xtract
RESOURCES PLC

Annual Report

for the year ended 31 December 2021

Contents

Xtract Resources Plc (AIM:XTR) announces its final results for the year ended 31 December 2021, 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

➜ At Bushranger results from Phase-One drilling and an Induced polarization (IP) MIMDAS survey have provided significant potential to upgrade the known Inferred Mineral Resources at the Bushranger copper-gold project within a world-class mining district in New South Wales, Australia

➜ The follow-up Phase-Two drilling programme succeeded in defining a shallow high-grade 'crown' to the Racecourse deposit, which will be modelled with a view to developing an open pit mine

➜ The Phase-Two drilling programme at Bushranger was also successful in discovering a new deposit located to the south of Racecourse, named Ascot. Initial holes and assays suggest that this deposit has a higher gold tenor than Racecourse. Further drilling is in progress to test the new discovery

➜ At the Eureka copper project in Zambia completed drilling and analysis of drill core confirmed the extension of the Eureka mineralised zone to the north-west – beyond 300m and still open

➜ Trial pilot-scale mining is under way at Eureka to test copper recoveries with a view to supplying ore to a local processor

➜ Total of £10.50 million (before expenses) raised through equity placings

➜ During the 2nd half of 2021 all of the alluvial and small hard rock operations achieved highest production levels since commencing mining in 2017

➜ Total of 43.83kg (equivalent to 1,404 ounces) of production attributable to Explorator (2020: 19.38kg (equivalent to 620 ounces)

➜ Post year end the Company decided to withdraw from the Kalengwa Project in Zambia and fully impair the carrying value with a consequent charge to the income statement of £0.36 million

Financial highlights

➜ Cash of £5.39m (2020: £0.92m)

➜ Net assets of £11.93m (2019: £10.78m)

➜ Revenue from gold sales of £0.69m (2020: £1.73m)

➜ Administrative and operating expenses of £3.31m (2020: £2.09m)

xtract RESOURCES PLC

Chairman's Statement

Colin Bird
Executive Chairman

Dear Shareholder,

The period under review has again been positive for our group activities. Our mission to work small scale mining operations and conduct major exploration has advanced according to plan.

Starting with the Australian Lachlan Fold Belt project at Bushranger, I am very pleased to report that in a short period we have advanced the exploration to a much better understanding than we had at the time of writing last year's report.

As of now, we have largely delineated the Racecourse project and are busy modelling resource shape to determine tonnage and grade. The Racecourse Project would most likely be planned to a surface mine, with a high-grade component that can support mining for a number of years, with typical porphyry ore grade thereafter. We intend to rework the conceptual model, with the benefit of more definitive grades, metallurgical test work results and tonnage disposition.

We conducted further geophysics, which better assisted our drilling programmes and pointed towards the potential for another large-scale target towards the south of Racecourse, also identifying other anomalous areas, with a similar signature as at the Racecourse Project.

We drill tested a strong anomaly some 1.3km south of Racecourse and identified large areas of mineralisation, with gold grades being generally higher than Racecourse, as was the molybdenum. The different chemistry and mineralisation distribution caused us to give the occurrence its own name, and we named the area Ascot. We have drilled a further 8 holes into the area, with varying results and our last hole assays, at the time of writing this report, had minimal copper intersections, but had very significant gold intersections, with higher than previously experienced molybdenum values. The lithology leads us to the opinion that the true porphyry may be deeper, and we will therefore drill a further hole to test this prognosis.

At the time of writing this report, we were embarking on a limited drilling programme at the Footrot prospect to the south of Racecourse-Ascot to test the veracity of the geophysics, which are also similar to Racecourse, and where previous companies have had some indication of porphyry style lithology.

In general, our exploration activities in Australia have been extremely encouraging and without a doubt we have discovered a major system, well beyond our original expectations. As with all porphyries, however, a full understanding requires much drilling to define the full potential and our projects are no exception. The phase 2 exploration programme is about to be completed and when we have modelled and evaluated all the raw information, we will be well advanced on the value curve and able to position the project in the global market.

Our alluvial gold production activities in Mozambique have continued to be somewhat erratic, but no month has passed without producing a surplus of income over expenditure. Towards the end of 2021 all of the alluvial and small hard rock operations produced well and record results were achieved. The rains of course, hampered operations, but nonetheless results were very satisfactory, and the higher trend was maintained.

We expect alluvial and small gold operations to continue for the remainder of the year and I am happy to report that the Fair Bride hard rock operation has now commenced production. We expect a production build up during the 3rd quarter 2022, with full commercial production being achieved during the 4th quarter. On this basis we expect earnings from our Mozambique gold operations to be significant, with the Fair Bride operation continuing for some five years. We intend with our partners to test drill the area, since we are convinced of further discovery potential and during next year will design plant additions, which will allow us to treat all mineralisation gold types found in the area.

Chairman’s Statement

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In Zambia we have identified and modelled a potentially mineable resource at Eureka and are carrying out trial mining. The initial trial mining produced a very high-grade ore, but metallurgical testing proved to be very refractory. Further drilling and test mining has shown this to be a local phenomenon and we intend to commence operations during the 3rd quarter 2022.

The Company’s aim is to identify small deposits of 1-5 years production capability at a rate of about 50,000 tonnes per year. We have been working one small deposit, known as Chongwe, to ascertain its size and potential contribution. The projects have produced satisfactory ore for a nearby processing capability, producing a surplus of income over expenditure. It is however unlikely to be a long-life proposition and we continue our efforts to identify other resources in relatively close proximity to processing capability.

The Kalengwa Project has been subordinated to our other activities since it is remote to processing capability and challenged by availability of power and the Company has therefore impaired all costs relating to the project.

As a junior miner, we continue to be mindful of guarding the Company’s cash position. The awarding of options is considered a crucial element in the Company’s ability to incentivise the Company’s employees and directors and allows for the retention of services and expertise. In March 2021, the Company awarded options to directors and employees which resulted in a share-based payment accounting charge of £1.47 million which has been included in our administration and overhead expense.

The company is examining a number of exciting opportunities in the small copper and gold sector and look forward to reporting progress during the 3rd quarter.

I would like to thank my fellow directors and management team for their untiring efforts to advance the company during the year under review, against intense competition and challenging circumstances.

Colin Bird
Executive Chairman

30 June 2022

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

During 2021, the Company continued to build substantially on its copper-gold portfolio with it 100% investment in the highly prospective Bushranger copper-gold porphyry deposit within Australia's world-class copper-gold province in the Lachlan Fold Belt ('LFB') 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. A Phase 2 drilling programme commenced later in 2021 and continued into 2022 with the aim of detailing the continuity of the Racecourse resource and further defining its' boundaries, with a particular emphasis on defining a higher-grade "crown" of the mineralised porphyry at open-pittable depths. Options for possible open-pit mining are now being reviewed. 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. Drilling post year-end also succeeded in making an exciting new discovery to the south of the Racecourse deposit, named the Ascot deposit, which has a higher gold tenor than Racecourse. Further drilling was in progress to define this new discovery.

In Zambia the Eureka copper project was advanced by drilling during 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.

The Kalengwa Project has been subordinated to our other activities which have strong prospects of early copper production since Kalengwa is remote to processing capability and challenged by availability of power and the Company has therefore impaired all costs relating to the project.

Development at the planned Manica Fair Bride hard-rock gold mining operation in Mozambique continued with the completion of all design work on the expansion of the Manica plant, as well as the completion of civil works and commencement of construction and installation. The tailings dam construction was also completed. Mining start-up is planned for Quarter 3, 2022. The contract alluvial operations at Manica continue to provide modest income to the Company.

Photo 1 – The team onsite at Manica

Summary of Company projects

Australia

Bushranger project

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. In the previous reporting year Xtract completed a successful Phase One Drilling Programme at the Racecourse Inferred Mineral Resource, a total of six diamond holes were drilled for a total of just over 5,000m of core, with an objective to extend the mineral resources down plunge to the northwest and at depth. The best intersections included drill hole BRDD-21-001, which was drilled down-plunge of the deposit and returned an overall intersection of 920m @ 0.3% Cu, 0.02 g/t Au and 1.45 g/t Ag (0.33% CuEq) from 110m.

Following the success of the Phase One Drill Programme, the company commenced a highly successful Phase Two programme which has concluded drilling on the Racecourse Inferred Mineral Resource, having extended the known mineralisation along-strike, down-plunge and at depth, while upgrading the known mineral resources, as well as defining a higher-grade "crown" of the mineralised porphyry at open-pittable depths.

The Phase Two Drilling Programme has so far seen a total of 32,633.3 metres drilled in 48 diamond drill holes to an average depth of 694.3m each. A number of additional holes were planned with the intention of following-up multiple geophysical anomalies along-strike to the southeast of the Racecourse resource with characteristics akin to porphyry style mineralisation that could represent satellite deposits. Many of these holes were purely exploratory in nature and returned mixed results, but they included the discovery hole into the Ascot mineralised body 1.5km to the southeast of Racecourse in drill hole BRDD-21-035.

Strategic Report

Photo 2 – Phase Two drilling underway at Bushranger

Of the holes drilled at Racecourse a number were very successful in defining along-strike extensions to the known mineralisation both to the northwest, southeast and down-plunge, whilst also continuing grade to the west at depth. The intercepts returned have all added significantly to the evolving block-model for the deposit, with the highlight surrounding a number of drill holes which were successful in defining the higher-grade mineralised "crown" of the deposit in its central region, including the following best intercepts;

- 448m at 0.3% CuEq in BRDD-21-009 from a depth of 272m
- 338m at 0.31% CuEq in BRDD-21-010 from a depth of 178m
- 280m at 0.36% CuEq in BRDD-21-021 from a depth of 205m
- 184m at 0.51% CuEq in BRDD-21-008 from a depth of 204m

At the newly discovered Ascot prospect, the discovery hole, BRDD-21-035 returned an intersection of 164m at 0.35% CuEq from a downhole depth of 552m, which has since been followed up with a further 11 drill holes for a total of 8,526m of coring. The drilling to date has extended the mineralised strike length by up to 750m, which is open along-strike to the south and at depth. The characteristics of the Ascot mineralisation are so far distinct from Racecourse, with a higher enrichment for gold, including a best intercept of 32m at 0.92 g/t Au from 510m in drill hole BRDD-22-039.

The Phase Two Drilling at the Racecourse and Ascot prospects has intersected copper-gold mineralisation over a total of 3km of strike length which forms a copper-gold mineralised trend that compares favourably to the mineralised porphyries at Newcrest's world-class Cadia mine and the Alkane's Boda-Kaiser trend which also occur over 3km of strike lengths nearby in the Lachlan Fold Belt. Alkane Resources has recently released a maiden Mineral Resource for their newly discovered Boda deposit of 624Mt grading at 0.51 g/t AuEq for 10.1MEqoz (5.21 Moz Au, 0.90 Mt Cu).

Metallurgical studies are currently in-progress to define a beneficiation process for both the Racecourse and Ascot ores which will feed into the optimisation and financial models for the project.

Strategic Report

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Photo 3 – Panoramic view as drilling progressed at Bushranger through the winter

Zambia

Eureka

Following on from the successful Phase 1 drilling programme completed in 2019, a second Phase of diamond coring was completed, with full results received during the reporting period. The aims of the Phase 2 drilling programme were to test the strike continuity of the mineralisation along-strike to the northwest and down-plunge, as well as provide additional information regarding the deposit width and grade to support open pit mine planning.

Twenty-one shallow holes were drilled in Phase 2, designated EX-08 to EX-028 and totaling 1,584.6m, mostly angled to the northeast to cross the near-vertical mineralised zone. Assaying of half core was carried out at the ISO-accredited SGS analytical laboratory in Kalulushi, Zambia.

Among the highlights of the new results were EX-023 (vertical hole) with 22m @ 2.53% Cu from 7m depth, including 14m @ 3.71% Cu from 14m depth. This hole is located about 30m northwest of the limit of the shallow historic open pit, confirming that high copper grades continue in this direction beyond the pit boundary. Also, some 70m northwest of the old pit, angled hole EX-014 intersected a 2m zone of 5.04% Cu from 40m depth within a wider zone of 21m @ 0.84% Cu from 38m depth.

Overall, the results confirm continuity of the shallow mineralised zone over about 300m of strike and It is planned to undertake further drilling to track this extension.

Kalengwa

The Kalengwa open pit copper mine in Zambia previously reported a total production of 1.9Mt of 9.44% Cu and 50g/t Ag from the open pit over a 12-year period from 1970 to 1982 resulting in circa 15,000 tonnes of copper production per annum.

During 2021, a reconnaissance diamond drilling programme of six short vertical holes was completed by the Company. 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.

The Company decided to no longer focus on the Kalengwa Project in favour of other advanced projects that have potential for early copper production, due to Kalengwa being remote to processing capability and the availability of power and therefore the Company has impaired all costs incurred to date.

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 favourable political and legal regime. The Manica Gold Project is situated in the Odzi- Mutare-Manica Greenstone belt, with an estimated 2 million ounces of gold previously mined in the area.

Since 2017, the Company has engaged mining contractors to exploit the alluvials within the concession and this is expected to continue till the end of the 1st half of 2023, with part of the revenues accruing to Xtract.

The Fair Bride 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 entered into a profit-sharing agreement with Mutapa Mining & Processing LDA and was given the opportunity to move the Fair Bride project forward, from development stage to production thereby mitigating any execution risk, with production having started in June 2022.

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

The Bushranger Copper-Gold Project is 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.

The 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.

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. Alkane has recently released their maiden Mineral Resource for their newly discovered Boda deposit of 624Mt grading at 0.51 g/t AuEq for 10.1MEqoz (5.21 Moz Au, 0.90 Mt Cu).

Xtract Phase Two Drilling Programme

Racecourse Prospect

Owing to the success of the Phase One diamond drilling programme at the Racecourse Inferred Mineral Resource, the past year has seen the near-completion of the Phase Two drilling programme at the Bushranger Project. The two main objectives of the Phase Two programme were to add to the size and grade of the currently defined Racecourse Inferred Mineral Resource, and to test a number of outlying geophysical anomalies along-strike of the main resource with characteristics akin to porphyry-style mineralisation.

To date 32,633.3m of diamond core drilling has been completed on the Phase Two programme at Bushranger, which includes the completion of 48 diamond drill holes (BRDD-21-007 to BRDD-21-038, and BRDD-22-039 to BRDD-22-054) to an average depth of 694.3m each. The initial six-month phase of the programme was planned with two drill rigs operational, when it was decided to extend the programme into 2022 on the back of encouraging results, utilising just one drill rig. At the time of writing, the remaining drill rig is continuing to drill the final few holes planned as part of the Phase Two drill programme extension.

Strategic Report
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Photo's 4 & 5 – Diamond core drilled as part of the Phase Two drilling programme at Bushranger

At the Racecourse Inferred Mineral Resource, as well as extending the mineralisation along-strike to the northwest and southeast, down-plunge and depth, a critical objective was to extend the wide intervals of mineralisaiton intersected in the Phase One drilling programme to shallower depths, where it was anticipated that grades could increase associated with the higher-grade "mineralised crown" of the porphyry-system.

A full summary of reported drill results from the Phase Two drilling programme is available in Table 3, with the best results summarised in Table 1 below. All drill holes summarised in Table 1 were drilled in the central portion of the Racecourse Inferred Mineral Resource and were successful in extending high-grade copper mineralisation to shallower depths as postulated, thereby increasing the viability for an open-pit mining operation.

Table 1: Summary of the best results from the Phase Two Drilling Programme at the Racecourse Prospect

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-009	272	720	448	0.26	0.06	1.1	**0.3**
BRDD-21-010	178	516	338	0.28	0.05	1.4	**0.31**
BRDD-21-021	205	485	280	0.31	0.07	1.2	**0.36**
BRDD-21-008	204	388	184	0.47	0.03	3	**0.51**
BRDD-21-019	276	478	202	0.23	0.04	2.1	**0.27**

* Assays undertaken by Bureau Veritas Minerals Pty. Ltd. Laboratory, Adelaide, Australia

** CuEq Formula: CuEq = Cu% + 0.5884xAu (g/t) + 0.0078xAg (g/t)

Drill holes outside of this central area were all targeted with the intention of extending the currently modelled Racecourse Inferred Mineral Resource along-strike to the northwest, at depth, and along-strike to the southeast. Assay results returned have been very encouraging and include;

- 46m at 0.31% CuEq from a depth of 581m in drill hole BRDD-21-020 which confirmed the extension of the Racecourse deposit at depth by about 150m to the northwest of previous drilling
- Drill holes BRDD-21-030 & BRDD-21-028 have extended mineralisaton to depth in the southern-central area of the porphyry with best results of 170m at 0.24% CuEq from a depth of 161m in drill hole BRDD-21-030, and wide intersections averaging between 0.11% and 0.15% CuEq in drill hole BRDD-21-028, with higher-grade intersections including 8m at 0.31% CuEq from a depth of 334m
- Results confirming the potential southern extension of the Racecourse porphyry are still awaited from the laboratory, indications from geological inspection of the drill core are promising

A number of the drill holes from the Phase Two programme at Racecourse have continued to intersect promising intervals of gold mineralisation in addition to the copper, especially at depth, and this will be assessed as part of the updated resource modelling which is on-going.

Ascot Prospect

A 2021 MIMDAS IP survey designed to follow-up positive geophysical targets defined by previous explorer Anglo American to the southwest of the Racecourse Inferred Mineral Resource, successfully identified a number of large combined conductive and resistive targets. Xtract followed-up a number of these targets with a series of diamond drillholes, the most successful leading to the discovery of the Ascot Copper-Gold mineralised body in December 2021.

Since its discovery in drillhole BRDD-21-035, twelve diamond drill-holes for a total of 8,526m have been drilled in to the target which have defined a mineralised strike-length of up to 750m, which is open both at depth and along-strike to the south. In comparison to Racecourse, results returned from Ascot have a higher tenor for gold, indicating the presence of a distinct mineralised system to Racecourse.

Best results returned from the Ascot Prospect so far are presented in Table 2, with results including intersections comparable to the best-to-date in the Racecourse Inferred Mineral Resource, namely a return of 164m at 0.35% CuEq from 552m in drill hole BRDD-21-035, and 32m at 0.92 g/t Au from 510m in drill hole BRDD-22-039.

Strategic Report
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Table 2: Summary of the best results reported to date from the Ascot Prospect

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-031	586	638	52	0.22	0.05	3.0	**0.27**
incl.	600	612	12	0.7	0.16	9.9	**0.88**
BRDD-21-033	191	193	2	0.01	15.5	1.6	**N/A**
BRDD-21-035	552	716	164	0.24	0.17	1.43	**0.35**
incl.	552	616	64	0.38	0.3	2.26	**0.58**
BRDD-21-038	79	183	104	0.18	0.08	1.1	**0.24**
incl.	175	183	8	1.17	0.37	8.7	**1.46**
BRDD-21-038	589	591	2	0.01	2.3	0.6	**1.4**
BRDD-22-039	510	542	32	0.02	0.92	1	**N/A**
incl.	510	524	14	0.02	1.96	1.6	**N/A**
BRDD-22-044	388	440	52	0.16	0.06	1.88	**0.21**

* Assays undertaken by Bureau Veritas Minerals Pty. Ltd. Laboratory, Adelaide, Australia

** CuEq Formula: CuEq = Cu% + 0.5884xAu (g/t) + 0.0078xAg (g/t)

Conclusion

The Phase 2 Drilling Programme at the Racecourse and Ascot prospects has intersected copper-gold mineralisation over 3km of strike length which forms a copper-gold mineralised trend that compares favourably to the mineralised porphyries at Newcrest's world-class Cadia mine and the Alkane's Boda-Kaiser trend which also occur over 3km of strike lengths.

Ascot and Racecourse have similar widths of copper-gold mineralisation, with Ascot containing thicker and higher-grade gold intersections in comparison to Racecourse. Xtract is undertaking further assessment to understand the economic potential of these thicker, higher grade gold intersections, particularly at shallower depths. The Ascot mineralisation has currently been drilled over 750m of strike length and is open to the south and at depth. Geological data suggests that an equivalent to the best mineralised "crown" position above the porphyry at the Racecourse prospect has not yet been intersected at Ascot, which provides further upside to what is already one of the most significant greenfields porphyry copper-gold discoveries in the Lachlan Fold Belt since the discovery of Boda in 2019.

Upon the return of all remaining assay results from the Phase Two Drilling Programme at Racecourse and Ascot, a new resource model for both prospects will be developed.

Table 3. Full Summary of Reported Phase Two Drilling Results

Drill Holes BRDD-21-007 to BRDD-21-037 drilling during the reporting period, drill holes BRDD-21-038 to BRDD-22-054 drilled post year end. Assay results not reported below are still expected.

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-008	204	388	184	0.47	0.03	3	**0.51**
incl.	204	213	9	0.84	0.08	1.8	**0.9**
and	252	298	46	0.66	0.04	5.1	**0.72**
incl.	290	298	8	1.27	0.02	16	**1.41**
incl.	292	294	2	1.79	0.02	25.6	**2**
and	332	358	26	0.71	0.05	3.3	**0.77**
	446	458	12	0.07	0.6	0.9	**0.44**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-009	272	720	448	0.26	0.06	1.1	**0.3**
incl.	343	498	155	0.39	0.06	2.1	**0.44**
incl.	363	398	35	0.54	0.1	2.2	**0.61**
and	470	498	28	0.48	0.09	2.1	**0.54**
and	630	638	8	0.08	0.85	0.3	**0.54**
incl.	634	636	2	0.16	1.92	0.6	**1.2**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-010	178	516	338	0.28	0.05	1.4	**0.31**
incl.	292	378	86	0.48	0.05	2.1	**0.52**
incl.	344	358	14	0.69	0.03	2.6	**0.73**
and	696	738	42	0.25	0.02	0	**0.27**
incl.	696	708	12	0.36	0.01	0	**0.36**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-021-011	146	164	18	0.14	0.41	0.6	**0.39**
	220	238	18	0.05	0.35	0.4	**0.25**
	294	424	130	0.25	0.03	0.9	**0.28**
incl.	294	372	78	0.3	0.02	1	**0.32**
incl.	308	324	16	0.38	0.03	1.3	**0.4**
and	342	358	16	0.44	0.03	1.8	**0.47**
and	390	424	34	0.25	0.07	0.9	**0.29**

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Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD_021-012	202	324	122	0.3	0.04	2	**0.34**
incl.	202	270	68	0.42	0.05	3.5	**0.48**
incl.	230	268	38	0.59	0.05	5.4	**0.66**
	434	482	48	0.04	0.27	0.2	**0.2**
incl.	460	466	6	0.03	0.74	0.2	**0.47**
BRDD-21-013	140	308	168	0.23	0.02	0.7	**0.25**
incl.	142	152	10	0.37	0.02	1.4	**0.39**
and	164	192	28	0.43	0.01	1.7	**0.45**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-015	430	436	6	0.24	0.04	3.7	**0.29**
	462	470	8	0.11	0.34	1.2	**0.32**
	482	510	28	0.29	0.02	1.9	**0.32**
incl.	490	504	14	0.35	0.03	2.3	**0.39**
	560	638	78	0.23	0.06	0.4	**0.27**
incl.	560	566	6	0.06	0.25	0.1	**0.21**
incl.	574	626	52	0.3	0.04	0.4	**0.33**
and	616	626	10	0.63	0.02	0.7	**0.64**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD_021-016	34	44	10	0.23	0.01	1.8	**0.25**
	134	140	6	0.32	0.06	0.7	**0.36**
	170	312	142	0.2	0.01	0.1	**0.21**
incl.	178	190	12	0.36	0.01	0.5	**0.37**
and	250	264	14	0.38	0.01	0.4	**0.39**
	596	636	40	0.01	0.23	0.9	**0.15**
incl.	628	636	8	0.01	0.66	0.3	0.41

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-018	528	698	170	0.16	0.09	0.74	**0.22**
incl.	642	686	44	0.25	0.05	1.05	**0.29**
incl.	648	660	12	0.33	0.11	1.33	**0.41**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-019	276	478	202	0.23	0.04	2.1	**0.27**
incl.	276	352	76	0.35	0.06	3.1	**0.41**
incl.	312	330	18	0.51	0.22	4.1	**0.67**
and	422	438	16	0.31	0.01	1.6	**0.32**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-020	581	627	46	0.27	0.05	1.4	**0.31**
incl.	611	627	16	0.37	0.03	2.1	**0.4**
and	677	743	66	0.26	0.01	1.4	**0.27**
incl.	685	737	52	0.29	0.01	1.5	**0.3**
and	687	695	8	0.37	0.02	2	**0.4**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-021	205	485	280	0.31	0.07	1.2	**0.36**
incl.	205	297	92	0.46	0.09	1.8	**0.53**
and	347	383	36	0.38	0.19	1.2	**0.51**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-022	209	218	9	0.27	0.01	0.64	**0.28**
	244	266	22	0.19	0.01	0.4	**0.2**
incl.	258	264	6	0.29	0	0.6	**0.3**
	278	284	6	0.24	0	0.73	**0.25**
	290	350	60	0.24	0	0.61	**0.24**
incl.	290	320	30	0.3	0	0.72	**0.3**
	376	386	10	0.26	0	0.48	**0.26**
	522	666	144	0.25	0.02	1.39	**0.28**
	686	718	32	0.22	0.01	1.93	**0.24**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-023	492	502	10	0.02	0.29	0.28	**0.19**
	530	540	10	0.05	0.57	1.52	**0.4**
	694	718	24	0.11	0.03	0.52	**0.13**
	752	774	22	0.12	0.02	0.85	**0.14**

Strategic Report
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Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-024	80	104	24	0.18	0.01	0.8	**0.19**
incl.	80	88	8	0.29	0.02	1.7	**0.31**
and	162	176	14	0.16	0.25	0.2	**0.31**
and	240	248	8	0.3	0.01	0.2	**0.31**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-026	154	250	96	0.15	0.03	1.5	**0.18**
incl.	224	248	24	0.26	0.05	1.8	**0.31**
	314	350	36	0.07	0.39	0.5	**0.32**
	402	410	8	0.42	0.94	1.7	**1.01**
	464	602	138	0.19	0.03	0.02	**0.21**
incl.	470	492	22	0.22	0.2	0	**0.34**
and	516	542	26	0.31	0	0	**0.31**
	634	640	6	0.42	0	0	**0.42**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-027	340	356	16	0.17	0.22	2.1	**0.32**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-028	278	282	4	0.25	0.03	0.7	**0.28**
	334	342	8	0.27	0.06	0.4	**0.31**
	376	384	8	0.17	0.01	0.1	**0.18**
	450	540	90	0.14	0.01	0.1	**0.15**
incl.	456	488	32	0.17	0.01	0.1	**0.17**
incl.	470	474	4	0.7	0.02	0.5	**0.71**
and	510	540	30	0.2	0.01	0.2	**0.2**
incl.	522	538	16	0.24	0.01	0.3	**0.24**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-029	242	266	24	0.16	0.06	2.8	**0.22**
incl.	242	254	12	0.23	0.05	3.9	**0.29**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-030	161	331	170	0.19	0.08	0.5	**0.24**
incl.	161	235	74	0.26	0.11	1.1	**0.34**

Strategic Report
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Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-031	586	638	52	0.22	0.05	3	**0.27**
incl.	600	612	12	0.7	0.16	9.9	**0.88**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-033	191	193	2	0.01	15.5	1.6	**N/A**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-034	220	228	8	0.01	0.25	0.8	**0.16**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-035	166	232	66	0.19	0.09	2.08	**0.26**
incl.	194	212	18	0.3	0.13	2.76	**0.39**
	356	408	52	0.19	0.1	0.61	**0.26**
incl.	394	402	8	0.36	0.25	1.7	**0.52**
	552	716	164	0.24	0.17	1.43	**0.35**
incl.	552	616	64	0.38	0.3	2.26	**0.58**
	676	686	10	0.31	0.16	2.28	**0.43**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-038	79	183	104	0.18	0.08	1.1	**0.24**
incl.	101	111	10	0.3	0.07	1.1	**0.35**
and	175	183	8	1.17	0.37	8.7	**1.46**
	329	333	4	0.23	0.1	4	**0.32**
	411	415	4	0.37	0.06	6	**0.45**
	521	527	6	0.05	0.35	1.6	**0.27**
	589	591	2	0.01	2.3	0.6	**1.4**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-039	182	188	6	0.2	0.02	1.3	**0.22**
	200	214	14	0.07	0.09	0.7	**0.13**
	432	434	2	0.01	1.86	0.4	**N/A**
	510	542	32	0.02	0.92	1	**N/A**
incl.	510	524	14	0.02	1.96	1.6	**N/A**
and	510	512	2	0.02	3.24	2.4	**N/A**
	595	601	6	0.01	0.46	0.4	**N/A**

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Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-044	388	440	52	0.16	0.06	1.88	**0.21**
incl.	388	406	18	0.26	0.08	2.89	**0.34**

* Assays undertaken by Bureau Veritas Minerals Pty. Ltd. Laboratory, Adelaide, Australia

** CuEq Formula: CuEq = Cu% + 0.5884xAu (g/t) + 0.0078xAg (g/t)

MIMDAS IP Survey

A follow-up MIMDAS Induced Polarisation ("IP") survey was completed in 2022 in order to extend a series of geophysical anomalies defined in a 2021 MIMDAS IP survey further towards the southeast to include the new Ascot discovery and the prospective ground between the Racecourse and Ascot prospects.

Six lines were completed for a total of 17 line kilometres at a 200m line spacing. Processing and modelling of the data is on-going with promising indications already reported.

Metallurgy

Four samples have been dispatched to the independent Brisbane Metallurgical Laboratory of Brisbane, Australia, to undertake initial metallurgical test work in order to gain an understanding of the metallurgical characteristics of the Racecourse and Ascot mineralised bodies with the aim to provide project specific assumptions for Xtract's early-stage open pit financial modelling at Bushranger.

The main objectives of the test work are to:

- Test whether the Racecourse mineralisation is amenable to a simple flotation process
- Provide a flowsheet design for the projected copper recovery plant and indicate anticipated recoverable saleable copper concentrate
- Establish the importance of potential added value to the saleable copper concentrate from related accessory precious metals (gold, silver) and, possibly, molybdenum
- Test the metallurgical variance between the Racecourse and Ascot deposits, with early drill assay indications that Ascot may contain higher levels of accessory metals

At the time of writing, considerable work has been completed on the metallurgical samples by the independent laboratory, with final check assay results still outstanding before full results can be reported.

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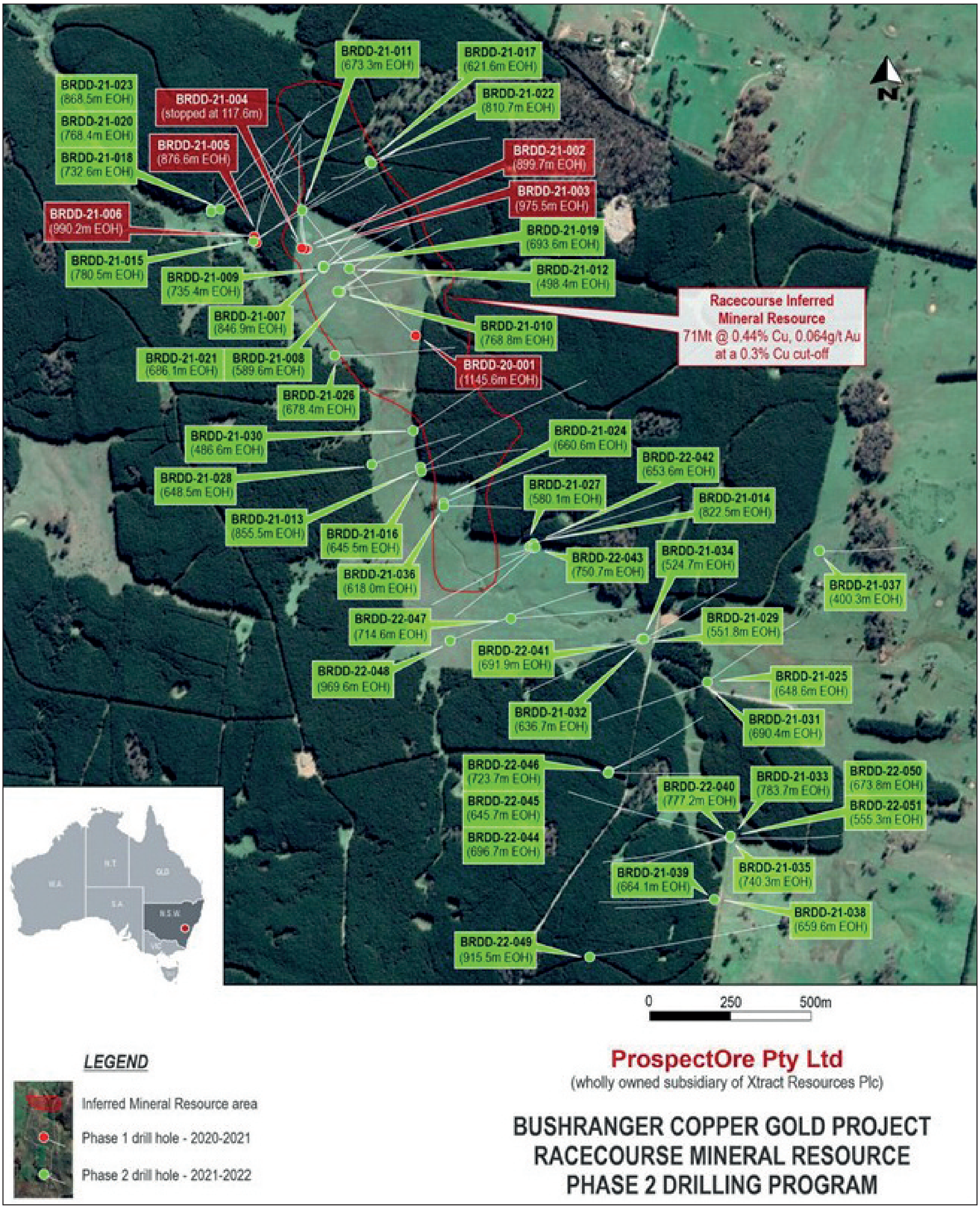

Figure 1 – Bushranger Drill Hole Location Plan

Strategic Report

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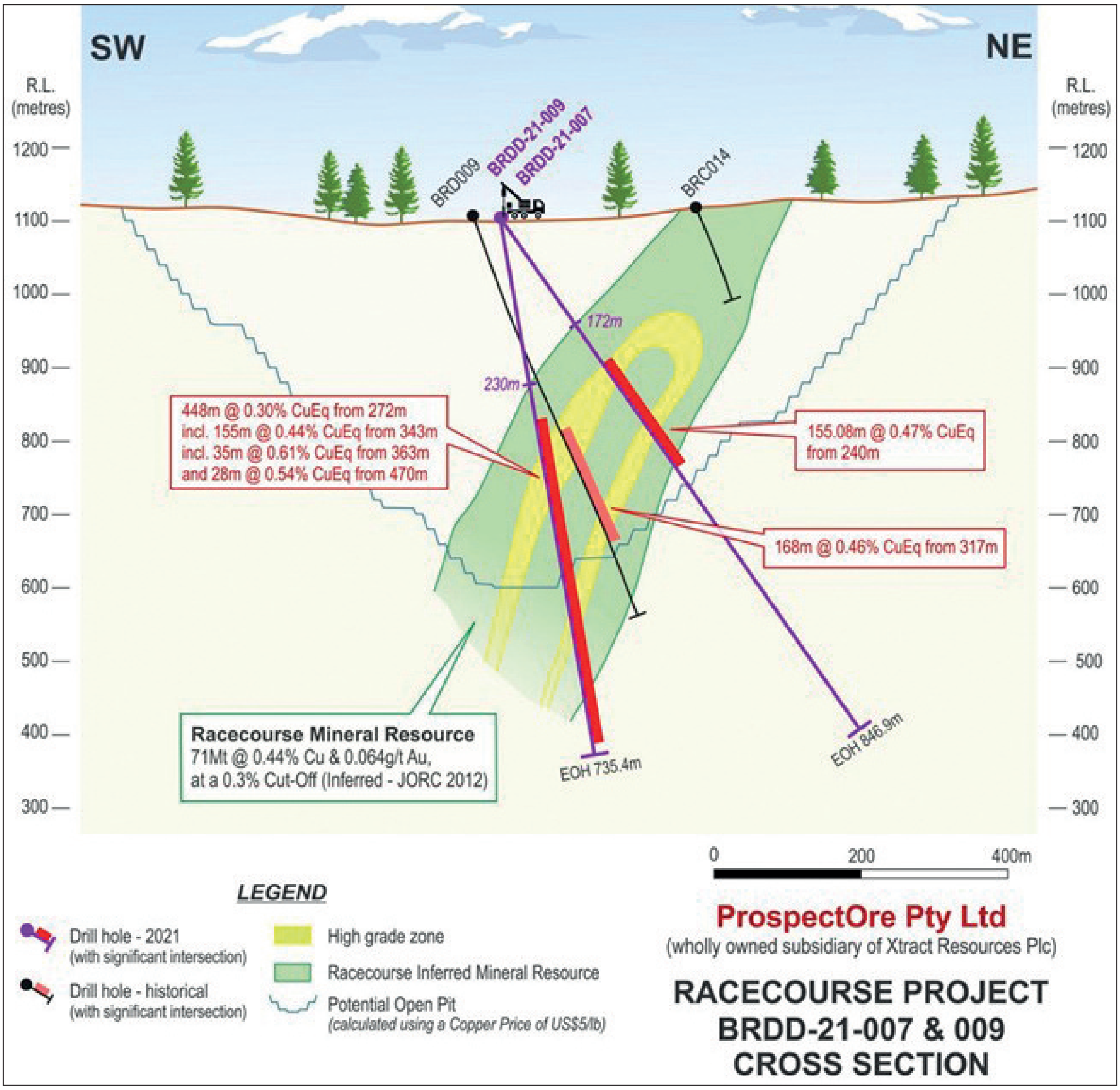

Figure 2 – Cross-section for drill holes BRDD-21-007 & BRDD-21-009

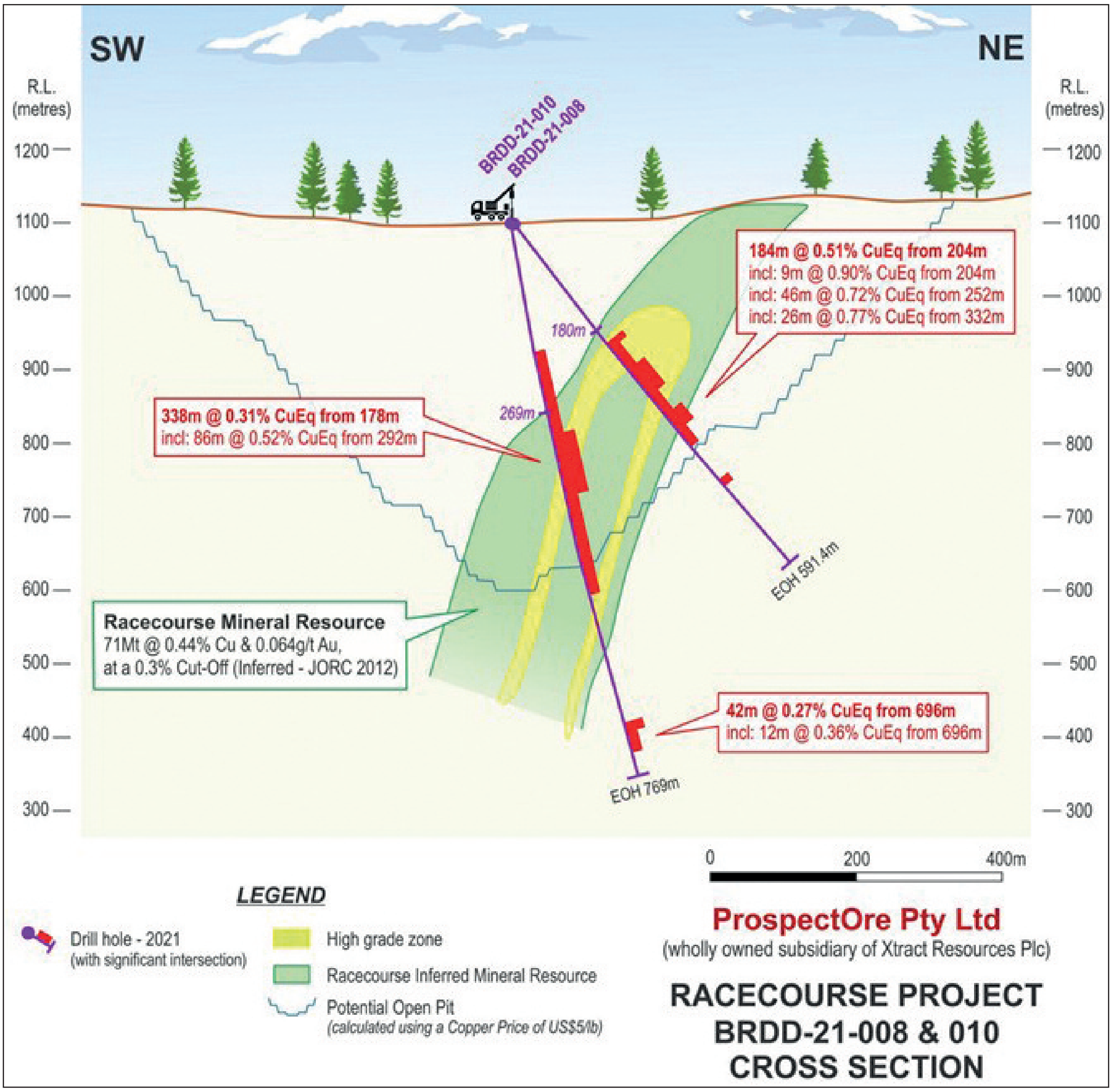

Figure 3 – Cross-Section for drill holes BRDD-21-008 and BRDD-21-010

Photo 6 – Mineralised drill core from drill hole BRDD-21-035 at Ascot

Photo 7 – Mineralised drill core from the Phase Two drilling programme

Strategic Report

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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 shallow open pit was developed at Eureka by a local operator in 2008 within a strong 3km long copper-gold soil anomaly, when about 1,000 tonnes of ore at 3% Cu was reportedly recovered. However, it is evident that the open pit was not sufficiently deep to develop the core of the deposit. Phase 1 drilling by Xtract was carried out in 2020 to confirm and extend the deposit as originally defined by limited historic drilling. Intercepts of up to 32m @1.58% Cu, including 19.0m @ 2.08% Cu (Hole EX-01) were cored in this drill programme. Following this work, the deposit remained open to the north-west and down-plunge.

Exploration by Xtract

It was decided to follow-up the strong copper results received in the Phase One Diamond Drilling Programme in the in a northwest direction and down-plunge with a second phase of diamond drilling. A second aim of the Phase Two drilling was to provide additional information on the deposit width and grade to support open pit mine planning.

Twenty-one shallow holes were drilled in Phase 2, designated EX-08 to EX-028 and totaling 1,584.6m, mostly angled to the northeast to cross the near-vertical mineralised zone. Assaying of half core was carried out at the ISO-accredited SGS analytical laboratory in Kalulushi, Zambia.

Strategic Report

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Table 4. Summary of Significant Assays from the Phase Two Drilling Programme

Hole No.	Hole Angle (Degrees)	Depth From (m)	Depth To (m)	Width (m)	Cu (%)
EX-009	-60	62	67	5	0.44
and	-60	69	71	2	0.52
and	-60	74	77	3	1.52
EX-010	-45	55	72	17	1.9
EX-011	-50	65	74	9	0.76
and	-50	82	85	3	0.96
EX-012	-50	18	23	5	0.68
and	-50	29	32	3	0.65
EX-013	-50	63	66	3	1.41
EX-014	-50	38	59	21	0.84
incl.	-50	40	42	2	5.04
EX-015	-50	11	13	2	1.11
and	-50	16	27	11	0.61
EX-016	-50	4	21	17	0.77
EX-018	-90	9	31	22	0.87
incl.	-90	9	15	6	1.56
EX-019	-50	15	33	18	0.83
incl.	-50	15	23	8	1.36
EX-020	-90	16	26	10	0.39
and	-90	27	50	23	1.43
EX-022	-50	50	77	27	4.82
incl.	-50	50	59	9	7.71
and	-50	65	74	9	6.33
EX-023	-90	7	29	22	2.53
incl.	-90	14	28	14	3.71
EX-024	-90	1	15	14	0.57
EX-025	-45	149	152	3	3.05
incl.	-45	149	151	2	4.43

The angled holes were drilled to track the deposit along strike and to depth, as well as providing critical assay interval data. Vertical holes were drilled to provide information on depth to the top of the mineralisation (stripping requirement) as well as grade information for mine planning purposes.

Strategic Report

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Among the highlights of the new results are EX-023 (vertical hole) with 22m @ 2.53% Cu from 7m depth, including 14m @ 3.71% Cu from 14m depth. This hole is located about 30m northwest of the limit of the shallow historic open pit, confirming that high copper grades continue in this direction beyond the pit boundary. Also, some 70m northwest of the old pit, angled hole EX-014 intersected a 2m zone of 5.04% Cu from 40m depth within a wider zone of 21m @ 0.84% Cu from 38m depth.

An interesting feature of the drilling is the intersection of a deeper 'stratabound-style' zone of chalcopyrite mineralisation in angled hole EX-025 which assayed 3.05% Cu over 3m from 149m depth (or 4.43% Cu over 2m). This is an extension of a mineral style first seen about 40m up-dip in hole EX-02 (4m @ 2.35% Cu, 0.53g/t Au). This zone dips at about 45 degrees to the southwest and remains open further down-dip and potentially along strike.

Overall, the results confirm continuity of the shallow mineralised zone over about 300m of strike, with pockets of exceptionally high copper grades in a partially oxidised supergene zone. Drilling to the northwest suggests that the deposit strike appears to swing towards west-northwest. It is planned to undertake further drilling to track this extension.

The stratabound-style mineralisation represents a second target of considerable interest to Xtract which will be further drill-tested.

Kalengwa Copper Project

During 2021, in order to test this zone, the Company 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 5.

Table 5: 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 Company has decided to no longer focus on the Kalengwa Project in favour of other advanced projects that have potential for early copper production, due to Kalengwa being remote to processing capability and the availability of power and therefore the Company has impaired all costs incurred to date.

During the 1st half of 2022, the Company commenced trial mining at the at the Chongwe Mine, Zambia to ascertain its size and potential contribution. It is however unlikely to be a long-life proposition and the Company continues to work on identifying other resources in relatively close proximity to processing capability.

Strategic Report
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Mozambique
Project Detail
Manica licence

3990C

Hard Rock Collaboration Agreement
In 2019, the Company entered into a Collaboration Agreement with Mutapa Mining and Processing LDA ("MMP") (the "Mining Contractor").

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.

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. At the current gold price ounce the Company will be due 23% of operating profit of gold produced.

Photo 8 – Site works at Manica

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.

During 2021 of all design work on the expansion of the Manica plant was completed, as well as the civil works and commencement of construction and installation. By the end of 2021, much of the footprint of works was established, major items for installation such as the thickener and CIL tanks were arriving on site, and the mining contractor was appointed to commence clearing work at the Fair Bride pit. The tailings dam construction was also completed and major works on the new haulage road initiated.

Post year end all construction and installation work was completed, including 6 CIL tanks, thickener, elution circuit, gold room, reagent storage and laboratory. Rectification works were completed on the original crushing and milling circuits and the plant has entered into commissioning. At Fair Bride, clearing and pre stripping were completed and ore has been stockpiled and hauled to the plant site, along the completed new haulage road. In June 2022, Fair Bride production started with the introduction of low-grade ore to commission all parts of the processing circuit.

Photo 6 – Manica site overview

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

Resource Estimate

Open Pit Mineral Resource as at 4 March 2016

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

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

Reserve Estimate

Mineral Reserves as at 27 February 2017

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

Notes:
1. Strategic Ore (Low Grade Material) is not included.
2. Au cut-off of 1.0 g/t.
3. Gold Price of USD1,270/oz.
4. The Competent Person is Daan van Heerden, B.Eng.(Min.Eng), M.Comm.(Bus.Admin.), ECSA, MSAIMM, AMMSA.
5. Tonnes refer to tonnes deliver to the processing plant.
6. The effective date of the Mineral Resource Statement is 27 February 2017.
7. The operator of the Project is Explorator Lda., a wholly owned subsidiary of Xtract. Gross and Net Attributable resources and reserves are the same.

Strategic Report

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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 MMP 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 Fair Bride, 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 M 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 Fair Bride.

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.

Strategic Report

CONTINUED

Boa Esperanza

In 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.

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:

Strategic Report

CONTINUED

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.

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 and hard rock Gold Project

The following table sets out a summary of the total production for the two years ended 31 December 2021 (2020):

	Year ended 31 December 2021	Year ended 31 December 2020
Production (in ounces)		
Explorator share of gold produced	**1,404**	620

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 end of the first half of 2023.

Funding

In 2021, the Company raised a total of £10.50 million (before costs) through a Placing during the year:

- In January 2021, the Company completed a subscription of equity by certain investors amounting to £5 million. An additional 111,111,111 Ordinary Shares of 0.02p were issued at a price of 4.5p per Ordinary share.
- In April 2021, the Company completed a subscription of equity by certain investors amounting to £5.5 million. An additional 98,214,286 Ordinary Shares of 0.02p were issued at a price at a price of 5.6p per Ordinary share.

Strategic Report
CONTINUED

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.

Financial Review
Financial Summary Table

	Year ended 31 December 2021 (£million)	Year ended 31 December 2020 (£million)
Consolidated income resulting from continuing operations		
Revenue		
Sale of gold bars	**0.69**	1.73
Other operating income	**0.19**	—
Operating and administrative expenses	**(3.31)**	(2.10)
Direct operating	**(0.57)**	(1.00)
Other operating	**(0.08)**	(0.05)
Administration	**(2.66)**	(1.05)
Project costs	**(0.43)**	(0.10)
Other losses	—	(0.16)
Finance costs	**(0.19)**	(0.18)
(Loss) for the period from continuing operations	**(3.06)**	(0.81)
Taxation	**(0.08)**	(0.11)
(Loss) for the period	**(3.13)**	(0.92)
(Loss) per share		
Basic	**(0.40)p**	(0.20)p
Consolidated balance sheet position		
Intangible fixed assets	**16.75**	11.98
Tangible fixed assets	**0.02**	0.02
Cash	**5.39**	0.92
Total assets	**23.01**	13.10
Total equity	**20.66**	11.93
Total equity – number of issued shares	**805,203,295 shares**	487,748,658 shares

Strategic Report

CONTINUED

Income Statement Analysis

The Group reported a net loss before tax of £3.06 million (2020: £0.81 million), The Group's basic loss per share increased to 0.40p (2020: basic loss per share of 0.20p). Manica alluvial and hard rock gold sales for the year amounted £0.69 million (2020: £1.73 million). This was primarily due to a decrease in production in the 1st half of 2021 with contactors not operating at full capacity due to Covid-19 which had an effect on the rest of 2021. Operating and administrative expenses increased from the prior year and amounted to £3.31 million (2020: £2.10 million). A total of £1.47 million share-based payment charge has been included in the administration fees for 2021. The charge relates to share options granted to employees and consultants of the Company in March 2021.The accounting charge has been calculated using the Black-Scholes method. Direct operating costs decreased from £1.00 million in 2020 to £0.57 million for 2021. Non-administrative project costs which during 2020 and 2021 included additional costs relating to Southern African projects amounted to £0.43 million (2020: £0.10 million) and in 2021 included an impairment charge of £0.32 million for all historical costs incurred to on the Kalengwa copper project in Zambia. 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 2021 amounted to £0.19 million which comprises of a foreign exchange charge compared to finance costs in the prior year of £0.18 million.

Intangible Fixed Assets

The Group's intangible fixed assets increased from £11.98m in 2020 to £16.75m in 2021.The majority of the increase relates to the Bushranger exploration costs for 2021 which have been capitalised to the intangible fixed assets.

Cash Position

The Group's net cash position at 31 December 2021 was £5.39 million (2020: £0.92 million) with no outstanding borrowings (2020:Nil).

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;

Strategic Report

CONTINUED

General and Economic Risks (continued):

- 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.
- The current conflict between Russia and Ukraine could have a significant impact on both the availability and cost of fuel supplied to Southern Africa and should the conflict continue there is an ongoing risk to fuel supply and costs.

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:

COVID-19 risk:

- COVID-19 and other pandemics which have the potential to cause disruption and to pose a 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.

Strategic Report

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.

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 continue 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 full commercial production during the second half of 2022.

Our alluvial gold production activities in Mozambique continue to generate positive cashflows for the group and towards the end of 2021 all of the alluvial operations including the adjacent licence 7568L and small hard rock operations produced well and record results were achieved. We anticipate that this should continue with additional revenues being achieved.

Post 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 short to mid-term.

Colin Bird
Executive Chairman

30 June 2022

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 2021. The Corporate Governance Statement is set out on page 42 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 2021 amounts to £3,132k (2020: £914k). 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
- Kjeld Thygesen (appointed 23 August 2021)
- Jeremy Read (resigned 4 August 2021)
- Peter Moir (resigned 31 December 2021)

Report of the Directors

CONTINUED

Colin Bird, *Executive Chairman*

Colin is a chartered mining engineer with multi commodity mine management experience in Africa, Spain, Latin America and in the Middle East. He has been involved in a number of public listings in the UK, Canada and South Africa and is currently Chief Executive Officer of Tiger Royalties and Investments PLC and AIM-traded Galileo Resources PLC. He was the founder of Jubilee Metals Group PLC and acts as consultant now after recently retiring as Non-Executive Chairman. Colin serves as the Chairman and CEO of Bezant Resources PLC and as Chairman of African Pioneer 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 joined the board of Xtract Resources PLC in September 2012.

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.

Kjeld Thygesen, *Non-executive Director (member of audit and remuneration committees)*

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

Retirement by Rotation

In compliance with the Company's Articles of Association, Alastair Ford 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 and Jeremy Read.

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

Report of the Directors

CONTINUED

Directors' Interests

The Directors who held office at 31 December 2021 have the following interests in the Company:

	31 December 2021		31 December 2020	
	Ordinary shares	**Options**	Ordinary shares	Options
Colin Bird	**14,586,966**	27,000,000	**10,532,266**	17,000,000
Kjeld Thygesen	—	—	—	—
Alastair Ford	—	2,000,000	—	1,000,000
Joel Silberstein	—	12,000,000	—	8,000,000

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.

Major shareholders

The Directors are aware of the following substantial shareholdings of 3% or more of the share capital of 845,143,693

Ordinary shares as at 13 June 2022. As at the date of the report, the Company had not received any notifications of major interest in shares.

Shareholders	**13 June 2022**	**%**
Hargreaves Lansdown Asset Management	145,428,035	17.10
Interactive Investors	103,055,868	12.12
Halifax Share Dealing	70,623,264	8.30
Barclays Wealth	56,463,590	6.64
Mr Alex Terry	46,450,000	5.46
A J Bell Securities	41,829,823	4.92

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 UK Adopted International Accounting Standards. 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.

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 42.

Events after balance sheet date

Issue of Equity

On 22 April 2022, the Company received notice to exercise warrants over 4,416,665 ordinary shares of 0.02p each in the Company at an exercise price of 1.20p per Ordinary Share, and a further 833,333 Ordinary Shares at an exercise price of 1.85p per Ordinary Share.

Report of the Directors

CONTINUED

General Meeting

The Company will hold the annual general meeting during July 2022 to lay the annual accounts before the shareholders and to deal with any other business for the consideration of the shareholders. The notice of the meeting with full details of the business to be considered thereat will be sent to shareholders in a separate circular.

Auditors

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.

PKF Littlejohn LLP resigned as auditors on 21 March 2022 and Jeffreys Henry Audit Limited were appointed by the directors to fill the vacancy arising with effect from that date.

A resolution to appoint Jeffreys Henry Audit Limited as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Colin Bird
Executive Chairman

30 June 2022

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 1 precious metal project in Mozambique,1 base metal project in Australia and a further base metal projects in Zambia which meet the above criteria, whether it be an active or strategic investment. The Company will continue to seek to grow both businesses organically and will seek out further joint ventures and other arrangements that create enhanced value.

Principle Two

Understanding & Meeting Shareholder Needs and Expectations

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

Principle Three

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

Long-term success relies upon good relations with different stakeholder 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 Mozambican 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.

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

Corporate Governance

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

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. The Company now operates in 3 jurisdictions.
	Pandemic Risk	Should new variants of COVID-19 emerge, or a new pandemic occur, there remains a risk that challenges could be placed on the Company and the wider economy will impact the Group's ability to operate, which will ultimately impact its cash flows.	Company's focus to protect all personnel, site visitors and stakeholders and at the same time to ensure business continuity. The necessary changes have taken place in all the relevant jurisdictions and the Group continues to monitor government guidance to mitigate the above risk.
	Single Commodity Risk	Commodities being subject to high levels of volatility in price and demand. Being exposed to one type of commodity would have a greater impact operations and profitability.	Company is active in seeking out other opportunities, which may diversify commodity risk. The Company has exposure to both base and precious metals

Corporate Governance

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Activity	Risk	Impact	Control(s)
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	Entity not able to continue as going concern	Capital management policies and procedures
	Inappropriate controls and accounting policies	Reduction in asset values Incorrect reporting of assets	Appropriate authority and investment levels in place

The Directors will continue to further establish procedures, as represented by this statement, for the purpose of providing a system of internal control. Due to the size of the Company and the interaction on a daily basis between Directors and Officers of the Company, the Board at this stage 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 4 members, 2 Executive members (The Executive Chairman Colin Bird and Finance Director Joel Silberstein) and 2 Non-Executive Directors (Alastair Ford and Kjeld Thygesen). Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. All the Directors including the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

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

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

The Company has 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, from a single jurisdiction Company to three jurisdictions.

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

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

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

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

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

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

Colin Bird

Executive Chairman

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 Royalties and Investments PLC and AIM-traded Galileo Resources PLC. He was the founder of Jubilee Metals Group PLC and acts as consultant now after recently retiring as Non-Executive Chairman. Colin serves as the Chairman and CEO of Bezant Resources PLC and as Chairman of African Pioneer 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 joined the board of Xtract Resources PLC 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.

Kjeld Thygesen

Independent Non-Executive Director

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

Corporate Governance

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Joel Silberstein

Finance Director

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

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

Principle Seven

Evaluation of Board Performance

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

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

Principle Eight

Corporate Culture

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

Principle Nine

Maintenance of Governance Structures and Processes

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

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

Corporate Governance

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responsible for the effectiveness of the Board, and the management of the Company's business and primary contact with shareholders has been delegated by the Board to the Executive Chairman.

Audit and Compliance Committee

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

Remuneration Committee

The Remuneration Committee comprises Alastair Ford who chairs the committee and Kjeld Thygesen. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves 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 2022. The guidelines will provide for the orderly succession and rotation of the Chairman and Non- Executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms. The Chairman may serve as a Non-Executive Director before commencing a first term as Chairman.

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

Principle Ten

Shareholder Communication

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

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

Corporate Governance
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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 2021 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

30 June 2022

Independent Auditor's Report

TO THE MEMBERS OF XTRACT RESOURCES PLC

Opinion

We have audited the group financial statements of Xtract Resources Plc (the 'group') for the year ended 31 December 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK adopted International Accounting Standards.

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; 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 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 entity's ability to continue to adopt the going concern basis of accounting included a detailed review of the Group's forecasts in comparison to available management accounts at the date of these financials to assess the reasonability of the estimates made. We have further performed a sensitivity analysis to conclude on the degree to which current cash reserves will be able to sustain the Group for at least a further twelve months from the date of these financials.

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 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.

Our audit approach

Overview

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. This is not a complete list of all risks identified by our audit.

- Carrying value and classification of intangible exploration and evaluation assets & Carrying value of investment in subsidiaries.

These are explained in more detail below

Audit scope

We performed audits of the complete financial information of the Group reporting units, which were individually financially significant and accounted for 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over certain account balances and transaction classes that we regarded as material to the Group at the reporting units.

Key Audit Matters	How our scope addressed this matter
Carrying value and classification of intangible exploration and evaluation assets	
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 and 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	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 a good title to the applicable exploration licences, including new licences obtained during the year; • Evaluating and coordinating 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

Independent Auditor's Report

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Key Audit Matters	How our scope addressed this matter
• Level of EBITDA achieved • Level of recovery rate of Alluvial • Level of production of Alluvial As a result of the evaluation, no impairment has 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.	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 it's activities. Whilst based on the audit work performed, we do not consider exploration assets as at 31 December 2021 to be materially misstated.
Carrying value of investment in and loans to subsidiaries	
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 and loans to 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

Independent Auditor's Report

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Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company
Overall materiality	£230,000 (31 December 2020: £195,200).	£154,300 (31 December 2020: £195,199).
How we determined it	Based on 1% of gross assets	Based on 1% of gross assets
Rationale for benchmark applied	We believe the most adequate basis is for materiality to be based on 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 that the group is interested in.	We believe the most adequate basis is for materiality to be based on gross assets, as it is from these assets that the group seeks to deliver returns for shareholders.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components is ranged from £3,700 and £128,900.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £11,500 (Group audit) (31 December 2020: £9,760) and £7,700 (Company audit) (31 December 2020: £11,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of the Xtract Resources PLC's reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over investments in subsidiaries and intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at the reporting units.

Independent Auditor's Report

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Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
  - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

Independent Auditor's Report

CONTINUED

- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
  - agreeing financial statement disclosures to underlying supporting documentation;
  - reading the minutes of meetings of those charged with governance;
  - enquiring of management as to actual and potential litigation and claims;
  - reviewing correspondence with HMRC and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Other matters that we are required to address

The non-audit services prohibited by the FRC' Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of this 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.

Sanjay Parmar
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry Audit Limited (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London EC1V 9EE

30 June 2022

xtract RESOURCES PLC

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2021

Registered number: 5267047

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Continuing operations			
Revenue from gold sales	5	**692**	1,725
Other operating income		**189**	—
Operating and administrative expenses			
Direct operating		**(569)**	(1,006)
Other operating		**(85)**	(45)
Administration		**(2,657)**	(1,040)
		(3,311)	(2,091)
Project expenses		**(432)**	(96)
Operating loss		**(2,862)**	(462)
Other losses	6	—	(164)
Finance cost	11	**(194)**	(181)
(Loss) before tax	8	**(3,056)**	(807)
Taxation	12	**(76)**	(107)
(Loss) for the year		**(3,132)**	(914)
Attributable to:			
Equity holders of the parent		**(3,132)**	(914)
Net (loss) per share			
Basic (pence)	13	**(0.40)**	(0.20)
Diluted (pence)	13	**(0.40)**	(0.20)

The notes on pages 62-95 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2021

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss for the year	**(3,132)**	(914)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss	—	—
Exchange differences on translation of foreign operations	**242**	(210)
Other comprehensive (loss)/income for the year	**242**	(210)
Total comprehensive loss for the year	**(2,890)**	(1,214)
Attributable to:		
Equity holders of the parent	**(2,890)**	(1,124)

The notes on pages 62-95 form an integral part of these financial statements

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2021

		Group		Company	
	Note	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Non-current assets					
Intangible assets	14	**16,752**	11,978	**828**	438
Property, plant & equipment	15	**25**	19	—	—
Loans to group companies	—	—	—	**6,554**	—
Investment in subsidiary	16	—	—	**9,823**	9,823
Other financial assets	17	—	—	—	—
		16,777	11,997	**17,205**	10,261
Current assets					
Trade and other receivables	19	**664**	147	**582**	285
Loans receivable	18	—	—	—	—
Inventories	20	**177**	8	—	—
Loans to group companies	19	—	—	—	2,426
Cash and cash equivalents		**5,389**	919	**4,205**	253
		6,230	1,074	**4,787**	2,964
Total assets		**23,007**	13,071	**21,992**	13,225
Current liabilities					
Trade and other payables	22	**2,226**	1,051	**396**	362
Current tax payable	22	**121**	93		—
Loans from group companies	22	—	—	—	11,483
		2,347	1,144	**396**	11,845
Net current assets/(liabilities)		**3,883**	(70)	**4,391**	(8,881)
Non-current liabilities					
Loans from group companies		—	—	11,518	—
Total liabilities		**2,347**	1,144	**11,914**	11,845
Net assets		**20,660**	11,927	**10,078**	1,380
Equity					
Share capital	23	**4,973**	4,928	**4,973**	4,928
Share premium account		**71,684**	61,951	**71,684**	61,951
Warrant reserve	24	**467**	76	**467**	76
Share-based payments reserve	24	**1,874**	436	**1,874**	436
Fair Value reserve	24	—	—	—	—
Foreign currency translation reserve	24	**308**	66	—	—
Accumulated losses		**(58,646)**	(55,530)	**(68,920)**	(66,011)
Equity attributable to equity holders of the parent		**20,660**	11,927	**10,078**	1,380
Total equity		**20,660**	11,927	**10,078**	1,380

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

30 June 2022

The notes on pages 62-95 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 2020		**4,892**	**59,884**	**54**	**397**	**—**	**276**	**(54,719)**	**10,784**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(914)	(914)
Forex currency									
translation differences		—	—	—	—	—	(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)
Expiry of share 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**	**(55,530)**	**11,927**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(3,132)	(3,132)
Forex currency									
translation difference		—	—	—	—	—	242	—	242
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**242**	**(3,132)**	**(2,890)**
Transactions with owners									
Issue of shares	23	45	10,769	—	—	—	—	—	10,814
Share issue costs		—	(664)	—	—	—	—	—	(664)
Issue of share options	24	—	—	—	1,473	—	—	—	1,473
Expiry of share options		—	—	—	(16)	—	—	16	—
Exercise of share options		—	19	—	(19)	—	—	—	—
Issue of warrants	24	—	(456)	456	—	—	—	—	—
Exercise of warrants		—	65	(65)	—	—	—	—	—
As at 31 December 2021		**4,973**	**71,684**	**467**	**1,874**	**—**	**308**	**(58,646)**	**(20,660)**

The notes on pages 62-95 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 2020		**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		—	(66)	—	—	—	—	—	(66)
Expiry of options	24	—	—	—-	(103)	—	—	103	—
Issue of share options		—	—	—	142	—	—	—	142
Issue of warrants	24	—	—	22	—	—	—	—	22
As at 31 December 2020		**4,928**	**61,951**	**76**	**436**	**—**	**—**	**(66,011)**	**1,380**
Other Comprehensive income									
Loss for the period		—	—	—	—	—	—	(2,925)	(2,925)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**(2,925)**	**(2,925)**
Issue of shares	23	45	10,769	—	—	—	—	—	10,814
Share issue costs		—	(664)	—	—	—	—	—	(664)
Issue of share options		—	—	—-	1,473	—	—	—	1,473
Expiry of share options		—	—	—	(16)	—	—	16	—
Exercise of share options		—	19	—	(19)	—	—	—	—
Issue of warrants		—	(456)	456	—	—	—	—	—
Exercise of warrants		—	65	(65)	—	—	—	—	—
As at 31 December 2021		**4,973**	**71,684**	**467**	**1,874**	**—**	**—**	**(68,920)**	**10,078**

The notes on pages 62-95 form an integral part of these financial statements

Consolidated and Company Cash Flow Statements

		Group		Company	
	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Net cash generated from/(used in) operating activities	25	**(767)**	189	**(1,352)**	(234)
Investing activities					
Acquisition of subsidiary undertaking		—	36	—	(9)
Acquisition of intangible fixed assets	14	**(5,009)**	(287)	**(751)**	(176)
Acquisition of tangible fixed assets	15	(13)	—	—	—
Loans advanced to group companies	19	—	—	**(4,128)**	(213)
Net cash used in investing activities		**(5,022)**	(251)	**(4,879)**	(398)
Financing activities					
Proceeds on issue of shares		**10,149**	636	**10,149**	636
Repayment of loans from group companies		—	—	**34**	33
Net cash from financing activities		**10,149**	636	**10,183**	669
Net Increase/(decrease) in cash and cash equivalents		**4,360**	574	**3,952**	37
Cash and cash equivalents at beginning of year		**919**	361	**253**	216
Effect of foreign exchange rate changes		**110**	(16)	—	—
Cash and cash equivalents at end of year		**5,389**	919	**4,205**	253

The notes on pages 62-95 form an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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 36.

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 30 June 2022.

2. Adoption of new and revised Standards

Basis of accounting

The consolidated annual financial statements have been prepared in accordance with UK-adopted 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.

On 31 December 2020 IFRS as adopted by the European Union were brought into UK law and became UK-adopted international accounting standards with future changes being subject to endorsement by the UK Endorsement Board.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS 101') and the requirements of the Companies Act 2006. The Company will continue to prepare its financial statements in accordance with FRS 101 on an ongoing basis until such time as it notifies shareholders of any change to its chosen accounting framework.

In accordance with FRS 101, the Company has taken advantage of the following exemptions:

- Requirements of IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the Financial Statements

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2. Adoption of new and revised Standards (continued)

New and amended standards adopted by the Group

The most significant new standards and interpretations adopted, none of which are considered material to the Group, are as follows:

Ref	Title	Summary	Application date of standards (periods commencing)
IFRS9, IAS39 and IFRS7	Interest Rate Benchmark Reform Phase 2	Amendments regarding measurement and classification	1 January 2021
IFRS 17	Insurance contracts		1 January 2021
IFRS 4	Amendments to Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)		1 January 2021

New standards and interpretations not yet adopted

Unless material the Group does not adopt new accounting standards and interpretations which have been published and that are not mandatory for 31 December 2021 reporting periods.

No new standards or interpretations issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee ('IFRIC') have led to any material changes in the Company's accounting policies or disclosures during each reporting period.

The most significant new standards and interpretations to be adopted in the future are as follows:

Ref	Title	Summary	Application date of standards (periods commencing)
IAS1	Presentation of Financial Statements	Amendments regarding the classification of liabilities	1 January 2023
		Amendments to defer effective date of the January 2020 amendments	1 January 2023

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 2021.

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.

3. Significant accounting policies (continued)

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

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.

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 2021, the Group held cash balances of £5.39 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.

The Directors have assessed the working capital requirements for the forthcoming twelve months and have undertaken assessments which have considered different scenarios based on exploration and mine development spend along with a number of production forecasts until June 2023.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

Upon reviewing those cash flow projections for the forthcoming twelve months, the directors consider that the Company is not 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.

During 2019, the Company entered into a net profit share agreement for it Fair Bride hard rock gold project in Manica, Mozambique. The Company expects production build up during the 3rd quarter 2022, with full commercial production being achieved during the 4th quarter 2022. On this basis the Company expect earnings from the Mozambique gold operations to be significant, with the Fair Bride operation expected to continue for 3 years.

As is common with early producing companies, the Company raises finance for its activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities.

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 2021 was £2,925k (2020: loss £1,311k).

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.

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.

3. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

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.

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.

3. Significant accounting policies (continued)

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.

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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.

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.

3. Significant accounting policies (continued)

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.

Share Capital

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

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3. Significant accounting policies (continued)

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.

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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 corporate level investments in subsidiaries.

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 2021 £'000	Year ended 31 December 2020 £'000
Revenue		
Gold sales	**692**	1,725
Total Revenue	**692**	1,725

The group derives revenue from sale of dore bars from its share of production at its alluvial and hard rock operations in Mozambique. The Revenue is recognised when control is transferred between the Company and the purchaser.

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6. Other losses

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

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Other losses	—	164
Total other losses	—	164

At total of £164k (2020) 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 gold mining segment – Mozambique
- Mine Development – Mozambique
- Exploration
- Investment and other

Segment results

Year ended 31 December 2021

	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	—	—	—	692	692
Segment Gross profit	—	—	—	**692**	**692**
Other operating income	—	—	—	189	189
Operating and administrative expenses	(71)	—	(2,671)	(569)	(3,311)
Project costs	(13)	—	(419)	—	(432)
Segment results	**(84)**	—	**(3,090)**	**312**	**(2,862)**
Other gains and losses	—	—	—	—	—
Finance (costs)	(1)	—	(106)	(87)	(194)
(Loss)/profit before tax	**(85)**	—	**(3,196)**	**225**	**(3,056)**
Taxation	—	—	—	(76)	(76)
(Loss)/profit for the year	**(85)**	—	**(3,196)**	**149**	**(3,132)**

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7. Segmental Analysis (continued)

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
Segment Gross Profit	**—**	**—**	**—**	**1,725**	**1,725**
Operating and administrative expenses	(64)	—	(1,021)	(1,006)	(2,091)
Project costs	—	—	(96)	—	(96)
Segment result	**(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)**
Taxation	—	—	—	(107)	(107)
(Loss)/profit for the year	**(64)**	**—**	**(1,429)**	**579**	**(914)**

	2021 £'000	2020 £'000
Balance sheet		
Total assets		
Gold production	**925**	724
Exploration	**6,552**	1,894
Mine Development	**10,298**	10,104
Investment & other	**5,232**	285
Consolidated total assets	**23,007**	13,071
Liabilities		
Gold production	**(659)**	(635)
Exploration	**(349)**	—
Mine Development	**—**	(1)
Investment & other	**(1,339)**	(508)
Consolidated total liabilities	**(2,347)**	(1,144)

Notes to the Financial Statements

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7. Segmental Analysis (continued)

Geographical information

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Mozambique	**692**	1,725
Australia	**—**	—
United Kingdom	**—**	—
Zambia	**—**	—
	692	1,725

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Mozambique	**11,223**	10,828
Australia	**5,726**	1,519
United Kingdom	**5,232**	285
Zambia	**826**	439
	23,007	13,071

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 2021 £'000**	Year ended 31 December 2020 £'000
Depreciation of property, plant and equipment	15	**11**	—
Amortisation of intangible fixed assets	14	**—**	—
Inventory		**(160)**	97
Auditors remuneration	9	**41**	29
Directors remuneration	10	**1,317**	309
Share-based payments expense	26	**1,473**	122

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9. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Fees payable to the Company's auditors and their associates for the of audit the Group's annual accounts	**25**	29
Under/(overprovision) of prior year fees	**16**	—
Fees payable to the Company's auditors and their associates for the audit		
Total audit fees	**41**	29
Fees payable to the Group's auditors and its associates for other services:		
– other assurance services relating to interim reporting	**—**	—
Total non-audit fees	**—**	—
Total auditors' remuneration	**41**	29

10. Staff costs

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
The average monthly number of employees (including directors) was:		
Directors	**4**	4
Employees	**27**	23
	31	27
	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	**822**	480
Social security cost	**9**	21
Total salaries and fees	**831**	501
Share based payments	**1,172**	123
	2,003	624

The above staff costs include labour costs of £Nil (2020: £46k), which have been capitalised as Mine Development Costs.

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10. Staff costs (continued)

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	**369**	254
Share based payments	**948**	55
	1,317	309

Total remuneration for the highest paid Director in the year was £781k (2020: £181k).

Year ended 31 December 2021

	Salary £'000	**Bonus £'000**	**Share Options £'000**	**Total £'000**
Colin Bird	96	93	592	781
Jeremy Read	21	0	59	80
Alastair Ford	36	21	60	117
Joel Silberstein	44	40	237	321
Peter Moir	10	—	—	10
Kjeld Thygesen	—	18	0	18
	207	**172**	**948**	**1,317**

Year ended 31 December 2020

	Salary £'000	**Bonus £'000**	**Share Options £'000**	**Total £'000**
Colin Bird	86	50	45	181
Jeremy Read	6	—	—	6
Alastair Ford	8	—	—	8
Joel Silberstein	65	25	10	100
Peter Moir	14	—	—	14
Kjeld Thygesen	—	—	—	—
	179	**75**	**55**	**309**

As at 31 December 2021 directors' remuneration included a share-based payment charges of which £592k (2020: £45k) relates to Colin Bird and £237k (2020: £10k) which relates to Joel Silberstein £60k (2020: Nil) which relates to Alastair Ford and £59k (2020: Nil) which relates to Jeremy Read. The above share-based payment charge included in total remuneration, relates to grant of options during the year to the directors based on the Black-Scholes Model.

As at 31 December 2021 directors' fees of £174k (2020: £119k) relating to current and prior year fees remains outstanding, of which £93k (2020: £50k) relates to Colin Bird, £40k to Joel Silberstein (2020: £25k), Alastair Ford £23k (2020: £1k), Jeremy Read Nil (2020: £3k), Peter Moir Nil (2020:£40k) and £18k (2020: Nil) relates to Kjeld Thygesen.

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11. Finance cost/(income)

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Foreign exchange (gains)/losses	**202**	102
Penalties	**—**	—
Bank Charges	**9**	8
Investment income	**(20)**	—
Loan interest payable	**—**	—
Finance charges	**3**	71
	194	181

12. Tax

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Corporation tax:		
Current year	**76**	107
Adjustments in respect of prior years	**—**	—
Total current tax	**76**	107
Deferred tax	**—**	—

UK corporation tax is calculated at 19.00% (2020:19.00%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss before tax from continuing operations	**(3,056)**	(807)
Loss before tax	**(3,056)**	(807)
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	**(581)**	(153)
Tax effect of expenses that are not deductible in determining taxable profit	**480**	214
Tax effect of unrecognised tax losses carried forward	**158**	139
Difference in overseas tax rates	**20**	80
Tax loss utilised	**—**	(172)
Tax charge/(credit) for the year	**76**	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:

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	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss per share	**(0.40)**	(0.20)
(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	**(3,132)**	(914)
	(3,132)	(914)

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	**805,203,295**	487,748,658
Effect of dilutive potential ordinary shares-options and warrants	—	—
Weighted average number of ordinary shares for purposes of diluted EPS	**805,203,295**	487,748,658

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.

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14. Intangible assets
Group

	Mineral exploration assets £'000	Total £'000
At 1 January 2020	10,318	10,318
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**
Additions – at cost (Manica)	68	68
Foreign exchange (Manica)	193	193
Additions – at fair value (Bushranger)	—	—
Additions – at cost (Bushranger)	4,270	4,270
Foreign exchange (Bushranger)	(66)	(66)
Additions – at cost (Eureka)	551	551
Additions – at cost (Kalengwa)	120	120
As at 31 December 2021	**17,114**	**17,114**
Impairment		
At 1 January 2020	—	—
Charge for the year	—	—
As at 31 December 2020	—	—
Charge for the year	(362)	(362)
As at 31 December 2021	**(362)**	**(362)**
Amortisation		
At 1 January 2020	—	—
Charge for the year	—	—
As at 31 December 2020	—	—
Charge for the year	—	—
As at 31 December 2021	—	—
Net Book value at 31 December 2020	**11,978**	**11,978**
Net book value at 31 December 2021	**16,752**	**16,752**

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14. Intangible assets (continued)

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.

Zambia

The Eureka copper-gold property with the small-scale mining licence number 22134-HQ-SML comprising approximately 345 hectares is accessed by a 100km dirt road from Kabwe, west of the Zambian Copperbelt district. The licence application was submitted in August 2017 and has been validated and the licence when issued will be for period of 10 years with no minimum spend.

The Kalengwa copper property 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 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. As the 31 December 2021, the Company impaired £362K of costs incurred on the Kalengwa property to date.

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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 2020	24	—-	—	24
Additions – at cost	—	—	—	—
Foreign Exchange	(5)	—	—	(5)
As at 31 December 2020	19	—	—	19
Additions – at cost	14	—	—	14
Foreign Exchange	3	—	—	3
At 31 December 2021	36	—	—	36
Depreciation				
At 1 January 2020	—	—	—	—
Charge for period	—	—	—	—
At 31 December 2020	—	—	—	—
Charge for period	11	—	—	11
At 31 December 2021	11	—	—	11
Net Book Value				
At 31 December 2020	19	—	—	19
At 31 December 2021	25	—	—	25

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16. Subsidiaries

Investments in subsidiaries

	2021 £'000	2020 £'000
At 1 January – Cost	**29,509**	28,219
Additions during the year	—	1,290
	29,509	29,509
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**	9,823

Details of the Company's subsidiaries at 31 December 2021 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
Chinhamapere Mining Services Limitada Mozambique		02/03/2020	100	2	Operating Company
Macequece Mining Services, Limitada Mozambique		02/03/2020	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
Eureka Mine International Limited BVI		01/10/2021	50	50	Holding Company
Falcon Mineral Processing Limited Zambia		01/10/2021	48	48	Operating Company
Sandown Holdings	Mauritius	31/10/2017	100	100	Trading
Newmarket Holdings	Mauritius	31/10/2017	100	100	Trading

Notes to the Financial Statements

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17. Other Financial Assets

Fair value through other comprehensive income

	Group		Company	
Level 3	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Cemos Group Plc	—	—	—	—
	—	—	—	—

The Company holds 2,371,365 shares in the above non-listed entity which management have valued at £Nil (2020: £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 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Moz Gold Limitada	—	133	—	—
Foreign exchange	—	(10)	—	—
Provision for impairment	—	(123)	—	—
	—	—	—	—

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

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19. Trade and other receivables

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Other debtors	**478**	146	**26**	19
Trade debtors	**—**	—	**430**	266
Prepayments	**186**	1	**126**	—
Loan to group companies	**—**	—	**—**	2,426
	664	147	**582**	2,711

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 2021 £'000	As at 31 December 2020 £'000
Gold dore bars on hand	**177**	8
	177	8

21. Deferred tax

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

22. Trade and other payables

	Group		Company	
	As at 31 December 2021 £'000	As at 31 December 2020 £'000	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Trade creditors and accruals	**2,226**	1,051	**396**	362
Amounts due to subsidiaries	**—**	—	**—**	11,483
Current tax payable	**121**	93	**—**	—
	2,347	1,144	**396**	11,845

Notes to the Financial Statements

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23. Share capital

	2021		2020	
	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	**620,465,144**	**124**	438,508,052	88
Share Consolidation*	**—**	**—**	—	—
Issued during the period	**224,678,549**	**45**	181,957,092	36
Outstanding as at 31 December	**845,143,693**	**169**	620,465,144	124

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

- Issued 21 January 2021 – 111,111 111 at 4.50p per share
- Issued 2 February 2021 – 2,000,000 at 1.85p per share
- Issued 2 February 2021 – 2,103,152 at 5.03p per share
- Issued 4 March 2021 – 5,000,000 at 1.85p per share
- Issued 17 March 2021 – 2,000,000 at 1.25p per share
- Issued 19 April 2021 – 98,214,286 at 5.60p per share
- Issued 21 May 2021 – 1,625 ,000 at 1.20p per share
- Issued 21 June 2021 – 2,208,333 at 1.20p per share
- Issued 21 June 2021 – 416,667 at 1.85p per share

The following share options were issued during the year:

- Issued 24 February 2021 – 24,800,000 exercisable at 10.00p per share

The following warrants were issued during the year:

- Issued 21 January 2021 – 5,555,555 exercisable at 4.50p per share
- Issued 19 April 2021 – 4,910,714 exercisable at 5.60p per share
- Issued 25 October 2021 – 49,107,142 exercisable at 8.50p per share

The following options expired during the year:

- Issued 1 March 2016 – 50,000 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

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24. Reserves

Share-based payments reserve

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

Warrant reserve

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

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 2021 £'000	Year ended 31 December 2020 £'000	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Loss for the year	**(3,056)**	(807)	**(2,925)**	(1,311)
Adjustments for:				
Net finance costs	**214**	181	**36**	105
Depreciation	**11**	—	**—**	—
Other losses	**—**	164	**—**	—
Interest income	**(20)**	—	**(29)**	(3)
Impairment of intangible asset	**362**	—	**362**	—
Impairment of loans to subsidiaries	**—**	—	**—**	301
Share-based payments expenses	**1,473**	123	**1,473**	123
Operating cash flows before movements in working capital	**(1,016)**	(339)	**(1,083)**	(785)
Decrease in inventories	**(169)**	109	**—**	—
(Increase)/decrease in receivables	**(516)**	(95)	**(297)**	368
Increase/(decrease) in payables	**1,176**	625	**35**	215
Cash generated from/(used in) operations	**(525)**	300	**(1,345)**	(202)
Tax paid	**(48)**	—	**—**	—
Net finance costs	**(194)**	(111)	**(7)**	(32)
Net cash generated from/(used in) operating activities	**(767)**	189	**(1,352)**	(234)

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

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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 2021		Year ended 31 December 2020	
	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	**83,417,915**	**2.00**	32,104,583	3.01
Granted during the year	**84,373,411**	**8.50**	51,583,333	1.70
Exercised during the year	**(12,833,333)**	**1.62**	—	—
Expired during the year	**(50,000)**	**38.0**	(270,000)	38.0
Outstanding at the end of the year	**154,907,993**	**6.05**	83,417,915	2.00
Exercisable at the end of the year	**154,907,993**	**6.05**	83,417,915	2.00

The share options outstanding at 31 December 2021 had a weighted average exercise price of 6.05p (2020:2.00p) and a weighted average remaining contractual life of 2.18 years (2020: 2.77 years).

On 2 July 2020, the Company issued 24,800,00 options of which 16,000,000 have been awarded to Directors and a further 8,800,000 options have been awarded to employees, consultants and officers of the Company.

The options vest and are exercisable immediately on award, with an exercise price of 10.00p. All share options issued to directors and employees are recognised as an expense in the income statement over the vesting period of the options.

During the year a total of 10,466,269 (2020:3,250,000) warrants associated with the fundraising were issued to brokers directly. A total of 5,555,555 warrants have an exercise price of 4.50p and 4,910,714 warrants have an exercise price of 5.60p (2020: 1.20p) per ordinary share and are to be exercised within 2 years of being issued.

During the year a total of 49,107,142 (2020: 27,083,333) warrants associated with the fundraising were issued to placees, being half a warrant for every share. The warrants are exercisable at 8.50p (2020:1.85p) per ordinary share and are to be exercised within 2 years of being issued.

During the year a total of 10,833,333 warrants were exercised during the year. A total of 7,000,000 were exercised at an exercise price of 1.85p and 3,833,333 at an exercise price of 1.20p per ordinary share.

Notes to the Financial Statements

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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:

	2021	2020
Average spot at grant date (pence)	**8.79p**	1.17p
Expected volatility	**167.02%**	103.83%
Expected option life	**2-5 year**	5 Years
Expected dividends	**—**	—
The risk free interest rate	**0.40%**	0.10%-

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 £1,473k (2020: £161k). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £1,874k (2020: £436k) in the share-based payments reserve after the reversal of expired and lapsed share options, and £467k (2020: £76k) 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.

Notes to the Financial Statements

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27. Financial instruments (continued)

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.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies and consequently exposures to year end and average 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 2021 £'000**	31 December 2020 £'000	**31 December 2021 £'000**	31 December 2020 £'000
US dollar	**28**	—	**257**	2
Australian Dollar	**278**	1	**1,538**	83
Euro	**6**	87	**4**	11
Mozambican Metica	**366**	765	**344**	705
Danish Krone	**871**	2	**869**	1
Total	**1,582**	855	**3,012**	802

	Liabilities		Assets	
Company	**31 December 2021 £'000**	31 December 2020 £'000	**31 December 2021 £'000**	31 December 2020 £'000
US dollar	**765**	731	**440**	314
Australian Dollar	**—**	—	**5,502**	179
Euro	**—**	—	**—**	29
Mozambican Metica	**—**	—	**609**	617
Danish Krone	**—**	—	**172**	177
Total	**765**	731	**6,724**	1,316

27. Financial instruments (continued)

Sensitivity analysis

A 10% strengthening of the British pound against the respective currencies at 31 December 2021 would have increased/(decreased) profit and loss by the amounts shown below:

	Group		Company	
	31 December 2021 £'000	31 December 2020 £'000	**31 December 2021 £'000**	31 December 2020 £'000
US dollar	**26**	—	**(32)**	41
Australian Dollar	**126**	(8)	**550**	(18)
Euro	**—**	8	**—**	(3)
Mozambican Metica	**(2)**	6	**61**	(62)
Danish Krone	**—**	—	**17**	(18)
Total	**149**	6	**596**	(60)

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 2021 £'000	31 December 2020 £'000	**31 December 2021 £'000**	31 December 2020 £'000
Trade and other receivables	**665**	146	**582**	285
Loan receivables	**—**	—	**—**	—
Cash and cash equivalents	**5,389**	919	**4,205**	253
Loans to group companies	**—**	—	**—**	2,426
Total	**6,054**	1,065	**4,787**	2,964

Notes to the Financial Statements

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27. Financial instruments (continued)

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 2021 £'000	31 December 2020 £'000	**31 December 2021 £'000**	31 December 2020 £'000
Trade and other payables	**2,226**	1,051	**396**	362
Tax payable	**121**	93	**—**	—
Loans from group companies	**—**	—	**—**	11,483
Total	**2,347**	1,144	**396**	11,845

Group 31 December 2021	**Carrying amount £'000**	**2 months or less £'000**	**2 to 12 months £'000**	**More than 12 months £'000**
Trade and other payables	**2,226**	**2,226**	—	—
Tax payable	**121**	—	**121**	—
Total	**2,347**	**2,226**	**121**	—

Company 31 December 2021	**Carrying amount £'000**	**2 months or less £'000**	**2 to 12 months £'000**	**More than 12 months £'000**
Trade and other payables	**396**	**396**	—	—
Loans from group companies	—	—	—	—
Total	**396**	**396**	—	—

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	—

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	—	—
Tax payable	—	—	—	—
Loans from group companies	11,483	11,483	—	—
Total	11,845	11,845	—	—

Notes to the Financial Statements

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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 £484k (2020: £605k).

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 £Nil was outstanding as at 31 December 2021 (2020: £11k).

A total £23k (2020: £5k) of Alastair Ford's fee was invoiced Sofabar Consulting Ltd, a company controlled by him.

As at 31 December 2021 directors' fees of £174k (2020: £119k) relating to current and prior year fees remains outstanding, of which £93k (2020: £50k) relates to Colin Bird, £40k to Joel Silberstein (2020: £25k), Alastair Ford £23k (2020: £1k), Jeremy Read Nil (2020: £3k), Peter Moir Nil (2020: £40k) and £18k (2020: Nil) relates to Kjeld Thygesen.

The emoluments of the Directors are disclosed in note 10 on page 77.

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

Remuneration of key management personnel

The remuneration of the Directors and other staff members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in note 10 on page 77.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Salaries and other short-term employee benefits	**570**	319
Share-based payments	**1,117**	95
	1,687	414

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.

Notes to the Financial Statements

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29. Contingent liability (continued)

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.

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. Ultimate controlling party

The Directors believe there is no ultimate controlling party.

32. Events after balance sheet date

Issue of Equity

On 22 April 2022, the Company received notice to exercise warrants over 4,416,665 ordinary shares of 0.02p each in the Company at an exercise price of 1.20p per Ordinary Share, and a further 833,333 Ordinary Shares at an exercise price of 1.85p per Ordinary Share.

Company Information

Directors:
Colin Bird, Executive Chairman
Joel Silberstein, Finance Director
Alastair Ford, Non-Executive Director
Kjeld Thygesen, Non-Executive Director

Company Secretary
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