

Regulatory Story



Xtract Resources plc - XTR

# Half-year Report

Released 10:37 29-Sep-2017

RNS Number : 2451S  
Xtract Resources plc  
29 September 2017

**For immediate release**

29 September 2017

**Xtract Resources Plc**  
**("Xtract" or "the Company")**

## **Interim Results for the six months ended 30 June 2017**

Xtract Resources Plc (AIM: XTR), the gold 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 2017 ("Period").

### **Financial**

- Net loss of £0.64m (H1 16: £5.24m)
- Operating expenses £0.46m (H1 16: £1.25m)
- Cash of £0.54m (FY16: £0.18m)
- Net assets of £8.36m (FY16: £6.56m)

### **Operational & Corporate Highlights**

- Definitive Feasibility Study for the Manica open pit completed
- First alluvial mining contractor agreement concluded
- Terms agreed for Manica Gold Alluvial Collaboration Agreement between the Company and Nexus Capital Limited
- Settlement reached regarding outstanding amount owed to Auroch Exploration
- Raised £1.88 million through equity placing
- Reorganisation of loan agreement with YA II EQ Ltd
- Reorganisation of the Company's issued share capital

### **Events after Period end**

- Second alluvial mining contractor agreement concluded
- Raised £1.3 million through equity placing
- Outstanding amount due to YA II EQ Ltd settled in full

**Colin Bird, Executive Chairman commented:**

“The Period under review was progressive on all fronts resulting in a company which has focus and a clear direction for the future. All our efforts were directed towards debt reduction, technical and financial evaluation of the Manica project and the reduction of overheads and corporate costs.

We are pleased to report on 19 June 2017 that the Company had entered into a substantial agreement with a company known as Omnia Mining for the exploitation for the alluvial deposits in our western Manica licence area. The agreement is directed towards the contractor moving some 2.64 million tonnes of alluvial rock per annum and paying the Company a gold-indexed linked price per tonne delivered to their plant. The operation is expected to commence production shortly with first income received at the end of October 2017. The income is expected to build up towards year end.

I was further pleased to report after the Period end on 11 July 2017 that we completed a second alluvial contract deal on the eastern part of our Manica licence area. The agreement was signed with Sino Minerals Investment Company Ltd and our income will be from a share of the gold revenues equivalent to a net amount of 19% after deduction of the applicable mining production tax. The operation is contracted to start in the middle of October this year and we are optimistic for contractual times being met.

The net contribution from these alluvial projects should be very significant allowing the Company to move forward with the hard rock mine construction and to seek further opportunities, generally in southern Africa.

At Manica we have identified a number of opportunities outside our current project which may assist us to consolidate activities in that area to the overall benefit of our current position. On 28 February 2017, we announced the result of our independent definitive feasibility study (“DFS”) which produced very positive results. The significant results being direct cash cost of US\$556 per oz. produced and an all up cost of US\$862 per oz. The return on investment of US\$42 million gives an after tax internal rate of return (“IRR”) of 41% which is very attractive. The Board believes that the capital figure can be reduced by taking advantage of certain opportunities currently being examined.

On 9 February 2017, we announced a settlement agreement with Auroch Exploration Pty Ltd (“Auroch”) for the outstanding amounts due to the acquisition of the Manica gold project. The outstanding amount of US\$1,748,136 was to be satisfied in two tranches. The first tranche of US\$748,136 was satisfied by the issue of a convertible loan note to Auroch and which was repaid in full on 28 March 2017. The balance of which currently amounts to US\$860,000 remains to be settled before the year end.

During the year various YA loan notes were issued and converted and following the Period end on 9 August 2017 we announced that the Company paid in full and final settlement an amount of US\$583,000 and the facility is thus terminated.

At the time of writing this report the Company is looking forward to its initial earnings from Manica and actively considering proposals for the development of the Manica hard rock mine. The overhead has been reduced by 75% and we have a small team focused on shareholder enhancement.

We are looking at a number of opportunities to enhance shareholder value outside Mozambique but within southern Africa and the generation of surplus cash to overhead will allow us to pursue additional growth opportunities. “

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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.

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](http://www.xtractresources.com)

Xtract Resources PLC  
Consolidated Income Statement  
For the six month period ended 30 June 2017

	Notes	Six months ended		Year ended
		30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
<b>Continuing operations</b>				
Administrative and operating expenses		(417)	(967)	(1,647)
Project expenses		(44)	(279)	(246)
<b>Operating loss</b>		<b>(461)</b>	<b>(1,246)</b>	<b>(1,893)</b>
Other gains and losses		-	-	-
Finance (cost)/income		(181)	(753)	(1,998)
Impairment of Intangible asset		-	-	-
<b>(Loss)/profit before tax</b>		<b>(642)</b>	<b>(1,999)</b>	<b>(3,891)</b>
(Loss)/profit for the period from continuing operations	3	(642)	(1,999)	(3,891)
(Loss)/profit for the period from discontinued operations	3	-	(3,245)	(5,048)
<b>(Loss)/profit for the period</b>	5	<b>(642)</b>	<b>(5,244)</b>	<b>(8,939)</b>
Attributable to:				
Equity holders of the parent		(642)	(5,244)	(8,939)
<b>Net (loss)/profit per share</b>				
Continuing (Restated)		(0.44)	(4.57)	(6.00)
Discontinued (Restated)		(0.00)	(7.43)	(10.00)
<b>Basic (pence)</b>	5	<b>(0.44)</b>	<b>(12.00)</b>	<b>(16.00)</b>
Continuing (Restated)		(0.44)	(4.57)	(6.00)
Discontinued (Restated)		(0.00)	(7.43)	(10.00)
<b>Diluted (pence)</b>	5	<b>(0.44)</b>	<b>(12.00)</b>	<b>(16.00)</b>

Xtract Resources PLC  
Consolidated statement of comprehensive income  
For the six month period ended 30 June 2017

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>(Loss)/profit for the period</b>	<b>(642)</b>	(5,244)	(8,939)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations	(163)	(136)	478
<b>Other comprehensive (loss)/income for the period</b>	<b>(805)</b>	(5,380)	(8,461)
<b>Total comprehensive (loss)/income for the period</b>	<b>(805)</b>	(5,380)	(8,461)
Attributable to:			
Equity holders of the parent	(805)	(5,380)	(8,461)
	<b>(805)</b>	(5,380)	(8,461)

Xtract Resources PLC  
Consolidated statement of changes in equity  
As at 30 June 2017

	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share- based payments reserve £'000	Available- for-sale investment reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
<b>Balance at 31 December 2015</b>	<b>2,253</b>	<b>48,688</b>	<b>500</b>	<b>440</b>	-	<b>(229)</b>	<b>(44,099)</b>	<b>7,553</b>
Loss for the period	-	-	-	-	-	-	(5,244)	(5,244)
Foreign currency translation difference	-	-	-	-	-	(136)	-	(136)
Issue of Shares	114	2,725	-	-	-	-	-	2,839
Share based payment expense	-	-	-	22	-	-	-	22
Issue of warrants	-	-	379	-	-	-	-	379
Exercise of warrants	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>2,367</b>	<b>51,413</b>	<b>879</b>	<b>462</b>	-	<b>(365)</b>	<b>(49,343)</b>	<b>5,413</b>
Loss for the period	-	-	-	-	-	-	(3,695)	(3,695)
Foreign currency translation differences	-	-	-	-	-	614	-	614
Revaluation of available-for-sale investments	-	-	-	-	-	-	-	-
Issue of Shares	988	3,026	-	-	-	-	-	4,014
Expiry of warrants	-	-	(401)	-	-	-	401	-
Issue of Warrants	-	-	135	-	-	-	-	135
Share based payment expense	-	-	-	77	-	-	-	77
<b>Balance at 31 December 2016</b>	<b>3,355</b>	<b>54,439</b>	<b>613</b>	<b>539</b>	-	<b>249</b>	<b>(52,637)</b>	<b>6,558</b>
Loss for the period	-	-	-	-	-	-	(642)	(642)
Foreign currency translation difference	-	-	-	-	-	(163)	-	(163)
Revaluation of available-for-sale investments	-	-	-	-	-	-	-	-
Issue of Shares	1,484	974	-	-	-	-	-	2,458
Share based payment expense	-	-	-	-	-	-	-	-
Issue of warrants	-	-	151	-	-	-	-	151
Exercise of warrants	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>4,839</b>	<b>55,413</b>	<b>764</b>	<b>539</b>	-	<b>86</b>	<b>(53,279)</b>	<b>8,362</b>

Xtract Resources PLC  
Consolidated Statement of Financial Position  
As at 30 June 2017

	Notes	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
<b>Non-current assets</b>				
Intangible Assets		10,255	9,714	10,148
Property, plant & equipment		-	1,515	-
Financial assets available-for-sale		-	-	-
		<b>10,255</b>	<b>11,229</b>	<b>10,148</b>
<b>Current assets</b>				
Trade and other receivables		165	502	194
Derivative financial instruments		-	-	352
Inventories		-	12	-
Cash and cash equivalents		542	94	181
		<b>707</b>	<b>608</b>	<b>727</b>
<b>Total assets</b>		<b>10,962</b>	<b>11,837</b>	<b>10,875</b>
<b>Current liabilities</b>				
Trade and other payables		1,058	4,318	1,427
Interest bearing		742	1,251	1,473
Other payables		800	-	1,417
		<b>2,600</b>	<b>5,569</b>	<b>4,317</b>
<b>Non-current liabilities</b>				
Other payables		-	403	-
Provisions		-	186	-
Reclamation and mine closure provision		-	266	-
		-	855	-
<b>Total liabilities</b>		<b>2,600</b>	<b>6,424</b>	<b>4,317</b>
<b>Net current assets/(liabilities)</b>		<b>(1,893)</b>	<b>(4,961)</b>	<b>(3,590)</b>
<b>Net assets</b>		<b>8,362</b>	<b>5,413</b>	<b>6,558</b>
<b>Equity</b>				
Share capital	8	4,839	2,367	3,355
Share premium account		55,413	51,413	54,439
Warrant reserve		764	879	613
Share-based payments reserve		539	462	539
Available-for-sale investment reserve		-	-	-
Foreign currency translation reserve		86	(365)	249
Accumulated losses		(53,279)	(49,343)	(52,637)
<b>Equity attributable to equity holders of the parent</b>		<b>8,362</b>	<b>5,413</b>	<b>6,558</b>
<b>Total equity</b>		<b>8,362</b>	<b>5,413</b>	<b>6,558</b>

Xtract Resources PLC  
Consolidated Statement of Cash Flows  
For the six month period ended 30 June 2017

	6 months period ended 30 June 2017 Unaudited £'000	6 months period ended 30 June 2016 Unaudited £'000	Year ended 31 December 2016 Audited £'000
<b>Net cash used in operating activities</b>	9 <b>(1,165)</b>	768	<b>(1,310)</b>
<b>Investing activities</b>			
Acquisition of subsidiary undertaking	-	(3,820)	(3,902)
Acquisition of intangible fixed assets	<b>(108)</b>	(1,488)	(2,465)
Acquisition of tangible fixed assets	-	(272)	(272)
Disposal of intangible fixed assets	-	-	-
<b>Net cash from/(used in) investing activities</b>	<b>(108)</b>	(5,580)	<b>(6,639)</b>
<b>Financing activities</b>			
SEDA backed loan	-	1,232	1,346
Proceeds on issue of shares	<b>1,675</b>	-	2,298
Land option payments	-	(112)	(112)
Loans from Directors	-	22	-
<b>Net cash from financing activities</b>	<b>1,675</b>	1,142	<b>3,532</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>402</b>	(3,670)	<b>(4,417)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>181</b>	3,763	3,763
Cash acquired during the year			85
Effect of foreign exchange rate changes	<b>(41)</b>	-	750
<b>Cash and cash equivalents at end of period</b>	<b>542</b>	93	<b>181</b>

**Significant Non-Cash movements**

1. During the period 30 June 2017, a total of £354K of the SEDA backed loan was settled through the issue of ordinary shares and a total of £356K of the Auroch loan was settled through the issue of ordinary shares.
2. The assets and liabilities of Mistral Resource Development Corporation and its subsidiary undertaking, Explorator Limitada, were acquired in March 2016 by the issue of Ordinary shares of 0.01p each to a value of £2,843, in addition total cash consideration of £5,694K, of which £1,792k was deferred.



## **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 1<sup>st</sup> 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 2017 presented herein has been neither audited nor reviewed. The information for the period ended 31 December 2016 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 2017 were authorised for issue in accordance with a resolution and were authorised for issue by the Directors on 28 September 2017.

### **Going concern**

As at 30 June 2017, the Group held cash balances of £542k. During August 2017, the Company raised £1,300k (before expenses) through an equity raising and during the period concluded settlement arrangements with a substantial part of its creditors. 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 as the Group’s assets and as at the date of the release of the consolidated financial information, the Group’s assets are not currently generating revenues.

On 13 February 2017, the Company signed a Collaboration Agreement with Nexus Capital for the exploitation of the alluvial gold deposits at Manica. As announced on 19 June 2017 and 11 July 2017, the Company concluded commercial agreements for the exploitation of the alluvials within the concession. The Group expects to start generating some revenue in October 2017 with rapid build-up from both commercial agreements during November 2017. The above agreements 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 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 commence generating substantial 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 2016, 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**

For management purposes, the Group has been organised into three operating divisions Mining development, Investment and other and Discontinued Operations. During 2016 the Group operated in gold & precious metal mining which had a separate operational segment within the group structure until September 2016, after which it was classified as a discontinued operation. 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.

### **Principal activities are as follows:**

- **Mine Development – Mozambique**
- **Investment and other**
- **Discontinued Operations – Chile**

## Segment results

6 months ended 30 June 2017	Investment and Other	Discontinued Production	Mining Development	Total
	£'000	£'000	£'000	£'000
<b>Segment revenue</b>				
Concentrate Revenue	-	-	-	-
<b>Less: Cost of sales</b>	-	-	-	-
<b>Segment Gross profit</b>	-	-	-	-
Administrative and operating expenses	(361)	-	(56)	(417)
Project costs	(19)	-	(25)	(44)
<b>Segment result</b>	<b>(380)</b>	-	<b>(81)</b>	<b>(461)</b>
Other gain and losses	-	-	-	-
Finance costs	(405)	-	224	(181)
Impairment of Intangible assets	-	-	-	-
<b>(Loss)/profit before tax</b>	<b>(785)</b>	-	<b>143</b>	<b>(642)</b>
Tax	-	-	-	-
<b>(Loss)/profit for the period</b>	<b>(785)</b>	-	<b>143</b>	<b>(642)</b>

## 6 months ended 30 June 2016

	Investment and Other	Mining Production	Mining Development	Total
	£'000	£'000	£'000	£'000
<b>Segment revenue</b>				
Concentrate Revenue	-	287	-	287
<b>Less: Cost of sales</b>	-	(614)	-	(614)
<b>Segment Gross profit</b>	-	(327)	-	(327)
Administrative and operating expenses	(965)	(514)	(2)	(1,481)
Project Costs	(279)	-	-	(279)
<b>Segment result</b>	<b>(1,244)</b>	<b>(841)</b>	<b>(2)</b>	<b>(2,087)</b>
Finance costs	(565)	(61)	(188)	(814)
Impairment of Intangible assets	-	(2,343)	-	(2,343)
<b>Loss before tax</b>	<b>(1,809)</b>	<b>(3,245)</b>	<b>(190)</b>	<b>(5,244)</b>
Tax	-	-	-	-
<b>Loss for the period</b>	<b>(1,809)</b>	<b>(3,245)</b>	<b>(190)</b>	<b>(5,244)</b>

Year ended 31 December 2016

	Mine Development (Continuing) £'000	Investment and Other (Continuing) £'000	Discontinued Production (Discontinued) £'000	Total £'000
Segment revenue				
Concentrate Revenue	-	-	287	287
Less: Cost of sales	-	-	(940)	(940)
<b>Segment Gross profit</b>	-	-	(653)	(653)
Administrative and operating expenses	-	(1,647)	(539)	(2,186)
Project Costs	-	(246)	-	(246)
<b>Segment result</b>	-	(1,893)	(1,192)	(3,085)
Impairment of intangible assets	-	-	(3,315)	(3,315)
Finance income / (costs)	(218)	(1,780)	(541)	(2,539)
<b>(Loss)/Profit before tax</b>	(218)	(3,673)	(5,048)	(8,939)
Tax	-	-	-	-
<b>(Loss)/Profit for the period</b>	(218)	(3,673)	(5,048)	(8,939)

Balance Sheet	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
<b>Total Assets</b>			
Mining production	-	1,962	-
Mining Development	10,272	9,744	10,148
Investment & other	690	131	727
Total segment assets	10,962	11,837	10,875
<b>Liabilities</b>			
Mining production	-	(1,748)	(1)
Mining Development	(19)	(2)	-
Investment & other	(2,581)	(4,674)	(4,316)
Total segment liabilities	(2,600)	(6,424)	(4,317)

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 2017, the Group has no deferred tax assets or liabilities and no income tax is chargeable for the period.

#### 5. Loss per share

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

Losses	Six months ended		Year ended
	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
(Losses)/profit for the purposes of basic earnings per share being:			
Net loss from continuing operation attributable to equity holders of the parent	(642)	(1,999)	(3,891)
Net loss from discontinuing operation attributable to equity holders of the parent	-	(3,245)	(5,048)
	<u>(642)</u>	<u>(5,244)</u>	<u>(8,939)</u>
<b>Number of shares</b>			
Weighted average number of ordinary and diluted shares for the purposes of basic earnings per share	<u>145,947,725</u>	<u>48,703,808</u>	<u>59,320,763</u>
(Loss)/profit per ordinary share basic and diluted (pence)	<u>(0.44)</u>	<u>(12.00)</u>	<u>(16.00)</u>

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.

## 6. Intangible assets

	Land acquisition costs £'000	Development expenditure (Manica) £'000	Reclamation & mine closure costs £'000	Mineral Exploration £'000	Total £'000
As at 1 January 2017	-	10,147	-	-	10,147
Additions – at fair value	-	-	-	-	-
Additions – at cost	-	108	-	-	108
Impairment of Chepica Asset	-	-	-	-	-
<b>As at 30 June 2017</b>	<b>-</b>	<b>10,255</b>	<b>-</b>	<b>-</b>	<b>10,255</b>

### Amortisation

As at 1 January 2017	-	-	-	-	-
Charge for the year	-	-	-	-	-
Impairment of Chepica Asset	-	-	-	-	-
<b>As at 30 June 2017</b>	<b>-</b>	<b>10,255</b>	<b>-</b>	<b>-</b>	<b>10,255</b>
<b>Net book value</b>					
<b>At 30 June 2017</b>	<b>-</b>	<b>10,255</b>	<b>-</b>	<b>-</b>	<b>10,255</b>
<b>At 31 December 2016</b>	<b>-</b>	<b>10,147</b>	<b>-</b>	<b>-</b>	<b>10,147</b>

- 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 (“DFS”) 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%.

## 7. Current Liabilities

	As at 30 June 2017 £'000	As at 30 June 2016 £'000	As at 31 December 2016 £'000
Trade creditors and accruals	1,058	2,451	1,427
Other payables	800	1,867	1,417
SEDA backed loan	742	1,251	1,473
	<b>2,600</b>	<b>5,569</b>	<b>4,317</b>

## Other payables

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 the 20 July 2016, the parties agreed to a schedule of repayments which included payments of US\$750K and \$US150K 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 may require that 15% of the net proceeds of the fundraising may be applied to redeem part of the Convertible Loan Notes. The Convertible Loan Notes may 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 may, 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 Xtract ordinary shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per Ordinary Share (now equivalent to 2.4p per Ordinary Share after adjustment for the subsequent Capital Reorganisation). In the event of a material breach of the terms of Convertible Loan Note Agreement by the Company which has not been remedied by the Company to the Noteholder's satisfaction, acting reasonably, the Conversion Discount will increase to 30%.

On 16 February 2017, the Company issued 1,589,623,629 new ordinary shares to Auroch at an issue price of 0.013282p (equal to a 15 per cent. discount to the VWAP during the 10 business days prior to the issue of the Convertible Loan Notes) following receipt of notice from Auroch to convert US\$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 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 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 above repayments, there was no further outstanding amount on the Convertible Loan Notes as at 30 June 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 will accrue at a rate of 10% per annum, on or before 31 December 2017. In addition, it was agreed that the Company will endeavour to obtain relevant shareholder authorities on or before 30 June 2017 to authorise the Company to replace the Loan Agreement with a convertible loan note on substantially the same terms as the Convertible Loan Notes. In the event that the Company does not obtain the necessary approvals by 31 December 2017, an accelerated interest rate of 30% per annum will 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.

## *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\$1.75 million (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 will terminate upon full settlement by the Company of the Manica Debt.

## *4. SEDA Backed Loan*

On 12 December 2013, the Company and YA Global Master SPV Ltd ("YAGM") entered into a loan note agreement pursuant to which YAGM agreed to issue an unsecured loan of a principal amount of up to US\$5 million to the Company. The note carries an interest of 12% per annum and each tranche is repayable in 12 monthly instalments. The Company pays 8% of each drawn tranche as an implementation fee. An initial tranche of US\$0.30 million was drawn down by the Company on 12 December 2013 and further tranches of US\$0.25 million and US\$0.50 million on the 18 November 2014 and 21 November 2014 respectively.

On 10 May 2016 and 23 May 2016 respectively, the Company drew further tranches of US\$0.85 million. On 19 July 2016, the Company drew a further tranche of US\$0.4 million and the parties agreed to reschedule the monthly instalments with the final repayment due on 1 August 2017. As 31 December 2016 a total of £1,473k (US\$1,774k) remained 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 is supplemental to the SEDA-backed loan note agreement dated 12 December 2013 ("Loan Agreement").

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

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

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



In respect of US\$0.52 million of the Balance, the Company 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\$0.06 million per month for 2017, and on average US\$0.06 million per month for 2018, and ending on 1 March 2018.

In respect of the remaining US\$0.52 million of the Balance, the Company 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 may at any time from the date of execution of the Supplemental Agreement until 1 April 2018, convert all or any of the amount then outstanding under the Loan Agreement into new fully paid Xtract ordinary shares ("Conversion Shares") at a conversion price equal to a 15% discount to the average volume weighted average price of Xtract ordinary shares ("VWAP") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per ordinary share (now equivalent to 2.4p per Ordinary Share after adjustment for the subsequent Capital Reorganisation).

On 19 June 2017, the Company received a conversion notice from the Investor to convert US\$0.1 million of the Balance, together with interest of US\$0.003 million, at a conversion price of 0.0012p (now equivalent to 2.4p per Ordinary Share after adjustment for the subsequent Capital Reorganisation).

Following the Period end, as set out further in Note 11 below, the balance outstanding to YA II EQ was repaid in full and the facility was terminated.

## 8. Share capital

	As at 30 June 2017 Number	As at 30 June 2016 Number	As at 31 December 2016 Number
<b>Issued and fully paid</b>			
Ordinary shares of 0.01p each at 1 January	19,621,061,879	8,603,503,522	8,603,503,522
Share issued during the period	14,840,181,122	1,137,258,065	11,017,558,357
	<u>34,461,243,001</u>	<u>9,740,761,587</u>	<u>19,621,061,879</u>
Share Consolidation*	(34,461,243,001)	-	-
Outstanding as at 30 June	<u>-</u>	<u>9,740,761,587</u>	<u>19,621,061,879</u>
Deferred shares of 0.09p each As at 1 January	1,547,484,439	1,547,484,439	1,547,484,439
Subdivision**			
Issued during the period	3,790,736,730	-	-
	<u>5,338,221,169</u>	<u>1,547,484,439</u>	<u>1,547,484,439</u>
Ordinary shares of 0.02p each As at 1 January	-	-	-
Share Consolidation*	172,306,215	-	-
Issued during the period	3,342,537	-	-
Outstanding as at 30 June	<u>175,648,752</u>	<u>-</u>	<u>-</u>

The following ordinary shares were issued during the period:

- Issued 6 January 2017 - 335,484,611 ordinary shares at 0.018p per share
- Issued 16 February 2017 - 1,589,623,629 ordinary shares at 0.0132p per share
- Issued 16 February 2017 - 3,496,940,001 ordinary shares at 0.0185p per share
- Issued 10 March 2017 - 796,812,502 ordinary shares at 0.0204p per share
- Issued 10 March 2017 - 6,659,458,000 ordinary shares at 0.0185p per share
- Issued 28 March 2017 - 134,835,331 ordinary shares at 0.0164p per share
- Issued 5 April 2017 - 1,513,513,514 ordinary shares at 0.0185p per share
- Issued 5 April 2017 - 313,513,514 ordinary shares at 0.0185p per share
- Issued 20 June 2017 - 20 ordinary shares at 0.0185p per share

The following Deferred Shares of 0.09p were created during the period

- Issued 22 June 2017 - 3,790,736,730 deferred shares

The following Ordinary Shares of 0.02p were issued during the period:

- Issued 22 June 2017 - 172,306,215 ordinary shares
- Issued 26 June 2017 - 3,342,537 ordinary shares at 2.4p per share

#### **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 issued ordinary share capital as at 1 January 2017 a capital reorganisation of the Company’s issued share capital which comprised two elements:

- Every 200 existing Ordinary Shares were consolidated into one 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 twenty two New Deferred Share of 0.09 pence.

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

## 9. Cash flows from operating activities

	Six month period ended 30 June 2017 £'000	Six month period ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
<b>Profit/(loss) for the period</b>	<b>(642)</b>	(5,244)	(8,939)
Adjustments for:			
<b>Continuing Operations</b>			
Depreciation of property, plant and equipment	-	-	101
Amortisation of intangible assets	-	-	180
Finance costs	<b>130</b>	806	2,349
Impairment of intangible assets	-	2,343	3,315
Other (gains) /losses	-	18	-
Share-based payments expense	-	22	99
<b>Operating cash flows before movements in working capital</b>	<b>(512)</b>	(1,808)	(2,895)
Decrease/(Increase) in inventories	-	33	45
(Increase)/decrease in receivables	<b>31</b>	1,245	1,555
(Decrease)/increase in payables	<b>(601)</b>	1,433	(493)
<b>Cash used in operations</b>	<b>(1,082)</b>	903	(1,788)
Income taxes paid	-	-	-
Foreign currency exchange differences	<b>(83)</b>	(135)	478
<b>Net cash used in operating activities</b>	<b>(1,165)</b>	768	(1,310)

## 10. 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.

## 11. Events after the balance sheet date

### Conversion of YA II EQ, Ltd Loan Note

On 11 July 2017, the Company received a conversion notice from YA II EQ, Ltd to convert US\$150,000 of the Balance, together with interest of US\$1,085, 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 YA II EQ, Ltd at an issue price of 2.4p per Ordinary share.

On 31 July 2017, the Company received a conversion notice from YA II EQ, Ltd to convert US\$168,403 of the Balance, together with interest of US\$1,107, at a conversion price of 2.4p (equal to the floor price). The Company today issued 5,382,666 New Ordinary Shares of 0.02p to YA II EQ, Ltd at an issue price of 2.4p per Ordinary share.

### **Conversion of Auroch Loan**

On 19 September 2017, Auroch converted US\$200,000 of the outstanding amount under the loan agreement. The Company issued 6,219,370 new ordinary shares to Auroch at an issue price of 2.4p per new ordinary share.

### **Issue of Equity**

On 9 August 2017, the Company announced that it had raised £1,300,000 (before expenses) following the placement of 76,470,590 new Ordinary Shares of 0.02p each at 1.7p ("**Placing Price**") per new Ordinary Share (the "**Placing**").

The net proceeds from the Placing were utilised by the Company to repay, in full, the amount outstanding to YA II EQ under the existing Loan Note Facility (as announced on 5 April 2017) of US\$ 583K and accordingly the facility was terminated. In addition, funds will be utilised for the pre-production costs for the Manica Alluvial operations and the balance for general working capital purposes and business development.

### **Manica Gold Alluvial Mining Contractor Agreements**

#### ***Omnia Contract Mining Agreement***

On 19 June 2017, the Company announced that its wholly-owned Mozambican subsidiary, Explorator Limitada ("Explorator") had concluded a Mining Contractor agreement ("Mining Contractor Agreement" or "Agreement") with Omnia Mining Ltd and Moz Gold Group Limitada ("Contract Miners") for the exploitation of alluvial gold deposits at its Manica mining concession in Mozambique.

The Company's wholly-owned Mozambican subsidiary, Explorator, had appointed the Contract Miners, who will have the exclusive right to mine unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area. The Agreement will endure for a period of 10 years or the depletion of alluvials, with the option to extend for a further period of 5 years, if the alluvials have not depleted, by the Contract Miners as well as rights of early termination either by Explorator or the Contract Miners.

The Mining Agreement includes performance targets whereby the Contract Miners from 1 September 2017 until 31 October 2017 will be required to have in place a fully operational plant with a mining capacity of 100 tonnes per hour. The minimum target mining capacity increases from 1 November 2017 to 400 tonnes per hour subject to obtaining the environmental impact assessment ("**EIA**"). All target dates in the Agreement will be advanced by the number of days, if any, that mining has not been able to take place due to the absence of an EIA.

Explorator may direct the Contract Miners to suspend carrying out of services for such time as Explorator considers necessary and may terminate the Mining Agreement, *inter alia*, if the Contract Miners fails to achieve and maintain any production target by more than 20 per cent for more than two years in a row. The Contract Miners may terminate the Mining Agreement in the event that for a period of three months of continuous work the grade of gold recovered falls to a level that would make the continuance of the operation inappropriate.

Explorator will receive a base net price per tonne of ore processed by the Contract Miners and additional incremental payments based on a proportion of any increase in the gold price above a reference price of US\$1,250 per ounce and / or any failure by the Mining Contractors to achieve the agreed production targets. Assuming a base gold price of US\$1,250, from November 2017, Explorator would expect to receive monthly revenue of US\$165,000. All costs associated with transport and refining of the gold will be shared equally between the Mining Contractors and Explorator.

The Contract Miners will be responsible and liable for any rehabilitation of the mining concession to the extent mined by the Contract Miners as required under the relevant mining laws.

### ***Sino Contract Mining Agreement***

On 11 July 2017, the Company announced its wholly-owned Mozambican subsidiary, Explorator Limitada (“Explorator”) had concluded its second mining contractor agreement (“Sino Mining Contractor Agreement” or “Sino Agreement”) with Sino Minerals Investment Company Limited (“Sino Contract Miner” or Sino) for the exploitation of alluvial gold deposits at Manica at its Manica mining concession in Mozambique.

The Company’s wholly-owned Mozambican subsidiary, Explorator, had appointed the Sino, who will have the exclusive right to mine on the eastern block of the unconsolidated alluvial deposits on the Permitted Area of the Mining Concession area. The Sino Agreement will endure for a period of 10 years or the depletion of alluvials, with the option to extend for a further period of 5 years, if the alluvials have not depleted, by Sino as well as rights of early termination either by Explorator or Sino.

The Sino Agreement included performance targets whereby Sino from the 15 October 2017 will be required to have a fully operational plant with a mining capacity of 200 tonnes per hour. The minimum target mining capacity, increase from 15 January 2018 to 400 tonnes on a consistent 24 hours per day basis.

Explorator will be responsible for recording the gold concentrate produced from the permitted area on a daily basis. Sino will be responsible for the smelting of the gold concentrate and delivering of gold dore bars equal to 25% of the gold concentrate produced.

Explorator will be responsible for all statutory and legal requirements regarding the license.

The Sino Agreement was subject to the condition precedent that Sino pays an entry fee of US\$400,000 in aggregate by 15 December 2017 (“**Entry Fee**”) to Nexus. In consideration for the appointment of Sino, Explorator will pay Sino a net fee of 75% of gold produced by Sino (equivalent to 68.5% after deduction of the applicable mining production tax). Explorator will therefore initially retain 25% of the sales value of all gold produced, equivalent to 19% after deduction of the applicable mining production tax,) (the “**Net Sales Balance**”).

The Net Sales Balance will then be apportioned between Xtract and Nexus based on the consideration and payments terms in the Sino Agreement, and the payment of 60% of gross total monthly gold sales to Nexus pursuant to the Collaboration Agreement, Explorator’s net share of gross total monthly gold sales from the sale of alluvial gold mined in the Manica Concession by Sino, will be approximately 40% of the Net Sales Balance.

Sino will be responsible and liable for any rehabilitation of the mining concession to the extent mined by Sino as required under the relevant mining laws. The Agreement contains an indemnity from Sino to Explorator and further customary terms and conditions (including termination).

ENDS