



Xtract Resources plc - XTR

Half-year Report

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Xtract Resources plc
28 September 2018

**For immediate release
28 September 2018
Xtract Resources Plc
("Xtract" or "the Company")**

Unaudited Interim Results for the six months ended 30 June 2018

Xtract Resources Plc (AIM: XTR), the gold producer, exploration and development company with projects in Mozambique, announces an update of operations and projects and its unaudited interim results for the six months ended 30 June 2018 ("Period").

Financial

- Revenue from gold sales of £0.46m (inclusive of Nexus' share under the Collaboration Agreement) (H1 17: £Nil)
- Net loss of £0.41m (H1 17: £0.64m)
- Operating expenses £0.83m (H1 17: £0.42m)
- Cash of £1.01m (FY 17: £1.66m)
- Net assets of £11.08m (FY 17: £11.48m)

Operational & Corporate Highlights

- Total alluvial mining contractor gold production of 90.3kgs (equivalent to 2,903 ounces) (H1 17: Nil)
- Total of 22.47Kg (equivalent to 723 ounces) attributable to Explorator (inclusive of Nexus' share under the Collaboration Agreement) (H1 17: Nil)
- Manica Hard Rock collaboration agreement concluded with Omnia Mining Ltd
- Appointment of new company broker

Colin Bird, Executive Chairman commented: The Period under review was focused entirely on the Manica concession and surrounding opportunities.

The alluvial mining operations remained cash positive and progress continues to be made with monthly performance.

The alluvials, like the hard rock mineralisation, have shown themselves to be extremely variable in their gold content and physical presentation. Moz Gold had problems recovering the fine gold that was evident in the western part of the concession whilst the terraces proved to have too much overburden for the gold yields obtained. However, Sino Minerals on the Eastern side continued to get satisfactory results throughout the period although they experienced similar variability but more in the amount of overburden than the fineness of the gold. The varying results necessitated that the Company revisit the apportionment of the contract areas ensuring that contractors had the necessary equipment, both processing and mining to operate in the areas to which they are assigned. The Company is currently discussing with various contractors new contracts or revised contracts for the newly apportioned

concessions. The discussions are based around a dividing line between river alluvials and terrace alluvials and our discussions are directed towards concluding agreements in the near future.

The contract with Moz Gold was terminated during the Period and following the Period end the Company is now in the process of taking possession of Moz Gold's plant over which it has security. We are looking at a number of opportunities to employ this processing plant within the concession or elsewhere. Whilst the processing plant is unsuitable for the recovery of fine gold at Manica, it is a substantial plant which will undoubtedly return value to the Company or any acquirer of the plant.

Overall in the Period the alluvial operations were cash positive and total alluvial production amounted to 1,200 oz in the first quarter and 1,703 oz in the second quarter.

Our hard rock plans for area consolidation have proceeded favorably and we have undertaken significant reef exposure exploration in a number of areas including the use of excavators to establish continuity of existing reefs or newly discovered reefs. This will be followed by drilling for depth where appropriate.

Post Period end, we announced that we had identified twelve potential mining sites within 15 kilometers radius of the Omnia plant. We identified within the Omnia concession a new quartz vein named the Andre zone which is showing good potential. Adjacent to this zone, we have identified a number of adits at various levels that, once made safe and entered, will give us insight as to the vertical continuity of the vein. The channel sampling of the vein was very encouraging with the best trench result being 0.5m at 20.8 g/t of gold. Our collaboration agreement with Omnia has led to an evaluation of the current plant and we are in discussion with various engineering contractors to assess the work and cost required to upgrade the plant to treat most of the ore types within the Manica area. We are also developing conceptual open pit mine plans to work known surface deposits within the collaboration area.

The gold price over the period under review has declined somewhat, which we consider is a function of reduced geopolitical tension and increased financial and political stability. The work to consolidate the Manica area is accelerating and the possibility of including Fair Bride in the agreement is being considered. We expect that the fourth quarter of 2018 we will prepare a three-year operation plan together with costings.

As always, the Company is active in seeking out other opportunities which may diversify commodity risk, and at time when we are debt free which will help to add further potential for significant shareholder value growth.

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This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014 on market abuse. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person who arranged for the release of this announcement on behalf of the Company was Joel Silberstein, Director.

Further details are available from the Company's website which details the company's project portfolio as well as a copy of this announcement: www.xtractresources.com

Xtract Resources PLC
Consolidated Income Statement
For the six month period ended 30 June 2018

	Notes	Six months ended		Year ended
		30 June 2018	30 June 2017	31 December
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Continuing operations				
Revenue from Gold sales		460	-	166
Administrative and operating expenses		(825)	(417)	(1,063)
Project expenses		(73)	(44)	(255)
Operating loss		(438)	(461)	(1,152)
Other gains and losses		-		- 476
Finance (cost)/income		30	(181)	(581)
(Loss)/profit before tax		(408)	(642)	(1,257)
(Loss)/profit for the period from continuing operations	3	(408)	(642)	(1,257)
(Loss)/profit for the period from discontinued operations	3	-	-	-
(Loss)/profit for the period	6	(408)	(642)	(1,257)
Attributable to:				
Equity holders of the parent		(408)	(642)	(1,257)
Net (loss)/profit per share				
Continuing		(0.12)	(0.44)	(0.60)
Discontinued		(0.00)	(0.00)	(0.00)
Basic (pence)	6	(0.12)	(0.44)	(0.60)
Continuing		(0.12)	(0.44)	(0.60)
Discontinued		(0.00)	(0.00)	(0.00)
Diluted (pence)	6	(0.12)	(0.44)	(0.60)

Xtract Resources PLC
Consolidated statement of comprehensive income
For the six month period ended 30 June 2018

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
(Loss)/profit for the period	(408)	(642)	(1,257)

Other comprehensive income

Items that will not be reclassified subsequently to profit and loss

Exchange differences on translation of foreign operations

13 (163) 23

Other comprehensive (loss)/income for the period

(395) (805) (1,234)

Balance at 30 June 2018 4,874 58,926 546 298 - 285 (53,845) 11,084

Xtract Resources PLC
Consolidated Statement of Financial Position
As at 30 June 2018

	Notes	30 June 2018 Unaudited £'000	30 June 2017 Unaudited £'000	31 December 2017 Audited £'000
Non-current assets				
Intangible Assets	7	10,242	10,255	10,197
Property, plant & equipment	8	17	-	-
Financial assets available-for-sale		-	-	-
		10,259	10,255	10,197
Current assets				
Trade and other receivables		69	165	142
Loan receivable	10	312	-	158
Inventories		55	-	44
Cash and cash equivalents		1,012	542	1,657
		1,448	707	2,001
Total assets		11,707	10,962	12,198
Current liabilities				
Trade and other payables	9	623	1,058	718
Interest bearing		-	742	-
Other payables		-	800	-
		623	2,600	718
Non-current liabilities				
Other payables		-	-	-
Provisions		-	-	-
Reclamation and mine closure provision		-	-	-
		-	-	-
Total liabilities		623	2,600	718
Net current assets/(liabilities)		(825)	(1,893)	1,283
Net assets		11,084	8,362	11,480
Equity				
Share capital	11	4,874	4,839	4,874
Share premium account		58,926	55,413	58,926
Warrant reserve		546	764	647
Share-based payments reserve		298	539	298
Available-for-sale investment reserve		-	-	-
Foreign currency translation reserve		285	(86)	272
Accumulated losses		(53,845)	(53,279)	(53,537)
Equity attributable to equity holders of the parent		11,084	8,362	11,480
Total equity		11,084	8,362	11,480

Xtract Resources PLC
Consolidated Statement of Cash Flows
For the six month period ended 30 June 2018

	6 months period ended 30 June 2018	6 months period ended 30 June 2017	Year ended 31 December 2017
Notes	Unaudited	Unaudited	Audited

		£'000	£'000	£'000
Net cash used in operating activities	12	(405)	(1,165)	(1,592)
Investing activities				
Acquisition of intangible fixed assets		(17)	(108)	(147)
Acquisition of tangible fixed assets		(45)	-	-
Disposal of intangible fixed assets		-	-	-
Net cash from/(used in) investing activities		(62)	(108)	(147)
Financing activities				
SEDA backed loan		-	-	(615)
Proceeds on issue of shares		-	1,675	4,391
Proceeds from issue of warrants		-	-	130
Auroch loan		(154)	-	(533)
Loan to Moz Gold		-	-	(158)
Net cash from financing activities		(154)	1,675	3,215
Net increase/(decrease) in cash and cash equivalents		(621)	402	1,476
Cash and cash equivalents at beginning of period		1,657	181	181
Cash acquired during the year		-	-	-
Effect of foreign exchange rate changes		(24)	(41)	-
Cash and cash equivalents at end of period		1,012	542	1,657

Significant Non-Cash movements

1. During the period 30 June 2017, a total of £354K (31 December 2017- £640K) of the SEDA backed loan was settled through the issue of ordinary shares and a total of £356K (31 December 2017- £887K) of the Auroch loan was settled through the issue of ordinary shares.

Xtract Resources PLC

Notes to the interim financial information

For the six month period ended 30 June 2018

1. General information

Xtract Resources PLC ("Xtract") is a company incorporated in England and Wales under the Companies Act 2006. The Company's registered address is 1st Floor, 7/8 Kendrick Mews, London, SW7 3HG. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The Company invests and engages in the management, financing and development of early stage resource assets.

2. Accounting policies

Basis of preparation

Xtract prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The consolidated interim financial information for the period ended 30 June 2018 presented herein has been neither audited nor reviewed. The information for the period ended 31 December 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 but has been derived from those accounts. The auditor's report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 but did draw attention by way of emphasis to the material uncertainty around the going concern assumption. As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Reporting'.

The interim financial information is presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

The interim consolidated financial information of the Group for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution and were authorised for issue by the Directors on 27 September 2018.

Going concern

As at 30 June 2018, the Group held cash balances of £1,012k. As is common with junior mining companies, the Company in the past has raised finance from shareholders for its activities, in discrete tranches to finance its activities for limited periods only and further funding would be required from time to time to finance those activities.

An operating loss has been reported for the Group, however, as at the date of the release of the consolidated financial information, the Group's assets have been and continue to generate revenues.

The Company currently has an agreement in place with Sino Minerals Investment Company Limited for the contract alluvial mining of the Eastern Half of the Manica concession and is currently in discussions with new contractors, regarding new contracts, for a newly apportioned concession. This should result in positive cash flows which would assist in working capital requirements and based on the above, the Directors anticipate net operating cash inflows at the operating level during the next twelve months from the date of the release of the consolidated financial information.

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

Upon reviewing those cash flow projections for the forthcoming twelve months, the directors consider that in the event that the Group is unable to achieve the forecasted revenue, the Company may require additional financial resources in the twelve-month period from the date of authorising the consolidated information to enable the Company to fund its current operations and to meet its commitments.

Nevertheless, after making enquiries and considering the risks and uncertainties as described in the Company's Annual Report, the directors have a reasonable expectation that the Company will continue generating cash flows from its agreements entered into with the alluvial mining contractors and at the same time has adequate ability to raise finance. The Directors therefore continue to adopt the going concern basis of accounting in preparing the consolidated financial information and therefore the consolidated financial information does not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary if the going concern basis of preparation of the consolidated financial information is not appropriate.

On this basis the Board believes that it is appropriate to prepare the consolidated financial information on the going concern basis.

Changes in accounting policy

The accounting policies applied are consistent with those adopted and disclosed in the Group Consolidated financial statements for the year ended 31 December 2017, except for the changes arising from the adoption of new accounting pronouncements detailed below.

There are no amendments or interpretations to accounting standards that would have a material impact on the financial statements.

3. Business segments

Segmental information

During the period the Group operated in gold & precious metal mining which had a separate operational segment from July 2017 after the Company concluded its second Manica Alluvial Mining Contract. From March 2016, the Group included an additional segment relating to the Manica hard rock Gold Project (Mine Development) and maintained the investment & other segment. These divisions are the basis on which the Group reports its primary segment information to its Executive Chairman, who is the Chief Operating Decision maker of the Group. The

Executive Chairman and the Chief Operating Officer are responsible for allocating resources to the segments and assessing their performance.

Principal activities are as follows:

- **Operating alluvial gold mining segment - Mozambique**
- **Mine Development - Mozambique**
- **Investment and other**
- **Discontinued Operations - Chile**

Segment results

6 months ended 30 June 2018

	Mine Development (Continuing)	Investment And Other (Continuing)	Alluvial Gold Mining Production (Continuing)	Total
	£'000	£'000	£'000	£'000
Segment revenue				
Sale of gold bars	-	-	460	460
Less: Cost of sales	-	-	-	-
Segment Gross profit	-	-	460	460
Administrative and operating expenses	-	(458)	(367)	(825)
Project costs	-	-	(73)	(73)
Segment result	-	(458)	(440)	(898)
Other gain and losses	-	-	-	-
Finance costs	-	38	(8)	30
(Loss)/profit before tax	-	(420)	12	(408)
Tax	-	-	-	-
(Loss)/profit for the period	-	(420)	12	(408)

6 months ended 30 June 2017

	Investment and Other	Discontinued Production	Mining Development	Total
	£'000	£'000	£'000	£'000
Segment revenue				
Concentrate Revenue	-	-	-	-
Less: Cost of sales	-	-	-	-
Segment Gross profit	-	-	-	-
Administrative and operating expenses	(361)	-	(56)	(417)
Project Costs	(19)	-	(25)	(44)
Segment result	(380)	-	(81)	(461)
Finance costs	(405)	-	224	(181)
Loss before tax	(785)	-	143	(642)
Tax	-	-	-	-
Loss for the period	(785)	-	143	(642)

Year ended 31 December 2017

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment revenue				
Sale of gold bars	-	-	166	166
Less: Cost of sales	-	-	-	-
Segment Gross profit	-	-	166	166
Administrative and operating expenses	-	(708)	(355)	(1,063)
Project Costs	-	(255)	-	(255)
Segment result	-	(963)	(189)	(1,152)
Other gains and losses	-	11	465	476
Finance income / (costs)	-	(201)	(380)	(581)
(Loss)/Profit before tax	-	(1,153)	(104)	(1,257)
Tax	-	-	-	-
(Loss)/Profit for the period	-	(1,153)	(104)	(1,257)

Balance Sheet	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Total Assets			
Gold production	285	-	225
Mining Development	10,242	10,272	10,197
Investment & other	1,179	690	1,776
Total segment assets	11,707	10,962	12,198
Liabilities			
Gold production	(118)	-	(112)
Mining Development	-	(19)	-
Investment & other	(505)	(2,581)	(606)
Total segment liabilities	(623)	(2,600)	(718)

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. Segment results represent the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Board for the purposes of resource allocation and assessment of segment performance.

4. Tax

At 30 June 2018, the Group has no deferred tax assets or liabilities and no income tax is chargeable for the period.

5. Revenue

An analysis of the Group's revenue is as follows:

Six months ended	Year ended		
	30 June 2018 £'000	30 June 2017 £'000	31 December 2017

			£'000
Revenue from gold sales	460	-	166
	460	-	166

6. Loss per share

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

Six months ended	Year ended		
Losses	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
(Losses)/profit for the purposes of basic earnings per share being:			
Net loss from continuing operation attributable to equity holders of the parent	(408)	(642)	(1,257)
Net loss from discontinuing operation attributable to equity holders of the parent	-	-	-
	(408)	(642)	(1,257)
Number of shares			
Weighted average number of ordinary and diluted shares for the purposes of basic earnings per share	350,560,684	145,947,725	208,797,328
(Loss)/profit per ordinary share basic and diluted (pence)	(0.12)	(0.44)	(0.60)

In accordance with IAS 33, the share options and warrants do not have a dilutive impact on earnings per share, which are set out in the consolidated income statement. Details of the shares issued during the period as shown in Note 7 of the Financial Statements.

7. Intangible assets

	Land acquisition costs	Development expenditure (Manica)	Reclamation & mine closure costs	Mineral Exploration	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2018	-	10,197	-	-	10,197
Additions - at fair value	-	-	-	-	-
Additions - at cost	-	45	-	-	45
As at 30 June 2018	-	10,242	-	-	10,242

Amortisation

As at 1 January 2018	-	-	-	-	-
Charge for the year	-	-	-	-	-
As at 30 June 2018	-	-	-	-	-
Net book value					
At 30 June 2018	-	10,242	-	-	10,242
At 31 December 2017	-	10,197	-	-	10,197

1. In March 2016, The Company acquired the Manica licence 3990C ("Manica Project") from Auroch Minerals NL. The Manica Project is situated in central Mozambique in the Beira Corridor. At the time of acquisition, the project had a JORC compliant resource of 900koz (9.5Mt@ 3.01g/t) *in situ*, which increased to 1.257moz (17.3Mt @ 2/2g/t) following an independent technical report completed by Minxcon (Pty) Ltd in May 2016. On 28 February 2017, the Company announced the Definitive Feasibility Study for the open pit operation. The results of the study included a project life of mine of 7 years with an average gold grade of 2.62g/t producing 215,293 recovered ounces, with a project payback of 2 years. As at 28 February 2017, the project has a Net Present Value of \$42 million and an internal rate of return of 41%.

8. Property, plant and equipment

Cost or fair value on acquisition of subsidiary	Mining plant & equipment	Land & Buildings	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000
At 1 January 2018	-	-	-	-
Additions - at cost	17	-	-	17
At 30 June 2018	17	-	-	17
Depreciation				
At 1 January 2018	-	-	-	-
Charge for the period	-	-	-	-
At 30 June 2018	-	-	-	-
Net book value				
At 30 June 2018	17	-	-	17
At 1 January 2018	-	-	-	-

9. Trade and other payables

	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
	£'000	£'000	£'000
Trade creditors and accruals	623	1,058	718
Other payables	-	800	-
SEDA backed loan	-	742	-
	623	2,600	718

10. Loan Receivable

	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
	£'000	£'000	£'000
Loan receivable	312	-	158
	312	-	158

Convertible Loan Agreement - Moz Gold Limitada

On 15 December 2017, the Company agreed to loan a total of US\$700K to Moz Gold to be drawn down in two separate tranches, the first tranche of US\$400K and second tranche of US\$300K, with an interest rate of 30% per annum.

Moz Gold agreed to provide the Company with security over the processing plant and the use of proceeds will be solely for working capital purposes for the alluvial operations.

During June 2018, Moz Gold halted production on the Western Half of the Manica concession. The Company has security over Moz Gold's processing plant and no decision has yet been taken by Company whether to utilise the plant for its own account or, alternatively make it available to new contractors who would be responsible for all necessary modifications.

As at 30 June 2018, the total amount outstanding including interest amounts to US\$ 441K (£312K) and (US\$214K (£158K) - 31 December 2017).

11. Share capital

	As at 30 June 2018 Number	As at 30 June 2017 Number	As at 31 December 2017 Number
Issued and fully paid			
Ordinary shares of 0.01p each at 1 January	-	19,621,061,879	19,621,061,879
Share issued during the period	-	14,840,181,122	14,840,181,122
	-	34,461,243,001	34,361,243,001
Share Consolidation*	-	34,461,243,001	34,461,243,001
Outstanding as at 30 June	-	-	-
Deferred shares of 0.09p each			
As at 1 January	5,338,221,169	1,547,484,439	1,547,484,439
Subdivision**			
Issued during the period	-	3,790,736,730	3,790,736,730
	5,338,221,169	5,338,221,169	5,338,221,169
Ordinary shares of 0.02p each			
As at 1 January	-	-	-
Share Consolidation*	350,560,684	172,306,215	172,306,215
Issued during the period	-	3,342,537	178,254,469
Outstanding as at 30 June	350,560,684	175,648,752	350,560,684

Consolidation and subdivision of the existing ordinary shares ("Capital Reorganisation")

At the Annual General Meeting of the Company held on 22 June 2017, shareholders approved a capital reorganisation of the Company's issued share capital which comprised two elements:

- Every 200 existing Ordinary Shares were consolidated into 1 ordinary share of 2 pence (a "Consolidated Share").
- Immediately following the consolidation, each Consolidated Share was then sub-divided into one New Ordinary Share of 0.02 pence and 22 New Deferred Share of 0.09 pence.

The Capital Reorganisation became effective immediately following close of business on 22 June 2017.

Options and warrants

The following warrants expired during the period:

- Issued 16 February 2017 - 2,539,100 exercisable at 3.7p per share

12. Cash flows from operating activities

Six month

	Six month period ended 30 June 2018 £'000	period ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Profit/(loss) for the period	(408)	(642)	(1,257)
Adjustments for:			
Continuing Operations			
Depreciation of property, plant and equipment	-	-	-
Amortisation of intangible assets	-	-	-
Finance costs	18	130	609
Impairment of intangible assets	-	-	-
Other (gains) /losses	-	-	(456)
Share-based payments expense	-	-	50
Operating cash flows before movements in working capital	(390)	(512)	(1,063)
Decrease/(Increase) in inventories	(11)	-	(44)
(Increase)/decrease in receivables	73	31	52
(Decrease)/increase in payables	(95)	(601)	(650)
Cash used in operations	(423)	(1,082)	(1,705)
Income taxes paid	-	-	-
Foreign currency exchange differences	18	(83)	113
Net cash used in operating activities	(405)	(1,165)	(1,592)

13. Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. The only other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the Half Yearly Report, and which will be disclosed in the Group's next Annual Report.

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