Xtract Resources plc - XTR

Final Results

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Xtract Resources plc

30 May 2018

For immediate release

30 May 2018

Xtract Resources Plc
("**Xtract**" or the "**Company**")
Audited results for the 12 months ended 31 December 2017
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 2017. The 2017 Audited Annual Report and Accounts, including the notice of Annual General Meeting, are being posted to shareholders today and are available from the Company's website www.xtractresources.com

The Annual General Meeting of Xtract will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 22 June 2018 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 £0.17m (2016: £Nil m)
- Administrative and operating expenses of £1.06m (2016: £1.65m)
- Cash of £1.66m (2016: £0.18m)
- Net loss of £1.26m (2016: £8.94m)

- Net assets of £11.48m (2016: £6.56m)

Operational highlights

- Definitive Feasibility Study for the Fair Bride Project completed
- Two alluvial mining contractor agreements successfully concluded
- Recovery and smelting of first gold in October 2017
- Terms agreed for Manica Gold Alluvial Collaboration Agreement between the Company and Nexus Capital Limited

Corporate highlights

- Settlement reached with Auroch Exploration on outstanding amounts in relation to Manica acquisition
- Reorganisation of loan agreement with YA II EQ Ltd
- Reorganisation of the Company's issued share capital
- Total of £4.88 million raised through equity placings
- Outstanding amounts due to Auroch Exploration and YA II EQ Ltd settled in full

Chairman's Statement

During the year under review we have seen much progress at the Manica gold mining site. On 28 February 2017 we announced the Definitive Feasibility Study ("DFS") for the Manica Fair Bride Project. The DFS was independently prepared by Minxcon (Pty) Ltd and produced a very favourable result. The initial project has a seven-year mine life and consists of a simple open pit operation with no consideration being taken of developing the underground resources, which amount to almost a further 1 million oz accessible from the Fair Bride open pit.

This approach has been taken to give shareholders confidence in the future of this operation after the imbalance between expectation and delivery during 2015 and 2016. The key numbers of the project are an IRR of 41% total capital expenditure of US$43.7 million with a NPV of US$42 million at a discount rate of 8.4%. Of particular note is the direct cash cost of US$556 per oz and all up cost to include royalties and capital of US$862 per oz. This makes the project particularly robust against the current gold price and the projections of future gold price.

The Company elected not to pursue own operation of the alluvials with Nexus and decided to appoint a number of contractors to operate various alluvial areas within the concession. The agreement, known as the "Collaboration Agreement" was signed with Nexus and announced on 20 June 2017.

The first contractor agreement was signed on 19 June 2017 with a partnership between Omnia Mining Limited ("Omnia") and Moz Gold Limitada ("Moz Gold"). Omnia have had a presence in the Manica region and have operated as alluvial miners within their own concession. Moz Gold principals have a history of alluvial mining for diamonds in the region of Kimberley, South Africa.

The second alluvial mining contractor agreement was signed on 11 July 2017 with a company known as Sino Minerals Investment Company Ltd ("Sino Minerals"), again a company experienced in alluvial mining. Immediately on signing, the companies set about recruiting labour and getting their equipment on site and the recovery of the first gold was announced on 8 October 2017. The first gold recovery was from Sino Minerals and marked a milestone in the Company's history. Since that date, and up to the period of writing this report, we have been hectically involved in increasing the daily production.

Since November 2017 Manica has been generating cash flows to cover the Manica overhead but has yet to fulfil the expectation of management and, of course, shareholders. The operations close to the river have been moderately successful on the east, whilst the operations on the west river bank have been less than successful. Alluvial gold mining in the upper terraces has produced some large nuggets although contractors, understandably, have been reluctant to remove large amounts of overburden necessary to access the alluvials. The rainy season this year was particularly aggressive and delayed operations on the west, whilst Sino Minerals on the east were able to continue working with some disturbance although not terminal. This is testament to their innovative approach to alluvial mining, which removes the need for trucking and transporting.

Our experience of alluvial mining at Manica over the last six months has confirmed what is generally accepted in the industry i.e. alluvial mining results are difficult to define and results can be erratic and random. I often use the phrase "feast and famine" which does describe the situation very well. On the west we are seeing very fine gold, which requires an additional process plant and equipment specifically designed to recover fine gold and we are currently carrying out testwork aimed at recovering fine gold.

Omnia advised us that they no longer wished to work on our alluvial concession and we are in discussion with Moz Gold regarding plant modification or exit. We have a loan facility of US$0.4 million with Moz Gold which gives us a 20% conversion right into their company as well as default ownership of their processing plant. Dependent on our test-work, we may elect to utilise the plant on our own account or, alternatively, make it available to new contractors with the responsibility for fine gold modification being theirs.

At the time of writing this report, we are reviewing a number of contractor proposals who wish to work the alluvials on our behalf. This bodes well for mid-2018 improving performance and I am convinced that results will remain cash positive during the change phase.

In terms of the hard rock mining, we are reviewing several proposals to either finance, work for royalty or equipment provision against interest for the Fair Bride hard rock open pit. We expect to conclude an arrangement during the second half of the year and thereafter move into project development.

We have entered into a hard rock joint venture agreement with Omnia which simplistically mean that both parties contribute their hard rock occurrences for treatment into a common plant owned by Omnia and within their license area. Initial outcrop exposure testwork is under way and a concession potential analysis has been carried out by consultant geologists.

During the year a number of placements were made, with the Company raising £4.88 million (before costs) and allowing for all debt and liabilities to be extinguished. The Company now is in cash flow and is self-financing in Manica, whilst not yet cash positive at group level.

The outlook for our sector is strong especially for those companies who have operations or are close to operation. We continue to look for opportunities which might further favourably position the Company within the market and give the potential for an increase in shareholder value.

I would like to thank my fellow Directors and colleagues for their supportive and tireless work during the period especially those engaged in settling down the alluvials at Manica.

Colin Bird
Executive Chairman

Consolidated Income Statement

For the year ended 31 December 2017

Registered number: 5267047

	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Continuing operations			
Revenue from gold sales		**166**	-
Administrative and operating expenses		**(1,063)**	(1,647)
Project expenses		**(255)**	(246)
Operating loss		**(1,152)**	(1,893)
Other gains and (losses)		**476**	-
Finance (cost)/income		**(581)**	(1,998)
(Loss)/profit before tax	8	**(1,257)**	(3,891)
(Loss)/profit for the period from continuing operations	8	**(1,257)**	(3,891)
(Loss) for the year from discontinued operation		-	(5,048)
(Loss) for the period		**(1,257)**	(8,939)
Attributable to:			
Equity holders of the parent		**(1,257)**	(8,939)
Net (loss)/profit per share (2016 restated)			
Continuing		**(0.60)**	(6.00)
Discontinuing		**(0.00)**	(10.00)
Basic (pence)	13	**(0.60)**	(16.00)
Continuing		**(0.60)**	(6.00)
Discontinuing		**(0.00)**	(10.00)
Diluted (pence)	13	**(0.60)**	(16.00)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Group	
	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(Loss) for the year	**(1,257)**	(8,939)
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	**23**	478
Other comprehensive income/(loss) for the year	**23**	478
Total comprehensive income/(loss) for the year	**(1,234)**	(8,461)
Attributable to:		
Equity holders of the parent	**(1,234)**	(8,461)

Consolidated and Company Statements of Financial Position

As at 31 December 2017

		Group		Company	
	Note	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000	**As at 31 December 2017 £'000**	As at 31 December 2016 £'000
Non-current assets					
Intangible assets		**10,197**	10,148	**-**	—
Property, plant & equipment		**-**	-	**-**	—
Investment in subsidiary		**-**	—	**8,533**	10,341
Financial assets available for sale		**-**	—	**-**	—
		10,197	10,148	**8,533**	10,341
Current assets					
Trade and other receivables		**142**	194	**176**	286
Loan receivable		**158**	-	**-**	-
Derivative financial instruments		**-**	352	**-**	352
Inventories		**44**	-	**-**	—
Cash and cash equivalents		**1,657**	181	**1,507**	172
		2,001	727	**1,683**	810
Total assets		**12,198**	10,875	**10,216**	11,151
Current liabilities					
Trade and other payables	23	**718**	1,427	**538**	1,250
Interest bearing	23	**-**	1,473	**-**	1,473
Other payables	23	**-**	1,417	**-**	1,417
Amounts due to subsidiaries	23	**-**	—	**9,064**	3,962
		718	4,317	**9,602**	8,102
Net current assets/(liabilities)		**1,283**	(3,590)	**7,919**	(7,292)
Non-current liabilities					
Other payables	-	**-**	-	**-**	—
Provisions	-	**-**	-	**-**	—
Reclamation and mine closure provision	-	**-**	-	**-**	—
Total liabilities		**718**	4,317	**9,602**	8,102
Net assets/(liabilities)		**11,480**	6,558	**614**	3,049
Equity					
Share capital		**4,874**	3,355	**4,874**	3,355
Share premium account		**58,926**	54,439	**58,926**	54,439
Warrant reserve		**647**	613	**647**	613
Share-based payments reserve		**298**	539	**298**	539
Available-for-sale reserve		**-**	—	**-**	—
Foreign currency translation reserve		**272**	24	-	—
Accumulated losses		**(53,537)**	(52,637)	**(64,131)**	(55,897)
Equity attributable to equity holders of the parent		**11,480**	6,558	**614**	3,049
Total equity		**11,480**	6,558	**614**	3,049

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

	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 2016	2,253	48,688	500	440	-	(229)	(44,099)	7,553
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(8,939)	(8,939)
Forex currency translation differences	—	—	—	—	—	478	—	478
Revaluation of available-for-sale investments	—	—	—	—	-	—	—	-
Total comprehensive income for the year	—	—	—	—	-	478	(8,939)	(8,461)
Issue of shares	1,102	5,947	-	-	-	-	-	7,049
Share issue costs	-	(196)	-	-	-	-	-	(196)
Share based payment expense	—	—	—	99	—	—	—	99
Expiry of warrants	—	—	(401)	-	—	—	401	—
Exercise of warrants	-	-	-	—	—	—	—	—
Issue of warrants	—	-	514	—	—	—	—	514
As at 31 December 2016	3,355	54,439	613	539	-	249	(52,637)	6,558
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(1,257)	(1,257)
Forex currency translation difference	—	—	—	—	—	23	—	23
Total comprehensive income for the year	—	—	—	—	—	23	(1,257)	(1,234)
Issue of shares	1,519	4,995	-	-	-	-	-	6,514
Share issue costs	—	(589)	—	-	—	—	—	(589)
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

Statement of Changes in Equity

Company

	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 2016	2,253	48,688	500	440	-	—	(53,777)	(1,896)
Other Comprehensive income								
Loss for the period	—	—	—	—	—	—	(2,521)	(2,521)
Other comprehensive income	—	—	—	—	—	—	—	—
Revaluation of available-for-sale investments	—	—	—	—	-	—	—	-
Total comprehensive income for the year	—	—	—	—	-	—	(2,521)	(2,521)
Issue of shares	1,102	5,947	-	-	-	-	-	7,049
Share issue costs	-	(196)	-	-	-	-	-	(196)
Share based payment expense	—	—	—	99	—	—	—	99
Expiry of share options	—	—	(401)	-	—	—	401	—
Exercise of warrants	-	-	-	—	—	—	—	—
Issue of warrants	—	-	514	—	—	—	—	514
As at 31 December 2016	3,355	54,439	613	539	-	-	(55,897)	3,049
Other Comprehensive income								
Loss for the period	—	—	—	—	—	—	(8,591)	(8,591)
Other comprehensive income	—	—	—	—	—	-	—	-
Total comprehensive income for the year	—	—	—	—	—	-	(8,591)	(8,591)
Issue of shares	1,519	4,995	-	-	-	-	-	6,514
Share issue costs	—	(589)	—	-	—	—	—	(589)
Expiry of warrants	—	—	(116)	—	—	—	116	—
Expiry of share options	-	-	-	(241)	-	-	241	-
Exercise of warrants	—	81	(81)	—	—	—	—	—
Issue of warrants	—	—	231	—	—	—	—	231
	4,874	58,926	647	298	-	-	(64,131)	614

Consolidated and Company Cash Flow Statement

	Note	Group		Company	
		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
	Note	£'000	£'000	£'000	£'000
Net cash used in operating activities	26	(1,592)	(1,310)	(1,379)	(3,263)
Investing activities					
Acquisition of subsidiary undertaking		-	(3,902)	-	(3,902)
Acquisition of intangible fixed assets	14	(147)	(2,465)	-	-
Acquisition of tangible fixed assets	15	-	(272)	-	—
Net cash (used in)/from investing activities		(147)	(6,639)	-	(3,902)
Financing activities					
SEDA backed loan		(615)	1,346	(615)	1,346
Proceeds on issue of shares		4,391	2,298	4,391	2,298
Proceeds from issue of warrants		130	-	130	-
Land Option payments		-	(112)	-	—
Auroch loan		(533)	-	(533)	-
Loan to Moz Gold		(158)	-	-	-
Loan to subsidiary		-	-	(659)	-
Net cash from financing activities		3,215	3,532	2,714	3,644
Net decrease in cash and cash equivalents		1,476	(4,417)	1,335	(3,521)
Cash and cash equivalents at beginning of year		181	3,763	172	3,693
Cash acquired during the year		-	85	-	—
Effect of foreign exchange rate changes		-	750	-	—
Cash and cash equivalents at end of year		1,657	181	1,507	172
Cash flows from discontinued operations					
Net cash used operating activities		-	(1,101)	-	-
Net cash used in investing activities		-	(1,116)	-	—
Net Cash (used in)/from financing equivalents		-	(112)	-	—
		-	(2,329)	-	—

1. A total of £640K of the SEDA backed was settled through the issue of new ordinary shares.
2. A total of £887K of the Auroch loan was settled through the issue of new ordinary shares.
3. 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.

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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 4 to 9.

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 Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

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 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 beginning 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.

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 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 the Company (its subsidiaries). These consolidated financial statements are made up for the year ended 31 December 2017.

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 Group has historically been financed through funds which have been raised from shareholders. As at 31 December 2017 an operating loss has been reported. In October 2017, the alluvial mining contractors started producing on the Manica concession and since November 2017 the Group has been generating revenues, 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.

As at 31 December 2017, the Group held cash balances of £1,657k.

The Group has assessed the working capital requirements for the forthcoming twelve months and has considered different scenarios based on a number of production forecasts and are comfortable that this would maintain at least a position of breakeven cash flows until 30 June 2019 on this project.

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.

Considering the funds on hand at the date of this report, the operating cash inflows generated from the alluvial operations in Mozambique and the corporate overhead costs in the assessment carried out by the Group, management forecast the Group maintaining positive cash balances for the next twelve months.

In preparing these financial statements the Directors have given consideration to the above matters and on that basis they believe that it remains appropriate to prepare the financial statements on a going concern basis.

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 2017 was £8,591k (2016: loss £2,521k).

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 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 (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

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 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).

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

	2017			2016		
	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 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 2017 is determined to be £Nil (2016: £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. 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 £Nil (2016: £352K). 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 2017 £'000	Year ended 31 December 2016 £'000
Depreciation of property, plant and equipment	15	-	100
Amortisation of intangible fixed assets	14	-	180
Auditors remuneration	9	22	21
Directors remuneration	10	170	346
Share-based payments expense	27	50	99

13. (Loss) per share

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'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	(1,257)	(3,891)
Net (loss) for the year from discontinuing operation attributable to equity holders of the parent	-	(5,048)
	(1,257)	(8,939)
	Number of shares	Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	208,797,328	59,320,763
Effect of dilutive potential ordinary shares-options and warrants	-	-
Weighted average number of ordinary shares for purposes of diluted EPS	208,797,328	59,320,763

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.

23. Trade and other payables

	Group		Company	
	As at 31 December 2017 £'000	As at 31 December 2016 £'000	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Trade creditors and accruals	718	1,427	538	1,250
Land option instalments	-	-	-	-
Amounts due to subsidiaries	-	-	9,064	3,962
Other payables	-	1,417	-	1,417
SEDA backed loan	-	1,473	-	1,473
	718	4,317	9,602	8,102

SEDA Backed Loan

On 12 December 2013, the Company and YA Global Master SPV Ltd ("YAGM") entered into a loan note agreement ("Loan Agreement") pursuant to which YAGM agreed to issue an unsecured loan of a principal amount of up to US$5,000K to the Company. The note carried an interest of 12% per annum and each tranche was repayable in 12 monthly instalments. The Company paid 8% of each drawn tranche as an implementation fee. An initial tranche of US$300K was drawn down by the Company on 12 December 2013 and further tranches of US$250K and US$500Kon 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$850K. On 19 July 2016, the Company drew a further tranche of US$400K 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 outstanding on the SEDA Backed Loan.

Reorganisation of Loan Agreement

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

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 amount of US$120K. The Company was discharged of its obligation to repay US$350K of the amount outstanding under the Loan Agreement by the issuance and allotment to the Investor of 1,513,513,514 new Ordinary Shares of 0.01p (the "Repayment Shares") as determined by converting US$350K into GBP at the relevant exchange rate at a share price of 0.0185p per ordinary share.

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$520K of the Balance, the Company agreed to make 9 monthly cash payments of principal and interest in accordance with new repayment schedule beginning on 1 July 2017 at a rate US$60K per month for 2017, and on average US$60K per month for 2018 and ending on 1 March 2018.

In respect of the remaining US$520K of the Balance, the Company agreed to 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 through conversion into new ordinary shares of the Company as described further below.

The Investor could 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 new Ordinary Shares of 0.01p ("Conversion Shares") at a conversion price equal to a 15% discount to the average volume weighted average price of the Company's ordinary shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per ordinary share.

On 19 June 2017, the Company received a conversion notice from the Investor to convert U$100K of the Balance, together with interest of US$3K, at a conversion price of 0.012p.

On 11 July 2017, the Company received a conversion notice from the Investor to convert U$150K of the Balance, together with interest of US$2K, at a conversion price of 2.4p (equal to the floor price). The Company issued 4,884,450 new Ordinary Shares of 0.02p to the Investor at an issue price of 2.4p per Ordinary share.

On 31 July 2017, the Company received a conversion notice from the Investor to convert U$169K of the Balance, together with interest of US$2K, at a conversion price of 2.4p (equal to the floor price). The Company issued 5,382,666 new Ordinary Shares of 0.02p to the Investor at an issue price of 2.4p per Ordinary share.

On 31 August 2017, the Company made a payment of US$580K in full and final settlement of the amount outstanding to the Investor under the existing Loan Agreement and accordingly the facility was terminated.

Auroch Minerals

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

On 9 February 2017, the Company reached an agreement with Auroch regarding the outstanding amounts of US$1,748K owed to Auroch. The terms under the agreement US$748K was satisfied by the issue of a convertible note agreement ("Convertible Loan Note"), which was repaid in full on 28 March 2017, and the balance of US$1,000K as a loan agreement ("Loan Agreement") together with a royalty agreement over the production at Manica in Auroch's favour ("Royalty Agreement").

1. *Convertible Loan Note*

The Company agreed to issue an unsecured Convertible Loan Notes to the value of US$748K to Auroch with interest of 10% per annum 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.

In the event of a fundraising by the Company, the Noteholder required that 15% of the net proceeds of the fundraising be applied to redeem part of the Convertible Loan Notes. The Convertible Loan Notes would also become immediately due for redemption on the occurrence of certain events, including the suspension of the Company's shares from trading on AIM or the Noteholder determining, acting reasonably, that the value of the Company's assets is materially reduced or threatened.

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

On 16 February 2017, the Company issued 1,589,623,629new Ordinary Shares of 0.01p 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$200K of the outstanding Convertible Loan Notes, and in settlement of the Convertible Loan Note arrangement fee due of US$50K and interest payable in advance of US$10K.

On 10 March 2017, the Company received a notice from Auroch to convert a further US$200K of the outstanding Convertible Loan Notes. The Company issued 796,812,502 new Ordinary Shares of 0.01p 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 Conversion Notice).

On 27 March 2017, the Company received a notice to convert US$30K of the outstanding Convertible Loan Notes. The Company issued 134,835,331 new Ordinary Shares of 0.01p 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 also repaid the outstanding balance of Convertible Loan Notes amounting to US$300K. Accordingly, following the conversion and the repayment, there was no further outstanding amount on the Convertible Loan Notes as at 31 December 2017.

2. 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 agreed to repay the Loan Agreement together with interest, which accrued at a rate of 10% per annum, on or before 31 December 2017. In addition, it was agreed that the Company would 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 Convertible Loan Notes. In the event that the Company did not obtain the necessary approvals by 31 December 2017, an accelerated interest rate of 30% per annum would accrue going forward on any outstanding balance of the Loan Agreement. The necessary authorities were approved by shareholders at the General Meeting of the Company held on 13 March 2017.

On 19 September 2017, Auroch converted US$200K of the outstanding loan and the Company issued 6,219,370 new Ordinary Shares of 0.02p to Auroch at an issue price of 2.4p per new Ordinary Share.

On 16 October 2017 Auroch converted $250K of the outstanding loan and the Company issued 7,873,758 new Ordinary Shares of 0.02p to Auroch at an issue price of 2.4p per new Ordinary Share.

On 26 October 2017 Auroch converted $250K of the outstanding loan and the Company issued 6,784,899 new Ordinary Shares to Auroch at an issue price of 2.798p per new ordinary share, based on the price equal to a 15% discount to the average volume weighted average price of the Company's Ordinary Shares during the 10 business days prior to the conversion date. The Company also repaid the outstanding balance of the Loan amounting to US$371K.

Accordingly, following the conversion and above repayments, there was no further outstanding amount on the Loan as at 31 December 2017.

3. 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 was US$1,750K (the "Maximum Royalty Payment"), being an amount equal to the Manica Debt. Any payments made under the Royalty Agreement would reduce the amounts due to Auroch under the Convertible Loan Note and the Loan Agreement. The Royalty Agreement terminated upon full settlement by the Company of the Manica Debt.

31. Events after the balance sheet date

Manica Gold Alluvial Mining Contractor Agreement – Omnia Mining Ltd

On 8 February 2018 the Company concluded a new Mining Contractor agreement ("Agreement") with Omnia Mining Ltd ("Omnia") for the exploitation of alluvial gold deposits at its Manica mining concession in Mozambique following, the addendum signed on the 7 December 2017, to the agreement which had been entered into by the Company and Omnia on the 19 June 2017.

Contract Mining Agreement

The Company appointed Omnia to acquire exclusive right to mine the O block of the western half of the unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area. The Agreement will endure for a maximum period of 10 years or if sooner, the depletion of alluvials and includes rights of early termination by Company. The Agreement included performance targets whereby Omnia from 15 May 2018 would be required to have in place a fully operational plant with a mining capacity of delivering to the Company 100 tonnes per hour, and from no later than 12 February 2018, that Omnia would be entitled to start to build necessary settling dams and process the mining material at its plant. The Company would be able to direct Omnia to suspend carrying out of services for such time as the Company considered it necessary and could terminate the Agreement, inter alia, if Omnia failed to achieve and maintain any production target for more than two consecutive months. The Company would receive a base net price per tonne of ore processed by the Mining Contractor and an additional incremental payment based on a proportion of any increase in the gold price above a reference price of US$1,250 per ounce. Omnia would be responsible and liable for any rehabilitation of the mining concession to the extent mined by the Mining Contractor as required under the relevant mining laws.

On 27 April 2018 Omnia advised the Company that it did not wish to continue with the execution of the Agreement and elected to continue operations solely in their own concession.

Collaboration and Joint Venture Mining Agreement with Omnia Mining Ltd

On 19 February 2018 the Company concluded a further collaboration agreement ("Joint Venture and Collaboration Agreement") with Omnia Mining Ltd ("Omnia") for the exploitation of the hard rock gold deposits at Xtract's Manica mining concession in Mozambique other than the Fair Bride Project, which remains under the sole control and management of the Company.

The terms of the Joint Venture and Collaboration Agreement were as follows:

- All gold recovered from the processing plant in the operating phase, to be split 50:50 between the Company and Omnia.
- Omnia to manage and control the processing plant and all the processing costs will be for their account.
- The Fair Bride Project excluded from the Agreement.
- The Company to advise, manage and control all mining and mining operations and will be responsible for all mining related costs.
- All hard rock gold occurrences (excluding the Fair Bride Project), if any, to be supplied to Omnia's Processing Plant provided that the development of these occurrences results in an internal rate of return which exceeds 25%: If the return is lower than the 25% hurdle, the parties can agree in writing to continue mining these occurrences.
- Transport cost of the mining mineral will be split between the Company and Omnia 50:50.
- A steering committee to be setup to manage the joint venture project consisting of two members appointed by the Company and two members appointed by Omnia.

New Manica Gold Alluvial Mining Contractor Agreement – Moz Gold Group Limitada

On 6 March 2018, the Company agreed new terms ("New Agreement") with Moz Gold Group Limitada ("Moz Gold") for the exploitation of the M blocks of the alluvial gold deposits at Manica on the Western Area at its Manica mining concession in Mozambique.

The New Agreement entered into by Company's and Moz Gold provides terms for the exploitation of the M blocks of the alluvial deposits at Manica on the Western Area of the Mining Concession area. The New Agreement will endure for a period of 10 years or the depletion of alluvials.

Moz Gold shall, during and for the duration of the contract term perform the continuous, optimal and efficient alluvial mining of the permitted area, and the processing of the mined material for the extraction of gold.

The Company will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. Moz Gold shall be responsible for the smelting of the gold concentrate into dore bars, for delivery to Explorator on a weekly basis with the Company's net share of the gold produced is based on a sliding scale of gold produced plus 6% of the recorded gold concentrate produced.

Moz Gold has agreed to produce and deliver a minimum monthly amount of gold to the Company for the Company's sole benefit and account of not less than 2.25kg of gold (after the provision for mining production tax) for March 2018, and 3kg of gold (after the provision for mining production tax) each and every further calendar month of the Contract Term after March 2018.

Moz Gold shall be liable to pay the Company any shortfall in the Minimum Monthly Delivery, which shall be paid to the Company on demand either in gold or cash.

The company will be responsible for all statutory and legal requirements regarding the licenses and Moz Gold will be responsible and liable for any rehabilitation of the mining concession to the extent mined by Moz Gold as required under the relevant mining laws.

Outstanding Moz Gold Indebtedness

Moz Gold owed the Company US$1.5 million under the New Agreement. The Company agreed to give Moz Gold a discount of 25% on Moz Gold Indebtedness provided that Moz Gold paid an initial amount of US$0.13 million no later than 29 March 2018 and 12 monthly instalments of US$0.083 million (together with any accrued interest) to the Company to repay the debt in full. The outstanding balance of the discounted amount owed will incur interest at the rate of 12% per annum compounded monthly in arrears. The first instalment is payable no later than 31 May 2018. If Moz Gold fails to make any payment of any Instalment amount by the due date for payment then the Company is entitled to demand immediate payment of the full outstanding undiscounted amount and all accrued interest.

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