Regulatory Story

**Xtract Resources plc** - XTR

# Annual Financial Report

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Xtract Resources Plc
("**Xtract**" or the "**Company**")
Audited results for the 12 months ended 31 December 2016

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") announces its audited financial results for the 12 months ended 31 December 2016. The 2016 Audited Annual Report and Accounts have been posted to shareholders and is available from the Company's website www.xtractresources.com

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

**Enquiries**:


| | | |
|---|---|---|
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Financial highlights

· Administrative and operating expenses of £1.65m (2015: £1.45m)

· Cash of £0.18m (2015: £3.76m)

· Net loss of £8.94m (2015: £4.58m)

· Net assets of £6.56m (2015: £7.55m)

Operational highlights

· Received final approval from Mozambican mining authority to complete the acquisition of 100% of

· Manica gold project in Mozambique from Auroch Minerals NL

· Conditional sale and purchase agreement, to sell the Manica gold project for a cash consideration of
· US$17.5m laspsed in September 2016

· Progressed Manica DFS

· Strategic review of the Chepica mine determined that the fundamentals and risks no longer supported continued investment
· Board elected not to proceed with the O'Kiep and Carolusberg copper tailings, concluding the recoveries were too low to produce a viable copper concentrate

**Corporate highlights**

· Appointment of Colin Bird as Executive Chairman

· Agreement reached with Auroch Minerals NL regarding US$2.5m deferred acquisition payment

· Reduction of corporate overheads and further reductions being implemented

· Raise of equity capital to advance development of projects

Chairman's Statement

"Dear Shareholder

The year under review has presented many challenges most of which have been met with the Company now on an e ven keel and moving with a clear direction and focus.

On 26 August 2016 the board elected to review the entire operation and company investment and in so doing reque sted that I change my appointment from Non-Executive to Executive Chairman. My first task in managing the review was to investigate
the Chepica mine performance, its history and its potential. During the detailed review it became apparent
that the mine had many fundamental operating issues, mainly focused around variable gold grades, adverse ground conditions and limited flexibility. All of this led to the mine being unable to produce a surplus of income on a monthl y basis. The operational team had plans to open new areas, re-
equip and improve aspects of the processing plant and
increase mine throughput. Our examination clearly accepted the potential benefits of process plant improved perfor mance
but we saw no prospects for improving ground conditions increasing production or maintaining a viable gold grade. On
this basis the board took the decision to cease further investments in the local company Minera Polar. The result of t his decision was to eliminate what was a serious cash drain affecting all aspects of company performance.

Following this decision to eliminate further investment in Chepica, the board looked internally at its overheads and c urrent
debt. Again it was apparent that the overheads and activities were not matched which was made even more obvious by the cessation of funding of Chepica.

On 13 September 2016 the Chief Executive Office Jan Nelson abruptly resigned his position for personal reasons. The Company overheads have been reduced from £2.2 million per annum to £0.63 million per annum and are still being reduced to reflect the size of the Company and its assets. The creditor list has been reduced considerably.

The next step was to focus on the real asset, the Manica gold mining asset in Mozambique. On examination this asset was considered to be robust providing many opportunities in the mid-term and thus became our strategic asset. The

board made the decision to complete the definitive feasibility study and gave the investing market a promise to com plete this by the end of February 2017. This was completed on time and on budget producing a solid high rate of return, mid- scale gold mining open pit project. The underlying fundamentals and details will be outlined later in this report.

In May 2016 the Company had announced an alluvials mining joint
venture and on 26 May 2016 announced a potential disposal of the Manica concession
for an offer of USD$17.5 million. Both the joint venture and the Manica disposal were to a
company known as Mineral Technologies International ("MTI") and Nexus Capital. During the last quarter of the year many discussions
were held with MTI management concerning the completion of the purchase and the implementation of the alluvial agreement. It became apparent that the disposal was unlikely to occur and that the alluvial joint venture agreement in its current
form was also flawed in practice. The parties therefore agreed on and it was announced on the
13 February 2017 that MTI and the Company would work together to form liaisons with local contractors thus subcontracting the initial agreement. The decision was taken since there are many capable contractors in the area who had interest in working the Manica alluvials. We considered that his route would mitigate against financial, capital and operating risk and thus agreed to work towards appointing suitable qualified contractors.

I am pleased to say that the alluvials present on the concession have been offered for tender to a number of local contractors and to alluvial mining experienced contractors not currently operating in the region. The evaluation process and contract award are imminent and execution of these contracts in the coming months and years should provide significant cash flows to the Company.

As stated at the commencement of this report the year has not been easy but I am pleased to say that we issue this r eport in a stable, focused manner with a clear vision on how we will go forward with the company. The Manica project offers many opportunities and these will be exploited. We intend to bring the hard rock open pit into production as soon as is reasonable and are currently discussing various financing and contracting proposals.

Geopolitical tensions and finance market uncertainties lead us to believe that the coming year will enjoy a strong bu oyant
gold price which the company revenues will benefit from. We also believe that much merger and acquisition activity will take place in the emerging mining company arena and the Board is committed to explore opportunities to restore shareholder value during the coming year.

I would like to thank the remaining management team for their hard work in extremely trying times and our new adv isors for their wise council and of course our shareholders for their patience and understanding whilst the company has mitigated all the key threats against initially its survival and secondly its prosperity.

Colin Bird
Executive Chairman
26 May 2017

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2016
Registered number: 5267047

| | Note | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|---|
| | | £'000 | £'000 |
| Continuing operations | | | |
| Administrative and operating expenses | | (1,647) | (1,452) |
| Project expenses | | (246) | (147) |
| Operating loss | | (1,893) | (1,599) |
| Other gains and (losses) | 6 | - | 436 |
| Finance (cost)/income | 11 | (1,998) | (177) |
| Impairment of Intangible assets | 14 | - | (2,217) |
| Impairment of Financial asset available for sale | | - | (86) |
| (Loss)/profit before tax | 8 | (3,891) | (3,289) |
| (Loss)/profit for the period from continuing operations | 8 | (3,891) | (3,289) |
| (Loss) for the year from discontinued operation | 7 | (5,048) | (1,286) |
| (Loss) for the period | | (8,939) | (4,575) |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | | (8,939) | (4,575) |
| | | | |
| Net (loss)/profit per share | | | |
| Continuing | | (0.03) | (0.05) |
| Discontinuing | | (0.05) | (0.02) |
| Basic (pence) | 13 | (0.08) | (0.07) |
| | | | |
| Continuing | | (0.03) | (0.05) |
| Discontinuing | | (0.05) | (0.02) |
| Diluted (pence) | 13 | (0.08) | (0.07) |

**Consolidated Statement of Comprehensive Income**

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Group<br>Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| | £'000 | £'000 |
| (Loss) for the year | (8,939) | (4,575) |
| | | |
| Other comprehensive income: | | |
| Items that may be reclassified subsequently to profit and loss | | |
| Gains on revaluation of available-for-sale investment taken to equity | - | (483) |
| Exchange differences on translation of foreign operations | 478 | 167 |
| Other comprehensive income/(loss) for the year | 478 | (316) |
| Total comprehensive income/(loss) for the year | (8,461) | (4,891) |
| Attributable to: | | |
| Equity holders of the parent | (8,461) | (4,891) |

The notes on pages 23-58 in the Report and Accounts form an integral part of these financial statements

**Consolidated and Company Statements of Financial Position**
AS AT 31 DECEMBER 2016

| | Note | Group As at 31 December 2016 £'000 | As at 31 December 2015 £'000 | Company As at 31 December 2016 £'000 | As at 31 December 2015 £'000 |
|---|---|---|---|---|---|
| Non-current assets | | | | | |
| Intangible assets | 14 | 10,148 | 4,992 | - | - |
| Property, plant & equipment | 15 | - | 1,309 | - | - |
| Investment in subsidiary | 16 | - | - | 10,341 | 1,808 |
| Financial assets available for sale | 17 | - | - | - | - |
| | | 10,148 | 6,301 | 10,341 | 1,808 |
| Current assets | | | | | |
| Trade and other receivables | 18 | 194 | 1,744 | 286 | 1,630 |
| Derivative financial instruments | 20 | 352 | - | 352 | - |
| Inventories | 19 | - | 45 | - | - |
| Cash and cash equivalents | | 181 | 3,763 | 172 | 3,693 |
| | | 727 | 5,552 | 810 | 5,323 |
| Total assets | | 10,875 | 11,853 | 11,131 | 7,131 |
| Current liabilities | | | | | |
| Trade and other payables | 22 | 1,427 | 3,555 | 2,667 | 536 |
| Interest bearing | 22 | 1,473 | - | 1,473 | - |
| Other payables | 22 | 1,417 | - | 1,417 | - |
| Amounts due to subsidiaries | 22 | - | - | 3,962 | 8,491 |
| | | 4,317 | 3,555 | 8,102 | 9,027 |
| Net current assets/(liabilities) | | (3,592) | 1,997 | (7,293) | (3,704) |
| Non-current liabilities | | | | | |
| Other payables | 23 | - | 312 | - | - |
| Provisions | 23 | - | 167 | - | - |
| Reclamation and mine closure provision | 23 | - | 266 | - | - |
| Total liabilities | | 4,317 | 4,300 | 8,102 | 9,027 |
| Net assets/(liabilities) | | 6,558 | 7,553 | 3,049 | (1,896) |
| Equity | | | | | |
| Share capital | 24 | 3,355 | 2,253 | 3,355 | 2,253 |
| Share premium account | | 54,439 | 48,688 | 54,439 | 48,688 |
| Warrant reserve | 27 | 613 | 500 | 613 | 500 |
| Share-based payments reserve | 27 | 539 | 440 | 539 | 440 |
| Available-for-sale reserve | 25 | - | - | - | - |
| Foreign currency translation reserve | 25 | 249 | (229) | - | - |
| Accumulated losses | | (52,637) | (44,099) | (55,897) | (53,777) |
| Equity attributable to equity holders of the parent | | 6,558 | 7,553 | 3,049 | (1,896) |
| Total equity | | 6,558 | 7,553 | 3,049 | (1,896) |

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

26 May 2017
The notes on pages 23-58 of the Report and Accounts form an integral part of these financial statements

**Consolidated Statement of Changes in Equity**

Group

| | Note | Share Capital £'000 | Share premium account £'000 | Warrant reserve £'000 | Share based payments reserve £'000 | Available-for-sale reserve £'000 | Foreign currency translation reserve £'000 | Accumulated losses £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2015 | | 1,776 | 38,742 | 205 | 591 | 483 | (396) | (39,802) | 1,599 |
| Comprehensive income | | | | | | | | | |
| Loss for the year | | - | - | - | - | - | - | (4,575) | (4,575) |
| Forex currency translation differences | | - | - | - | - | - | 167 | - | 167 |
| Revaluation of available-for-sale investments | 17 | - | - | - | - | (483) | - | - | (483) |
| Total comprehensive income for the year | | - | - | - | - | (483) | 167 | (4,575) | (4,891) |
| Issue of shares | | 454 | 10,264 | - | - | - | - | - | 10,718 |
| Share based payment expense | 27 | - | - | - | 127 | - | - | - | 127 |
| Expiry of share options | | - | - | - | (278) | - | - | 278 | - |
| Exercise of warrants | | 23 | 138 | (161) | - | - | - | - | - |
| Issue of warrants | 27 | - | (456) | 456 | - | - | - | - | - |
| As at 31 December 2015 | | 2,253 | 48,688 | 500 | 440 | - | (229) | (44,099) | 7,553 |
| Comprehensive income | | | | | | | | | |
| Loss for the year | | - | - | - | - | - | - | (8,939) | (8,939) |
| Forex currency translation difference | | - | - | - | - | - | 478 | - | 478 |
| Total comprehensive income for the year | | - | - | - | - | - | 478 | (8,939) | (8,461) |
| Issue of shares | 24 | 1,102 | 5,751 | - | - | - | - | - | 6,853 |
| Share based payment expense | 27 | - | - | - | 99 | - | - | - | 99 |
| Expiry of warrants | 27 | - | - | (401) | - | - | - | 401 | - |

| | Note | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Exercise of warrants | | - | - | - | - | - | - | - | - |
| Issue of warrants | 27 | - | - | 514 | - | - | - | - | 514 |
| As at 31 December 2016 | | 3,355 | 54,439 | 613 | 539 | - | 249 | (52,637) | 6,558 |

The notes on pages 23-58 of the Report and Accounts form an integral part of these financial statements

**Statement of Changes in Equity**

Company

| | Note | Share Capital £'000 | Share premium account £'000 | Warrant reserve £'000 | Share based payments reserve £'000 | Available-for-sale reserve £'000 | Foreign currency translation reserve £'000 | Accumulated losses £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|---|---|---|
| As at 1 January 2015 | | 1,776 | 38,742 | 205 | 591 | 483 | - | (50,472) | (8,675) |
| Comprehensive income | | | | | | | | | |
| Loss for the year | | - | - | - | - | - | - | (3,583)) | (3,583) |
| Forex currency translation differences | | - | - | - | - | - | - | - | - |
| Revaluation of available-for-sale investments | 17 | - | - | - | - | (483) | - | - | (483) |
| Total comprehensive income for the year | | - | - | - | - | (483) | - | (3,583) | (4,891) |
| Issue of shares | | 454 | 10,264 | - | - | - | - | - | 10,718 |
| Share based payment expense | 27 | - | - | - | 127 | - | - | - | 127 |
| Expiry of share options | | - | - | - | (278) | - | - | 278 | - |
| Exercise of warrants | | 23 | 138 | (161) | - | - | - | - | - |
| Issue of warrants | 27 | - | (456) | 456 | - | - | - | - | - |
| As at 31 December 2015 | | 2,253 | 48,688 | 500 | 440 | - | - | (53,777) | 7,553 |
| Comprehensive income | | | | | | | | | |
| Loss for the year | | - | - | - | - | - | - | (2,521) | (2,521) |
| Forex currency | | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| translation difference | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | (2,521) | (2,521) |
| Issue of shares | 241,102 | 5,751 | - | - | - | - | - | 6,853 |
| Share based payment expense | 27- | - | - | 99 | - | - | - | 99 |
| Expiry of warrants | 27- | - | (401) | - | - | - | 401 | - |
| Exercise of warrants | - | - | - | - | - | - | - | - |
| Issue of warrants | 27- | - | 514 | - | - | - | - | 514 |
| As at 31 December 2016 | 3,355 | 54,439 | 613 | 539 | - | - | (55,897) | 3,049 |

The notes on pages 23-58 of the Report and Accounts form an integral part of these financial statements

Consolidated and Company Cash Flow Statement

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2016 | Year ended 31 December 2015 |
| | Note | £'000 | £'000 | £'000 | £'000 |
| Net cash used in operating activities | 26 | (1,310) | (3,963) | (3,263) | (4,516) |
| Investing activities | | | | | |
| Acquisition of subsidiary undertaking | | (3,902) | - | (3,902) | - |
| Acquisition of intangible fixed assets | 14 | (2,465) | (945) | - | (368) |
| Acquisition of tangible fixed assets | 15 | (272) | (252) | - | - |
| Proceeds from disposal of intangible assets | | | 371 | - | - |
| Proceeds from disposal of available-for-sale investment | 17 | - | - | - | - |
| Net cash (used in)/from investing activities | | (6,639) | (826) | (3,902) | (368) |
| Financing activities | | | | | |
| SEDA backed loan | | 1,346 | (356) | 1,346 | (356) |
| Proceeds on issue of shares | | 2,298 | 8,769 | 2,298 | 8,769 |
| Land Option payments | | (112) | 8 | - | - |
| Loans from directors | | - | (5) | - | - |
| Net cash from financing activities | | 3,532 | 8,416 | 3,644 | 8,413 |

| Net decrease in cash and cash equivalents | | | | |
|---|---|---|---|---|
| | (4,417) | 3,627 | (3,521) | 3,529 |
| Cash and cash equivalents at beginning of year | 3,763 | 163 | 3,693 | 164 |
| Cash acquired during the year | 85 | - | - | - |
| Effect of foreign exchange rate changes | 750 | (27) | - | - |
| Cash and cash equivalents at end of year | 181 | 3,763 | 172 | 3,693 |
| Cash flows from discontinued operations | | | | |
| Net cash used operating activities | (1,101) | (534) | - | - |
| Net cash used in investing activities | (1,116) | (1,197) | - | - |
| Net Cash (used in)/from financing equivalents | (112) | 8 | - | - |
| | (2,329) | (1,723) | - | - |

Significant Non Cash movements

1. The assets and liabilities of Mistral Resource Development Corporation and its subsidiary undertaking, Explorator Limitada, were acquired in March 2016 by the issue of new Ordinary Shares of 0.01p each, to a value of £2,843k, in addition to total cash consideration of £5,694k of which £1,792k is deferred.

2. The mineral exploration rights in respect of the O'Kiep and Carolusberg project were acquired during 2015 by the issue of ordinary shares to the value of £1,849k.

3. During 2015 a total of £100k of the SEDA backed loan was settled through the issue of ordinary shares. The notes on pages 23-58 of the Report and Accounts form an integral part of these financial statements.

Notes to the Financial Statements

Selected notes from the financial statements are set out below without amendment to the note reference. The full notes are contained in the Audited Annual Report and Accounts

1. General information

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

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

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the years ended 31 December 2016 or 2015 but is derived from those financial statements. Statutory financial statements for 2015 have been delivered to the Registrar of Companies, and those for 2016 will be delivered in due course.

The auditors have reported on the financial statements for the year ended 31 December 2016; their report was unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 but did include an emphasis of matter in relation to going concern.

While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as endorsed for use in the European Union, this announcement does not itself contain sufficient information to comply with IFRSs.

The principal accounting policies adopted in the preparation of the financial information in this announcement are set out in the Company's full financial statements for the year ended 31 December 2016 and are consistent with those adopted in the financial statements for the year ended 31 December 2015.

Directors do not recommend the payment of a dividend (2015: nil).

The Board approved this announcement on 26th May 2017.

2. Adoption of new and revised Standards

New standards, amendments and interpretations adopted by the Company

New and revised Standards and Interpretations that have been required to be adopted, and are applicable in the cur rent
year to the Company, as standards, amendments and interpretations which are effective for the financial year begin ning on 1 January 2016 do not have a material effect on the Company financial statements.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have n ot been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods begi nning on or after 1 January 2018.

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

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

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 t he
Company (its subsidiaries). These
consolidated financial statements are made up for the year ended 31 December 2016.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee e ntity 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, adjust ments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The operations of the Group are currently financed through funds which the Company has raised from shareholders. An
operating loss has been reported as the Group's assets are not currently generating revenues and the Directors antic ipate net operating cash outflows for part of the next twelve months from the date of signing these financial statements.

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

The Directors have assessed the working capital requirements for the forthcoming twelve months and have undertaken the following assessment.

As at 31 December 2016, the Group held cash balances of £181k. During February 2017, the Company raised £1,878k through an equity raising and has concluded settlement arrangements with a substantial part of its creditors.

Upon reviewing those cash flow projections for the forthcoming twelve months, the directors consider that the Com pany may require additional financial resources in the twelve month period from the date of approval of these financial statements to enable the Company to fund its current operations and to meet its commitments. The Directors would then expect for any additional funds to be raised through equity fund raising.

On 13 February 2017, the Company signed a Collaboration Agreement with Nexus Capital for the exploitation of the alluvial gold deposits at Manica. Discussions are currently being held with a number of 3rd parties to conclude comm ercial
agreements for the exploitation of the alluvials within the concession. The above agreements should result in positiv e cash flows which would assist in working capital requirements.

The Group's ability to continue its operations is a critical accounting assumption and as a result the directors have co ncluded a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary if the going concern basis of preparation of the financial statements is not appropriate.

**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 2016 was £2,521k (2015: loss £3,583k).

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.
Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-
date fair value. Subsequent changes in such fair values are adjusted
against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subseq uent
changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-
measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, i f 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 w ould be appropriate if that interest were disposed of.

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

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

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

**Foreign currencies**
The individual financial statements of each Group Company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in 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 transacti ons. 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 oper ations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the
average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled
entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign oper ation),
all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as Sterling denominated assets and liabilities.

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

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit,

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

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

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

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

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

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

Intangible exploration and evaluation expenditure assets
The costs of exploration properties and leases, which include the cost of acquiring prospective properties and explor ation 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 cum ulative capitalised costs relating to the property are written off in the year. Capitalised exploration costs are not amortised.

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

| | |
|---|---|
| Office and computer equipment | 3-10 |
| Plant and machinery | 7-15 |

Until they are brought into use, fixed assets and equipment to be installed are included within assets under construc tion and are not depreciated.

The cost of maintenance, repairs and replacement of minor items of tangible fixed assets are charged to the income statement as incurred. Renewals and asset improvements are capitalised. Upon sale or retirement of tangible fixed a ssets,

the cost and related accumulated depreciation are eliminated from the financial statements. Any resulting gains or l osses 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 am ount 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 estima ted 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 ca rrying
amount that would have been determined had no impairment loss been recognised for the asset in prior years. A rev ersal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalue amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

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

**Available-for-sale financial assets ('AFS')**
Listed and unlisted equity instruments held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses that are
recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumul ative gain or loss previously recognised in the investment revaluation reserve is reclassified to profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the closure of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's

length market transactions, reference to the current market value, discounted cash flow analysis and option pricing models.

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

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

Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Deriva tives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets if expected to be settle within 12 months, otherwise, they are classified as non-current.

**Loans and receivables**
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an a ctive
market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effe ctive
interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except fo r 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. Fin ancial
assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the i nitial 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 indivi dually 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 l ocal economic conditions that correlate with default on receivables.

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

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously
recognised impairment loss is reversed through the profit or loss to the extent that the carrying amount of the invest ment 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 rec eived.

Financial Liabilities
Initial recognition
Financial liabilities are recognised initially at fair value and in the case of interest-bearing loans and borrowings, net of direct transactions costs.

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit and loss. The group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Financial liabilities at fair value through profit or loss
Financial liabilities at Fair Value through Profit or Loss ("FVTPL") include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains and losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables
Interest-bearing loans and borrowings and trade and other payables are measured at amortised cost using the Effective
Interest Rate ("EIR") method. Gains and losses are recognised in the statement of profit and loss and other compreh ensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium or costs that are integral part of EIR.

Derecognition
A financial liability is derecognised when the associated obligation is discharged or cancelled.

Inventory
Inventories consist of gold concentrate (finished product) and ore stockpiles which represent the ore which has been extracted and available for further processing. All inventories are valued at the lower of cost and net realisable value . Costs
of concentrate include material, direct mining costs, and cost related to the production processes. Net Realisable val ue is

the estimated future sales price of the product the Company is expected to realise after the product is processed an d sold less costs to bring the product to sale. Where inventories have been written down to net realisable value, a new assessment is made in the following period. In instances where there has been change in circumstances which demonstrates an increase in the net realisable value, the amount written down will be reversed.

Share-based payments

Equity-settled share-based payments to certain Directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

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.

Finance Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the finance lease obligation. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Non-current assets under finance leases are depreciated over the useful life of the asset, under the reasonable expectation that the group will obtain ownership of the leased asset at the end of the lease term.

**Reclamation cost and mine closure provision**

The Group records a liability and corresponding asset for the present value of the estimated costs of legal and constr uctive obligations for future site reclamation and closure where the liability is probable and reasonable estimate can be made of the obligation. The estimated present value of the obligation is reassessed on an annual basis or where new material information becomes available. Increases or decreases to the obligation usually arise due to change in legal or regula tory requirements, the extent of environmental remediation required, methods of reclamation, cost estimates, or discount rates. The present value is determined based on current market assessments of the time value of money using disco unt rates specific to the country in which the reclamation site is located and is determined as the risk- free rate of borrowing approximated by the yield on sovereign debt for that country, with a maturity approximating the end of mine life.

**Revenue recognition**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales tax or duty. Revenue from sales of concentrate, is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This occurs when the concentrate is physically transferred on the date of shipment. Interest is recognised in profit and loss, usin g the effective interest rate method.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Chair man who is responsible for allocating resources and assessing performance of the operating segments.

**Fair value estimation**
The table below analyses financial instruments carried at fair value, by
valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either dire ctly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Le vel 3).

The following table presents the Group's assets that are measured at fair value. The Group does not have any liabiliti es measured at fair value.

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Level 2 | Level 3 | Total | Level 2 | Level 3 | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Available-for-sale financial assets | - | - | - | - | - | - |
| Financial assets at fair value through profit or loss | - | - | - | - | - | - |
| - Derivative financial instruments | 352 | - | 352 | - | - | - |
| Total assets | 352 | - | 352 | - | - | - |

The Group does not hold any financial instruments in Level 1.

(i) Financial instruments in Level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available, and rely as little possible on entity-specific estimates. If all significant inputs required to fair value
an instrument are observable, the instrument is included in Level 2. Specific valuation techniques used to value finan cial instruments include:

- quoted market prices or dealer quotes for similar instruments; and

- the fair value of derivative financial instrument is calculated based on the Company's quoted market price and a prescribed formula in accordance with the respective equity swap

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(ii) Financial instruments in Level 3 Specific criteria used to estimate the value financial instruments include:
- management's assessment of the applicable market and sector;

- financial reports and other information supplied the investee's management; and

- transactions in the investee's shares

4. Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make

judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily appa rent 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 accoun ting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Available for sale investments**
The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This
requires management to make an estimate of the fair value of the unquoted securities in the absence of an active m arket,
which has mainly been established by use of recent arm's length transactions, as adjusted by a discount, where requi red. 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 2016 is determined to be £Nil (2015: £Nil). Further details are given in note 17.

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

Estimates in determining the life of the mines (LOM)
The LOM is determined from development plans based on mine management's estimates and includes total mineral reserve and a portion of the mineral resource. These plans are updated from time to time and take into consideratio n the actual current cost of extraction, as well as certain forward projections. These projections are reviewed by the board.

Estimates in determining inventory value
Net realisable value tests are performed at the reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is sold less costs to bring the product to sale. Ore stockpiles are
measured by estimating the number of tonnes added and removed from the stockpile and are assessed primarily thr ough surveys and assays.

Share-based payments
The estimation of share-
based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes model.

**Fair value of derivative financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techni ques. The fair value of the equity swaps is calculated using the prescribed formula in the equity swap agreement and the Company's prevailing market price at the year end.

Equity swaps have a carrying value of £352K (2015: £Nil). The loss on re-measuring to fair value is recognised under finance costs in the Income Statement.

8. Loss before taxation

Profit /
(loss) from continuing operations and discontinued operations for the year has been arrived at after charging the following under administrative and operating expenses:

| | Note | Year ended 31 December 2016<br>£'000 | Year ended 31 December 2015<br>£'000 |
|---|---|---|---|
| Depreciation of property, plant and equipment | 15 | 100 | 138 |
| Amortisation of intangible fixed assets | 14 | 180 | 185 |
| Auditors remuneration | 9 | 21 | 44 |
| Directors remuneration | 10 | 346 | 323 |
| Share-based payments expense | 27 | 99 | 127 |

13. (Loss) per share

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

| | Year ended 31 December 2016<br>£'000 | Year ended 31 December 2015<br>£'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 | (3,891) | (3,289) |
| Net (loss) for the year from discontinuing operation attributable to equity holders of the parent | (5,048) | (1,286) |
| | (8,939) | (4,575) |
| | Number of shares | Number of shares |
| Weighted average number of ordinary shares for purposes of basic EPS | 11,864,152,652 | 6,474,957,673 |
| Effect of dilutive potential ordinary shares-options and warrants | - | - |
| Weighted average number of ordinary shares for purposes of diluted EPS | 11,864,152,652 | 6,474,957,673 |

In accordance with IAS 33, the share options and warrants do not have a dilutive impact on earnings per share, which are set out in the consolidated income statement. Details of shares issued since the year end are shown in note 31 to the financial statements.

22. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | As at<br>31 December 2016<br>£'000 | As at<br>31 December 2015<br>£'000 | As at<br>31 December 2016<br>£'000 | As at<br>31 December 2015<br>£'000 |
| Trade creditors and accruals | 1,427 | 1,107 | 1,250 | 536 |
| Land option instalments | - | 2,448 | - | - |
| Amounts due to subsidiaries | - | - | 3,962 | 8,491 |
| Other payables | 1,417 | - | 1,417 | - |
| SEDA backed loan | 1,473 | - | 1,473 | - |
| | 4,317 | 3,555 | 8,102 | 9,027 |

Standby Equity Distribution (SEDA)
On 20 May 2015 the Company announced it had drawn down £0.47 million from its existing SEDA with YAGM and had primarily deployed these funds to repay the full outstanding balance of the Loan Agreement. In accordance with the
terms of the SEDA, this was extended on 18 November 2014 to 30 November 2016. The Company issued YAGM with 149,253,731 new Ordinary Shares at a price of 0.312p per share.

On 20 July 2016 the Company announced it had drawn £0.67 million from its existing SEDA with YAGM and had prim arily deployed these funds to settle a payment to Auroch. The
Company issued 1,032,811,415 new Ordinary Shares at a price of 0.065p per share.

On 21 September 2016 Company announced it had drawn £0.75 million from its existing SEDA with YAGM and had primarily deployed these funds for ongoing working capital requirements and repay £200K of the outstanding amounts on the loan note agreement. The Company issued 1,875,000,000 new Ordinary Shares at a price of 0.04p per share.

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 pays 8% of each drawn tranche as an implementation fee. An initial tranche of US$0.30 million was drawn down by the Company on 12 December 2013 and further tranches of US$0.25 million and US$0.50 million on the 18 November 2014 and 21 November 2014 respectively.

On 10 May 2016 and 23 May 2016 respectively, the Company drew further tranches of US$0.85 million. On 19 July 2 016,
the Company drew a further tranche of US$0.4 million and the parties agreed to reschedule the monthly instalments with
the final repayment due on 1 August 2017. As 31 December 2016 a total of £1,473k (US$1,774k) remained outstandi ng on the SEDA Backed Loan.

The Company and YAGM may mutually agree to draw down additional tranches and may redeem the loan note plus all interest at any time over the life of the note.

Auroch Minerals
On 1 March 2016, the Company acquired 100% of the shares of Mistral Resource Development Corporation from Aur och Minerals NL. A total of US$2,500k of purchase consideration
was deferred and on the 20 July 2016, the parties agreed to
schedule of repayments which included payments of $750k and $150k which were paid during August 2016. As at 31 December 2016, a total
of £1,417k (US$1,748k) (including interest) remains outstanding. The loan carries an interest of 8% per annum.

Land Option Instalments
The Land Option Instalments represents the staged payments amounts due. On 22 September 2016, the Company advised the Option Holder that it would no longer be making any further option payments. As a result, the Company in a net impairment charge which included a write back £2,763k in relation to the Land Option Instalments.

31. Events after the balance sheet date
Issue of Equity
On 6 January 2017, the Company announced that it had issued 335,484,611 new Ordinary Shares 0.01p shares at 0.0 18p per Ordinary Share in settlement of outstanding invoices for services.

Settlement with Auroch Exploration Pty Ltd
On 9 February 2017, the Company announced that it had reached an agreement with Auroch Exploration Pty Ltd ("A uroch")

regarding the outstanding amounts owed by the Company to Auroch in relation to the acquisition of the Manica Gol d Project.

The Company and Auroch agreed the terms for the settlement of this debt which, including further accrued but unpaid interest amounted to US$1.75 million (the "Manica Debt"). The settlement of the Manica Debt had been structured as a
convertible note agreement for US$0.75 million ("Convertible Loan Note"), a royalty agreement over production at Manica in Auroch's favour, a loan agreement for the balance of the Manica Debt equal to US$1 million ("Loan Agreement") and a warrant over 500,000,000 new Xtract ordinary shares. Further details are set out below:

1. Convertible Loan Note

The Company agreed to issue unsecured Convertible Loan Notes to the total value of US$0.75 million to Auroch (the "Noteholder"). Interest of 10% per annum is payable quarterly in advance.

Any outstanding amount due under the Convertible Loan Note, together with accrued but unpaid interest thereon, is to
be repaid on or before 31 December 2017 or, if earlier, a change of control of the Company, sale of the Manica Gold Project or completion of a joint venture. Amounts owed under the Convertible Loan Notes will reduce "pound-for-pound" by the amount of any royalty paid to Auroch under the Royalty Agreement described further below.

In the event of a fundraising by the Company, the Noteholder may require that 15% of the net proceeds of the fundr aising may be applied to redeem part of the Convertible Loan Notes.

The Noteholder may, at any time, from the date of execution of the Convertible Loan Note Agreement until 31 Dece mber 2017, convert all or any of the Convertible Loan Notes into new fully paid Xtract ordinary shares ("Conversion Shares") at a conversion price equal to a 15% discount ("Conversion Discount") to the average
volume weighted average price
of Xtract ordinary shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price o f 0.012p per Ordinary Share. In the event of a material breach of the terms of Convertible Loan Note Agreement by the
Company which has not been remedied by the Company to the Noteholder's satisfaction, acting reasonably, the Con version Discount will increase to 30%.

Following execution of the Convertible Loan Note agreement, a fee of US$0.05 million was payable to Auroch, to be satisfied by the issue of new Xtract ordinary shares (the "Fee Shares") at an issue price equal to a 15% discount to the VWAP during the 10 business days prior to the issue of the Convertible Loan Notes.

*Conversion of Auroch Convertible Loan Notes*

On 16 February 2017, the Company announced that it had issued 1,589,623,629 new ordinary shares to Auroch at an issue price of 0.013282p (equal to a 15 per cent. discount to the VWAP during the 10 business days prior to the issue of the Convertible Loan Notes) following receipt of notice from Auroch to
convert US$0.2 million of the outstanding Convertible
Loan Notes, and in settlement of the Convertible Loan Note arrangement fee due of US$0.05 million and interest pay able in advance of US$0.01 million.

On 10 March 2017, the Company announced that it had received a notice from Auroch to convert a further US$0.2 m illion of the outstanding Convertible Loan Notes. The Company issued 796,812,502 new ordinary shares to Auroch at an issue
price of 0.020485p (equal to a 15% discount to the VWAP during the 10 business days prior to the issue of this Conve rsion Notice).
On 28 March 2017, the Company announced that it had received a notice from Auroch to convert a further US$0.03 million of the outstanding Convertible Loan Notes. The Company issued 134,835,331 new ordinary shares to Auroch at an issue price of 0.016492p (equal to a 15% discount to the VWAP during the 10 business days prior to the issue of this Conversion Notice).

The Company had also repaid the outstanding balance of Convertible Loan Notes amounting to US$0.3 million.

Accordingly, following the conversion and above repayments, there was no further outstanding amount on the Conv ertible Loan Notes.

2. Royalty Agreement relating to the Manica Gold Project

To provide security to Auroch, the Company further agreed to enter into the Royalty Agreement over the Manica Gold Project pursuant to which Auroch would be entitled to receive a royalty equal to 3% of gross revenue from commercial operations (including any alluvial gold production), payable by the Company to Auroch. The maximum royalty payment in aggregate is US$1,75 million (the "Maximum Royalty Payment"), being an amount equal to the Manica Debt. Any
payments made under the Royalty Agreement shall reduce the amounts due to Auroch under the Convertible Loan N ote
(described above) and the Loan Agreement (described below). The Royalty Agreement will terminate upon full settle ment by the Company of the Manica Debt. The Company agreed not to create any security over or dispose of interest in the Manica Gold Project and, on or following any change of control of the Company, at Auroch's request the Company will buyout the balance of any payments due under the Royalty Agreement
at the then market value (subject always to the Maximum
Royalty Payment and any payments made by Xtract to Auroch under the Convertible Loan Note and the Loan Agreement).

3. Loan Agreement

The Company entered into the unsecured Loan Agreement with Auroch for the balance of the Manica Debt amounting to US$1 million. Under the terms of the Loan Agreement, the Company will repay the Loan Agreement together with interest, which will accrue at a rate of 10% per annum, on or before 31 December 2017. In addition, it was agreed that the Company will endeavour to obtain relevant shareholder authorities on or before 30 June 2017 to authorise the
Company to replace the Loan Agreement with a convertible loan note on substantially the same terms as the Conver tible
Loan Notes. In the event that the Company does not obtain the necessary approvals by 31 December 2017, an accele rated interest rate of 30% per annum will accrue going forward on any outstanding balance of the Loan Agreement. The
Company provided customary representations and warranties to Auroch and the Loan Agreement includes standard events of default.

4. Warrants

The Company agreed to issue 500,000,000 warrants to Auroch at an exercise price of 0.02p per new Xtract ordinary s hare. The warrants will, unless otherwise exercised, expire on 21 December 2017.

Issue of Equity

On 16 February 2017 the Company announced that it had raised up to £1,878,933 (before expenses) following the conditional placement of 10,156,398,001 new Ordinary Shares of 0.01p each at 0.0185p ("Placing Price") per new Ordinary Share (the "Placing").

Under the Placing, the Company conditionally agreed to issue a total of 3,496,940,001 new Ordinary Shares at the Pl acing
price to raise gross proceeds of £646,934, subject to the terms of a placing agreement and Admission of the new Ord inary Shares to trading on AIM ("Tranche 1 Placing Shares"). The Tranche 1 Placing Shares
were issued under the Company's existing share authorities.

A further 6,659,458,000 new Ordinary Shares with gross proceeds of £1,232,000 were to be issued on the same terms
("Tranche 2 Placing Shares") but conditional on shareholder approval of the necessary increase in authority to issue t he Tranche 2 Placing Shares. A General Meeting was
convened on 13 March 2017 and the Company received the necessary approval to issue the Trance 2 Placing Shares. The Company accelerated the settlement of all outstanding payments due to the Company under the existing equity swap agreement previously entered into with YA II EQ Ltd and received gross proceeds of approximately £0.24 million ("the "Swap

Proceeds") which were used to repay an equal amount outstanding to YA under the existing Loan Note Facility. Following this acceleration, the Company terminated the equity swap agreement entered into with.

Definitive Feasibility Study

On 28 February 2017, the Company announced the Definitive Feasibility Study ("DFS") for the open pit operation of t he Company's Manica Fair Bride Project in Manica in Mozambique and which the results are summarised as follows:

- After-tax Internal Rate of Return of 41.1% at a gold price of US$ 1,262 per ounce
- Project life of 7 years with average gold grade of 2.62 g/t producing 215,293 recovered ounces
- Project payback within 2 years
- Direct cash cost ("C1") of US$556 per ounce
- All-in sustainable cost (including royalties and capital) of US$862 per ounce
- Total capital expenditure of US$43.68 million
- The Net Present Value of US$42 million at 8.4% discount rate
- Significant exploration potential in immediate vicinity
- A further 992,000 ounces in resource for additional evaluation and future exploitation
- Considerable exploration potential within the concession and nearby

*Reorganisation of Loan Agreement*

On 4 April 2017, the Company announced that it had entered into an agreement (the "Supplemental Agreement") wi th YA II EQ, Ltd. (the "Investor") which is supplemental to the SEDA-
backed loan note agreement dated 12 December 2013 ("Loan Agreement").

The Company and the Investor agreed to modify the Loan Agreement and the repayment schedules in respect of the amounts outstanding.

Following the execution of the Supplemental Agreement, the Company made a cash payment to the Investor in the a mount
of US$0.12 million. The Company was discharged of its obligation to repay US$0.35 million of the amount outstandin g under
the Loan Agreement by the issuance and allotment to the Investor of 1,513,513,514 new ordinary shares (the "Repay ment Shares") as determined by converting US$0.35 million into GBP at the relevant exchange
rate at a share price of 0.0185p
per ordinary share, being the same share price to the last placing as announced in February 2017.

The outstanding balance owed under the Loan Agreement, after taking the above repayments into account, amounted to US$1.04 million (the "Balance").

In respect of US$0.52 million of the Balance, the Company shall make 9 monthly cash payments of principal and inter est
in accordance with new repayment schedule beginning on 1 July 2017 at a rate US$0.06 million per month for 2017, and on average US$0.06 million per month for 2018, and ending on 1 March 2018.

In respect of the remaining US$0.52 million of the Balance, the Company shall pay such amount on 1 April 2018, plus any accrued and unpaid interest thereon, to the extent that any such amount has not been previously discharged thr ough conversion into new ordinary shares of the Company as described further below.

The Investor may at any time from the date of execution of the Supplemental Agreement until 1 April 2018, convert all or any of the amount then outstanding under the Loan Agreement into new fully paid Xtract ordinary shares ("Conversion Shares") at a conversion price equal to a 15% discount to the average volume weighted average price of Xtract ordinary
shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per ordin ary share.

Qualified Person

In accordance with AIM Note for Mining and Oil & Gas Companies, June 2009 ("Guidance Note"), Colin Bird, CC.ENG, FIMMM, South African and UK Certified Mine Manager and Director of Xtract Resources plc, with more than 40 years experience mainly in hard rock mining, is the qualified person as defined in the Guidance Note of the London Stock Exchange, who has reviewed the technical information contained in this press release.

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