,712,997	10.41
Halifax Share Dealing	71,660,412	8.51
Jarvis Investment Management	56,251,127	6.68
Barclays Wealth	48,661,765	5.78
Pershing Nominees Limited	39,729,967	4.72
Vidacos Nominees Limited	36,729,967	4.33
Mr Alex Terry	37,500,000	4.46
Mr Peter Hall	25,950,000	3.09

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.

Environmental Responsibility

The Company recognises its role as a mining and exploration company and is aware of the potential impact that the Company may have on the environment. The Company ensures that its complies with the local regulatory requirements with regard to the environment.

Report of the Directors

CONTINUED

Supplier Payment Policy

The Company's policy is to settle the terms of payment with suppliers when agreeing terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Financial Risk Management Objectives

The Group has disclosed the financial risk management objectives within Note 27 to these Financial Statements.

Corporate Governance

A report on corporate governance is provided on page 33.

Events after balance sheet date

Issue of Equity

On 21 January 2021, the Company announced that it conditionally raised £5 million following the placement of 111,111,111 new Ordinary Shares of 0.02p each at 4.5p per share.

On 2 February 2021, the Company announced that it has received notice to exercise warrants over 2,000,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.85p per Ordinary Share.

On 2 February 2021, the Company agreed to settle a corporate creditor through the issuance 2,103,152 new ordinary shares at an issue price of 5.03p per Ordinary Share.

On 5 March 2021 the Company received notice to exercise options over 5,000,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.85p per Ordinary Share.

On 17 March 2021 the Company received notice to exercise options over 2,000,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.25p per Ordinary Share.

On 19 April 2021 the Company announced that it had conditionally raised £5.5 million following the placement of 98,214,286 new Ordinary Shares of 0.02p each at 5.6p per share.

On 21 May 2021 the Company received notice to exercise warrants over 1,625,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.20p per Ordinary Share.

Award of Share Options

On 24 February 2021, the Company awarded 24,800,000 new options over ordinary shares. 16,000,000 New Options were awarded to Directors and a further 8,800,000 New Options were awarded to employees, consultants and officers of the Company.

The New Options vest and are exercisable immediately on award, with an exercise price of 10.00p. The New Options will lapse five years after the date of the award.

General Meeting

The Company will hold the annual general meeting in due course 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.

Report of the Directors

CONTINUED

Auditors

Provision of information to Auditor

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.

Chapman Davis LLP resigned as auditors on 2 September 2020 and PKF Littlejohn LLP were appointed by the directors to fill the vacancy arising with effect from that date.

A resolution to appoint PKF Littlejohn LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Colin Bird
Executive Chairman

25 June 2021

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
	COVID-19	Pandemic risk which has the potential to cause further disruption and continues to pose a further threat on similar operations worldwide.	Company's focus to protect all personnel, site visitors and stakeholders and at the same time to ensure business continuity. The necessary changes have taken place in all the relevant jurisdictions and the Group continues to monitor government guidance to mitigate the above risk.
	Single Commodity Risk	Commodities being subject to high levels of volatility in price and demand. Being exposed to one type of commodity would have a greater impact operations and profitability.	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 instill 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

Corporate Governance

CONTINUED

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.

Principle Five

A Well-Functioning Board of Directors

The Board currently comprises of 5 members, 2 Executive members (The Executive Chairman Colin Bird and Finance Director Joel Silberstein) and 3 Non-Executive Directors (Alastair Ford, Jeremy Read and 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. During 2020, the Company appointed 2 additional Non-Executive directors in line with the acquisition of the Bushranger project in November 2020.

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

Attendance at Board and Committee Meetings

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

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of five 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.

Corporate Governance

CONTINUED

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.

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.

Alastair Ford

Independent Non-Executive Director

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

Jeremy Read

Independent Non-Executive Director

Jeremy Read is an experienced minerals resource industry executive, having worked on a broad range of precious and base metals projects in Australia, Africa, North America, India, and Scandinavia. Mr. Read has wide ranging experience from project generation, greenfields, brownfields and project development. He has extensive exploration experience for gold, copper, and nickel sulphides. Mr. Read spent 11 years working for BHP in Africa and Australia, including several years as the Manager of BHP's Australian Exploration Team. Mr. Read played key roles at BHP in the discovery of the Kabanga North nickel deposit, in Tanzania, and the Cairn Hill magnetite copper deposit in South Australia, and subsequently at Discovery Metals Limited, in the discovery of the Boseto Copper deposit in Botswana.

Since 2003, Mr. Read has concentrated on developing junior mineral resource companies. He has been the Managing Director of a number of ASX listed resource companies: Discovery Metals Limited, Meridian Minerals Limited, Avalon Minerals Limited, MinQuest Limited, and Pursuit Minerals Limited. Mr. Read is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM'").

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

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

Principle Seven

Evaluation of Board Performance

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

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

Principle Eight

Corporate Culture

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

Principle Nine

Maintenance of Governance Structures and Processes

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

Corporate Governance

CONTINUED

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

Remuneration Committee

The Remuneration Committee comprises Alastair Ford who chairs the committee and Jeremy Read. 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 will be in place during the 4th quarter of 2021. The guidelines will provide for the orderly succession and rotation of the Chairman and Non- Executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms. The Chairman may serve as a Non-Executive Director before commencing a first term as Chairman.

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

Principle Ten

Shareholder Communication

The Board has been and continues to be committed to maintaining good communication and having constructive dialogue with its shareholders. The Company currently has no institutional shareholders and has ongoing relationships with its private shareholders. The Executive Chairman regularly attends investor shows and conferences. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting as permitted in compliance with any current regulatory other legal restrictions in respect of Covid-19.

Corporate Governance

CONTINUED

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.

DIRECTORS' s172 STATEMENT

The Directors continue to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefits of the members as a whole, and in doing so have regard, amongst other matters to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community as well as the environment;
- the need to act fairly as between members of the Company; and
- the desirability of the company maintaining a reputation for high standards of business conduct.

The Board has always recognised the relationships with key stakeholders as being central to the long-term success of the business and therefore seeks active engagement with all stakeholder groups, to understand and respect their views, in particular of those with the communities in which it operates, its host governments, employees and suppliers. Throughout the year, the Directors continued to exercise all their duties, whilst having the highest regard to section 172 factors as they assessed and considered proposals from senior management and governed the company on behalf of their stakeholders.

As with smaller size companies, day-to-day management, execution of the business strategy and related policies of the Company is delegated to senior executives however the Board reviews compliance and legal matters at along with the Company's key financial and operational data, diversity, corporate responsibility, environmental and stakeholder-related matters over the course of the financial year.

In response to COVID-19, the Board agreed to a management plan proposed by senior executives prioritising and maintaining the health and safety of all employees and contractors.

Consideration of the Company's conduct towards its stakeholders, suppliers and employees of the Group is essential when implementing ways in which the Board's engagement can be improved to help the business operate more effectively.

Details of the Board's decisions for the year ending 31 December 2020 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout the Strategic Report, Directors' and Corporate Governance reports.

By order of the Board

Colin Bird
Executive Chairman

25 June 2021

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 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the group's and parent company's losses for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included obtaining management's going concern assessment and associated cash flow forecasts for the period of twelve months from the date of the approval of the financial statements. We have reviewed the assumptions applied in the cash flow forecast for reasonableness, compared to historical financial information, and performed a sensitivity analysis where appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report

CONTINUED

Our application of materiality

Materiality used for Consolidated and Company Financial Statements

Financial Statements	Materiality	Basis of materiality
Group	£195,200	1.5% of gross assets
Company (Significant component)	£195,199	1.5% of gross assets capped at group materiality
Explorator Limitada (Significant component)	£33,840	1.5% of gross assets adjusted under "Maximum aggregate component materiality"

We apply the concept of materiality in both planning and performing the audit, and in evaluating the effect of misstatements. At the planning stage, materiality is used to determine the financial statements areas that are included within the scope of the audit and the extent of the sample sizes during the audit.

The materiality applied to the consolidated financial statement was £195,200, based on 1.5% of gross assets, as it is from these assets that the group seeks to deliver returns for shareholders, in particular the value of exploration and development projects the group is interested in. Performance materiality was £126,880, which has been set at 65% of headline materiality, and the threshold that we communicate errors to those charged with governance was £9,760 which has been set at 5% of headline materiality. The company financial statement was audited to a materiality of £195,199, using gross assets as a basis, with a performance materiality of £126,879, which has been set at 65% of headline materiality.

Whilst materiality for the consolidated and company financial statements were £195,200 and £195,199 respectively, the significant component of the group was audited to materiality of £33,840 for the financial information.

Materiality has been reassessed at the closing stage of the audit, taking into consideration new information which arose. No alterations were made to materiality either during or at the conclusion of the audit.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas which deemed to involve significant judgement and estimation by the directors, such as key audit matters surrounding the carrying value of exploration and evaluation assets, the production start date and valuation of investment in subsidiaries. Other judgemental areas include going concern and the valuation of share-based payments. We also addressed the risk of management override of controls, including consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

A full scope of audit was directly performed on the complete financial information of all significant components without the use of component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

CONTINUED

Key Audit Matters	How our scope addressed this matter
Carrying value and classification of intangible exploration and evaluation assets (Notes 14 & 15) **The group and company hold material intangible assets relating to capitalised costs in respect of mineral exploration projects.** **There is a risk that impairment indicators exist which would result in an impairment of the year end intangible assets balance.** **There is also a risk that the classification and accounting of the mining properties could be misstated due to the timing of projects being moved from exploration to production stage.** **The directors consider each category of asset to assess whether there are indicators of impairment by considering the potential resources available from exploration and evaluation work undertaken, together with the availability of finance to further evaluate the exploration projects.** **Careful consideration has been given to the point at which the mining properties should be transferred out of intangible assets and amortised accordingly. Criteria used to identify the production start date are as follows:** • **Level of capital expenditure incurred compared with the original construction cost estimate** • **Level of EBITDA achieved** • **Level of recovery rate of Alluvial** • **Level of production of Alluvial** **As a result of the evaluation, no impairment have been recognised by the directors during the year.** **After careful consideration, the directors believe the group is still at exploration stage, nil amount of the intangibles have been transferred to mining properties.**	Our audit work in this area included: • Reviewing of costs capitalised during the year, including the considerations made by the directors in respect of their appropriateness for capitalisation in accordance with discounted cash flow value in use and IFRS 6's recognition and impairment indicators; • Confirming that the group has good title to the applicable exploration licences, including new licenses obtained during the year; • Evaluating and corroborating the status of the projects during the year, and subsequent to the year end, to identify and evidence any impairment indicators in accordance with IFRS 6; • Assessing management's impairment reviews, including challenge to all key assumptions and consideration of sensitivity to reasonably possible changes; • Reviewing and challenging management's assessment of when the project reaches the production stage, and consequently the mining properties should be transferred out of intangible assets and be depreciated; and • Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate and in line with our understanding of the group and its activities. Whilst based on the audit work performed, we do not consider exploration assets as at 31 December 2020 to be materially misstated. It is however important to attention to the fact that the recoverable value of the exploration assets is dependent on the group obtaining the necessary renewals of licenses EL5574 and EL8585 which are included in the financial statements at £1,297,000. Management has formally filed the renewal application with relevant authorities in Australia and is not been made aware of any reasons why they will not be granted. Renewal has not been granted at the date of approval of the audit report. Failure to obtain the necessary renewals is likely to result in an impairment to the carrying value of exploration asset held.

Independent Auditor's Report

CONTINUED

Key Audit Matters	How our scope addressed this matter
Carrying value of investment in subsidiaries (Note 16)	
Investment in subsidiaries is the most significant asset in the company's financial statements. Given the continuing group losses, there is a risk that the investments in subsidiaries may not be fully recoverable.	Our work in this area included: • Confirming that the company has ownership to the investments; • Assessing recoverability of investments by reference to underlying net asset values; • Assessing impairment assessment prepared by the company and challenging all significant inputs and estimates included therein; and • Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate. We found the judgements used by directors in their basis of valuation were reasonable.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report

CONTINUED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' 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 report of directors the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group and the parent company'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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management about any potential instances of non-compliance with laws and regulations both in the UK and in overseas subsidiaries.

Independent Auditor's Report

CONTINUED

- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - AIM rules;
  - Companies Act 2006;
  - The Bribery Act 2012;
  - Anti Money Laundering Legislation;
  - Disclosure rules and Transparency rules for listed entities;
  - Local industry regulations in Mozambique, Australia and Zambia where exploration activity took place; and
  - Local tax and employment law.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - Making enquiries of management;
  - Reviewing board minutes;
  - Reviewing accounting ledgers; and
  - Reviewing of RNS announcements.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and reviewing transactions through bank statements to identify potentially large and unusual transactions that do not appear to be in line with our understanding of the business operations. Aside from the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Independent Auditor's Report

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.

Eric Hindson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

25 June 2021

xtract RESOURCES PLC

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

Registered number: 5267047

	Note	Year ended 31 December 2020 £'000	(Restated) Year ended 31 December 2019 £'000
Continuing operations			
Revenue from gold sales	5	**1,725**	1,351
Operating and administrative expenses			
Direct operating		**(1,006)**	(795)
Other operating		**(45)**	(116)
Administration		**(1,040)**	(903)
		(2,091)	(1,814)
Project expenses		**(96)**	(298)
Operating loss		**(462)**	(761)
Other losses	6	**(164)**	(153)
Finance cost	11	**(181)**	(176)
(Loss) before tax	8	**(807)**	(1,090)
Taxation	12	**(107)**	—
(Loss) for the year		**(914)**	(1,090)
Attributable to:			
Equity holders of the parent		**(914)**	(1,090)
Net (loss) per share			
Basic (pence)	13	**(0.20)**	(0.30)
Diluted (pence)	13	**(0.20)**	(0.30)

The notes on pages 53-85 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss for the year	**(914)**	(1,090)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss	—	—
Exchange differences on translation of foreign operations	**(210)**	41
Other comprehensive (loss)/income for the year	**(210)**	41
Total comprehensive loss for the year	**(1,124)**	(1,049)
Attributable to:		
Equity holders of the parent	**(1,124)**	(1,049)

The notes on pages 53-85 form an integral part of these financial statements

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2020

	Note	Group As at 31 December 2020 £'000	Group As at 31 December 2019 £'000	Company As at 31 December 2020 £'000	Company (Restated) As at 31 December 2019 £'000
Non-current assets					
Intangible assets	14	**11,978**	10,318	**438**	—
Property, plant & equipment	15	**19**	24	**—**	—
Investment in subsidiary	16	**—**	—	**9,823**	8,533
Other financial assets	17	**—**	—	**—**	—
		11,997	10,342	**10,261**	8,533
Current assets					
Trade and other receivables	19	**147**	167	**285**	758
Loans receivable	18	**—**	133	**—**	—
Inventories	20	**8**	117	**—**	—
Loans to group companies	19	**—**	—	**2,426**	2,514
Cash and cash equivalents		**919**	361	**253**	216
		1,074	778	**2,964**	3,488
Total assets		**13,071**	11,120	**13,225**	12,021
Current liabilities					
Trade and other payables	22	**1,051**	336	**362**	147
Other payables	22	**—**	—	**—**	—
Current tax payable	22	**93**	—	**—**	—
Loans from group companies	22	**—**	—	**11,483**	11,450
		1,144	336	**11,845**	11,597
Net current assets/(liabilities)		**(70)**	442	**(8,881)**	(8,109)
Non-current liabilities					
Other payables	—	**—**	—	**—**	—
Total liabilities		**1,144**	336	**11,845**	11,597
Net assets		**11,927**	10,784	**1,380**	424
Equity					
Share capital	23	**4,928**	4,892	**4,928**	4,892
Share premium account		**61,951**	59,884	**61,951**	59,884
Warrant reserve	24	**76**	54	**76**	54
Share-based payments reserve	24	**436**	397	**436**	397
Fair Value reserve	24	**—**	—	**—**	—
Foreign currency translation reserve	24	**66**	276	**—**	—
Accumulated losses		**(55,530)**	(54,719)	**(66,011)**	(64,803)
Equity attributable to equity holders of the parent		**11,927**	10,784	**1,380**	424
Total equity		**11,927**	10,784	**1,380**	424

The financial statements of Xtract Resources Plc, registered number 5267047, were approved by the Board of Directors and authorised for issue. As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year is disclosed in Note 3. It was signed on behalf of the Company by:

Joel Silberstein
Director

25 June 2021

The notes on pages 53-85 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	Fair value reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2019		**4,874**	**58,926**	**450**	**298**	**—**	**235**	**(54,076)**	**10,707**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(1,090)	(1,090)
Forex currency translation differences		—	—	—	—	—	41	—	41
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**41**	**(1,090)**	**(1,049)**
Transactions with owners									
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
Issue of warrants	24	—	—	51	—	—	—	—	51
As at 31 December 2019		**4,892**	**59,884**	**54**	**397**	**—**	**276**	**(54,719)**	**10,784**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(914)	(914)
Forex currency translation difference		—	—	—	—	—	(210)	—	(210)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**(210)**	**(914)**	**(1,124)**
Transactions with owners									
Issue of shares	23	36	2,134	—	—	—	—	—	2,170
Share issue costs		—	(67)	—	—	—	—	—	(67)
Issue of share options	24	—	—	—	142	—	—	—	142
Expiry of share options		—	—	—	(103)	—	—	103	—
Issue of warrants	24	—	—	22	—	—	—	—	22
As at 31 December 2020		**4,928**	**61,951**	**76**	**436**	**—**	**66**	**(55,530)**	**11,927**

The notes on pages 53-85 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	Fair value reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2019		**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	24	—	—	(447)	—	—	—	447	—
Issue of share options		—	—	—	99	—	—	—	99
Issue of warrants	24	—	—	51	—	—	—	—	51
As at 31 December 2019		**4,892**	**59,884**	**54**	**397**	**—**	**—**	**(64,803)**	**424**
Other Comprehensive income									
Loss for the period		—	—	—	—	—	—	(1,311)	(1,311)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(1,311)**	**(1,311)**
Issue of shares	23	36	2,134	—	—	—	—	—	2,170
Share issue costs		—	(67)	—	—	—	—	—	(67)
Expiry of options		—	—	—	(103)	—	—	103	—
Issue of share options	24	—	—	—	142	—	—	—	142
Issue of warrants	24	—	—	22	—	—	—	—	22
As at 31 December 2020		**4,928**	**61,951**	**76**	**436**	**—**	**—**	**(66,011)**	**1,381**

The notes on pages 53-85 form an integral part of these financial statements

xtract RESOURCES PLC

Consolidated and Company Cash Flow Statements

	Note	Group		Company	
		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Net cash generated from/(used in) operating activities	25	**189**	(895)	**(234)**	(1,062)
Investing activities					
Acquisition of subsidiary undertaking		**36**	—	**(9)**	—
Acquisition of intangible fixed assets	14	**(287)**	(76)	**(176)**	—
Acquisition of tangible fixed assets	15	**—**	(5)	**—**	—
Loans advanced to group companies	19	**—**	—	**(213)**	—
Net cash used in investing activities		**(251)**	(81)	**(398)**	—
Financing activities					
Proceeds on issue of shares		**636**	895	**636**	895
Repayment of loans from group companies		**—**	—	**33**	—
Net cash from financing activities		**636**	895	**669**	895
Net Increase/(decrease) in cash and cash equivalents		**574**	(81)	**37**	(167)
Cash and cash equivalents at beginning of year		**361**	442	**216**	383
Effect of foreign exchange rate changes		**(16)**	—	**—**	—
Cash and cash equivalents at end of year		**919**	361	**253**	216

The notes on pages 53-85 form an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Xtract Resources Plc is a Public Company limited by shares 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 26.

The financial statements are presented in pounds sterling (£) which is the functional currency of the Company Foreign operations are included in accordance with the policies set out in note 3. These annual financial statements were approved by the board of directors on 25 June 2021

2. Adoption of new and revised Standards

Basis of accounting

The consolidated annual financial statements have been prepared in accordance with international accounting standards and in conformity with the Companies Act 2006. The consolidated annual financial statements have been prepared on the historical cost basis, as modified by financial assets measured at fair value through other comprehensive income. The principal accounting policies are set out below.

New standards, amendments and interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of a Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting;
- Annual Improvements to IFRS Standards 2018-2020 Cycle; and COVID-19 related rent concessions – amendments to IFRS.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

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

The directors are evaluating the impact that these standards will have on the financial statements of the Group.

3. Significant accounting policies

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 2020.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) as amended, 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.

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 2020, the Group held cash balances of £0.90 million 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.

During the first half of 2021, the Group raised a total of £10.5 million before expenses.

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 2022.

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. The Group will continue to monitor corporate overhead costs on an ongoing basis.

The Directors would not expect for funds to be raised through further equity fund raising. 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 above and should the need arise 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 2020 was £1,311k (2019: loss £852k).

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.

Foreign currency differences arising on retranslation into an entity's functional currency are recognised in profit and loss.

3. Significant accounting policies (continued)

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 comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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. Once the Company has determined the existence of commercially exploitable reserves and the Company decides to proceed with the project, the full carrying value is transferred from exploration and development costs to mining development. Capitalised exploration and evaluation expenditure is assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 Exploration for and Evaluation of Mineral Reserves. In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the year. Capitalised exploration costs are not amortised.

Property, plant and equipment

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

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.

3. Significant accounting policies (continued)

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

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

Financial instruments

Classification

The Group classifies its financial assets in the following categories: at amortised cost including trade receivables and other financial assets at amortised cost, at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other financial assets at amortised cost

Classification of financial assets at amortised cost

The group and parent company classify its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principle and interest.

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest could be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and repayable within three years from the end of the reporting period.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Financial assets at fair value through other comprehensive income

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise an investment held. These are carried in the statement of financial position at fair value. Subsequent to initial recognition, changes in fair value are recognised in the statement of other comprehensive income.

Financial liabilities

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans to/(from) Group companies

These include loans to and from subsidiaries are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as financial assets at amortised cost. Loans from Group companies are classified as financial liabilities measured at amortised cost.

Inter-company loans are interest bearing.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term highly liquid deposits with a maturity of three months or less.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

3. Significant accounting policies (continued)

Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions, which are not market, related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, Group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight- line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non- accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Share-capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Share Capital

Share capital represents the amount subscribed for shares at nominal value.

Share Premium

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Share-Based Payment Reserve

The share-based payment reserve represents the cumulative amount which has been expensed in the statement of comprehensive income in connection with share-based payments, less any amounts transferred to retained earnings on the exercise of share options.

Warrant Reserve

The warrant reserve presents the proceeds from issuance of warrants, net of issue costs. Warrant reserve is non-distributable and will be transferred to share premium account upon exercise of warrants.

Finance Income

Finance income comprises interest income, Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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 control of the products has transferred, that is, when the products are delivered to the customer. A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

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.

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

Financial Assets Fair Value through Comprehensive Income

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.

Impairment of intangible assets

The assessment of intangible assets for any indications involves judgement. Such assets have an indefinite useful life as the Company has a right to renew exploration licences and the asset is only amortised once extraction of the resource commences. Management tests for impairment annually whether exploration projects have future economic value in accordance with the accounting policy stated in Note 14. Each exploration project is subject to an annual review by either a consultant or a geologist to determine if the exploration results returned during the period warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and supply and demand outlook. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside a decision will be made to discontinue exploration; an impairment charge will then be recognised in the Income Statement.

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.

5. Revenue

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

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue		
Gold sales	**1,725**	1,351
Total Revenue	**1,725**	1,351

The group derives revenue from sale of dore bars from its Alluvial operations Mozambique. The Revenue is recognised when control is transferred between the Company and the purchaser.

Notes to the Financial Statements

CONTINUED

6. Other losses

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

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Other losses	164	153
Total other losses	164	153

A total of £164k relates to provision for the impairment of the loan receivable and other receivables. At total of £165k (2019) was previously classified under finance costs and relates to the impairment of the loan receivable note 18.

7. Segmental Analysis

The divisions on which the Group reports its primary segment information are reported 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
- Exploration
- Investment and other

Segment results

Year ended 31 December 2020

	Mine Development (Continuing) £'000	**Exploration (Continuing) £'000**	**Investment and Other (Continuing) £'000**	**Alluvial Gold Mining Production (Continuing) £'000**	**Total £'000**
Segment Revenue					
Sale of gold bars	—	—	—	1,725	1,725
Less: Cost of sales	—	—	—	—	—
Segment Gross profit	**—**	**—**	**—**	**1,725**	**1,725**
Operating and administrative expenses	(64)	—	(1,021)	(1,006)	(2,091)
Project costs	—	—	(96)	—	(96)
Segment results	**(64)**	**—**	**(1,117)**	**719**	**(462)**
Other gains and losses	—	—	(164)	—	(164)
Finance (costs)	—	—	(148)	(33)	(181)
(Loss)/profit before tax	**(64)**	**—**	**(1,429)**	**686**	**(807)**
Tax credit	—	—	—	(107)	(107)
(Loss)/profit for the year	**(64)**	**—**	**(1,429)**	**579**	**(914)**

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Notes to the Financial Statements

CONTINUED

7. Segmental Analysis (continued)

Year ended 31 December 2019

	Mine Development (Continuing) £'000	Exploration (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 result	**—**	**—**	**(1,121)**	**360**	**(761)**
Other gains and losses	—	—	12	(165)	(153)
Finance income/(costs)	—	—	(91)	(250)	(176)
(Loss)/profit before tax	**—**	**—**	**(1,200)**	**110**	**(1,090)**
Tax credit	—	—	—	—	—
(Loss)/profit for the year	**—**	**—**	**(1,200)**	**110**	**(1,090)**

	2020 £'000	2019 £'000
Balance sheet		
Total assets		
Gold production	**724**	290
Exploration	**1,894**	—
Mine Development	**10,104**	10,318
Investment & other	**285**	512
Consolidated total assets	**13,071**	11,120
Liabilities		
Gold production	**(635)**	(306)
Exploration	**—**	—
Mine Development	**(1)**	(2)
Investment & other	**(508)**	(28)
Consolidated total liabilities	**(1,144)**	(336)

Notes to the Financial Statements

CONTINUED

7. Segmental Analysis (continued)

Geographical information

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Mozambique	**1,725**	1,351
Australia	—	—
United Kingdom	—	—
Zambia	—	—
	1,725	1,351

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Mozambique	**10,828**	10,608
Australia	**1,519**	—
United Kingdom	**285**	512
Zambia	**439**	—
	13,071	11,120

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.

8. Expenses by nature

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 2020 £'000	Year ended 31 December 2019 £'000
Depreciation of property, plant and equipment	15	—	—
Amortisation of intangible fixed assets	14	—	—
Inventory		**97**	(43)
Auditors remuneration	9	**29**	21
Directors remuneration	10	**314**	250
Share-based payments expense	26	**122**	98

Notes to the Financial Statements

CONTINUED

9. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Fees payable to the Company's auditors and their associates for the audit of the Group's annual accounts	**29**	18
Under provision for the prior year	**—**	—
Total audit fees	**29**	18
Fees payable to the Group's auditors and its associates for other services:		
– other assurance services relating to interim reporting	**—**	3
Total non-audit fees	**—**	3
Total auditors' remuneration	**29**	21

10. Staff costs

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
The average monthly number of employees (including directors) was:		
Directors	**4**	3
Employees	**23**	23
	27	26
	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	**480**	498
Social security cost	**21**	11
Total salaries and fees	**501**	509
Share based payments	**123**	98
	624	607

The above staff costs include labour costs of £46k (2019: £53k), which have been capitalised as Mine Development Costs.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	**254**	187
Share based payments	**55**	63
	314	250

Notes to the Financial Statements

CONTINUED

10. Staff costs (continued)

Total remuneration for the highest paid Director in the year was £181k (2019: £128k).

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Peter Moir	**14**	24
Alastair Ford	**8**	—
Jeremy Read	**6**	—
Joel Silberstein	**99**	98
Colin Bird	**181**	128

As at 31 December 2020 directors' remuneration included a share-based payment charges of which £46k (2019: £42k) relates to Colin Bird and £9k (2019: £21k) and relates to Joel Silberstein.

As at 31 December 2020 directors' fees of £119k (2019: £40k) relating to current and prior year fees remains outstanding, of which £50k (2019: £Nil) relates to Colin Bird, £25k to Joel Silberstein (2019: £nil), Jeremy Read £3k (2019: £nil), Alastair Ford £1k (2019: £nil) and £40k (2019: £40k) relates to Peter Moir.

11. Finance cost/(income)

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Foreign exchange (gains)/losses	**102**	105
Penalties	**—**	54
Bank Charges	**8**	8
Loan interest payable	**—**	7
Finance charges	**71**	2
	181	176

12. Tax

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Corporation tax:		
Current year	**107**	—
Adjustments in respect of prior years	**—**	—
Total current tax	**107**	—
Deferred tax	**—**	—
	—	—

UK corporation tax is calculated at 19.00% (2019:19.00%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

CONTINUED

12. Tax (continued)

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss before tax from continuing operations	**(807)**	(1,090)
Loss before tax	**(807)**	(1,090)
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	**(153)**	(207)
Tax effect of expenses that are not deductible in determining taxable profit	**58**	20
Tax effect of unrecognised tax losses carried forward	**139**	187
Difference in overseas tax rates	**80**	—
Tax loss utilised	**(172)**	—
Tax charge/(credit) for the year	**107**	—

The tax charge relates to Mozambican corporation tax payable at a rate of 32.00%.

13. (Loss) per share

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss per share	**(0.20)**	(0.30)
(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	**(914)**	(1,090)
	(914)	(1,090)

	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	**487,748,658**	383,652,633
Effect of dilutive potential ordinary shares-options and warrants	**—**	—
Weighted average number of ordinary shares for purposes of diluted EPS	**487,748,658**	383,652,633

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.

Notes to the Financial Statements

CONTINUED

14. Intangible assets

Group

	Mineral exploration assets £'000	Total £'000
At 1 January 2019	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**
Additions – at fair value (Manica)	—	—
Additions – at cost (Manica)	47	47
Foreign exchange	(261)	(261)
Additions – at fair value (Bushranger)	1,318	1,318
Additions – at cost (Bushranger)	65	65
Foreign exchange	53	53
Additions – at cost (Eureka)	196	196
Additions – at cost (Kalengwa)	242	242
As at 31 December 2020	**11,978**	**11,978**
Amortisation		
At 1 January 2019	—	—
Charge for the year	—	—
As at 31 December 2019	—	—
Charge for the year	—	—
As at 31 December 2020	—	—
Net Book value at 31 December 2019	**10,318**	**10,318**
Net book value at 31 December 2020	**11,913**	**11,913**

Mozambique

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.

Australia

In November 2020, the Company acquired the Bushranger copper-gold project ("Bushranger Project") which comprises of four exploration licences totalling 501km2, located in eastern central New South Wales, Australia. The Bushranger Project hosts the Racecourse deposit, a JORC (2012) compliant inferred resource estimated at 71Mt @ 0.44% Cu and 0.064g/t Au using a 0.3% Cu cut-off.

14. Intangible assets (continued)

Zambia

Kalengwa is located in the North-western province of Zambia 800 km north-west of Lusaka and 400 km south-west of Kitwe. A large-scale exploration permit 24401-HQ-LEL, was issued on 2 April 2019 and is valid for an initial period of 4 years.

The Kalengwa Copper Mine is believed to have been one of the highest-grade copper mines in Zambia. A mineralised high-grade supergene core was reported to have yielded an average grade of 27% Cu, making up approximately 20% of the ore body, which was trucked unprocessed to Kitwe for direct smelting. Total production of 1.9 Mt of 9.44% Cu and 50 g/t Ag was reported from the open pit resulting in circa 15,000 tonnes of copper production per annum for 12 years of production.

The Directors along with a consultant undertook an assessment of the following areas and circumstances that could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal;
- No further exploration or evaluation is planned or budgeted for;
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves; or
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

The Company considered the above assessment of impairment. None of the intangibles have been impaired.

15. Property, plant and equipment

Cost or fair value on acquisition of subsidiary

	Motor Vehicles & equipment £'000	Land & Buildings £'000	Furniture & Fittings £'000	Total £'000
At 1 January 2019	24	—	—	24
Additions – at cost	—	—	—	—
Foreign Exchange	—	—	—	—
As at 31 December 2019	24	—	—	24
Additions – at cost	—	—	—	—
Foreign Exchange	(5)	—	—	(5)
At 31 December 2020	19	—	—	19
Depreciation				
At 1 January 2019	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2019	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2020	—	—	—	—
Net Book Value				
At 31 December 2019	**24**	**—**	**—**	**24**
At 31 December 2020	**19**	**—**	**—**	**19**

Notes to the Financial Statements

CONTINUED

16. Subsidiaries

Investments in subsidiaries

	2020 £'000	2019 £'000
At 1 January – Cost	**28,219**	28,219
Additions during the year	**1,290**	—
	29,509	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	**9,823**	8,533

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name	Place of Incorporation and Operation	Date controlling interest acquired	Proportion of ownership & voting power held		Principal Activity
			Group %	Parent %	
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
ProspectOre Ltd	Australia	10/11/2020	100	100	Operating Company
Arend Traders Ltd	BVI	01/07/2020	100	100	Not Trading
Sandown Holdings	Mauritius	31/10/2017	100	100	Trading
Newmarket Holdings	Mauritius	31/10/2017	100	100	Trading

All of these subsidiaries, have been consolidated for the period of ownership.

Notes to the Financial Statements

CONTINUED

17. Other Financial Assets

Fair value through other comprehensive income

	Group		Company	
Level 3	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Cemos Group Plc	**—**	—	**—**	—
	—	—	**—**	—

The Company holds 2,371,365 shares in the above non-listed entity which management have valued at £Nil (2019: £Nil). An additional 1.5 million shares would be issued to the Company if, the entity listed on any Stock Exchange or other market shares in a non-listed entity. Management assessed financial and other information available to them decided to impair their investment in December 2015. There is no active share market on which the shares can be traded management feel that it is unlikely that the entity will achieve a listing which would enable the Company to realise value from their investment.

Fair value hierarchy of financial assets at fair value through other comprehensive income

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy, which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets, which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs, which are not based on observable market data.

18. Loan receivable

Financial assets – at amortised cost

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Moz Gold Limitada	**133**	318	**—**	—
Foreign exchange	**(10)**	(19)	**—**	—
Provision for impairment	**(123)**	(166)	**—**	—
	—	133	**—**	—

Convertible Loan – 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. Management assessed the recoverability and carrying value of the asset at the year end and given the uncertainties it was decided to provide for impairment of the loan.

Notes to the Financial Statements

CONTINUED

19. Trade and other receivables

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Other debtors	**146**	159	**19**	125
Trade debtors	**—**	—	**266**	627
Prepayments	**1**	8	**—**	6
Loan to group companies	**—**	—	**2,426**	2,514
	147	167	**2,711**	3,272

Company trade debtors comprise primarily of intercompany management charges, The amounts are due in accordance with group policy although collection is determined by group cash requirement.

Loan to group companies bear interest between 1.25% and 5% per anum, unsecured and repayable by mutual agreement.

20. Inventories

	Group	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Gold dore bars on hand	**8**	117
	8	117

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

	Group		Company	
	As at 31 December 2020 £'000	As at 31 December 2019 £'000	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Trade creditors and accruals	**1,051**	336	**362**	147
Amounts due to subsidiaries	**—**	—	**11,483**	11,450
Current tax payable	**93**	—	**—**	—
	1,144	336	**11,845**	11,597

Notes to the Financial Statements

CONTINUED

23. Share capital

	2020		2019	
	Number of shares	**£'000**	Number of Shares	£'000
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	**438,508,052**	**88**	350,560,684	70
Share Consolidation*	**—**	**—**	—	—
Issued during the period	**181,957,092**	**36**	87,947,368	18
Outstanding as at 31 December	**620,465,144**	**124**	438,508,052	88

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

- Issued 2 January 2020– 18,795,236 at 0.83p per share
- Issued 30 September 2020 – 54,166,666 at 1.20p per share
- Issued 30 September 2020 –1,250,000 at 1.20p per share
- Issued 30 September 2020 –1,250,000 at 1.20p per share
- Issued 30 September 2020 –1,250,000 at 1.20p per share
- Issued 30 September 2020 –5,495,190 at 1.27p per share
- Issued 27 October 2020 –100,000,000 at 1.25p per share
- Issued 27 October 2020 –1,000,000 at 1.25p per share

The following share options were issued during the year:

- Issued 3 July 2020 –9,625,000 exercisable at 1.40p per share
- Issued 3 July 2020 –9,625,000 exercisable at 2.00p per share
- Issued 28 October 2020 – 2,000,000 exercisable at 2.00p per share

The following warrants were issued during the year:

- Issued 30 September 2020 – 27,083,333 exercisable at 1.85p per share
- Issued 30 September 2020 –3,250,000exercisable at 1.20p per share

The following options expired during the year:

- Issued 13 June 2013 –100,000 exercisable at 38.00p per share
- Issued 9 December 2013 –170,000 exercisable at 38.00p 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.

Notes to the Financial Statements
CONTINUED

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.

Fair value reserve
A fair value reserve captures the cumulative net change in the fair value of an asset as long as it is still recognised on the financial statements of an entity.

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

25. Notes to the cash flow statement

	Group		Company	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Loss for the year	**(807)**	(1,090)	**(1,311)**	(852)
Adjustments for:				
Net finance costs	**181**	176	**105**	—
Other losses	**164**	153	**—**	—
Interest income	**—**	—	**(3)**	—
Impairment of loans to subsidiaries	**—**	—	**301**	—
Share-based payments expenses	**123**	98	**123**	98
Operating cash flows before movements in working capital	**(339)**	(663)	**(785)**	(754)
Decrease in inventories	**109**	32	**—**	—
(Increase)/decrease in receivables	**(95)**	(143)	**368**	(345)
Increase/(decrease) in payables	**625**	(51)	**215**	37
Cash generated from/(used in) operations	**300**	(825)	**(202)**	(1,062)
Net finance costs	**(111)**	(70)	**(32)**	—
Net cash generated from/(used in) operating activities	**189**	(895)	**(234)**	(1,062)

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.

Notes to the Financial Statements

CONTINUED

26. Share-based payments

Options/Warrants

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

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	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	**32,104,583**	**3.01**	2,846,250	21.50
Granted during the year	**51,583,333**	**1.70**	31,633,333	1.25
Exercised during the year	**—**	**—**	—	—
Expired during the year	**(270,000)**	**38.00**	(2,425,000)	4.00
Outstanding at the end of the year	**83,417,915**	**2.00**	32,104,583	2.87
Exercisable at the end of the year	**83,417,915**	**2.00**	27,644,583	3.01

The share options outstanding at 31 December 2020 had a weighted average exercise price of 2.00p (2019:2.87p), a weighted average remaining contractual life of 2.77 years (2019: 3.44 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 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.

On 2 July 2020, the Company issued 19,250,000 options of which 10,000,000 have been awarded to Directors and a further 9,250,000 options have been awarded to employees, consultants and officers of the Company.

Half the options vest and are exercisable immediately on award, with an exercise price of 1.40p.The remainder of the options have an exercise price of 2p and are subject to a share performance target and will vest as and when the Company share price is 2p The options will lapse five years after the date of the award, being 1 July 2025.All share options issued to directors and employees are recognised as an expense in the income statement over the vesting period of the options.

On 28 October 2020, the Company issued 2,000,000 options to the Tonehill Trust at an exercise price of 1.25p in relation to the Bushranger acquisition. The options vested immediately and will lapse 2 years after the award.

During the year a total of 3,250,000 (2019: 8,333,333) warrants associated with the fundraising were issued to brokers directly. The warrants are exercise at 1.20p (2019: 1.20p) per ordinary share and are to be exercised within 2 years of being issued.

During the year a total of 27,083,333 (2019: nil) warrants associated with the fundraising were issued to placees, being half a warrant for every share. The warrants are exercisable at 1.85p per ordinary share and are to be exercised within 2 years of being issued.

No warrants were exercised during the year.

Notes to the Financial Statements

CONTINUED

26. Share-based payments (continued)

New options and warrants granted are valued using the Black Scholes model, a commonly used option-pricing model. The calculation of volatility used in the model is based upon the share price and equity instrument movements during the financial period. The following factors are all taken into consideration when the options are valued:

- Weighted average share price
- Expected volatility
- Expected dividends
- Stock price
- Exercise price
- Option life
- Risk free interest rate

The inputs used to value new warrants issued during the period under review are as follows:

Fair value was determined by using the Black-Scholes Valuation Model.

The following inputs were used for new options issued:

	2020	2019
Average spot at grant date (pence)	**1.17p**	-0.9p
Expected volatility	**103.83%**	62.98%
Expected option life	**5 Years**	5 Years
Expected dividends	—	—
The risk free interest rate	**0.10%**	0.075%

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 £161k (2019: £98k). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £472k (2019: £397k) in the share-based payments reserve after the reversal of expired and lapsed share options, and £228k (2019: £54k) in the warrants reserve.

27. Financial instruments

Finance Risk Management

The Company has exposure to the following risks arising from financial instruments:

- Capital
- Market
- Interest rate
- Foreign currency
- Credit
- Liquidity

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

This information included relates to the exposure to each risks, the objectives, policies and processes for measuring and managing risk. Management determines, as required, the degree to which it is appropriate to use financial instruments to mitigate risk. Currently the Company's principal financial instruments comprise cash and cash equivalents and equity capital. The Company does not enter into complex derivatives to manage risk. There is no material difference between the book value and fair value of the Group cash balances, trade and other receivables, trade payables.

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.

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 limited amounts of 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 continues utilise cash from operations along with capital raisings and will also consider project funding where necessary.

Market risk management

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.

Interest rate risk management

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates. Currently, the Company has no borrowings and therefore no risk of significant fluctuations. The Company's exposure to interest rate risk is limited to its cash and cash equivalents held and are not considered material.

Notes to the Financial Statements
CONTINUED

27. Financial instruments (continued)

Foreign currency risk management

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

The Group is mainly exposed to the US Dollar, Australian Dollar, Mozambican Metical, Euro and Danish Krone 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	
Group	**31 December 2020 £'000**	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
US dollar	**—**	242	**2**	303
Australian Dollar	**1**	—	**83**	—
Euro	**87**	77	**11**	14
Mozambican Metica	**765**	293	**705**	8
Danish Krone	**2**	—	**1**	—
Total	**855**	612	**802**	325

	Liabilities		Assets	
Company	**31 December 2020 £'000**	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
US dollar	**731**	—	**314**	5
Australian Dollar	**—**	—	**179**	—
Euro	**—**	—	**29**	—
Mozambican Metica	**—**	—	**617**	—
Danish Krone	**—**	—	**177**	—
Total	**731**	—	**1,316**	5

Sensitivity analysis

A 10% strengthening of the British pound against the respective currencies at 31 December 2020 would have increased/(decreased) profit and loss by the amounts shown below:

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
US dollar	**—**	(6)	**41**	(1)
Australian Dollar	**(8)**	—	**(18)**	—
Euro	**8**	6	**(3)**	—
Mozambican Metica	**6**	29	**(62)**	—
Danish Krone	**—**	—	**(18)**	—
Total	**6**	29	**(60)**	(1)

27. Financial instruments (continued)

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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
Trade and other receivables	**146**	159	**285**	758
Loan receivables	**—**	133	**—**	—
Cash and cash equivalents	**919**	361	**253**	216
Loans to group companies	**—**	—	**2,426**	2,514
Total	**1,065**	653	**2,964**	3,488

Liquidity risk management

Liquidity risk is the risk is the possibility that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses. The following are contractual maturities of financial liabilities at the balance sheet date:

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
Trade and other payables	**1,051**	336	**362**	147
Tax payable	**93**	—	**—**	—
Loans from group companies	**—**	—	**11,483**	11,450
Total	**1,144**	336	**11,845**	11,597

Group 31 December 2020	**Carrying amount £'000**	**2 months or less £'000**	**2 to 12 months £'000**	**More than 12 months £'000**
Trade and other payables	**1,051**	**974**	**77**	**—**
Tax payable	**93**	**93**	**—**	**—**
Total	**1,144**	**1,067**	**77**	**—**

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

Company 31 December 2020	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	**362**	**362**	—	—
Loans from group companies	**11,483**	**11,483**	—	—
Total	**11,845**	**11,845**	—	—

Group 31 December 2019	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	336	336	—	—
Tax payable	—	—	—	—
Total	336	336	—	—

Company 31 December 2019	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	147	147	—	—
Tax payable	—	—	—	—
Loans from group companies	11,450	11,450	—	—
Total	11,597	11,597	—	—

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 £605k (2019: £526k).

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 £36k plus VAT. An amount of £11k was outstanding as at 31 December 2020 (2019: £14k).

A total £5k (2019-£nil) of Alastair Ford's fee was invoiced Sofabar Consulting Ltd, a company controlled by him.

As at 31 December 2020 directors' fees of £119k (2019: £40k) relating to current and prior year fees remains outstanding, of which £50k (2019: £Nil) relates to Colin Bird, £25k to Joel Silberstein (2019: £nil), Jeremy Read £3k (2019: £nil), Alastair Ford £1k (2019: £nil) and £40k (2019: £40k) relates to Peter Moir.

The emoluments of the Directors are disclosed in note 10 on page 66.

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

28. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the Directors and other staff members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in note 10 on page 67.

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Salaries and other short-term employee benefits	**319**	341
Share-based payments	**95**	88
	414	429

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 appeal process requires Nexus to have delivered an answering affidavit by the middle of February 2020. Instead of doing this Nexus attorney's withdrew as such. New attorneys came on record in December 2020, but the answering affidavit, which was even by then grossly overdue, has still not been delivered. Having regard to the extent that it is overdue, it is probable that the appeal will succeed on an unopposed basis. In any event, it is the Board's view that, even if Nexus does now deliver an answering affidavit and the appeal fails, the Arbitration Tribunal will not make an award in favour of Nexus.

Notes to the Financial Statements

CONTINUED

30. Acquisition of Bushranger Copper-gold Project

On 10 November 2020, the Company acquired the entire issued share capital of ProspectOre Ltd, an Australian incorporated entity with a 100 % direct interest in the Bushranger Copper-gold Project. The total consideration of the acquisition was £1,291K.

The net assets acquired are as follows:-

	Carrying value before combination £(000)	Fair value adjustment £(000)	Fair value £(000)
Intangible assets	—	1,318	1,318
Trade and other receivables	16	—	16
Bank and cash balances	45	—	45
Trade and other payables	(89)	—	(89)
	(28)	1,318	1,290
Consideration:			
Shares issued		1,262	
Cash		9	
Share Options		19	(1,290)
			—

The consideration for the acquisition was £1,290k comprising of £1,262k, satisfied by the allotment and issue of 101,000,000 Ordinary shares of 0.02p which were credited as fully paid at a price of 1.25p per Ordinary Share and cash of £9k, and 2,000,000 share options valued at £19k. The Company agreed to spend at least AUS$350,000 (£189,000) on exploration drilling and resource definition drilling within twelve months of the date of completion.

31. Prior year Adjustment

Consolidated Income Statement

For the year ended 31 December 2020

	Signed 2019 Financial statements £'000	Adjustment (Reclassification) £'000	Restated as at 31 December 2019 £'000
Operating loss	(761)	—	(761)
Other gains/(losses)	12	(165)	(153)
Finance cost	(341)	165	(176)
(Loss) before tax	(1,090)	—	(1,090)
Taxation	—	—	—
(Loss) for the year	(1,090)	—	(1,090)

Notes to the Financial Statements

CONTINUED

31. Prior year Adjustment (continued)

Statement of Financial Position

As at 31 December 2020

	Company		
	Signed 2019 Financial Statements £'000	Adjustment (Reclassification)	Restated as at 31 December £'000
Non-current assets			
Investment in subsidiary	8,533	—	8,533
Current assets			
Trade and other receivables	758	—	758
Loans receivable	—	—	—
Inventories	—	—	—
Loans to group companies	—	2,514	2,514
Cash and cash equivalents	216	—	216
	974	2,514	3,488
Total assets	9,507	2,514	12,021
Current liabilities			
Trade and other payables	147	—	147
Other payables	—	—	—
Current tax payable	—	—	—
Loans from group companies	8,936	2,514	11,450
	9,083	2,514	11,597
Net current assets/(liabilities)	(8,109)	—	(8,109)
Total liabilities	9,083	2,514	11,597
Net assets	424	—	424

The 2019 balances have been restated in the 2020 financial statements. The balances have been restated due to the following:

1) In 2019, the loan receivable balance written down was allocated to finance costs instead of other losses. The restatement has no impact on the loss for the year.

2) In 2019 the loans to and from subsidiaries were netted off and disclosed as a net amount from group companies. The loans have been split between loans to the group companies and loans from the group companies. Both current and total assets as well as current and total liabilities for the Company have been restated in the prior year.

32. Ultimate controlling party

The Directors believe there is no ultimate controlling party.

Notes to the Financial Statements

CONTINUED

33. Events after balance sheet date

Issue of Equity

On 21 January 2021, the Company announced that it conditionally raised £5 million following the placement of 111,111,111 new Ordinary Shares of 0.02p each at 4.5p per share.

On 2 February 2021, the Company announced that it has received notice to exercise warrants over 2,000,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.85p per Ordinary Share.

On 2 February 2021, the Company agreed to settle a corporate creditor through the issuance 2,103,152 new ordinary shares at an issue price of 5.03p per Ordinary Share.

On 5 March 2021 the Company received notice to exercise options over 5,000,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.85p per Ordinary Share.

On 17 March 2021 the Company received notice to exercise options over 2,000,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.25p per Ordinary Share.

On 19 April 2021 the Company announced that it had conditionally raised £5.5 million following the placement of 98,214,286 new Ordinary Shares of 0.02p each at 5.6p per share.

On 21 May 2021 the Company received notice to exercise warrants over 1,625,000 ordinary shares of 0.02p each in the Company at an exercise price of 1.20p per Ordinary Share.

Award of Share Options

On 24 February 2021, the Company awarded 24,800,000 new options over ordinary shares. 16,000,000 New Options were awarded to Directors and a further 8,800,000 New Options were awarded to employees, consultants and officers of the Company.

The New Options vest and are exercisable immediately on award, with an exercise price of 10.00p. The New Options will lapse five years after the date of the award.

Company Information

Directors:
Colin Bird, Executive Chairman
Joel Silberstein, Finance Director
Peter Moir, Non-Executive Director
Alastair Ford, Non-Executive Director
Jeremy Read, Non-Executive Director

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