xtract
RESOURCES PLC

Annual Report

for the year ended 31 December 2013

Contents

Company Information

Directors:

Colin Bird, Non-Executive Chairman
Jan Nelson, Chief Executive Officer
Joel Silberstein, Finance Director
Peter Moir, Non-Executive Director

Secretary:

St James's Corporate Services Limited
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Nominated Advisor:

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London EC2R 7AS

Brokers:

Cenkos Securities Plc
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Company Registered Number:

5267047

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Solicitors:

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London W1S 1HU

Auditors:

Crowe Clark Whitehill LLP
St. Bride's House
10 Salisbury Square
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Registrars:

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Chairman's Statement

Dear Shareholder,

This is my second annual statement as Chairman of Xtract Resources PLC following my appointment on 10 September 2012.

The Company has had a very progressive year and has delivered on its mission as outlined in the previous year's report. During the period under review, the Company appointed Jan Nelson as Chief Executive Officer and Joel Silberstein as Chief Financial Officer, whose appointment was changed to Finance Director on 25 February 2014 when he joined the board. Jan Nelson is a highly experienced Chief Executive Officer, who has demonstrated significant energy and focus in pursuing our mission. Joel Silberstein is an experienced Financial Officer and his input has already been invaluable in streamlining the Company's financial affairs and corporate structure.

As part of the refocusing of the strategy of Xtract, on the 6 February 2013 the Company further relinquished its licences held in the Danish sector of the North sector of the North Sea with no further spend or liability.

The Company also disposed of its entire holding in Equus Mining Limited, resulting in a gross consideration of AUD$980K (£648K) before dealing costs.

The first major event in the year was the proposed joint venture on the Mejillones project in Chile. This project is sizable and is located 20 km inland from a major deep water port in Chile. The phosphate is of good quality and it is considered to be potentially upgraded mechanically to above 30% P_2O5. The joint venture was to be a progressive earn-in over time commencing with a data review, which if satisfactory, will be followed by an ore resource definition and feasibility study.

On 17 October 2013, the Company entered into a Memorandum of Understanding ("MoU") with Polar Star Mining Corporation ("Polar Star") for a four month exclusive due diligence period and an option to acquire 100% of the Chepica gold and copper underground mine ("Chepica") near Talca in southern Chile. The MoU also allowed the 100% purchase of Mejillones thereby cancelling the joint venture agreement. On 12 December 2013, the Company announced successful due diligence and entered into a Sales and Purchase agreement ("SPA") for Chepica. The agreement with Polar Star allows for the purchase for the entire share capital of its wholly owned subsidiary, Polar Mining (Barbados) Ltd, which is the parent company of a Chilean incorporated entity which has a 15% direct interest and earn-in option to acquire the remaining 85% in Chepica.

At the start of 2014, a financing package was agreed with Yorkville Advisors LLC, consisting of a combination of debt and equity of approximately US$1.4 million. The acquisition was closed on the 3 March 2014 with the result that Polar Star was issued with 500,000,000 shares of 0.01p each in the equity of Xtract Resources PLC representing a purchase price of £1.25 million. On completion the Company assumed debt to the value of US$1.25 million. The Chepica mine was acquired as a going concern and the total debtor book was approximately US$1 million. Since completion, the Company has appointed an experienced mine manager to oversee operations and has appointed a seasoned mining professional, Eduard Victor, to be in overall charge of the Chilean operation with special responsibility for Chepica.

On 25 November 2013, the Company announced an exclusive agreement with Aardvark Uranium Limited ("Aardvark") for a 90 day period to conduct due diligence on the Namakwa surface Uranium deposit in South Africa. The deposit is extensive with near surface and with low stripping ratios. The work required to conduct a full feasibility study is not thought to be particularly onerous, since most of the raw data has already been captured. On 12 March 2014, the Company announced that it had negotiated an extension to 10 April 2014 to complete the due diligence. The extension was requested to allow a fuller understanding of the metallurgical status of the project and determine what metallurgical test work might be required should the Company enter into a SPA. On 11 April 2014, the Board concluded that the project did not meet its investment criteria and therefore would not be proceeding with the acquisition of the project.

Chairman's Statement

CONTINUED

Towards year end, the Company announced a buy-back of a 1% royalty, which was part of the contract between Global Oil Shale Group PLC ("GOS") and Xtract, dated 16 December 2012. The option exercise provided Xtract with a further ordinary share allotment in GOS of 1,371,365 shares at a current GOS share price of 40p. The Company now holds 7,371,365 shares in GOS with an additional 1.5 million shares to be issued if and when GOS lists on a stock exchange or any other market. Oil shales are playing a bigger role in future world oil supplies and your Board is of the opinion that this strategic stake of 7.6% will be of considerable value in the near-term future.

The Company continues to investigate acquisition opportunities across a wide range of commodities in many parts of the world. We have a strict check list, in order to meet our criteria for investment and most projects do not proceed beyond the initial desk top review. We are mindful of the need to manage our treasury and do not intend to spend abortive money chasing mediocre projects.

The Opportunity whilst the smaller cap resource sector is experiencing inordinate problems with accessing finance, the converse is that the quality of available projects is superior to ever before. This is generally a result of the big companies focusing on larger projects and setting very strict criteria for return on investment from operations. The major influence on project availability is the unfortunate situation of small company failure or inability to meet financing obligations in previously agreed joint ventures. The Company sees many gold projects and against our criteria for investment there exists a number of quality projects that we may progress from initial discussions and review to more serious due diligence.

Your Company has in place an experienced management team able to identify opportunities and once acquired, manage them to full financial effect. Whilst the team is small, the experience is large and we have access to advisors and consultants who complement our in house skills. We have a strong belief in keeping the management team to a few professionals and outsourcing the necessary skills on an "as required basis". This approach will allow us to manage our overheads, whilst building up an enviable asset base.

Finally, I would like to thank my fellow Directors, managers and employees for their efforts during a year, which has been very active and not without its embryonic difficulties.

Colin Bird
Non-Executive Chairman

2 June 2014

Strategic Report

Following my appointment to the Board in May 2013, we set out to identify quality assets that are undervalued and have low entry cost to acquire and a low capital requirement to develop. The year ended 31 December 2013 has been a period of consolidation continuing the process which was initiated in late 2012 of divesting of oil and gas projects, re-organising the Group's financial structure, as well as, focusing on reducing annual running costs.

The Board approved an investment framework to identify and invest in a portfolio of near-term resource assets that:

- Are near to or at surface and will not incur major capital development expenditure
- Can be brought into production within 2 years
- Are on the low end of the cash cost curve for the commodity
- Have significant upside growth potential
- Focuses on assets which have robust evaluation parameters, low entry cost and located in favorable mining jurisdictions with potential for an early exit should evaluation results not meet the Company's investment criteria

The Board sees opportunities due to the on-going difficult financing climate, to access underperforming assets at cheaper entry prices.

Chepica gold and copper project, Chile

Following the completion of the acquisition of 25% of Chepica on 24 February 2014, the strategy of the management of Xtract has been to target on and off reef development to open more areas to mine. Accordingly, the team at the mine has increased the total development rate from 40m per month to 300m per month. This strategy has resulted in greater flexibility in achieving both a better mining mix and an improved recovered concentrate grade. Volumes have also improved as a result of the increase in mining areas.

Chepica was previously operating from two mines, Chepica North and Salvadori. Following a review of the operation by management, Xtract has now extended the project area to four mines, being Chepica North and Central, Salvadori, Colin and Nelson. By opening up these new areas, the team is in the process of further increasing production volume, achieving an uplift from 5,000 to 10,000 tonnes per month, whilst at the same time improving the concentrate gold grade from 40-50g/t to 60-70g/t. Further, Xtract will invest approximately US$250,000 in the plant to increase milling capacity and throughput.

In addition, following the increased development work and the drilling programme which have been carried out over the past month, Xtract has now opened up a new payzone which is currently running at 70-80 g/t.

Chepica is now on course to become profitable in the second quarter of 2014.

Chepica Tailings: In addition to the development work on the Chepica mine, Xtract is implementing a scoping study to evaluate the viability of mining the current tailings dam, which has an average in situ grade of 1.3g/t, in order to further increase the overall production profile of the project.

Mejillones phosphate project, Chile

The 100% owned Mejillones project covers some 16,400 hectares of highly prospective phosphate deposits, just north of Antofagasta. The project has been thoroughly evaluated and Xtract is currently in ongoing discussions in order to bring in a strategic partner to provide capital to help develop this potentially significant asset.

Strategic Report

CONTINUED

Principal Activities and Business Review

Xtract identifies and invests in a portfolio of early stage resource assets and business interests with significant growth potential. The Company aims to engage closely with the associate management teams to achieve project milestones, finance early stage asset and business development activity, and then finance the asset development phase, or if appropriate, crystallise value for all shareholders, as well as to achieve returns for our shareholders through access to the significant upside rewards associated with the Company's investments.

The Directors evaluate 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 the report. The information that fulfils the requirement can be found within the Strategic Report.

Details of significant events since the balance sheet date are contained in note 25 to the financial statements.

Results and Dividends

The net loss for the Group for the year ended 31 December 2013 amounts to £128K (2012: £7,592K).

No dividends were paid or proposed by the Directors in either the current or previous year.

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 Chairman's Statement and Strategic Report.

Financial Review

Financial Summary Table

	Year ended 31 December 2013 (£million)	Year ended 31 December 2012 (£million)
Consolidated income resulting from continuing operations		
Administrative and operating expenses	**(0.80)**	(1.57)
Project costs	**(0.35)**	—
Other profits/(losses)	**0.92**	(0.01)
(Loss) after tax	**(0.23)**	(1.58)
(Loss) per share	**(0.00)p**	(0.09p)
Consolidated balance sheet position		
Assets available for sale	**2.58**	1.22
Cash	**0.16**	0.22
Total assets	**2.80**	1.62
Total equity	**2.27**	1.37
Total equity – number of issued shares	**2,339,181,216 shares**	2,306,105,129 shares

Strategic Report
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Income Statement Analysis

The Group reported a net loss after tax from continuing operations of £232K (2012: £1,580K) and basic loss per share of 0.00p (2012: basic loss per share of 0.09p). Administrative and operating expenses from continuing operations amounted to £0.80 million for the year ended 31 December 2013 (2012: £1.57 million) and non-administrative project costs amounted to £0.35 million for the year ended 31 December 2013 (2012: Nil). Other profits from continuing operations including the gain on disposal of Equus shares, totalling £0.84 million in the year (2012: loss of £0.16 million). Finance income/costs, including foreign exchange gains, arising predominantly on Group intercompany loans in the year and non-Pound Sterling cash balances translated, and finance charges relating to the YA Global Master SPV Ltd ("YAGM") Financing, amounted to £0.08 million (2012: £0.15 million).

Investment Activity

As part of the disposal of Xtract Oil and Xtract Morocco on 15 December 2012 the Group acquired 6 million shares in Global Oil Shale Group PLC ("GOS"). These shares had a fair value as at 31 December 2012 of £0.12 per share, giving a total asset value of £720K. This agreement included an option for GOS to buy back the 1% net smelter royalty.

On 16 December 2013 GOS exercised its option and provided Xtract with a further ordinary share allotment of 1,371,365 shares at a current price of £0.40 per share, the total of which is £549K. This being a significant increase from the £0.12 share price at the original transaction date. The shares were issued to Xtract on 18 December 2013 and the royalty reverted to GOS.

As at 31 December 2013 Xtract held 7,371,365 shares in GOS giving a total assets value £2.58 million, with an additional 1.5 million shares to be issued if, as is intended, GOS lists on a Stock Exchange or any other market.

Cash Position

The Group's net cash position at 31 December 2013 was £0.16 million with £0.18 million (US$0.32 million) outstanding borrowings under a Loan Note Agreement with YAGM (2012: £0.22 million with no borrowings outstanding).

The Company has additional borrowing facilities of up to a further £2.85 million (US$4.7 million) as may be required. The facility comprises of a Standby Equity Distribution ("SEDA") backed loan entered into with YAGM. The original SEDA was entered into by the Company in September 2011 and provided a funding in the form of an Equity Line Facility. Further details are given in note 18.

Share Capital

Under the terms of the Loan Note Agreement, the Company paid a facility fee of US$125K (2.5% of the Commitment Amount) by the issue and allotment of 33,076,087 Ordinary Shares by the Company to YAGM.

Going Concern

Since the year end and following the Chepica transaction outlined in note 25 to the financial statements, the Group has commenced generating revenues from its operations in Chile. These operations are currently cash flow breakeven due to the nature of the Chepica project but are expected to generate increased cash inflows to fund other projects in Chile as well as corporate costs in the not too distant future. At the same time, the Group continues to manage its investments as a portfolio, bringing in strategic partners and raising funds as appropriate to fund any new investments. Management believes that it will be able to manage the Group's funding requirements through a combination of these measures (see also note 3 in the detailed financial statements).

Strategic Report

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Environmental Responsibility

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

Risks and Uncertainties

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

General and Economic Risks:

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

Funding Risk:

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

Commodity Risk:

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

Exploration and Development Risks:

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs;
- Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects;
- Some of the countries in which the Company operates have native title law which could affect exploration activities. The companies in which the Company has an interest may be required to undertake clean-up programmes resulting from any contamination from their operations or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all necessary laws and regulations and it is not aware of any present material issues in this regard.

Strategic Report

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Internal Controls

The Board recognises the importance of both financial and non-financial controls and has appointed an Audit Committee to review the Company's control environment and identify any related shortfalls during the year. During the year the Company has undergone, and continues to undergo, significant changes in its structure. However, the Board, via the Audit Committee has ensured the financial reporting procedures and internal controls remain at a high standard. Whilst the Board is aware that no system can provide absolute assurance against material misstatement or loss, continuing reviews of internal controls will be undertaken to ensure that these controls are implemented, that they are adequate and that they operate effectively.

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

We are looking forward to reporting an improved financial and operating performance in the coming year, and building shareholder value. With a strong and experienced management and operational team now in place, we are well placed to focus on the current asset base to develop the Chepica gold and copper project in Chile and continue to evaluate the opportunity at Mejillones. In addition, we are evaluating other opportunities with our strict criteria and look forward to building Xtract Resources in the coming year.

Jan Nelson
Chief Executive Officer

2 June 2014

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 2013. The Corporate Governance Statement is set out on page 12 and forms part of this report.

With effect from 25 June 2013, the name of the Company was changed from Xtract Energy PLC to Xtract Resources PLC.

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 19. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles of Association and the Corporate Governance Statement on page 12.

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. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

Directors

The Directors who served during the year were as follows:

- **Peter Moir**
- **Colin Bird**
- **Jan Nelson** – appointed 28 May 2013
- **Raju Samtani** – resigned 24 May 2013

Subsequent to the year end Joel Silberstein was appointed Finance Director with effect 25 February 2014.

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

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

Colin Bird, *Non-executive Chairman (member of audit, remuneration, nomination and technical committees)*

Colin is a chartered mining engineer with multi commodity mine management experience in Africa, Spain, Latin America and the Middle East. He has been the prime mover in a number of public listings in the UK, Canada and South Africa and is currently Chief Executive Officer of Tiger Resource Finance PLC, Executive Chairman of AIM quoted Galileo Resource PLC and non-Executive Chairman of Jubilee Platinum PLC.

Report of the Directors

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Jan Nelson, *Chief Executive Officer (member of audit, remuneration and nomination committees)*

After obtaining his Honours degree in Geology, Jan embarked on a career in gold exploration and mining in South Africa, Zimbabwe and Tanzania. He has over 15 years' experience in the mining industry more recently as CEO of Pan African Resources PLC, where he was responsible for transforming the company from an exploration vehicle with little cash resources to a 200,000oz per annum low cost, high grade, dividend paying precious metal mining company. Prior to this Jan held positions in mine management and operations with Harmony Gold Mining Company Limited and Gold Fields Limited. Jan was appointed CEO of Xtract in May 2013.

Joel Silberstein, *Finance Director*

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

Directors' Remuneration

The Company aims to remunerate the Directors at a level commensurate with the size of the Company and their experience. During the year, the Remuneration Committee consisted of Colin Bird (12 September 2012 – 31 December 2013), Raju Samtani (17 October 2012 – 24 May 2013) and Peter Moir (28 May 2013 – 31 December 2013). The Remuneration Committee has reviewed the directors' remuneration as part of a programme to reduce company running costs.

The total remuneration paid to the directors of the Company for the year ended 31 December 2013 was £215K (2012: £387K). The remuneration consisted of director's fees of £215K (2012: £378K). The remuneration for the highest paid director for the year ended 31 December 2013 was £70K (2012: £145K).

Director	**Annual salary for the year to 31 December 2013**	Annual salary for the year to 31 December 2012
Peter Moir	**60,000**	145,000
Alan Hume	—	117,500
Dr George Watkins	—	32,273
Paul Butcher	—	21,250
Jeremy Kane	—	22,249
Colin Bird	**60,000****	20,000*
Raju Samtani	**25,000****	20,000*
Jan Nelson	**70,000*****	—

* Outstanding as at 31 December 2012.

** Outstanding total of £75K for C Bird and £22.5K for R Samtani as at 31 December 2013.

*** Outstanding as at 31 December 2013 for J Nelson £30K.

In addition, the Directors hold share options as set out below.

Directors' Interests

The Directors who held office at 31 December 2013 have the following interests in the Company:

	31 December 2013		31 December 2012	
	Ordinary shares	**Options**	Ordinary shares	Options
Peter Moir	**8,000,000**	**24,832,500**	8,000,000	40,032,500
Colin Bird	**86,206,897**	—	86,206,897	—
Jan Nelson	—	**50,000,000**	—	—

Report of the Directors

CONTINUED

As at the date of his appointment and the date of this report Joel Silberstein had an interest in 20,000,000 Options.

No Director held any interest in any other 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 22 of the Financial Statements.

Directors' Indemnities

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

Directors' Service Contracts

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

General Meeting

The Company will hold a general meeting on 26 June 2014 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 there at is included in the document.

Auditors

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

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

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

Rees Pollock resigned as auditors on 14 February 2014 and Crowe Clark Whitehill LLP were appointed by the directors to fill the casual vacancy arising with effect from that date.

A resolution to appoint Crowe Clark Whitehill LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Company Secretary

Subsequent to the year end St James's Corporate Services Limited was appointed as Company Secretary with effect from 1 March 2014.

By Order of the Board

Jan Nelson
Chief Executive Officer

2 June 2014

Corporate Governance Statement

The Board recognises the importance of sound corporate governance commensurate with the size of the Company and the interests of shareholders. The Company is not required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council. However as the Company grows, the Directors intend that it should develop policies and procedures which reflect the Code so far as is practicable, taking into account the size and nature of the Company.

The Board of Directors

The Board currently comprises four Directors, two of which are executive and hold the key operational positions. The remaining non-executive Directors have significant experience in multi-commodity exploration and mining and the management of such resource projects, quoted and unquoted, both in the UK and overseas.

All Directors have access to the advice of the Company Secretary who is responsible for ensuring that all Board procedures are followed and that applicable rules and regulations are complied with. Any Director may take independent professional advice at the Company's expense in the furtherance of his duties.

Board Meetings

The Board is responsible for approving Company policy and strategy. It holds regular board meetings and is supplied with appropriate and timely information in order to discharge its duties. Formal agendas, briefing papers and reports are sent to all Directors in advance of board meetings.

The Board delegates certain of its responsibilities to various board committees, each of which has its own terms of reference.

Corporate Governance Practices

The Company has adopted a Share Dealing Code that applies to Directors, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'.

The Board has established appropriately constituted Audit, Remuneration, Nomination, Health, Safety and Environment and Technical Committees.

The Remuneration Committee is chaired by Colin Bird and has Peter Moir as a member. It is responsible for reviewing the performance of the executive directors and for setting the framework and broad policy for scale and structure of their remuneration, taking into account all factors which it shall deem necessary. The Remuneration Committee also determines allocations of share options and is responsible for setting any performance criteria in relation to the exercise of options granted under any share option schemes adopted by the Company.

The Audit Committee is chaired by Peter Moir and has Colin Bird as a member. It may examine any matters relating to the financial affairs of the Company and reviews the Company's annual and interim financial statements and also monitors and reviews internal control procedures and accounting policies and recommends the appointment of, and reviews the fees of, the external auditors.

As the Board develops the Company will look at increasing the number of members serving on each Committee.

By order of the Board

Jan Nelson
Chief Executive Officer

2 June 2014

Independent Auditor’s Report

TO THE MEMBERS OF XTRACT RESOURCES PLC

We have audited the financial statements of Xtract Resources plc for the year ended 31 December 2013 which comprise the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statement, the Group Statement of Changes in Equity, the Parent Company Statement of Changes in Equity and the related notes numbered 1 to 25.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors’ Report and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

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 2013 and of the group’s and the parent company’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report

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Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 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

Leo Malkin
Senior Statutory Auditor

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

2 June 2014

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

Registered number: 5267047

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Administrative and operating expenses		**(803)**	(1,573)
Project Costs		**(350)**	—
Operating loss		**(1,153)**	(1,573)
Finance income	10	**81**	151
Other gains and losses	5	**840**	(158)
(Loss) before tax		**(232)**	(1,580)
Taxation	11	**—**	—
(Loss) from continuing operations	7	**(232)**	(1,580)
Profit/(loss) for year from discontinued operations	6	**104**	(6,012)
(Loss) for the year		**(128)**	(7,592)
Attributable to:			
Equity holders of the parent		**(128)**	(7,592)
		(128)	(7,592)
Net (loss) per share			
Continuing		**(0.00)**	(0.09)
Discontinuing		**0.00**	(0.33)
Basic (pence)	12	**(0.00)**	(0.42)
Continuing		**(0.00)**	(0.09)
Discontinuing		**0.00**	(0.33)
Diluted (pence)	12	**(0.00)**	(0.42)

The notes on pages 21-47 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
(Loss) for the year	**(128)**	(7,592)
Gains on revaluation of available-for-sale investment taken to equity	**1,311**	146
Exchange differences on translation of foreign operations	**(379)**	(410)
Other comprehensive income/(loss) for the year	**932**	(264)
Total comprehensive income/(loss) for the year	**804**	(7,856)
Attributable to:		
Equity holders of the parent	**804**	(7,856)
	804	(7,856)

The notes on pages 21-47 form an integral part of these financial statements

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2013

	Note	Group		Company	
		As at 31 December 2013 £'000	As at 31 December 2012 £'000	**As at 31 December 2013 £'000**	As at 31 December 2012 £'000
Non-current assets					
Intangible assets	13	**—**	—	**—**	—
Investment in subsidiaries	14	**—**	—	**—**	357
Financial assets available for sale	15	**2,580**	1,223	**2,580**	720
		2,580	1,223	**2,580**	1,077
Current assets					
Trade and other receivables	16	**61**	181	**45**	88
Cash and cash equivalents		**159**	215	**66**	170
		220	396	**111**	258
Total assets		**2,800**	1,619	**2,691**	1,335
Current liabilities					
Trade and other payables	18	**350**	247	**291**	149
Interest bearing	18	**183**	—	**183**	—
Amounts due to subsidiaries	18	**—**	—	**11,216**	10,431
		533	247	**11,690**	10,580
Net current assets/(liabilities)		**(313)**	149	**(11,579)**	(10,322)
Non-current liabilities					
Deferred tax liabilities	17	**—**	—	**—**	—
Total liabilities		**533**	247	**11,690**	10,580
Net assets/(liabilities)		**2,267**	1,372	**(8,999)**	(9,245)
Equity					
Share capital	19	**1,627**	1,623	**1,627**	1,623
Share premium account		**35,905**	35,832	**35,905**	35,832
Warrant reserve	22	**109**	78	**109**	78
Share-based payments reserve	22	**834**	871	**834**	871
Available-for-sale reserve	20	**1,311**	146	**1,311**	—
Foreign currency translation reserve	20	**(394)**	(15)	**—**	—
Accumulated losses		**(37,125)**	(37,163)	**(48,785)**	(47,649)
Equity attributable to equity holders of the parent		**2,267**	1,372	**(8,999)**	(9,245)
Total equity		**2,267**	1,372	**(8,999)**	(9,245)

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

Joel Silberstein
Director

2 June 2014

The notes on pages 21-47 form an integral part of these financial statements

Statement of Changes in Equity

Group

	Note	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share based payments reserve £'000	Available-for-sale reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2012		**1,533**	**35,300**	**—**	**1,202**	**—**	**663**	**(30,333)**	**8,365**
Comprehensive income									
Loss for the year		—	—	—	—	—	—	(7,592)	(7,592)
Revaluation of available-for-sale investments	15	—	—	—	—	146	—	—	146
Foreign currency translation differences		—	—	—	—	—	(678)	268	(410)
Total comprehensive loss for the year		—	—	—	—	146	(678)	(7,324)	(7,856)
SEDA drawdown	19	14	286	—	—	—	—	—	300
Cenkos 2.5% commission on £300,000 SEDA draw down		—	(8)	—	—	—	—	—	(8)
Issue of shares – Tiger Resources placing	19	76	254	—	—	—	—	—	330
Share based payment expense	22	—	—	—	163	—	—	—	163
Expiry of share options	22	—	—	—	(494)	—	—	494	—
Issue of warrants – Cenkos	22	—	—	78	—	—	—	—	78
As at 31 December 2012		**1,623**	**35,832**	**78**	**871**	**146**	**(15)**	**(37,163)**	**1,372**
Comprehensive income									
Profit for the year		—	—	—	—	—	—	(128)	(128)
Forex currency translation differences		—	—	—	—	—	(379)	—	(379)
Revaluation of available-for-sale investments	15	—	—	—	—	1,311	—	—	1,311
Total comprehensive income for the year		—	—	—	—	1,311	(379)	(128)	804
Issue of shares	19	4	73	—	—	—	—	—	77
Share based payment expense	22	—	—	—	129	—	—	—	129
Expiry of share options	22	—	—	—	(166)	—	—	166	—
On disposal	15	—	—	—	—	(146)	—	—	(146)
Issue of warrants	22	—	—	31	—	—	—	—	31
As at 31 December 2013		**1,627**	**35,905**	**109**	**834**	**1,311**	**(394)**	**(37,125)**	**2,267**

The notes on pages 21-47 form an integral part of these financial statements

Statement of Changes in Equity

Company

	Note	Share capital £'000	Share premium account £'000	Warrant reserve £'000	Share based payments reserve £'000	Available-for-sale reserve £'000	Accumulated losses £'000	Total Equity £'000
At 1 January 2012		**1,533**	**35,300**	**—**	**1,202**	**—**	**(29,670)**	**8,365**
Loss for the year		—	—	—	—	—	(18,473)	(18,473)
Other comprehensive income								
Total comprehensive loss for the year		—	—	—	—	—	(18,473)	(18,473)
SEDA drawdown	19	14	286	—	—	—	—	300
Cenkos 2.5% commission on £300,000 SEDA draw down		—	(8)	—	—	—	—	(8)
Issue of shares – Tiger resources placing	19	76	254	—	—	—	—	330
Share based payment expense		—	—	—	163	—	—	163
Expiry of share options		—	—	—	(494)	—	494	—
Issue of warrants – Cenkos	22	—	—	78	—	—	—	78
At 31 December 2012		**1,623**	**35,832**	**78**	**871**	**—**	**(47,649)**	**(9,245)**
Other comprehensive income								
Loss for the period		—	—	—	—	—	(1,302)	(1,302)
Other comprehensive income		—	—	—	—	—	—	—
Revaluation of available-for-sale investments	15	—	—	—	—	1,311	—	1,311
Total comprehensive income for the year		—	—	—	—	1,311	(1,302)	9
Issue of shares	19	4	73	—	—	—	—	77
Share based payment expense	22	—	—	—	129	—	—	129
Expiry of share options	22	—	—	—	(166)	—	166	—
Issue of warrants	22	—	—	31	—	—	—	31
At 31 December 2013		**1,627**	**35,905**	**109**	**834**	**1,311**	**(48,785)**	**(8,999)**

The notes on pages 21-47 form an integral part of these financial statements

Consolidated and Company Cash Flow Statements

		Group		Company	
	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Net cash used in operating activities	21	**(960)**	(540)	**(362)**	(929)
Investing activities					
Acquisition of intangible assets	13	—	(4,370)	—	—
Proceeds from disposal of investment		—	77	—	53
Disposal of available-for-sale investments	15	**648**	—	—	—
Net cash (used in)/from investing activities		**648**	(4,293)	—	53
Financing activities					
SEDA backed loan		**182**	—	**182**	—
Proceeds on issue of shares		**76**	330	**76**	330
Proceeds on exercise of SEDA		—	300	—	300
SEDA arrangement fee		—	(8)	—	(8)
Net cash from financing activities		**258**	622	**258**	622
Net (decrease) in cash and cash equivalents		**(54)**	(4,211)	**(104)**	(254)
Cash and cash equivalents at beginning of year		**215**	4,488	**170**	425
Effect of foreign exchange rate changes		**(2)**	(62)	—	(1)
Cash and cash equivalents at end of year		**159**	215	**66**	170

The notes on pages 21-47 form an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1. General information

Xtract Resources PLC is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 4th Floor, 2 Cromwell Place, South Kensington, London, SW7 2JE. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 4 to 8.

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

2. Adoption of new and revised Standards

In the current year a number of new and revised standards and interpretations were adopted by the Group including amendments to IAS 1 ('Presentation of Items of Other Comprehensive Income'). None of these had any material impact on the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 16/IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

The financial statements have been prepared under the historical cost convention modified for certain items carried at fair value, as stated in the accounting policies. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). These consolidated financial statements are made up for the year ended 31 December 2013.

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

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

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling party's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Going concern

The Group has since the year end begun generating cash inflows from its revenues generated from the Chepica mine in Chile disclosed further in note 25. These operations are currently cash flow breakeven due to the nature of the Chepica project.

The Group has reviewed and undertaken sensitivity analyses on the projected cash flows on this project until 31 December 2015. In undertaking sensitivity analyses, the Group has assessed how it would ensure that either a significant reduction in cut grade (-10%) or a significant increase in Chepica running costs (+10%) would maintain at least a position of breakeven cash flows until 31 December 2015.

Furthermore, the Group incurs corporate overhead costs on an ongoing basis. In undertaking the going concern review, the Group has reviewed any cash savings which may be incurred, including deferring cash payments to Directors of the Group.

The Group has sufficient funds and borrowing facilities to settle current liabilities when due, in addition to meeting overheads until 31 December 2015 without gaining access to additional funds. In addition, the Group holds 7,371,365 million Global Oil Shale shares with a market value of £2,580K as at 31 December 2013. The Group has also entered into a SEDA backed loan agreement (see note 18) which enables the Group to draw up to £3.0 million (US$5.0 million). At the balance sheet date, facilities of £2.85 million (US$S4.7 million) remain undrawn.

Therefore, the Directors continue to adopt the going concern basis of accounting in preparing these 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 2013 was £1,302K (2012: loss £18,473K).

Business combinations

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

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

3. Significant accounting policies (continued)

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

Foreign currencies

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

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

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

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.

Notes to the Financial Statements

CONTINUED

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

Property, plant and equipment and intangible assets

Intangible exploration and evaluation expenditure assets

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights, are capitalised as intangible assets. Exploration and evaluation expenditure is capitalised within exploration and evaluation properties until such time that the activities have reached a stage which permits a reasonable assessment of the existence of commercially exploitable reserves when they are transferred to tangible assets. Capitalised exploration and evaluation expenditure is assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 Exploration for and Evaluation of Mineral Reserves. In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the year.

3. Significant accounting policies (continued)

Other Property, Plant and Equipment

Other tangible fixed assets represent office and computer equipment and are recorded at cost, net of accumulated depreciation. Depreciation is provided on all such 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 or the life of the relevant licence, whichever is less, as follows:

Average life in years

Office and computer equipment	3-5
Plant and machinery	7-20

Until they are brought into use, fixed assets and equipment to be installed are included within assets under construction.

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Financial instruments

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

Financial assets

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

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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

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

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

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

De-recognition of financial assets

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

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial instruments'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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3. Significant accounting policies (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flow payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Share-based payments

Equity-settled share-based payments to certain Directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

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

Finance Income

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

Operating Leases

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"). The CEO 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.

Notes to the Financial Statements

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

Available for sale investments

The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This requires management to make an estimate of the fair value of the unquoted securities in the absence of an active market, which has mainly been established by use of recent arm's length transactions, as adjusted by a discount, where required. Uncertainty also exists due to the early stage of development of certain of the investments. The fair value of available for sale investments at 31 December 2013 is determined to be £2,580K (2012: £1,223K). Further details are given in note 15.

Impairment of intangible assets and investments

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

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. Investment revenue and other gains and losses

An analysis of the Group's investment revenue and other gains and losses is as follows:

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Other gains and losses		
Gain/(Loss) on disposal of held-for-sale-assets	**291**	(197)
Other income	**549**	39
Total other gains/(losses)	**840**	(158)

6. Segmental Analysis

During the year the Group was organised into operating divisions – oil & gas exploration and investment & other. These divisions are the basis on which the Group reports its primary segment information to its CEO, who is the Chief Operating Decision maker of the Group. The CEO is responsible for allocating resources to the segments and assessing their performance.

Principal activities are as follows:

- investment and other – in various listed resource companies including available-for-sale assets;
- oil & gas exploration – the group discontinued its operations in this sector during the year.

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

Since the year end, the Group has commenced operating gold & precious metal mining and which will have a separate operational segment within the group structure.

Year ended 31 December 2013

	Investment and Other (Continuing) £'000	Oil & Gas Exploration (Discontinued) £'000	Total £'000
Administrative and operating expenses	(803)	(55)	(858)
Project Cost	(350)	—	(350)
Segment result	**(1,153)**	**(55)**	**(1,208)**
Finance income/(costs)	81	159	240
Other gains and losses	840	—	840
(Loss)/profit before tax	**(232)**	**104**	**(128)**
Tax credit	—	—	—
(Loss)/profit for the year	**(232)**	**104**	**(128)**

At 31 December 2013

	Investment and Other (Continuing) £'000	Oil & Gas Exploration (Discontinued) £'000	Consolidated £'000
Balance sheet			
Assets			
Financial assets	207	13	220
Available-for-sale assets	2,580	—	2,580
Consolidated total assets	**2,787**	**13**	**2,800**
Liabilities			
Financial liabilities	(491)	(42)	(533)
Consolidated total liabilities	**(491)**	**(42)**	**(533)**

Notes to the Financial Statements

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6. Segmental Analysis (continued)

Year ended 31 December 2012

	Investment and Other (Continuing) £'000	Oil & Gas Exploration (Discontinued) £'000	Total £'000
Administrative and operating expenses	(1,573)	(86)	(1,659)
Impairment of intangible assets	—	(7,120)	(7,120)
Segment result	**(1,573)**	**(7,206)**	**(8,779)**
Finance income/(costs)	151	(132)	19
Other gains and losses	(158)	33	(125)
Loss before tax	**(1,580)**	**(7,305)**	**(8,885)**
Profit on sale	—	821	821
Tax credit	—	472	472
(Loss) for the year	**(1,580)**	**(6,012)**	**(7,592)**

At 31 December 2012

	Investment and Other (Continuing) £'000	Oil & Gas Exploration (Discontinued) £'000	Consolidated £'000
Balance sheet			
Assets			
Financial assets	307	89	396
Available -for-sale assets	1,223	—	1,223
Consolidated total assets	**1,530**	**89**	**1,619**
Liabilities			
Financial liabilities	(183)	(64)	(247)
Consolidated total liabilities	**(183)**	**(64)**	**(247)**

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

Geographical information

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Europe	**2,800**	1,619
	2,800	1,619

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.

7. Profit/(loss) from continuing operations

Profit/(loss) from continuing operations for the year has been arrived at after charging:

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Depreciation of property, plant and equipment		—	3
Share-based payments expense	22	**129**	163
Staff costs	9	**242**	576

8. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Fees payable to the Company's auditors and their associates for the audit of the Group's annual accounts	**18**	21
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	**1**	11
Total audit fees	**19**	32
Fees payable to the Group's auditors and its associates for other services:		
– other assurance services relating to interim reporting	**4**	—
– tax compliance	**7**	3
Total non-audit fees	**11**	3
Total auditor's remuneration	**30**	35

Notes to the Financial Statements

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8. Auditors remuneration (continued)

Audit remuneration payable to the current auditors, Crowe Clark Whitehill LLP, for UK Companies are as follows:

- Audit £19K

9. Staff costs

	Year ended 31 December 2013 No.	Year ended 31 December 2012 No.
The average monthly number of employees (including directors) was:	**4**	5

	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	**235**	515
Social security cost	**7**	54
Other pension costs	**—**	7
	242	576

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	**215**	381
Other pension costs	**—**	6
	215	387

Total remuneration for the highest paid Director in the year was £70K (2012: £145K).

10. Finance (income)/cost

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Foreign exchange (gains)/losses	**(222)**	(232)
Bank Charges	**3**	3
Loan interest payable	**1**	—
Finance charges	**106**	—
Cost of issue of warrants	**31**	78
	(81)	(151)

Notes to the Financial Statements

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11. Tax

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Corporation tax:		
Current year	—	—
Adjustments in respect of prior years	—	—
Total current tax	—	—
Deferred tax	—	(472)
	—	(472)

UK corporation tax is calculated at 23.25% 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 2013 £'000	Year ended 31 December 2012 £'000
Loss before tax from continuing operations	(232)	(1,580)
Loss before tax from discontinuing operations	104	(6,484)
Loss before tax	(128)	(8,064)
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	(29)	(1,975)
Tax effect of expenses that are not deductible in determining taxable profit	86	88
Tax effect of unrecognised tax losses carried forward	(56)	1,200
Difference in overseas tax rates	(1)	215
Tax charge/(credit) for the year	—	(472)

Notes to the Financial Statements

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12. Profit/(loss) per share

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
(Loss) for the purposes of basic and diluted earnings per share (EPS) being:		
Net (loss) for the year from continuing operation attributable to equity holders of the parent	**(232)**	(1,580)
Net profit/(loss) for the year from discontinuing operation attributable to equity holders of the parent	**104**	(6,012)
	(128)	(7,592)

	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	**2,307,917,517**	1,777,828,843
Effect of dilutive potential ordinary shares – options and warrants	—	—
Weighted average number of ordinary shares for purposes of diluted EPS	**2,307,917,517**	1,777,828,843

In accordance with IAS 33 and as the average share price in the year is lower than the exercise price, the share options do not have a dilutive impact on earnings per share, which are set out in the consolidated income statement.

13. Intangible assets – exploration and evaluation

Group

	2013 £'000	2012 £'000
Cost		
At 1 January	**7,179**	2,809
Additions	—	4,370
Disposal	—	—
At 31 December	**7,179**	7,179
Impairment provision		
At 1 January	**(7,179)**	(4)
Impairment	—	(7,120)
Effects of foreign currency translation	—	(55)
At 31 December	**(7,179)**	(7,179)
Carrying amount		
At 31 December	—	—

In February 2012 the Luna prospect on the 01/11 licence was spudded however no hydrocarbons were encountered and the decision to plug and abandon the well as a dry hole was made in March 2012. It has now been decided by the Company and its partners Noreco and the Danish North Sea Fund to relinquish licences 01/11 and 02/05 in this sector. Consequently there is no further major spend or liability anticipated in respect of these licenses. The capitalised costs as at 31 December 2011 of £2.8 million, together with the costs incurred during this financial year of approximately £4 million has been impaired in the Group's financial statements. The Company holds no other intangible assets.

Notes to the Financial Statements

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14. Subsidiaries

Investments in subsidiaries

	2013 **£'000**	2012 £'000
At 1 January – Cost	**17,878**	17,878
At 1 January – Impairment	**17,521**	(17,521)
Impairment during the year	**357**	—
At 31 December – Impairment	**17,878**	17,521
At 31 December – Net Book Value	**—**	357

During the 2012 year Xtract Resources PLC impaired its investment in Xtract International Limited by £16,708K and its investment in Elko Energy Inc. by £795K. Elko Energy Inc. is held indirectly through Xtract Resources' 100% subsidiary Xtract International Limited. The impairment in these two subsidiaries is a direct result of the discontinued operations in Denmark and the relinquishing of the licences thereof. The impairment of Xtract Resources Spain totalled £18K which reflects the reduction in the net asset value of the company.

During the 2013 year Xtract Resources PLC further impaired its investment in Xtract International Limited by £357K.

Details of the Company's subsidiaries at 31 December 2013 are as follows:

Name	**Place of Incorporation and Operation**	**Date controlling interest acquired**	**Proportion of ownership & voting power held Group %**	**Parent %**	**Principal Activity**
Sermines de Mexico S.A. de C.V.	Mexico	08/08/2005	100	100	Dormant
Xtract International Limited	England and Wales	15/11/2006	100	100	Holding Company
Xtract Energy Spain SL	Spain	10/09/2009	100	100	Not Trading
Xtract Energy Holdings Limited	England and Wales	03/12/2007	100	100	Not Trading
Elko Energy Inc.	Canada	11/01/2010	100	—	Not Trading
Elko Energy A/S	Denmark	11/01/2010	100	—	Oil & Gas exploration and evaluation
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

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

Notes to the Financial Statements

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15. Investments

	Group		Company	
	As at 31 December 2013 £'000	As at 31 December 2012 £'000	**As at 31 December 2013 £'000**	As at 31 December 2012 £'000
Available-for-sale investments				
Opening balance	**1,223**	—	**720**	—
Additions	**549**	1,077	**549**	720
Movement in fair value	**1,456**	146	**1,311**	—
Disposed of during the year	**(648)**	—	**—**	—
	2,580	1,223	**2,580**	720

On 3 May 2012, Xtract International acquired 140,000,000 shares in Caspian Oil & Gas ("Caspian"), an oil producer and explorer, listed on the Australian Securities Exchange, at a fair value of AUD$560K (£357K). Following the acquisition of the shares Caspian underwent a company reorganisation, the company changed its name to Equus Mining Limited and consolidated its shares 1:10, resulting in a revised shareholding by the Group of 14,000,000 shares.

The value of the shares at 31 December 2012 was AUD$0.05 per share, giving them a value of AUD$840K (£503K). The increase in value of these shares was adjusted through the revaluation reserve account.

The shares were disposed of on 14 February 2013 for a consideration of AUD$980K (£648K).

As part of the disposal of Xtract Oil and Xtract Morocco on 15 December 2012 the Group acquired 6 million shares in Global Oil Shale Group ("GOS"). These shares had a fair value as at 31 December 2012 of 12p per share, giving a total asset value of £720K.

On 19 December 2013 GOS exercised its option under the Royalty Agreement dated 16 December 2012 to buy-back the 1% net smelter royalty for a consideration of AUD$1 million. Under the option agreement, the consideration was satisfied by an allotment of 1,371,365 ordinary shares in GOS at a current share price of 40p which was based on the price used in recent share issues by GOS to independent shareholders, giving a total value of £549K.

As at 31 December 2013 Xtract holds 7,371,365 shares in GOS giving a total asset value £2,580K, with an additional 1.5 million shares to be issued if, as is intended, GOS lists on any Stock Exchange or other market.

16. Trade and other receivables

	Group		Company	
	As at 31 December 2013 £'000	As at 31 December 2012 £'000	**As at 31 December 2013 £'000**	As at 31 December 2012 £'000
Other debtors	**31**	140	**15**	81
Prepayments	**30**	41	**30**	7
	61	181	**45**	88

Notes to the Financial Statements

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17. Deferred tax

The following are the major categories of deferred tax liabilities recognised by the Group and movements thereon during the current year and prior reporting period.

	Intangible assets £'000	Total £'000
Group		
As at 31 December 2011	(493)	(493)
Reversal of deferred tax	472	472
Exchange translation	21	21
As at 31 December 2012	—	—
As at 31 December 2013	—	—

The tax credit to the income statement in the year ended 31 December 2012 relates to the reversal of the deferred tax liability recognised on the revaluation of the Danish asset at the point Xtract Resources PLC acquired control of Elko Energy Inc. The Danish assets have been fully impaired in 2012 and therefore the associated deferred tax liability has been reversed.

Deferred tax liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group		Company	
	As at 31 December 2013 £'000	As at 31 December 2012 £'000	**As at 31 December 2013 £'000**	As at 31 December 2012 £'000
Deferred tax liabilities	**—**	—	**—**	—
	—	—	**—**	—

At the balance sheet date, the Group has available unused UK tax losses of £4.8 million (2012: £4.6 million), available unused Canadian tax losses of £5.77 million (2012: £5.81 million) and available unused Denmark tax losses of £2.18 million (2012: £2.17 million) available for offset against future profits.

No related deferred tax asset is recognised on the UK, Canadian or Denmark losses due to the unpredictability of future profit streams. UK and Denmark losses may be carried forward indefinitely and may be recoverable if suitable taxable profits arise in future periods. If unutilised, the Canadian losses will expire between 2014 and 2030.

18. Trade and other payables

	Group		Company	
	As at 31 December 2013 £'000	As at 31 December 2012 £'000	**As at 31 December 2013 £'000**	As at 31 December 2012 £'000
Trade creditors and accruals	**350**	247	**291**	149
Amounts due to subsidiaries	**—**	—	**11,216**	10,431
SEDA backed loan	**183**	—	**183**	—
	533	247	**11,690**	10,580

Notes to the Financial Statements

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18. Trade and other payables (continued)

Standby Equity Distribution (SEDA)

On 12 September 2011 the Xtract shareholders approved an agreement with YA Global Master SPV Ltd ("YAGM") to provide potential future funding of up to £12.5 million in the form of an Equity Line Facility. Fund drawdowns from the equity line facility are dependent on the share price and the volume of Xtract shares traded in any given period. In addition each advance cannot exceed the greater of £2 million, an amount that would result in YAGM holding more than 2.99% of the entire issued ordinary share capital of Xtract, or an amount equal to 300% of the average daily traded value for each of the 10 trading days prior to the Company submitting notice for an advance.

SEDA Backed Loan

On 12 December 2013, the Company and YAGM entered into a loan note agreement pursuant to which YAGM agreed to issue an unsecured loan of a principal amount of up to US$5 million to the Company. The note carries an interest of 12% per annum and each tranche is repayable in 12 monthly instalments. The Company shall pay 8% of each drawn tranche as an implementation fee. An initial tranche of US$0.3 million was drawn down by the Company on 12 December 2013. The Company and YAGM may mutually agree to draw down additional tranches up to an aggregate commitment of US$5 million and may redeem the loan note plus all interest at any time over the life of the note.

19. Share capital

	2013		2012	
	Number of shares	**£**	Number of Shares	£
The numbers below comprise issued and fully paid ordinary shares of 0.01pence each				
At 1 January	**2,306,105,129**	**1,623,346**	1,532,857,428	1,532,857
Shares issued in the year	**33,076,087**	**3,308**	773,247,701	90,489
At 31 December	**2,339,181,216**	**1,626,654**	2,306,105,129	1,623,346

Share issue

Under the terms of the Loan Note Agreement, the Company paid a facility fee of US$0.1 million (being 2.5% of the Commitment Amount) to YAGM. The Facility Fee was satisfied by the issue and allotment of 33,076,087 Ordinary Shares by the Company to YAGM on 12 December 2013.

The Company has one class of ordinary shares which carry no right to fixed income.

Options and Warrants (see note 22)

The following options were issued during the year:

- Issued 28 May 2013 – 50,000,000 exercisable at 0.14p per share
- Issued 1 June 2013 – 20,000,000 exercisable at 0.19p per share
- Issued 9 December 2013 – 34,000,000 exercisable at 0.19p per share

The following warrants were issued during the year:

- Issued 12 December 2013 – 12,226,000 exercisable at 0.6p per share

Notes to the Financial Statements

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19. Share capital (continued)

The following share options expired during the year:

- Issued 1 July 2009 – 26,400,000 exercisable at 2.5p per share

The following share options and warrants remain outstanding at 31 December 2013:

- Issued 1 July 2009 – 5,880,000 exercisable at 4.6p per share
- Issued 1 July 2009 – 4,200,000 exercisable at 2.3p per share
- Issued 1 July 2009 – 9,800,000 exercisable at 2.3p per share
- Issued 15 July 2010 – 21,700,000 exercisable at 1.8p per share
- Issued 15 July 2010 – 6,160,000 exercisable at 3.7p per share
- Issued 15 July 2010 – 1,312,500 exercisable at 3.7p per share
- Issued 12 September 2012 – 172,957,884 exercisable at 0.045p per share
- Issued 28 May 2013 – 50,000,000 exercisable at 0.14p per share
- Issued 3 June 2013 – 20,000,000 exercisable at 0.19p per share
- Issued 9 December 2013 – 34,000,000 exercisable at 0.19p per share
- Issued 12 December 2013 – 12,226,000 exercisable at 0.6p 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.

20. Reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the equity component of share-based payments.

Warrant reserve

The warrant reserve is used to represent the equity component of share warrants issued.

Available-for-sale reserve

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

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, joint ventures and associates.

Notes to the Financial Statements

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21. Notes to the cash flow statement

	Group		Company	
	As at 31 December 2013 £'000	As at 31 December 2012 £'000	**As at 31 December 2013 £'000**	As at 31 December 2012 £'000
(Loss) for the year	**(128)**	(7,592)	**(1,302)**	(18,473)
Adjustments for:				
Discontinued/Discontinuing Operations				
Impairment of investment in subsidiary	**—**	—	**357**	17,521
Impairment of intangibles	**—**	7,120	**—**	—
Deferred tax movement	**—**	(472)	**—**	—
Decrease in amounts due from subsidiaries	**—**	—	**—**	562
Continuing Operations				
Finance costs	**32**	78	**32**	78
Impairment of held-for-sale asset	**—**	197	**—**	—
Other (gains)	**(549)**	(46)	**(549)**	—
Other payables	**8**	—	**—**	—
Gain on disposal of investment	**(291)**	(782)	**—**	(773)
Depreciation of property, plant and equipment	**—**	3	**—**	—
Share-based payments expenses	**129**	163	**129**	163
Operating cash flows before movements in working capital	**(799)**	(1,331)	**(1,333)**	(922)
Decrease in receivables	**120**	1,281	**43**	41
Increase in payables	**96**	(237)	**928**	(48)
Cash used in operations	**(583)**	(287)	**(362)**	(929)
Income tax paid	**2**	—	**—**	—
Foreign currency exchange differences	**(379)**	(253)	**—**	—
Net cash used in operating activities	**(960)**	(540)	**(362)**	(929)

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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22. Share-based payments

Options/Warrants

The Company has issued share options and warrants to certain employees and officers of the Group, along with external third parties. 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 2013		Year ended 31 December 2012	
	Number of share options/ warrants	Weighted average exercise price £	Number of share options/ warrants	Weighted average exercise price £
Outstanding at beginning of year	**248,660,384**	**0.0047**	116,067,500	0.0310
Granted during the year	**116,226,000**	**0.0022**	172,957,884	0.0004
Exercised during the year	**—**	**—**	—	—
Expired during the year	**(26,400,000)**	**0.025**	(40,365,000)	0.0617
Outstanding at the end of the year	**338,486,384**	**0.0047**	248,660,384	0.0047
Exercisable at the end of the year	**234,236,384**	**0.0060**	248,660,384	0.0047

The share options outstanding at 31 December 2013 had a weighted average exercise price of £0.0047 (2012: £0.0047), a weighted average remaining contractual life of 5.74 years (2012: 4.16 years). All share options issued to directors and employees are recognised as an expense in the income statement over the vesting period of the options.

Share-options have been valued using the Black-Scholes model, or where indicated the 'direct' method as follows:

Date of issue	No of options/ warrants issued (000)	Share price (£)	Strike price (£)	Expected volatility (%)	Expected life (years)	Risk free rate (%)	Expected dividend yield (%)
1 July 2009	14,000	0.023	0.02	100	5	2.53	0
1 July 2009	5,880	0.046	0.05	100	5	2.53	0
15 July 2010	21,700	0.0138*	0.02	100	5	2.57	0
15 July 2010	6,160	0.0138*	0.04	100	5	2.57	0
30 September 2010	1,312	0.0135*	0.04	100	5	1.99	0
28 May 2013	50,000	0.00014	0.00014	118.22	5	0.57	0
1 June 2013	20,000	0.00019	0.00019	118.22	5	0.57	0
9 December 2013	34,000	0.00019	0.00019	118.22	5	0.57	0

* Being the replacement share options issued as part of the Elko transaction. The original CAD$ share price used has been translated at the same exchange rate as the strike price for comparison.

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.

Notes to the Financial Statements

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22. Share-based payments (continued)

The total charge in the year to the income statement was £129K (2012: £163K). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £834K (2012: £871K) in the share based payments reserve after the reversal of expired and lapsed share options, and £109K (2012: £78K) in the warrants reserve.

23. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns. 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.

The Group manages its liquidity through orderly and planned realisation of existing investments in order to fund investment in new opportunities and provide working capital for operating costs and overheads.

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, together with their fair values are as follows:

	Book value		**Fair value**	
	December 2013 £'000	December 2012 £'000	**December 2013 £'000**	December 2012 £'000
Group				
Financial assets				
Cash and cash equivalents	**159**	215	**159**	215
Available-for-sale financial assets	**2,580**	1,223	**2,580**	1,223
Loans and receivables	**31**	140	**31**	140
	2,770	1,578	**2,770**	1,578
Financial liabilities				
Trade and other payables	**170**	99	**170**	99
SEDA backed loan	**183**	—	**183**	—
	353	99	**353**	99

Notes to the Financial Statements

CONTINUED

23. Financial instruments

The Company's financial assets and liabilities, other than trade receivables and payables, together with their fair values are as follows:

	Book value		Fair value	
	December 2013 £'000	December 2012 £'000	**December 2013 £'000**	December 2012 £'000
Company				
Financial assets				
Cash and cash equivalents	**66**	170	**66**	170
Available-for-sale financial assets	**2,580**	720	**2,580**	720
Loans and receivables	**15**	81	**15**	81
	2,661	971	**2,661**	971
Financial liabilities				
Trade and other payables	**113**	68	**113**	68
Intercompany loans	**11,216**	10,431	**11,216**	10,431
SEDA backed loan	**183**	—	**183**	—
	11,512	10,499	**11,512**	10,499

Trade and other payables are non-interest bearing and are normally settled within 30 days.

Market risk

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

- Equity prices of the Group's holdings are monitored by senior management on a daily basis;
- The Board has established strategies for each of the respective holdings based on their expectations of likely movements in equity prices and the desired balance of the Group's investment portfolio;
- These strategies are updated on a regular basis to reflect actual market data and the changing needs of the business;
- The respective exchange rates of the currencies for which the Group holds significant balances are monitored on a daily basis; and
- 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.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Notes to the Financial Statements

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23. Financial instruments (continued)

Foreign currency risk management

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

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

	Liabilities		Assets	
	31 December 2013 £'000	31 December 2012 £'000	**31 December 2013 £'000**	31 December 2012 £'000
Australian Dollar	**—**	1	**—**	504
US Dollar	**—**	—	**112**	24
Danish Krone	**40**	68	**3**	7
Euro	**16**	58	**22**	103
Mexican Peso	**2**	2	**6**	6
Canadian Dollar	**—**	4	**—**	—

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar currency risk. (2012: Euro and US Dollar currency risk exposure).

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the Euro and US Dollar. 10% represents management's assessment of a realistic potential increase or decrease in both exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in the profit and other equity where the Sterling strengthens against the relevant currency. For a 10% weakening there would be an equal and opposite impact on the profit and other equity.

	US Dollar impact		Euro impact	
	December 2013 £'000	December 2012 £'000	**December 2013 £'000**	December 2012 £'000
Loss	**(14)**	(2)	**(2)**	(4)

Interest rate risk management

The Group's exposure to interest rate risk is limited to its cash and cash equivalents held and its immaterial.

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.

24. Related party transactions

Group

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Director Transactions

Lion Mining Finance Limited, a company incorporated in England and Wales, in which Colin Bird is a Director and shareholder has provided and continues to provide essential administrative and technical services to the Company to carry out its operations in a cost efficient manner. The total for services provided during the year amounted to £72K plus VAT. This amount was no longer outstanding as at 31 December 2013 (2012: None).

On 12 December 2013, the Company entered into a Sale and Purchase agreement with Polar Star Mining Corporation, of which Colin Bird is a Director, to acquire the entire issued share capital of its wholly owned subsidiary, Polar Mining (Barbados) Limited. Colin Bird recused himself from any involvement, discussion or review process with the Boards of Polar Star Mining Corporation and Xtract. The acquisition was completed on 3 March 2014.

The emoluments of the Directors are disclosed in the Directors Report.

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 the Directors' Remuneration section of the Directors' Report on page 10.

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries and other short-term employee benefits	**235**	468
Post-employment benefits	**—**	7
Termination payments	**—**	47
Share-based payments	**129**	163
	364	685

Company

The company extends and receives intra-group balances in line with its central treasury management policies. The aggregate amount payable to subsidiary undertakings is disclosed in note 23. The largest three balance arising under these arrangements were as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Xtract Energy Holding Limited	**98**	117
Xtract International Limited	**(10,753)**	(9,896)
Elko Energy Inc.	**(473)**	(543)

Notes to the Financial Statements

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25. Events after the balance sheet date

Sale and Purchase Agreement for Chepica Gold and Copper Mine in Chile

On 12 December 2013, the Company signed a Sale and Purchase agreement (the "Acquisition Agreement") with Polar Star Mining Corporation ("Polar Star") to acquire the entire issued share capital of its wholly owned subsidiary, Polar Mining (Barbados) Limited (the "Acquisition"), which is the parent company of a Chilean incorporated entity with a 15% direct interest and earn in option to acquire the remaining 85% interest in the Chépica gold and copper mine together with 100% of the Mejillones Phosphate project in Chile.

The Company agreed to assume the current debt of approximately £0.76 million (US$1.25 million). Polar Star agreed to finance further cash deficit funding until completion.

A condition of the Acquisition Agreement was that Company secure capital either by debt or equity of at least £1.5 million. The Acquisition Agreement was also subject, amongst other things, to certain conditions precedent, including shareholder approval of the proposed waiver of Rule 9 of the City Code on Takeovers and Mergers (the "Takeover Code"). On 24 February 2014, shareholder approval was given in favour of the acquisition and the waiver of Rule 9.

The consideration for the Acquisition was £1.25 million, which was satisfied by the allotment and issue of 500,000,000 ordinary shares of 0.01p each which were credited on 3 March 2014 as fully paid at a price of 0.25p per Ordinary Share.

It is not practicable at the date of this financial statement to perform an initial fair value assessment of the assets and liabilities acquired and accordingly one has not been performed.

Subscription Agreement

On 12 December 2013, the Company entered into a £1.62 million subscription agreement and, separately, an equity swap agreement with YA Global Master SPV Ltd ("YAGM") covering Ordinary Shares equal to the value of £0.9 million. YAGM agreed to subscribe (the "Subscription") for a total of 741,418,765 new Ordinary Shares ("Subscription Shares") in the Company at a price of 0.2185p per Ordinary Share which was equal to £1.62 million in aggregate. Completion of the Subscription was conditional on, inter alia, admission of the Subscription Shares to trading on AIM which was satisfied on 3 March 2014.

Equity Swap Agreement

On 12 December 2013, the Company and YAGM also entered into an equity swap agreement (the "Equity Swap Agreement") calculated by reference to 411,899,316 of the Subscription Shares (the "Swap Shares"). In return for an payment by the Company to YAGM of £0.5 million (the "Swap Payment"), twelve monthly settlement payments in respect of such payment will be made by YAGM to the Company, or payments may be made by the Company to YAGM, based on a formula related to the difference between the prevailing market price (as defined in the Equity Swap Agreement) of Ordinary Shares in any month and a 'benchmark price' that is 10% above the price per share equal to 95% of the closing price of the trading day preceding the execution of the Subscription Agreement. Thus the monthly payments received by the Company in respect of the Swap Payment will be dependent on the future price performance of the Ordinary Shares.

The Company has given YAGM customary warranties and indemnities in terms of the Equity Swap Agreement. YAGM has agreed that it and its affiliates will not hold any net short position in respect of the Company's ordinary shares.

YAGM and the company may mutually agree to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. YAGM may elect to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances.

Aardvark Uranium Limited

On 10 April 2014, the Company completed its due diligence on the possible acquisition of the Namakwa Uranium Deposit in South Africa in terms of the Exclusive Agreement (20 November 2013) with Aardvark Uranium Limited. Following a detailed evaluation of its findings, the Board concluded that this project did not meet its investment criteria and will therefore not be proceeding with the acquisition of the project.

xtract RESOURCES PLC

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of Xtract Resources Plc will be held at The Pelham Hotel, 15 Cromwell Place, South Kensington, London SW7 2LA on Thursday 26 June 2014 at 10.00 for the purpose of considering, and if thought fit, passing the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution.

Ordinary Business

Resolution 1

To receive and adopt the report of the Directors, report of the Auditors and the audited accounts of the Company for the year ended 31 December 2013.

Resolution 2

That Crowe Clark Whitehill LLP be appointed as the auditors of the Company until the conclusion of the next General Meeting of the Company and the Directors be authorised to fix the remuneration of Crowe Clark Whitehill as the auditors of the Company.

Resolution 3

To re-elect Mr J M Silberstein as a Director of the Company, who was appointed on 25 February 2014 and retires in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.

Resolution 4

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

Resolution 5

That for the purposes of section 551 of the Act, the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to issue and allot or grant equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £11,935,333.27 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in General Meeting) at the earlier of the conclusion of the next Annual General Meeting of the Company or, 30 June 2015, save that the Company may before such expiry make an offer or agreement, which would or might require equity to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for any and all authorities previously conferred upon the Directors for the purposes of section 551 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.

Special Business

Resolution 6

That, subject to and conditional upon the passing of resolution 5 above, the Directors of the Company be and hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 5 as if section 561 did not apply to any such allotment PROVIDED THAT the power conferred by this resolution shall be limited to:

6.1 the allotment of equity securities for cash in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities subject only to such exclusions or

Notice of Annual General Meeting

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other arrangements as the Directors of the Company may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under laws of any territory, or the requirements of any regulatory body or stock exchange in any territory;

6.2 the allotment of equity securities for cash up to an aggregate nominal value of £3,382,363.84 in connection with the exercise of options and warrants that have been granted by the Company to subscribe for ordinary shares in the Company; and

6.3 the allotment (otherwise than pursuant to paragraphs 6.1 and 6.2 above) of equity securities for cash up to an aggregate nominal value of £1,790,299.99.

The power conferred by this resolution 6 shall expire (unless previously renewed, revoked or varied by the Company in General Meeting), at such time as the general authority conferred on the Directors of the Company by resolution 5 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Date 2 June 2014

By order of the Board

St James's Corporate Services Limited

St James's Corporate Services Limited
Company Secretary

4th Floor
2 Cromwell Place
South Kensington
SW7 2JE

Notice of Annual General Meeting

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Notes

1. Any member of the Company who is entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at the Annual General Meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Such proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. A member may not appoint more than one proxy to exercise the rights attached to any one share. Appointing a proxy will not prevent a member from attending and voting at the Annual General Meeting in person if they so wish.
2. A form of proxy is enclosed for use in relation to the Annual General Meeting. To be valid and effective, the form of proxy and any power of attorney or other authority under which it is executed (or a notarially certified copy of such authority) must be deposited, duly completed, signed and dated, at the offices of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours (excluding non-business days) before the time appointed for the Annual General Meeting or any adjournment thereof. If a form of proxy is returned without an indication as to how your proxy shall vote on any particular resolution, your proxy may vote or abstain as he or she thinks fit in relation to each such resolution. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Withheld" option or no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
4. To change your proxy instructions simply submit a new proxy appointment using the methods set out in these notes and the notes to the proxy form. To revoke your proxy you will need to inform the Company in writing by sending a hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Capita Asset Services Note that the cut-off time for receipt of proxy appointments (see 2 above) also apply in relation to amended instructions or revocation of proxy and any amended proxy instructions or proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services. Where you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to you attending the Annual General Meeting in person, your proxy appointment will remain valid. For the avoidance of doubt, if you have appointed a proxy and attend the Annual General Meeting in person, your proxy appointment will automatically be terminated.
5. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("EUI") and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (CREST ID: RA10) by no later than 48 hours before the time appointed for the Annual General Meeting or any adjournment thereof. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Notice of Annual General Meeting

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7. CREST members and, where applicable, their CREST sponsors or voting services providers should note that EUI does not make available special procedures in EUI for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the register of members of the Company as at 6.00 pm on 24 June 2014, and in the case of an adjourned meeting, two days before such adjourned meeting excluding non-business days, shall be entitled to attend, speak and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after the close of business on 24 June 2014, or if the Annual General Meeting is adjourned, after 6:00 p.m. on the day two days before the adjourned meeting excluding non-business days, shall be disregarded in determining the rights of any person to attend, speak and vote at the Annual General Meeting.
9. Any corporation which is a member of the Company can appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
10. A member of the Company may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purpose other than those expressly stated.
11. The following documents will be available for inspection: (a) at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting; and (b) at the place of the Annual General Meeting from 15 minutes prior to and during the meeting:
    (a) a copy of the register of directors' interests in the shares of the Company and its subsidiaries;
    (b) copies of all contracts of service under which directors of the Company are employed by the Company or any of its subsidiaries;
    (c) copies of the non-executive directors' letters of appointment; and
    (d) a copy of the articles of association of the Company.
12. As at 2 June 2014 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 3,580,599,980 ordinary shares of one pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at such date is 3,580,599,980.

Notice of Annual General Meeting

CONTINUED

Explanatory Notes to the Notice of Annual General Meeting

1. Directors' report and accounts (Resolution 1)

   This resolution will be proposed as an ordinary resolution. The directors of the Company (the "directors") are required by the Act to present to the meeting the directors' and auditors' reports and the audited accounts for the year ended 31 December 2013. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the annual report and accounts of the Company.

2. Appointment and remuneration of auditors (Resolution 2)

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

3. Director re-election (Resolution 3)

   This resolution will be proposed as an ordinary resolution. Article 85 of the Company's articles of association states that any director who was appointed as an addition to the existing board shall hold office only until the next annual general meeting and shall then be eligible for re-election. Accordingly, Mr J M Silberstein is retiring and offers himself for re-election under this provision.

4. Director re-election (Resolution 4)

   This resolution will be proposed as an ordinary resolution. Article 92 of the Company's articles of association states that at each annual general meeting one-third of the Directors (or, if their number is not a multiple of three, the number of Directors nearest to but not greater than one-third, unless their number is fewer than three, in which case one Director) shall retire from office by rotation. Accordingly, Mr C Bird is retiring and offers himself for re-election under this provision.

   Biographical details of all of the directors are set out on page 9 of the annual report and accounts of the Company.

5. Authority to allot shares (Resolution 5)

   This resolution will be proposed as an ordinary resolution. Resolution 5 enables the directors to allot equity securities (including new ordinary shares). The maximum nominal amount of securities which the Board will have authority to allot pursuant to this resolution is £11,935,333.27 (such amount equating to one third of the aggregate nominal value of the issued share capital of the Company at the date of this notice). Resolution 5 will, if passed, renew the authority to allot given to the directors at last year's Annual General Meeting broadly on the same terms as the equivalent resolution passed at the AGM on 24 June 2013.

6. Disapplication of pre-emption rights (Resolution 6)

   This resolution will be proposed as a special resolution. Resolution 6 is required to authorise the directors to allot equity securities for cash as if the statutory pre-emption rights in favour of shareholders did not apply, subject to the limitations set out in Resolution 6 and subject also to the maximum number of shares the directors are authorised to allot in accordance with Resolution 5. The allotment of shares up to a maximum nominal amount of £1,790,299.99 in accordance with paragraph 6.3 of Resolution 6, equates to 5 per cent of the aggregate nominal value of the issued share capital of the Company as at the date of this notice.

   The authorities sought under Resolution 5 and 6 will expire at the earlier of the conclusion of the annual general meeting of the Company in 2015 or 30 June 2015.