



[Xtract Resources plc](#) - XTR

# Final Results

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29 May 2019

**Xtract Resources Plc**  
**("Xtract" or the "Company")**  
**Audited results for the 12 months ended 31 December 2018**  
**Notice of Annual General Meeting**

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") announces its audited financial results for the 12 months ended 31 December 2018. The 2018 Audited Annual Report and Accounts ("Accounts") have been posted to shareholders and is available from the Company's website [www.xtractresources.com](http://www.xtractresources.com)

The Accounts include the notice of annual general meeting ("AGM"). The AGM will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on Friday 21 June 2019 at 3:00 p.m.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014. The person who arranged the release of this announcement on behalf of the Company was Joel Silberstein, Director.

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**Financial highlights**

- Revenue from gold sales of £0.89m (2017: £0.17 m)
- Administrative and operating expenses of £1.65m (2017: £1.06m)
- Cash of £0.44m (2017: £1.66m)
- Net loss of £0.74m (2017: £1.26m)
- Net assets of £10.71m (2017: £11.48m)

## Operational highlights

- Total alluvial mining contractor gold production of 187.93kg (equivalent to 6,042 ounces) (2017: 39.77kg (equivalent to 1,279 ounces))
- Total of 46.88kg (equivalent to 1,508 ounces) attributable to Explorator (inclusive of Nexus' share under the Collaboration Agreement) (2017: 9.94kg (equivalent to 320 ounces))

## Corporate highlights

- Manica Hard Rock collaboration agreement concluded with Omnia Mining Ltd
- Appointment of new company broker
- Alluvial Collaboration Agreement terms amended

## Chairman's Statement

The period under review has seen the continuation of alluvial mining at our Manica project in Mozambique. Up to the year end and beyond, the operation has performed moderately well producing overall positive cashflow at a local operating level. We have not reached results to our satisfaction because of adverse technical factors such as high stripping ratios and low grades of gold in gravel. This being further exacerbated by the fineness of the gold making recovery difficult. On 30 October 2018, we announced revised terms for the collaboration agreement with Nexus. The key terms of the revised agreement were that the Company would now receive 50% of income after costs, and that the cost sharing would generally be divided equally between the parties.

Following the year end, the alluvial operations have continued to produce income in excess of cost and have endured indirectly the cost of the two cyclones which struck northern Mozambique. Whilst there was no direct damage, there was significant interference with material supply logistics particularly diesel.

The Company announced today that it has entered into an agreement with Mutapa Mining and Processing LDA (MMP) for the mining and mineral processing of the Manica hard rock gold deposits at Xtract's Manica mining concession in Mozambique. MMP, in partnership with Omnia, has been appointed as independent mineral processing contractor on Fairbride for the financing and operation of the Manica hard rock properties. In essence, the agreement facilitates using MMP's existing hard rock processing plant, the building by MMP of a carbon-in-leach plant and mining without any capital cost to the Company. The Company will benefit from a direct operating profit interest of between 20% and 23% dependent on gold price. If the gold price is above US\$1,250 per oz then the Company will receive 23% and if it falls below US\$1,100 per oz, the Company will receive 20% of operating profit. This agreement should endure for a number of years whilst, we further explore the concession and develop a plan to treat sulphides and all mineralisation types within the Manica concession.

The Board made a decision to broaden the Company's interests to another country and another commodity i.e. copper. This decision was made on the basis of our belief in the mid-term fundamentals for copper and the enormous prospectivity of Zambia for future copper production. Whilst Zambia for over a century has been a significant copper producer, there exists considerable opportunities for discovery outside the main "copper belt trend". The mineralisation style in Central Zambia is considered as iron oxide copper gold (IOCG) and academic research makes references to Olympic Dam type mineralisation which could lead to even bigger projects than those currently being mined in Zambia. It is this style of mineralisation that we intend to pursue, and the Company entered into two exploration option agreements in the first quarter 2019.

With the prospect of significant gold production from Manica and pursuance of our copper/gold projects in Zambia, we feel that we are now well balanced and as such future investment activities will be directed to shareholder enhancement in both arenas. The climate for junior resource companies is quite difficult and is not much better for the majors. World geo-political tensions have resulted in flat base metal prices when general opinion had been of significant price increases. The subdued metal prices have led to major base metal projects being shelved and exploration being difficult to finance. Our view is that these fundamentals can only lead to the supply situation being threatened and thus prices in due course increasing rather dramatically for most base metals, particularly copper

and nickel. Patience will be required for the price increase, but in my opinion 2020 will see a dramatic up-tick in overall base metal prices, which will in turn should result in improved financing capability. We feel that with our balance of production and exploration we are well poised to meet the challenges facing our sector and progress through the difficult interim period.

I would like to thank my fellow directors and management colleagues for their untiring efforts in what has been a very challenging and difficult year for the Company and the industry in general. During 2019 we will carry out best effort to accelerate Manica hard rock production and improve alluvial performance whilst adding value to our Zambian projects.

**Colin Bird**  
Executive Chairman

### **Consolidated Income Statement** **For the year ended 31 December 2018**

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Continuing operations			
Revenue from gold sales		892	166
Direct operating		(804)	(398)
Other operating		(103)	(97)
Administration		(746)	(568)
Operating and administrative expenses		(1,653)	(1,063)
Project expenses		(147)	(255)
Operating loss		(908)	(1,152)
Other gains and (losses)		64	476
Finance (cost)/income		108	(581)
(Loss)/profit before tax	8	(736)	(1,257)
(Loss)/profit for the period from continuing operations	8	(736)	(1,257)
(Loss) for the year from discontinued operation		-	-
(Loss) for the period		(736)	(1,257)
Attributable to:			
Equity holders of the parent		(736)	(1,257)
Net (loss)/profit per share			
Continuing		(0.20)	(0.60)
Discontinuing		(0.00)	(0.00)
Basic (pence)	13	(0.20)	(0.60)
Continuing		<b>(0.20)</b>	(0.60)
Discontinuing		<b>(0.00)</b>	(0.00)
Diluted (pence)	13	(0.20)	(0.60)

**Consolidated Statement of Comprehensive Income  
For the year ended 31 December 2018**

	Group	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
(Loss) for the year	(736)	(1,257)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss	-	-
Gains on revaluation of available-for-sale investment taken to equity	-	-
Exchange differences on translation of foreign operations	(37)	23
Other comprehensive income/(loss) for the year	(37)	23
Total comprehensive income/(loss) for the year	(773)	(1,234)
Attributable to:		
Equity holders of the parent	(773)	(1,234)

**Consolidated and Company Statements of Financial Position  
As at 31 December 2018**

	Group		Company	
Note	As at 31 December 2018 £'000	As at 31 December 2017 £'000	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Non-current assets				
Intangible assets	10,285	10,197	-	-
Property, plant & equipment	19	-	-	-
Investment in subsidiary	-	-	8,533	8,533
Financial assets available for sale	-	-	-	-
	10,304	10,197	8,533	8,533
Current assets				
Trade and other receivables	24	142	413	176
Loan receivable	318	158	-	-
Inventories	149	44	-	-
Cash and cash equivalents	442	1,657	383	1,507
	933	2,001	796	1,683
Total assets	11,237	12,198	9,329	10,216

**Current liabilities**

Trade and other payables	22	530	718	247	538
Interest bearing	22	-	-	-	-
Other payables	22	-	-	-	-
Amounts due to subsidiaries	22	-	-	8,932	9,064
		530	718	9,179	9,602
Net current assets/(liabilities)		403	1,283	(8,383)	(7,919)
Non-current liabilities					
Other payables		-	-	-	-
Provisions		-	-	-	-
Reclamation and mine closure provision		-	-	-	-
Total liabilities		530	718	9,179	9,602
Net assets/(liabilities)		10,707	11,480	150	614
Equity					
Share capital		4,874	4,874	4,874	4,874
Share premium account		58,926	58,926	58,926	58,926
Warrant reserve		450	647	450	647
Share-based payments reserve		298	298	298	298
Available-for-sale reserve		-	-	-	-
Foreign currency translation reserve		235	272	-	-
Accumulated losses		(54,076)	(53,537)	(64,398)	(64,131)
Equity attributable to equity holders of the parent		10,707	11,480	150	614
Total equity		10,707	11,480	150	614

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**

## 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 2017	3,355	54,439	613	539	-	249	(52,637)	6,558
Comprehensive income								
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(1,257)	(1,257)
Forex currency translation								
Differences	-	-	-	-	-	23	-	23
Revaluation of available-for-sale investments	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	23	(1,257)	(1,234)
Issue of shares	1,519	4,995	-	-	-	-	-	6,514
Issue of shares								23
Share issue costs	-	(589)	-	-	-	-	-	(589)
Share based payment expense	-	-	-	-	-	-	-	-
Expiry of warrants	-	-	(116)	-	-	-	116	-
Expiry of share options	-	-	-	(241)	-	-	241	-
Exercise of warrants	-	81	(81)	-	-	-	-	-
Issue of warrants	-	-	231	-	-	-	-	231
As at 31 December 2017	4,874	58,926	647	298	-	272	(53,537)	11,480
As at 31 December 2016	3,355				-			
Comprehensive income								
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(736)	(736)
Forex currency translation difference	-	-	-	-	-	(37)	-	(37)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(37)	(736)	(773)
Issue of shares	-	-	-	-	-	-	-	-
Issue of shares								
Share issue costs	-	-	-	-	-	-	-	-
Expiry of warrants	-	-	(197)	-	-	-	197	-
Exercise of warrants	-	-	-	-	-	-	-	-
Issue of warrants	-	-	-	-	-	-	-	-
As at 31 December 2018	4,874	58,926	450	298	-	235	(54,076)	10,707
As at 31 December 2016	4,955				-			



## Consolidated and Company Cash Flow Statement

		Group		Company	
		Year ended	Year ended	Year ended	Year ended
		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
	Note	£'000	£'000	£'000	£'000
Net cash used in operating activities	25	(966)	(1,592)	(1,124)	(1,379)
Investing activities					
Acquisition of subsidiary undertaking	-	-	-	-	-
Acquisition of intangible fixed assets	14	(69)	(147)	-	-
Acquisition of tangible fixed assets	15	(19)	-	-	-
Net cash (used in)/from investing activities		(88)	(147)	-	-
Financing activities					
SEDA backed loan	-	-	(615)	-	(615)
Proceeds on issue of shares	-	-	4,391	-	4,391
Proceeds from issue of warrants	-	-	130	-	130
Auroch loan	-	-	(533)	-	(533)
Loan to Moz Gold		(160)	(158)	-	-
Loan to subsidiary	-	-	-	-	(659)
Net cash from financing activities		(160)	3,215	-	2,714
Net decrease in cash and cash equivalents		(1,215)	1,476	(1,124)	1,335
Cash and cash equivalents at beginning of year		1,657	181	1,507	172
Cash acquired during the year		-	-	-	-
Effect of foreign exchange rate changes		-	-	-	-
Cash and cash equivalents at end of year		442	1,657	383	1,507

### Significant Non Cash movements

1. During 2017 a total of £640K of the SEDA backed was settled through the issue of new ordinary shares.
2. During 2017 a total of £887K of the Auroch loan was settled through the issue of new ordinary shares.

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 of the registered office is 7/8 Kendrick Mews, South Kensington, London, SW7 3HG. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 11.

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

#### 2. Adoption of new and revised Standards

New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:



- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

No retrospective adjustments were required following the adoption of IFRS 9 and IFRS 15.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. No reclassifications were required.

New standards, amendments and interpretations not yet adopted

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

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.
- IFRS 17 Insurance Contracts (effective date 1 January 2021).

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

### 3. Significant accounting policies

## Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union. The financial statements have been prepared under the historical cost convention modified for certain items carried at fair value, as stated in the accounting policies. The principal accounting policies adopted are set out below.

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). These consolidated financial statements are made up for the year ended 31 December 2018.

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.

## Going concern

The operations of the Group have been financed through operating cash flows as well as through funds which have been raised from shareholders. As at 31 December 2018, the Group held cash balances of £442k and an operating loss has been reported. Since November 2017, the Group has been generating revenues, from its Manica Alluvial operations, which have been covering the Manica operating costs and not the costs for the rest of the Group. The Directors anticipate net operating cash outflows for the Group for the next twelve months from the date of signing these financial statements.

The Directors have assessed the working capital requirements for the forthcoming twelve months and have undertaken assessments which have considered different scenarios based on a number of production forecasts until June 2020.

Upon reviewing those cash flow projections for the forthcoming twelve months, the directors consider that the Company is likely to require additional financial resources in the twelve-month period from the date of approval of

these financial statements to enable the Company to fund its current operations and to meet its commitments. Furthermore, the Group incurs corporate overhead costs on an ongoing basis. In the going concern review, the Group has reviewed further cash savings which may be made if required.

The Directors would then expect for the funds to be raised through further equity fund raising which has been successfully achieved in prior years. As is common with early producing companies, the Company raises finance for its activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities. Further funding will not be required for the Manica Hard Rock collaboration agreement which was signed on 29 May 2019.

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

## Parent only income statement

Xtract Resources Plc has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss for the year ended 31 December 2018 was £464k (2017: loss £8,591k).

## Business combinations

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

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

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

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

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

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

## Foreign currencies

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

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

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

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

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

## Taxation

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

### Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

## Intangible assets

### Land acquisition rights and mine development costs

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

### Intangible exploration and evaluation expenditure assets

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

## Property, plant and equipment

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

The average life in years is estimated as follows:

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

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

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

## Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

## **Financial instruments**

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

### **Financial assets**

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

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

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

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

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

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

### **Financial assets at fair value through profit or loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

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

## Loans and receivables

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

## 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.

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**

### **Initial recognition**

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

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

### **Financial liabilities at fair value through profit or loss**

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains and losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

### **Loans and borrowings and trade and other payables**

Interest-bearing loans and borrowings and trade and other payables are measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the statement of profit and loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium or costs that are integral part of EIR.

### ***Derecognition***

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

## **Inventory**

Inventories consist of the Company's share of gold dore bars produced by the Alluvial Mining Contractors, which have been smelted and are available for further processing. All inventories are valued at the lower of cost of operations and net realisable value. Costs include cost, which are closely related to the overall alluvial operations including monitoring and compensation costs. Net Realisable value is the estimated future sales price of the product the Company is expected to realise after the product is processed and sold less costs to bring the product to sale. Where inventories have been written down to net realisable value, a new assessment is made in the following period. In instances where there has been change in circumstances which demonstrates an increase in the net realisable value, the amount written down will be reversed.

## **Share-based payments**

Equity-settled share-based payments to certain Directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

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

## **Finance Income**

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

## Operating Leases

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

## Finance Leases

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

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

## Reclamation cost and mine closure provision

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

## Revenue recognition

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

## Segment reporting

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

## Fair value estimation

Financial instruments are 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 directly (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) (Level 3).

### (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 financial 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 apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

### **Available for sale investments**

The Group reviews the fair value of its unquoted equity instruments at each statement of financial position date. This requires management to make an estimate of the fair value of the unquoted securities in the absence of an active market, which has mainly been established by use of recent arm's length transactions, as adjusted by a discount, where required. Uncertainty also exists due to the early stage of development of certain of the investments. The fair value of available for sale investments at 31 December 2018 is determined to be £Nil (2017: £Nil). Further details are given in note 17.

### **Impairment of intangible assets and investments**

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

### **Estimates in determining the life of the mines (LOM)**

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

## Estimates in determining inventory value

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

## Share-based payments

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

## 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 techniques.

### 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:

		Year ended 31 December 2018	Year ended 31 December 2017
	Note	£'000	£'000
Depreciation of property, plant and equipment		-	-
Amortisation of intangible fixed assets		-	-
Auditors remuneration	9	21	22
Directors remuneration	10	187	170
Share-based payments expense	26	-	50

### 13. (Loss) per share

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'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	(736)	(1,257)
Net (loss) for the year from discontinuing operation attributable to equity holders of the parent	-	-
	(736)	(1,257)
	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	350,560,684	208,797,328
Effect of dilutive potential ordinary shares-options and warrants	-	-

Weighted average number of ordinary shares for purposes of diluted EPS 350,560,684 208,797,328

In accordance with IAS 33, the share options and warrants do not have a dilutive impact on earnings per share, which are set out in the consolidated income statement. No shares have been issued since the year end.

## 22. Trade and other payables

	Group		Company	
	As at 31 December 2018 £'000	As at 31 December 2017 £'000	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Trade creditors and accruals	530	718	247	538
Amounts due to subsidiaries	-	-	8,932	9,064
Other payables	-	-	-	-
	530	718	9,179	9,602

## 29. Events after the balance sheet date

### Manica Gold Alluvial Mining Contractor Agreement

On 16 January 2019, the Company concluded an additional mining contractor agreement ("**Mining Contractor Agreement**") with Huafei Gold Resources Co Limitada (formerly Sino Minerals Investment Company Limited) ("**Contract Miner**") for the exploitation of alluvial gold deposits at Manica at its Manica mining concession in Mozambique.

### Contract Mining Agreement

The Contract Miner appointed given exclusive right to mine the entire unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area.

The Agreement will endure for a period of 10 years or the depletion of alluvials, with the option to extend for a further period of 5 years, if the alluvials have not depleted, by the Contract Miner as well as rights of early termination either by the Company or the Contract Miner.

The Agreement included performance targets whereby the Contract Miner from 1 February 2019 would be required to have 2 fully operational plants with a minimum throughput of 200 tonnes per hour on a consistent 24 hours per day basis.

The Company will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. The Contractor will be responsible for the smelting of the gold concentrate and delivery of gold dore bars.

The Company will be responsible for all statutory and legal requirements regarding the license and for payment of the Mining Production Tax of 6%.

## **Consideration and Payments**

The Agreement is subject to the condition precedent that the Contractor pays a total entry fee of US\$350k to the Company ("Entry Fee"). An initial US\$150k was paid on the date signing of the Agreement, and the remaining US\$200k to be recovered through future alluvial gold production.

In consideration for the appointment of the Mining Contractor, the Company will initially pay the Mining Contractor a net fee of 72% of gold produced by the Mining Contractor and the Company will therefore initially retain 28% of the sales value of all gold produced (equivalent to 22% after payment by the Company of the applicable Mining Production Tax of 6%) and will continue with the above fee arrangement until the Entry Fee has been settled in full. Thereafter, the Company will pay the Mining Contractor a fee of 74% of gold produced by the Mining Contractor and the Company will therefore retain 26% of the sales value of all gold produced, equivalent to 20% after payment by Explorator of the applicable Mining Production Tax of 6%.

## **Issue of Equity**

On 19 February 2019, the Company completed the issue of the Settlement Shares today on the terms as previously announced on 28 December 2017, whereby the Company had conditionally agreed to issue 4,614,035 new Shares to Colin Bird in settlement of accrued but unpaid fees (which amounted at that time to £131,500) at an issue price of 2.85p per share.

## **Share Options**

On 19 February 2019, the Board agreed to award in aggregate 23,300,000 new options over ordinary shares ("New Options"). 15,000,000 New Options were awarded to Directors and a further 8,300,000 New Options were awarded to employees and officers of the Company.

The New Options vest in three equal tranches, with one-third vesting and being exercisable immediately on award, one-third vesting when the Company's closing mid-market share price ("Closing Price") is 1.25p and the remainder vesting on the Closing Price reaching 2p. The New Options will lapse five years after the date of the award, being 19 February 2024.

The New Options have an exercise price of 1p per share for the first-vested tranche, 1.25p per share for the second-vested tranche and 2p for the third-vested tranche.

## **Zambia Copper Exploration Agreement**

On 11 February 2019, the Company announced that it had concluded a Memorandum of Agreement ("Agreement") with a consortium ("Consortium") to jointly undertake exploration works on the copper / gold small scale mining license number 8370-HQ-SML ("Licence") located at Kajevu, Kasempa, North Western Province In The Republic of Zambia ("Matrix Project").

## **Key terms of the Agreement**

The parties agreed to incorporate a special purpose company ("Newco") to acquire the shares of Starshine Mineral Exploration Limited ("Starshine"), incorporated in the Republic of Zambia. This Agreement shall come into force and effect upon signature and shall endure for a term of 24 months. The Company will hold a 50% share in Newco with one of the two directors of Newco being a representative of the Company. Within 14 days of incorporation, Newco will be issued with 90% shares of Starshine, with the remaining 10% of the Starshine to held by a local shareholder (with no voting rights). The Company will appoint one of the two directors of the board of Sunshine. The Licence is currently being transferred to Starshine. Under the current licence agreement, only in the event that Starshine builds a mine and commences production and reaches a target of 15,000 tonnes of copper per annum for 15 years, an aggregate amount of US\$4,900,000 in deferred consideration will become payable in 49 instalments of US\$100,000 to the former Licence holder.

## **Exploration programme**

To date, the Consortium has undertaken preliminary studies at the Matrix Project and the Parties agreed that the preliminary prospecting work would be undertaken on the License within 6 months from the date of the Agreement. Upon completion of preliminary prospecting works and in the event that the prospect is not worthy of development, none of the Parties will be obliged to contribute any further funding. Upon completion of the preliminary prospecting works and agreement from both Parties to proceed, the Parties agreed that further detailed

exploration work shall be undertaken on the Licence area for a period of no more than 18 months from the date of the Agreement.

### **Budget**

The Parties agreed that the total budget for exploration works should not exceed US\$1,000,000, apportioned as follows:

- US\$200,000 in relation to preliminary prospecting works; and
- US\$800,000 in relation to detailed exploration works.

### **Early termination during the Exploration Works Period**

Neither party shall be compelled to remain as a shareholder in the event of a party requiring to exit as shareholder; · The exiting party shall have no claims against the Company or its shareholders; · The exiting party will ensure that it acts in good faith to ensure that the remaining party has all the benefits and obligations of the license.

### **Option Agreement Eureka Copper/Gold Project Zambia**

On 5 March 2019, the Company announced that it concluded a Memorandum of Agreement ("Agreement") with KPZ International Ltd. ("KPZ") to enter into an Option Agreement for the Eureka project on the copper-gold small scale mining licence number 22134-HQ-SML ("Licence") located in the Central part of The Republic of Zambia ("Eureka Project").

### **Key terms of the Agreement**

The Company agreed to spend up to US\$200,000 ("Initial Expenditure Phase") to assess the suitability of the Eureka Project for a resource drilling programme and thereafter feasibility study. In the event that the Company would not wish to proceed with the Eureka Project, the Company would be required to provide to KPZ all information and results gathered from the Initial Expenditure Phase.

If the Company decides to proceed, then by no later than 1 October 2019, and following the Initial Expenditure Phase, the Company has an option to acquire 50% of the Eureka Project for the amount expended by it on the Initial Expenditure Phase.

KPZ agreed to incorporate a local Zambian newly formed special purpose vehicle to hold the Eureka Project ("SPV"). KPZ will initially hold 100% (less 1 share to be held by a Zambian Shareholder) in the SPV. In the event that the Company exercises its option described above, KPZ's shareholding in the SPV would be transferred to a second newly-formed company ("Newco") such that Newco holds 100% (less 1 share held by a Zambian Shareholder) in the SPV, and the Company and KPZ would therefore each hold 50% (less 1 share) in Newco.

No later than 1 December 2019, the Company would be required to present a detailed budget to KPZ to continue to scoping study. Should KPZ wish to fund their 50% share of the scoping study costs then they will be required to confirm this by 1 February 2020 and each party will equally fund the Project. If KPZ do not wish to further fund the Project, they will be diluted to 25% in Newco with the Company's interest increasing from 50% to 75%.

The Company may at any time during the period withdraw, should they deem the Project unsuitable for further investment and at the same time will forfeit any rights they have to the Project.

### **Manica licence 3990C Hard Rock Collaboration Agreement**

On 29 May 2019, a Collaboration Agreement was entered into inter alia by the Company, the Company's wholly owned subsidiary, Explorator Limitada ("**Explorator**"), and Mutapa Mining and Processing LDA ("**MMP**") (the "**Mining Contractor**").

MMP is currently the owner of a 42,000 tonne per month hard rock processing plant, that includes crushing, milling and gravity recovery circuits and a furnace, for mining and mineral processing, located in the Manica region of Mozambique.

The MMP plant has already had over US\$11 million invested to date and, so far as the Company is aware, represents the only sophisticated hard rock processing capacity in the Manica region. The MMP plant is the key reason supporting the rationale of agreeing the Collaboration Agreement, as it reduces both capital expenditure requirement and the time to production of the Manica Project. Xtract are satisfied that MMP has the necessary

technical and operational capability to execute the proposed development plan at Manica, including the installation, commissioning and operation of the proposed CIL.

This agreement replaces the Omnia Collaboration and Joint Venture Agreement.

### **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.

ENDS

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