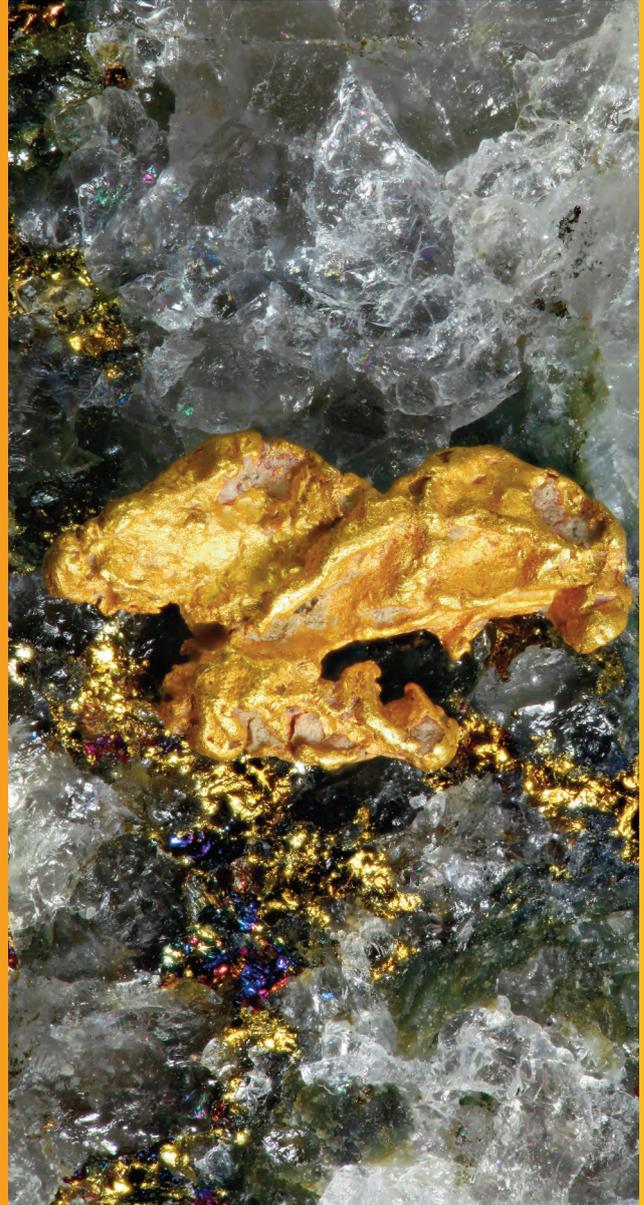




xtract
RESOURCES PLC



Annual Report

for the year ended 31 December 2022

Contents

2	Highlights	51	Consolidated Statement of Comprehensive Income
3	Chairman's Statement	52	Consolidated and Company Statements of Financial Position
5	Strategic Report	53	Consolidated Statement of Changes in Equity
31	Report of the Directors	55	Consolidated and Company Cash Flow Statements
36	Corporate Governance	56	Notes to the Financial Statements
43	Independent Auditor's Report	92	Company Information
50	Consolidated Income Statement		

Xtract Resources Plc (AIM:XTR) announces its final results for the year ended 31 December 2022, a year in which the Company focused its activities on its Bushranger copper-gold exploration project in Australia and the Fair Bride hard rock gold project in Mozambique.

Corporate & Operational highlights

- The Phase Two drilling programme at the Bushranger copper-gold porphyry project in New South Wales, Australia, was completed in July 2022, for a total of 33,354m m of diamond drilling
- Mineral resources at the company's 100% owned Bushranger copper-gold porphyry project have been upgraded to contain a total of 1.3Mt of copper equivalent metal at the Racecourse and Ascot prospects
- An independent mining study completed on the Bushranger project has shown the project is potentially profitable via open-pit mining methods to a depth of 600m, which is inclusive of the higher-grade crown of the Racecourse deposit
- A follow-up mining study achieves substantial rates of return at mining rates of 20 to 25 mpta, which could see significant improvements from pre-concentrate ore sorting, and a follow-up study is underway
- A metallurgical study has yielded copper recoveries of 89-90% from samples analysed from the Racecourse & Ascot prospects, with a sample from Ascot also returning payable levels of gold and silver
- The new Kakuyu acquisition in Zambia has seen operations on site progress with a pushback to expose ore in the former open pit
- Initial soil geochemical surveys around the base of Kakuyu hill have highlighted linear anomalies associated with brecciated carbonate rocks some of which contain supergene mineralisation at depth. Two bulk samples of high-grade ore have been dispatched to commercial concentrator operators for assessment. Drilling is scheduled to test the extent of mineralisation and the variability of ore with depth ahead of processing plant optimisation and if appropriate, mine design
- Mining operations began at Manica Fairbride during 2022, with over 110kg of gold produced by year-end. Xtract has a 23% Net Profit share
- Production at Manica is increasing steadily with the new Carbon in Leach plant processing approximately 40,000 tonnes of ore per month, with proximal ore adding two years of mine life and potential to exploit the considerable sulphide resource opportunity
- Post year end the company decided to withdraw from the Eureka project in Zambia and fully impair the carrying value with a consequent charge to the income statement of £938K

Highlights

CONTINUED

Financial highlights

- Cash of £0.19m (2021: £5.39m)
- Net assets of £19.68m (2021: £20.66m)
- Revenue from gold sales of £2.11m (2021: £0.69m)
- Administrative and operating expenses of £3.03m (2021: £3.31m)

Business Model and Strategy

The board continued to pursue its investment framework to identify and invest in a portfolio of near-term resource assets that:

- Can be brought into production within 2 years;
- Are near or at surface without major upfront capital expenditure;
- Are on the low end of the cash cost curve and have upside growth potential;
- Low entry cost and located in favourable mining jurisdictions.



Chairman's Statement



Colin Bird
Executive Chairman

Dear Shareholder,

During the period under review all projects in the portfolio have been particularly active.

The Bushranger Project completed a major drilling programme of over 30,000m, which can be considered large for major mining companies and is quite unusual for junior resource companies. We announced that the programme was completed in early August 2022 and immediately commenced the modelling programme to define the size of the two resources i.e., Racecourse and Ascot. At the end of November, we announced that Racecourse contains some 512 million tonnes at 0.22% copper equivalent, resulting in a contained copper equivalent metal content of 1.1 million tonnes and classified as indicated and inferred in accordance with JORC (2012). On the 19th of December 2022 we announced a maiden Inferred Mineral Resource estimate of some 87 million tonnes at 0.22% copper equivalent. The combined copper equivalent of some 1.3 million tonnes represents a considerable copper inventory.

Following this maiden resource we commenced a financial modelling programme, managed independently by Optimal Mining. During the course of the study, it became evident that significant benefit may be accrued by the introduction of ore sorting and pre-concentration. We therefore paused the programme and sent representative samples to Tomra Sorting Solutions for test work to determine ore – waste separation characteristics. The results of this work are expected in the 3rd Quarter of 2023 and once received will be incorporated into the financial model. If the results are positive the potential for reducing infrastructure size and direct operating cost are significant and thus, we eagerly await the outcome of the test work.

The Manica gold project in which we have a 23% beneficial share, commenced trial production in July 2022 and at the time of writing it is fully operational with gold production for the month of April 2023 some 60kg. The gold production month on month has increased despite experiencing atrocious rains and two cyclones. The weather has significantly improved, and we are looking at an increase of production and a steady dry season rate of not less than 65kg per month.

Studies are on the way to define in-pit oxide feed material together with general exploration aimed at identifying new additional oxide or sulphide material. We are conducting test work to determine the overall recovery for the transitional material and are optimistic that the cut-off between oxide and refractory sulphide will not be night and day, but gradational.

We are also conducting trials on drill core with a view to designing optimised additional plant for sulphide/refractory ore, which will prolong mine life and provide a sustainable operation for years to come. The board has decided that the contribution of the alluvial deposits, compared to the potential contribution of the Fairbride hard rock, is negligible and thus are winding down on alluvial operations. In any event, this was inevitable since the alluvial resources have almost reached the state of economic depletion.

In Zambia, we did trial mining at the Chongwe Mine, deriving limited production and copper revenues. Post balance sheet, we acquired the Kakuyu Project, near Mumbwa, on acquisition it was considered somewhat limited. Our work to date suggests that project may be significantly larger, and we have already identified 2.4km of strike based on soil geochemistry which may be integrated into the pit mining programme. Unexpected is the presence of random and variable amounts of cobalt, which we are investigating with a view to selectively mining the higher-grade cobalt areas. We are scheduling drilling to assess the ore composition at depth to facilitate an optimised processing plant design and if appropriate a full mine design.

Chairman's Statement

CONTINUED

The Eureka Project has proved to be very variable in grade and thickness and is also very close to a water source which complicates the mining. At this stage we have minimal intention to continue the Eureka Project and the Company has therefore impaired all costs relating to the project.

We are actively looking at a number of smaller scale copper mining propositions in Zambia and Southern Africa in general, since we feel that such assets will have a valuable role to play in the anticipated copper shortage environment in 2024/5. The Company through its cashflow has avoided making secondary placements, completing all of its activities with available cash and cash generated from operations. We intend to maintain the profile if results allow and only seek cash for new acquisitions, which have the potential to add significant value to the Company for our shareholders.

The market recognition for small resource companies has been very slow and thus, Xtract along with most of its peers has suffered significant share price reduction. This is very disappointing when significant hurdles have been jumped, but the headwinds facing smaller companies has been excessive and prolonged. The thread of recession, the war in Ukraine, slow down in China and other geopolitical uncertainty has led to a fear of investment in companies which are not robust and generate significant amounts of cash, with a history of so doing.

The sector has now been ignored by investors for a longer time than I have ever experienced, but at the time of writing I see the green shoots of recovery beginning to appear. The incentive for a potential market recovery is the constant comment from all trade sources suggesting that 2024/5 and beyond will reveal major deficits in the supply of copper and other strategic New Age metals. We continue to look for opportunities and are pleased that we commenced our copper search some years ago, since project demand has increased at a rate I have not experienced previously. The effect of this will be that in future projects will cost more to acquire and will generally be of a lower quality.

Your company is well placed to take advantage of its current asset base and shareholders can rest assured that management will not make hasty decisions to acquire new inferior projects.

I would like to thank my fellow directors and management for their efforts during the period under review and look forward to a buoyant progressive 2023.

Colin Bird

Executive Chairman

29 June 2023

Strategic Report

Summary of Company Operations

Australia

Bushranger project

July 2022 saw the completion of the Phase Two drilling programme at the Bushranger Copper-Gold Project, located in the Lachlan fold Belt ("LFB"), New South Wales, Australia. The LFB is a world class copper-gold province and home to several major operating mines and a number of recent new discoveries.

The Project hosts the existing Racecourse copper-gold porphyry-style mineral deposit and the newly discovered Ascot prospect, approximately 1.5km to the south-east of Racecourse. The Racecourse deposit is considered one of the largest undeveloped porphyry systems in the region and with the discovery of Ascot, that has a higher attributable gold tenor, the project boasts many similarities with Alkane Resources new Boda discovery.

The Phase Two drilling programme commenced on the 15 July 2021 and saw rapid progression of the Bushranger project over the course of one year to 9 July 2022. A total of 49 diamond drill holes for 32,695m of drilling were completed, both expanding the known mineralisation at the Racecourse deposit and leading to the discovery of the Ascot prospect. All assay results were returned in the reporting period which allowed the completion of an updated JORC (2012) – compliant mineral resource for Racecourse announced on the 23 November 2022, along with a maiden JORC (2012) – compliant mineral resource announced for the new Ascot discovery announced on the 19 December 2022.

The combined copper-gold mineral resource at the Racecourse and Ascot Prospects contains approximately 1.3Mt of copper-equivalent metal, with the combined shallow high-grade zones at the Racecourse and Ascot prospects hosting a total of 225Mt @ 0.33% CuEq.

Racecourse Prospect new Mineral Resource

Following the completion of the Phase 1 and Phase 2 drilling programmes by Xtract, independent consultants, Measured Group, updated the historic Inferred Mineral Resource for the Racecourse Prospect, which is now reported as 512Mt @ 0.22% CuEq, at a cut-off of 0.1% CuEq, containing 1.1 Mt of copper equivalent metal and classified as Indicated and Inferred in accordance with JORC (2012). The Racecourse Mineral Resource contains 50Mt @ 0.25% CuEq which has been classified as Indicated in accordance with JORC (2012).

A higher-grade core of the Racecourse mineralisation extends from near surface to relatively shallow depths and contains 191Mt @ 0.33% CuEq, reported at a cut-off of 0.2% CuEq.

The majority of the updated 512Mt Racecourse Mineral Resource is expected to occur at depths amenable to open pit mining, given an open pit mining study completed by independent consultants Optimal Mining in July 2021 concluded that the Racecourse copper-gold mineralisation could potentially be economically extracted via open pit mining to a depth of 600m.

The updated Racecourse Indicated and Inferred Mineral Resource compares to the previous April 2018 Inferred Mineral Resource of 71Mt @ 0.44% Cu and 0.064g/t Au at a cut-off grade of 0.3% Cu, which was based on a much smaller set of drill intercepts. The updated Mineral Resource uses a cut-off grade of 0.1% Cu, based on analysis of the Grade Vs. Tonnage curve, higher prevailing commodity prices, a large moderate grade deposit envelope based on the additional drilling by Xtract and the 2021 Optimal Mining report which suggested that mining to 0.15% Cu cut-off could produce a positive economic return – this report was prepared before the new drill data was available.

Strategic Report

CONTINUED

Table 1 – Racecourse Prospect Mineral Resource Estimate

Resource Classification	Mass (kt)	Average Values				Contained Metal			
		Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (t.oz)	Ag (t.oz)	CuEq (tonnes)
Indicated	50,150	0.22	0.04	0.87	0.25	108,700	59,600	1,397,500	124,500
Inferred	461,950	0.17	0.05	0.71	0.21	797,300	757,200	10,566,500	980,100
Total	512,100	0.18	0.05	0.73	0.22	906,000	816,800	11,964,000	1,104,600

Table 2 – Racecourse Grade vs Tonnage estimates using CuEq cut-offs

CuEq** Cut Off (%)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq** (%)	Tonnage (Kt)	CuEq (Contained Tonnes)
0.00	0.16	0.05	0.66	0.20	592,300	1,164,921
0.05	0.16	0.05	0.66	0.20	582,910	1,161,456
0.10	0.18	0.05	0.72	0.22	512,091	1,104,631
0.15	0.21	0.06	0.89	0.26	335,837	881,798
0.20	0.27	0.08	1.15	0.33	191,010	632,217
0.25	0.31	0.09	1.34	0.38	143,735	508,475

Notes:

1. Xtract owns 100 per cent. of ProspectOre Ltd, the operator of the Bushranger Project and gross and net attributable resources are therefore the same.
2. Mineral Resources are reported in accordance with JORC guidelines. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
3. All figures are rounded to reflect appropriate levels of confidence.
4. Apparent differences in totals may occur due to rounding.
5. A cut-off grade of 0.1% CuEq has been used applying a copper price of US\$8,800/t, a gold price of US\$1,800/Oz and a silver price of US\$24/Oz.
6. The Mineral Resource estimate is based on information reviewed by Measured Group, with an effective date of 31 October 2022.
7. CuEq Formula : $CuEq \% = (Cu\%) + (Au\ g/t * 0.6577) + (Ag\ g/t * 0.008769)$.

Ascot Prospect new Mineral Resource

Xtract announced the discovery of the Ascot Prospect in December 2021 following a successful intersection of 64m @ 0.58% CuEq from 552m downhole in drillhole BRDD-21-035 which was designed to test an outlying MIMDAS IP anomaly to the southeast of the Racecourse Prospect. The Phase Two drilling programme was then expanded and to date a total of 17 diamond drill holes for 9,697.4m of drilling have been completed at the Ascot Prospect.

The Ascot Prospect is located to the southeast of Racecourse Prospect, with mineralisation extending for over 750m in the same orientation and terminating 200m southeast of the southern limit of the Racecourse Mineral Resource.

A maiden inferred mineral resource of 87Mt @ 0.22% CuEq, at a cut-off of 0.1% CuEq, containing 0.19Mt of copper equivalent metal and classified as Inferred in accordance with JORC (2012) was completed by independent consultants Measured Group Pty Limited (“Measured Group”) in December 2022.

Strategic Report

CONTINUED

The copper-gold mineralisation at the Ascot prospect comes to surface and contains a higher-grade section of 34Mt @ 0.33% CuEq, reported at a cut-off of 0.2% CuEq. When combined with the shallower higher-grade zone reported at Racecourse, a total of 225Mt of ore grading at 0.33% CuEq sits in potentially open pittable ground at the Bushranger Project.

Table 3 – Ascot Prospect Mineral Resource Estimate

Resource Classification	Mass (kt)	Average Values				Contained Metal			
		Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)	Cu (tonnes)	Au (t.oz)	Ag (t.oz)	CuEq (tonnes)
Inferred	87,041	0.15	0.09	1.39	0.22	128,125	246,365	3,944,078	189,110

Table 2 – Ascot Prospect Grade vs Tonnage estimates using CuEq cut-offs

CuEq** Cut Off (%)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq** (%)	Tonnage (Kt)	CuEq (Contained Tonnes)
0	0.13	0.08	1.24	0.19	105,969	203,716
0.05	0.13	0.08	1.25	0.19	104,852	203,333
0.1	0.15	0.09	1.39	0.22	87,041	189,110
0.15	0.18	0.11	1.61	0.27	56,159	150,596
0.2	0.22	0.14	1.98	0.33	33,984	112,276
0.25	0.27	0.19	2.58	0.42	18,713	78,097

Notes:

1. Xtract owns 100 per cent. of ProspectOre Ltd, the operator of the Bushranger Project and gross and net attributable resources are therefore the same.
2. Mineral Resources are reported in accordance with JORC guidelines. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
3. All figures are rounded to reflect appropriate levels of confidence.
4. Apparent differences in totals may occur due to rounding.
5. A cut-off grade of 0.1% CuEq has been used applying a copper price of US\$8,800/t, a gold price of US\$1,800/Oz and a silver price of US\$24/Oz.
6. The Mineral Resource estimate is based on information reviewed by Measured Group, with an effective date of 16 December 2022.
7. CuEq Formula : $CuEq \% = (Cu\%) + (Au\ g/t * 0.6577) + (Ag\ g/t * 0.008769)$.

Mineralisation at the Ascot Prospect remains open down-dip and to the south, where an untested IP geophysical anomaly occurs.

Strategic Report

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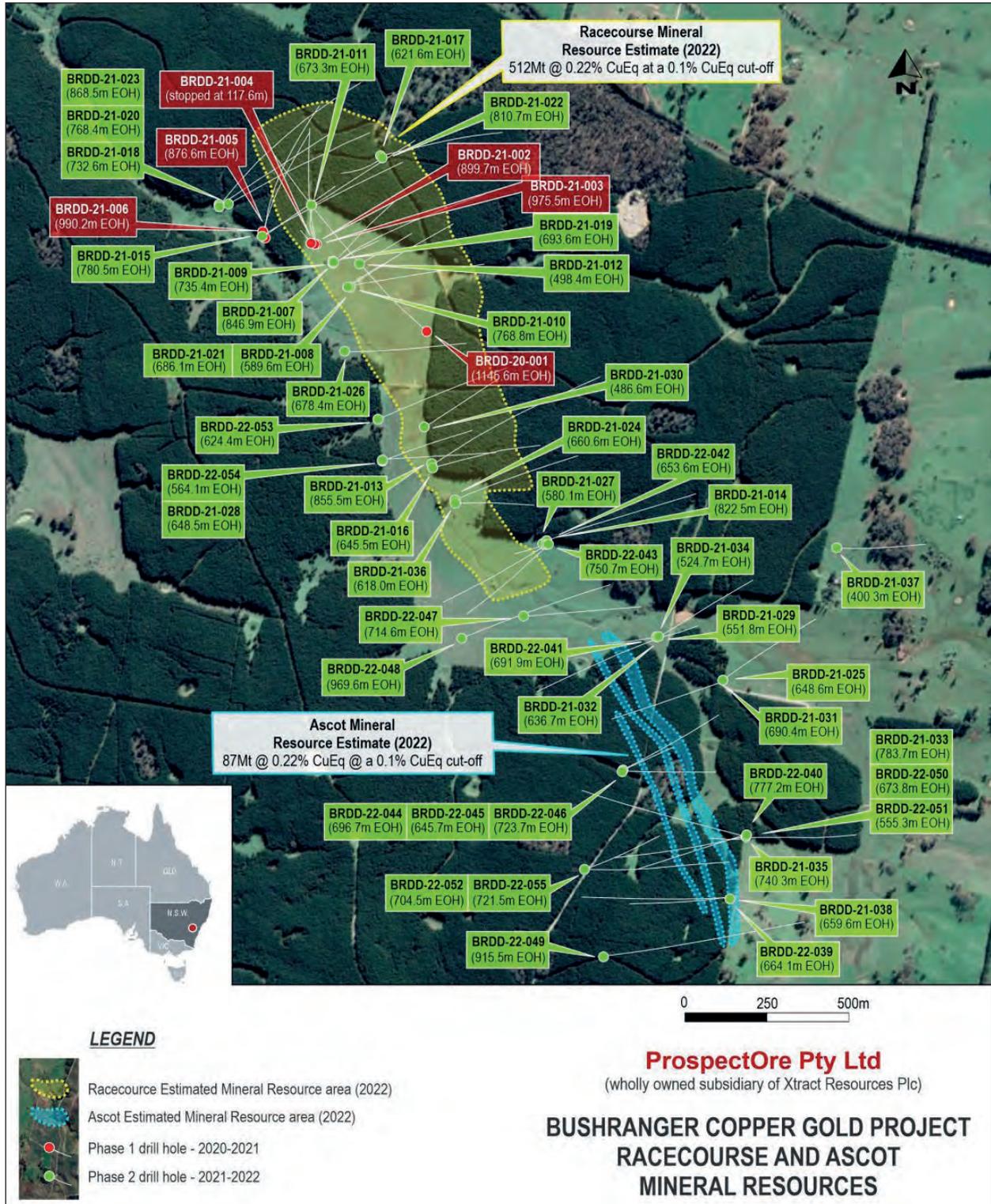


Figure 1 – Racecourse & Ascot Prospects updated Mineral Resource

Strategic Report

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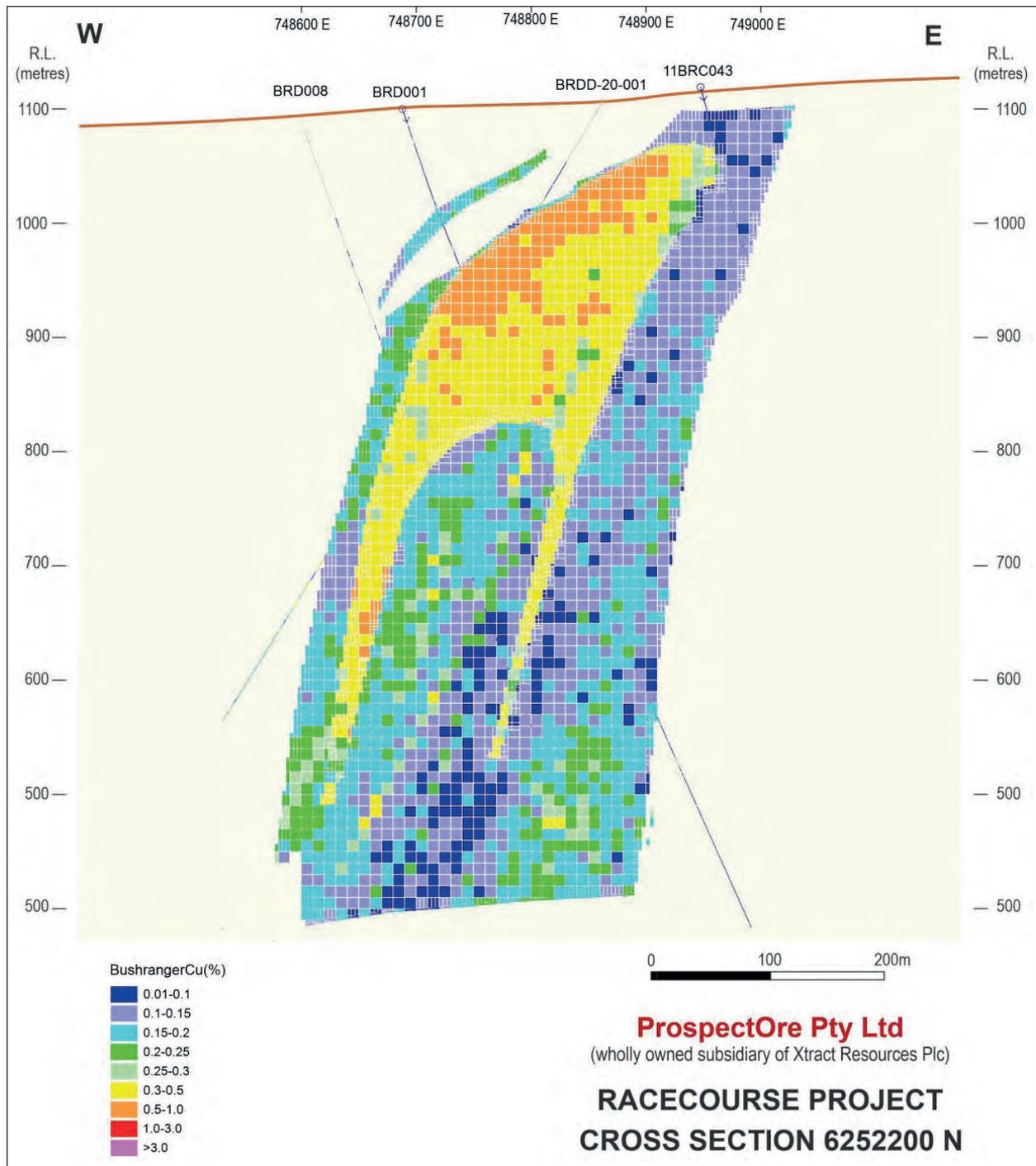


Figure 2 – Representative Geological Cross Section Through the Racecourse Prospect

Strategic Report

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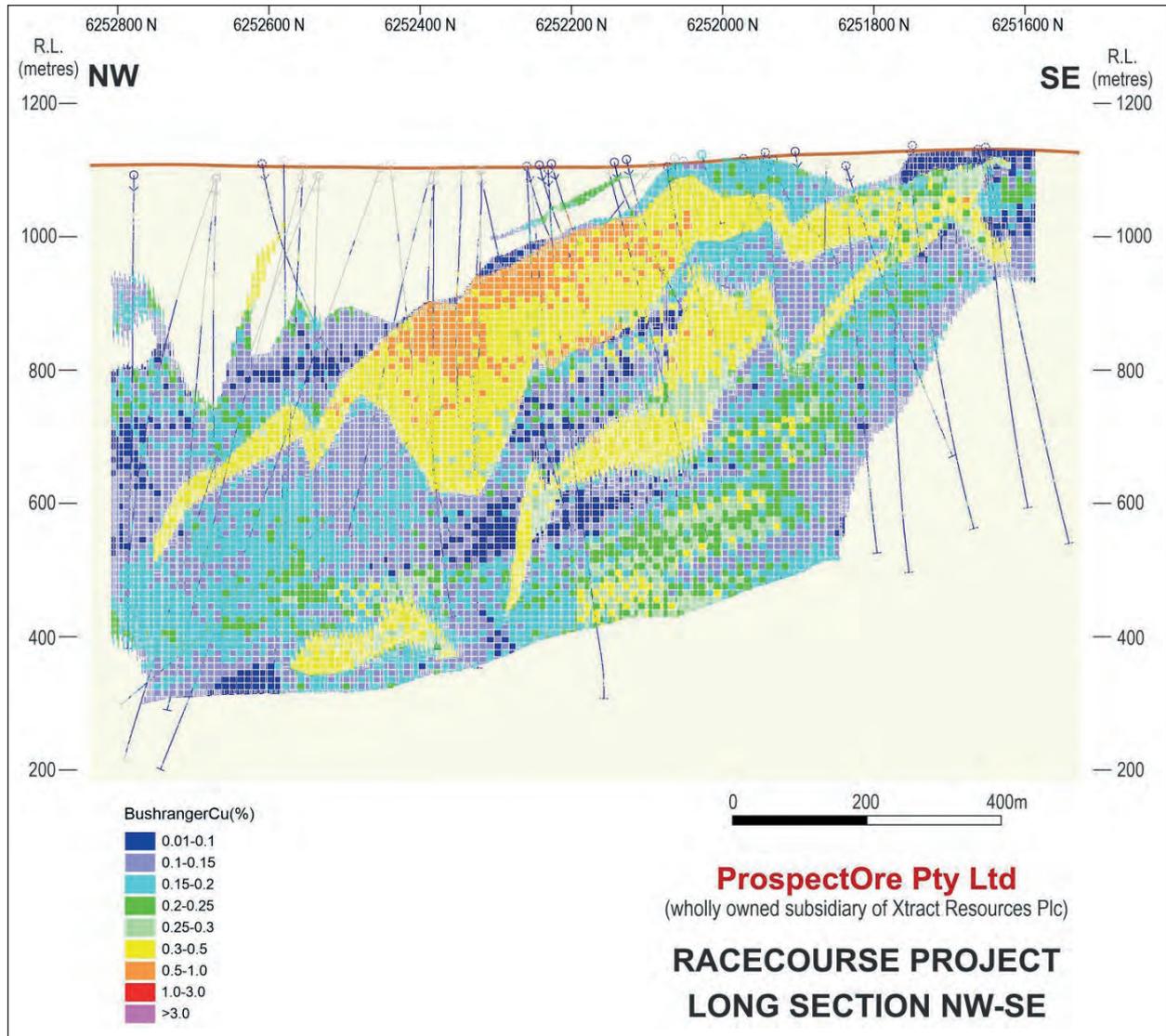


Figure 3 – Representative Geological Long-Section Through the Racecourse Prospect

Strategic Report

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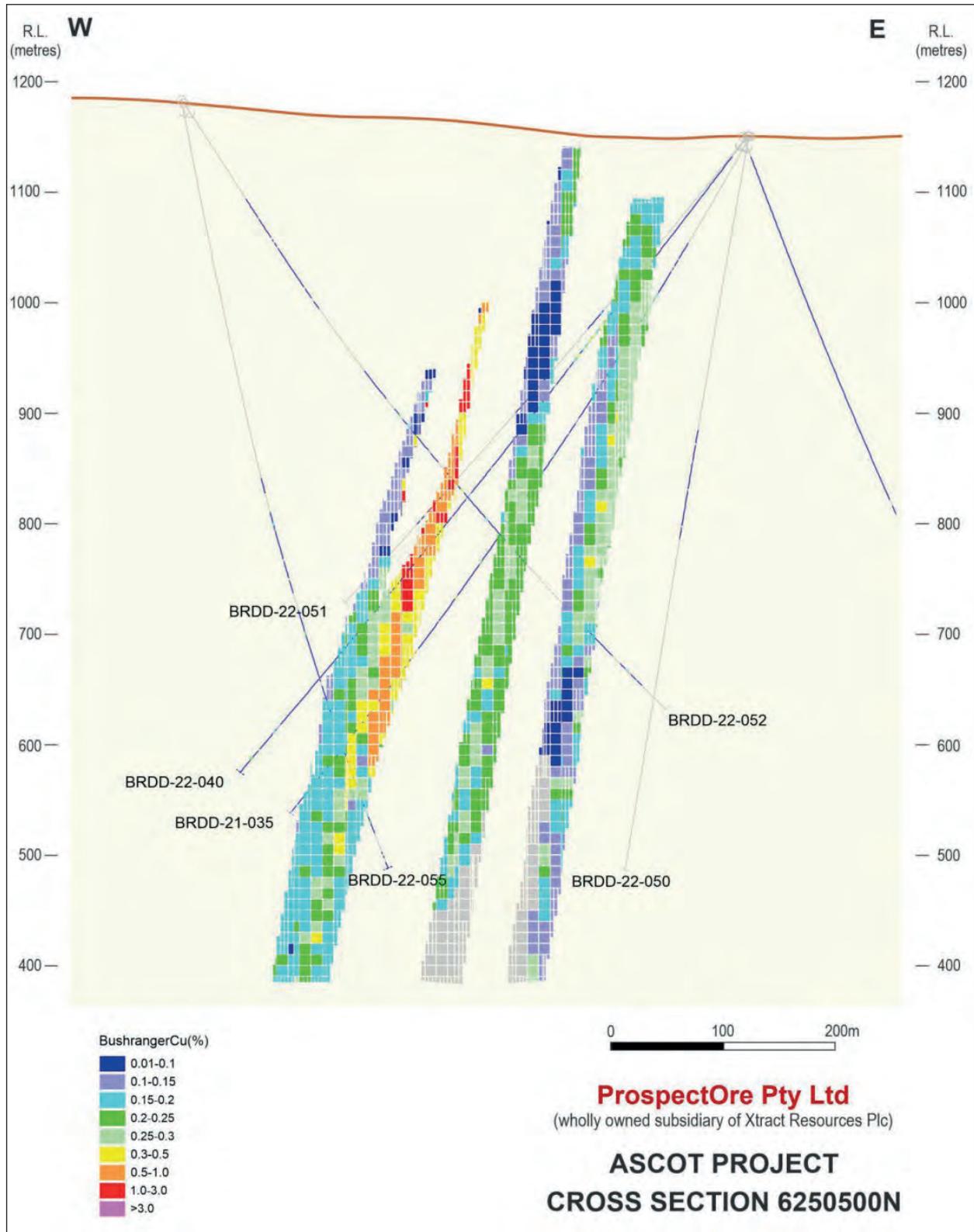


Figure 4 – Representative Geological Cross-Section Through the Ascot Prospect

Strategic Report

CONTINUED



Photo 1 – Mineralised drill-core from drillhole BRDD-22-052 at the Ascot Prospect



Photo 2 – Phase Two drilling progressing at Bushranger

Strategic Report

CONTINUED

Bushranger Geophysical Survey

A follow-up MIMDAS Induced Polarisation (“IP”) survey was completed in 2022 in order to extend a series of geophysical anomalies defined in a 2021 MIMDAS IP survey further towards the southeast to include the new Ascot discovery and the prospective ground between the Racecourse and Ascot prospects.

Six lines of MIMDAS data were collected for a total of 17 line kilometres at a 200m line spacing.

The additional six lines of MIMDAS data were joined into a single database with data previously collected by Xtract in 2020 and 2021 and also by Anglo American in 2015 and 2016. The entire MIMDAS data base was 3D inverted and the results from the 3D inversion were used to plan the final Phase 2 drill holes at both the Racecourse and Ascot prospects. The porphyry copper-gold mineralisation on the Bushranger project is closely associated with pyrrhotite, a mineral which is conductive. The MIMDAS data was used to locate areas of low resistivity, which could indicate the presence of pyrrhotite and also areas of high chargeability, indicative of the presence of disseminated pyrite mineralisation, usually found peripheral to the main bodies of copper mineralisation. Areas where a MIMDAS chargeability anomaly was adjacent to a strong resistivity low anomaly were targeted for drilling. This strategy led to the discovery of the Ascot Prospect. Several MIMDAS targets, both north, west and south of the Racecourse and Ascot mineral resources, remain untested.

Metallurgical Test Work

Four representative Bushranger samples were sent to independent consultants Altrius Consulting (“ACPL”) for a scoping test work programme to assess the metallurgical response of the copper-gold mineralisation. Four master composite samples of quartered drill core were prepared, based upon their geographic location within the Racecourse and Ascot deposits, namely Racecourse Central, Racecourse North-West, Racecourse South-East and Ascot.

The samples reflected the anticipated average copper grade of the deposit, ranging from 0.33% – 0.48% Cu, with minor silver (1.1g/t to 3.3g/t) and trace gold (0.007 g/t to 0.004g/t), other than the more gold-rich Ascot sample which assayed at 0.3g/t Au.

Initial test work focused on copper recovery, with results generally yielding 89-90% recovery, other than for the Racecourse North-West sample (76% recovery), where further work is recommended to understand the differing metallurgical response. The Ascot sample which contained a higher tenor of silver and gold yielded payable gold and silver in the Cu concentrate.

All concentrates produced payable silver grades, with further work recommended to ascertain the potential for gold and molybdenum recovery. Test work also indicated that the concentrates produced contained no significant penalty elements, with the concentrates considered ‘clean’ and readily saleable.

Strategic Report

CONTINUED

Full Phase Two Drilling Results

Please find Table 4 below detailing a full summary of significant intersections returned from the Phase 2 drilling programme.

Table 4. Full Summary of Reported Phase Two Drilling Results

Drill holes BRDD-21-038 to BRDD-22-055 drilled and assays returned during the reporting period

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-008	204	388	184	0.47	0.03	3	0.51
incl.	204	213	9	0.84	0.08	1.8	0.9
and	252	298	46	0.66	0.04	5.1	0.72
incl.	290	298	8	1.27	0.02	16	1.41
incl.	292	294	2	1.79	0.02	25.6	2
and	332	358	26	0.71	0.05	3.3	0.77
	446	458	12	0.07	0.6	0.9	0.44
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-009	272	720	448	0.26	0.06	1.1	0.3
incl.	343	498	155	0.39	0.06	2.1	0.44
incl.	363	398	35	0.54	0.1	2.2	0.61
and	470	498	28	0.48	0.09	2.1	0.54
and	630	638	8	0.08	0.85	0.3	0.54
incl.	634	636	2	0.16	1.92	0.6	1.2
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-010	178	516	338	0.28	0.05	1.4	0.31
incl.	292	378	86	0.48	0.05	2.1	0.52
incl.	344	358	14	0.69	0.03	2.6	0.73
and	696	738	42	0.25	0.02	0	0.27
incl.	696	708	12	0.36	0.01	0	0.36

Strategic Report

CONTINUED

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-021-011	146	164	18	0.14	0.41	0.6	0.39
	220	238	18	0.05	0.35	0.4	0.25
	294	424	130	0.25	0.03	0.9	0.28
incl.	294	372	78	0.3	0.02	1	0.32
incl.	308	324	16	0.38	0.03	1.3	0.4
and	342	358	16	0.44	0.03	1.8	0.47
and	390	424	34	0.25	0.07	0.9	0.29

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD_021-012	202	324	122	0.3	0.04	2	0.34
incl.	202	270	68	0.42	0.05	3.5	0.48
incl.	230	268	38	0.59	0.05	5.4	0.66
	434	482	48	0.04	0.27	0.2	0.2
incl.	460	466	6	0.03	0.74	0.2	0.47
BRDD-21-013	140	308	168	0.23	0.02	0.7	0.25
incl.	142	152	10	0.37	0.02	1.4	0.39
and	164	192	28	0.43	0.01	1.7	0.45

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-015	430	436	6	0.24	0.04	3.7	0.29
	462	470	8	0.11	0.34	1.2	0.32
	482	510	28	0.29	0.02	1.9	0.32
incl.	490	504	14	0.35	0.03	2.3	0.39
	560	638	78	0.23	0.06	0.4	0.27
incl.	560	566	6	0.06	0.25	0.1	0.21
incl.	574	626	52	0.3	0.04	0.4	0.33
and	616	626	10	0.63	0.02	0.7	0.64

Strategic Report

CONTINUED

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD_021-016	34	44	10	0.23	0.01	1.8	0.25
	134	140	6	0.32	0.06	0.7	0.36
	170	312	142	0.2	0.01	0.1	0.21
incl.	178	190	12	0.36	0.01	0.5	0.37
and	250	264	14	0.38	0.01	0.4	0.39
	596	636	40	0.01	0.23	0.9	0.15
incl.	628	636	8	0.01	0.66	0.3	0.41

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-018	528	698	170	0.16	0.09	0.74	0.22
incl.	642	686	44	0.25	0.05	1.05	0.29
incl.	648	660	12	0.33	0.11	1.33	0.41

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-019	276	478	202	0.23	0.04	2.1	0.27
incl.	276	352	76	0.35	0.06	3.1	0.41
incl.	312	330	18	0.51	0.22	4.1	0.67
and	422	438	16	0.31	0.01	1.6	0.32

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-020	581	627	46	0.27	0.05	1.4	0.31
incl.	611	627	16	0.37	0.03	2.1	0.4
and	677	743	66	0.26	0.01	1.4	0.27
incl.	685	737	52	0.29	0.01	1.5	0.3
and	687	695	8	0.37	0.02	2	0.4

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-021	205	485	280	0.31	0.07	1.2	0.36
incl.	205	297	92	0.46	0.09	1.8	0.53
and	347	383	36	0.38	0.19	1.2	0.51

Strategic Report

CONTINUED

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-022	209	218	9	0.27	0.01	0.64	0.28
	244	266	22	0.19	0.01	0.4	0.2
incl.	258	264	6	0.29	0	0.6	0.3
	278	284	6	0.24	0	0.73	0.25
	290	350	60	0.24	0	0.61	0.24
incl.	290	320	30	0.3	0	0.72	0.3
	376	386	10	0.26	0	0.48	0.26
	522	666	144	0.25	0.02	1.39	0.28
	686	718	32	0.22	0.01	1.93	0.24

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-023	492	502	10	0.02	0.29	0.28	0.19
	530	540	10	0.05	0.57	1.52	0.4
	694	718	24	0.11	0.03	0.52	0.13
	752	774	22	0.12	0.02	0.85	0.14

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-024	80	104	24	0.18	0.01	0.8	0.19
incl.	80	88	8	0.29	0.02	1.7	0.31
and	162	176	14	0.16	0.25	0.2	0.31
and	240	248	8	0.3	0.01	0.2	0.31

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-026	154	250	96	0.15	0.03	1.5	0.18
incl.	224	248	24	0.26	0.05	1.8	0.31
	314	350	36	0.07	0.39	0.5	0.32
	402	410	8	0.42	0.94	1.7	1.01
	464	602	138	0.19	0.03	0.02	0.21
incl.	470	492	22	0.22	0.2	0	0.34
and	516	542	26	0.31	0	0	0.31
	634	640	6	0.42	0	0	0.42

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-027	340	356	16	0.17	0.22	2.1	0.32

Strategic Report

CONTINUED

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-028	278	282	4	0.25	0.03	0.7	0.28
	334	342	8	0.27	0.06	0.4	0.31
	376	384	8	0.17	0.01	0.1	0.18
	450	540	90	0.14	0.01	0.1	0.15
incl.	456	488	32	0.17	0.01	0.1	0.17
incl.	470	474	4	0.7	0.02	0.5	0.71
and	510	540	30	0.2	0.01	0.2	0.2
incl.	522	538	16	0.24	0.01	0.3	0.24
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-029	242	266	24	0.16	0.06	2.8	0.22
incl.	242	254	12	0.23	0.05	3.9	0.29
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-030	161	331	170	0.19	0.08	0.5	0.24
incl.	161	235	74	0.26	0.11	1.1	0.34
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-031	586	638	52	0.22	0.05	3	0.27
incl.	600	612	12	0.7	0.16	9.9	0.88
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-033	191	193	2	0.01	15.5	1.6	N/A
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-034	220	228	8	0.01	0.25	0.8	0.16
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-035	166	232	66	0.19	0.09	2.08	0.26
incl.	194	212	18	0.3	0.13	2.76	0.39
	356	408	52	0.19	0.1	0.61	0.26
incl.	394	402	8	0.36	0.25	1.7	0.52
	552	716	164	0.24	0.17	1.43	0.35
incl.	552	616	64	0.38	0.3	2.26	0.58
	676	686	10	0.31	0.16	2.28	0.43

Strategic Report

CONTINUED

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-21-038	79	183	104	0.18	0.08	1.1	0.24
incl.	101	111	10	0.3	0.07	1.1	0.35
and	175	183	8	1.17	0.37	8.7	1.46
	329	333	4	0.23	0.1	4	0.32
	411	415	4	0.37	0.06	6	0.45
	521	527	6	0.05	0.35	1.6	0.27
	589	591	2	0.01	2.3	0.6	1.4
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-039	182	188	6	0.2	0.02	1.3	0.22
	200	214	14	0.07	0.09	0.7	0.13
	432	434	2	0.01	1.86	0.4	N/A
	510	542	32	0.02	0.92	1	N/A
incl.	510	524	14	0.02	1.96	1.6	N/A
and	510	512	2	0.02	3.24	2.4	N/A
	595	601	6	0.01	0.46	0.4	N/A
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-044	388	440	52	0.16	0.06	1.88	0.21
incl.	388	406	18	0.26	0.08	2.89	0.34
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-045	278	288	10	0.22	0.03	3.76	0.28
	390	404	14	0.14	0.05	1.46	0.18
incl.	396	402	6	0.2	0.08	2.2	0.27
	492	496	4	0.29	0.03	2.7	0.33
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-046	263	285	22	0.03	0.21	0.5	N/A
incl.	265	271	6	0.01	0.57	0.1	N/A
	321	381	60	0.15	0.05	1.6	0.2
incl.	341	361	20	0.32	0.08	1.6	39

Strategic Report

CONTINUED

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-054	220	428	208	0.08	0.24	0.10	0.26
Including	338	364	26	0.07	1.64	0.10	1.24
Including	246	364	18	0.04	2.28	0.10	1.67
	476	510	34	0.15	0.01	0.10	0.16
Including	478	486	8	0.35	0.01	0.50	0.36
Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	Ag (g/t)	CuEq (%)
BRDD-22-053	161	481	320	0.11	0.06	0.05	0.16
Including	201	219	18	0.12	0.13	1.90	0.23
and	281	287	6	0.22	0.02	2.00	0.25
and	305	313	8	0.19	0.07	0.30	0.24
and	385	391	6	0.37	0.05	0.00	0.41
and	405	429	24	0.24	0.24	0.10	0.42

* Assays undertaken by Bureau Veritas Minerals Pty. Ltd. Laboratory, Adelaide, Australia

** CuEq Formula: $CuEq = Cu\% + 0.5884 \times Au (g/t) + 0.0078 \times Ag (g/t)$

*** Due to the nature of the Phase Two drilling programme assays were delivered over the course of a one-year period, therefore there may be some minor discrepancy in the metal prices used for the CuEq formula in the above compilation of results

Open-Pit Mining Study

Post year end an updated open-pit mining study was commenced by independent consultants Optimal Mining Solutions (Pty) Ltd ("Optimal Mining") to examine the economics of 20Mtpa and 25Mtpa open pit mining operations on the Bushranger Copper-Gold Project.

Sixteen economic pit shells were modelled from an operating cost perspective which highlighted that the 20Mtpa and 25Mtpa open pit options potentially generate significant operating cash margins dependent upon mining rate, copper price and cut-off grade.

As processing of the Racecourse prospect ore contributes between 49% and 61% of the total production costs across the 16 cases examined, it was identified that the Racecourse prospect copper mineralisation may be well suited to pre-concentration, providing opportunities to streamline mining and processing, with positive impacts on metal recoveries, capital and operating costs through the use of sorting technology.

Optimal Mining identified a project with similar grades to Racecourse where pre-concentration reduced the amount of material to be concentrated by up to approximately 50%, significantly reducing pre-production capital and operating costs.

Xtract have initiated a pre-concentration study with the objective of quantifying improvements in cash margins which will allow Net Present Values and Internal Rates of Return to be calculated for various mining scenarios, finalising of the mining study, and results are expected in the 3rd quarter of 2023.

Strategic Report

CONTINUED

Footrot Prospect

A coincident gold and copper in soil and MINDAS IP anomaly was identified at the Footrot prospect, some 7km South-Southeast of Racecourse, which could have represented a satellite porphyry deposit, forming a cluster of mineralised porphyries in the area, a common feature of neighbouring deposits in the Lachlan Fold Belt. Two exploratory diamond drill holes, FTDD-22-001 and 02 were completed at the Footrot prospect which intersected lengthy intervals of alteration and iron sulphide mineralisation explaining the MIMDAS IP anomaly. The Footrot prospect has now been adequately tested and no further work is planned.

Zambia

Kakuyu Copper – Cobalt Project

Xtract concluded a joint venture agreement to acquire an initial 60% interest in the Kakuyu copper project in December 2022. The Project is located approximately 53km north-west of the town of Mumbwa, Central Province of Zambia, in a region well-known for mining including the nearby mines and occurrences of Sable Antelope, True Blue, Crystal Jacket, Maurice F Gifford, Lou Lou, Silverking and Kamiyobo. The most recent discovery is the Iron Oxide Copper Gold (“IOCG”) Kitumba project (BHP/Blackthorn Resources).

The project comprises a small-scale mining licence inclusive of the Kakuyu open pit and an adjacent exploration licence. The Kakuyu open pit was subject to small-scale mining operation prior to acquisition, and the whole licence has received very little exploration to date.

Work to date has focused on a major pushback operation to expose ore within the former open pit to allow for safe and efficient extraction of bulk samples for both distribution to commercial concentrator operators to assess the ore and, to test the closest known extensions to mineralisation along strike. The representative bulk samples of ore were accepted by Zambian processing facilities for treatment and commercial copper and gold recoveries were achieved.

In addition to the mining of high-grade ore, the Company anticipates accumulating a significant tonnage of lower grade material that currently cannot bear the cost of transport to the nearest concentrator. Test work is underway to optimise a low-cost flow sheet and associated processing plant design to upgrade ore prior to transport for final concentration.

The development of a sustainable operation requires further pushback and exposure of supergene enriched copper (cobalt) mineralisation both along strike of the current open pit and elsewhere within the two licences. Variation in ore type has been noted and the Company will complete further drilling to establish ore type distribution with depth which will help with plant design and determine whether mine planning is warranted. The Company will focus on cash flow generation potential once the small-scale operation has exposed additional ore through the pushback programme whilst also commencing focused exploration across the two licences.

Initial soil geochemical surveys around the base of the Kakuyu hill have highlighted linear anomalies associated with brecciated carbonate rocks that may contain supergene mineralisation at depth. Near-surface grades are sub-economic due to leaching of copper and whilst this requires the Company to strip this low-grade material the implication is that high-grade copper mineralisation may occur at a depth of between 20 and 25m below surface where copper has been redeposited as a supergene enriched layer typically with an average grade of more than 3% Cu and sometimes significantly higher.

Strategic Report

CONTINUED

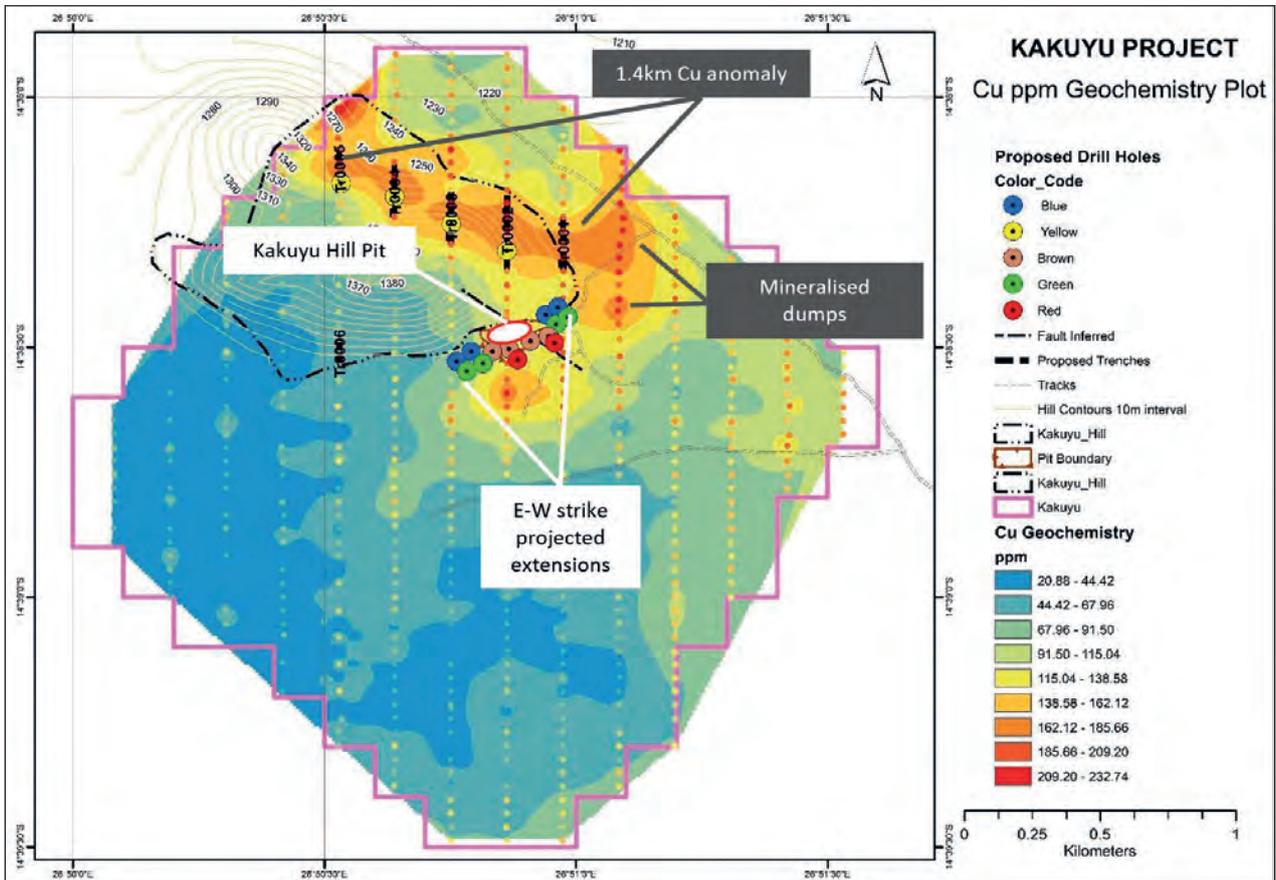


Figure 5 – Kakuyu Open Pit Illustrated with Strike Extensions Both North and South of Kakuyu Hill and additional exploration potential to the North

Strategic Report

CONTINUED



Photo 3 – Copper mineralisation from Kakuyu Hill open pit

Eureka Copper-Gold Project

Copper mineralisation at Eureka occurs within sedimentary rocks along a north-west oriented structural trend. A shallow historic open pit mine was developed by a local operator. Previously reported drilling by Xtract confirmed continuity of the shallow mineralised zone over about 300m of strike, with pockets of exceptionally high copper grades in a partially oxidised supergene zone. A second, possible stratabound mineral style may also represent a target of interest.

The decision was made to impair the project during the reporting period, with no further exploration undertaken.

Mozambique

Manica Project

Hard Rock Collaboration Agreement

In 2019, the Company entered into a Collaboration Agreement with Mutapa Mining and Processing LDA (“MMP”) (the “Mining Contractor”).

Appointment

The Company appointed MMP, an independent mineral processing contractor, to provide a technical solution for processing Explorator’s material, to conduct hard rock mining on the Manica Project for a period of 10 years with an option to extend. MMP agreed to contribute their hard rock processing plant and committed to the purchase and commission of suitable Carbon in Leach plant.

Strategic Report

CONTINUED

Consideration & Payments

MMP will receive 77% of all the operating profit produced from the permitted area through the performance of the contract by MMP when the prevailing price of Gold is greater than US\$1,250 per ounce. MMP's entitlement shall be increased to 78.5% at a prevailing gold price greater than US\$1,175, and to 80% when the prevailing price of Gold is less than US\$1,100 per ounce. Profit is defined as: Revenue on Sale less deductible costs (excluding non-cash items) and corporation tax. At the current gold price per ounce the Company will be due 23% of operating profit of gold produced.

Progress

MMP began its mining operations at the Fair Bride concession in May 2022. Using conventional open pit mining, the initial phase will extend to a depth of 60m. By the end of phase 2, the pit will be at a maximum depth of 200m.

The newly constructed Carbon in Leach plant is fed by standard technology which includes crushing, milling and thickening processes. The plant was commissioned and produced its first gold during July 2022. Production increased steadily through commissioning with just over 110kg of gold produced by December 2022.

Production has stepped up further since the balance sheet date with the plant processing approximately 40,000 tonnes of ore per month. The new plant has proven reliable and is producing recoveries of around 88% from the oxide and weathered transitional ore. The plant has C1 operating costs of approximately \$800 per ounce.

MMP has undertaken significant grade control work in recent months in order to optimise mine planning. Known oxide and weathered transitional ore within the Fair Bride concession is expected to provide at least another two years of mine life for the current processing plant configuration.

Exploration activities to further extend mine life have begun, initially with an extension at Fair Bride. We will work with MMP in the coming months to decide on the strategy around extending oxide mine life and how and when best to exploit the considerable sulphide resource opportunity.



Photo 4 – The Manica Operation

Strategic Report

CONTINUED



Photo 5 – Gold pour from the Manica operation

Business Review

The Company evaluates new exploration and appraisal opportunities continually, including businesses and projects in precious and base metals.

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements can be found within this Strategic Report. The Business Review contains certain forward-looking statements, which have been made by the Directors in good faith based on information available to them at the date of this report. These statements may be affected by the factors outlined in the Risks and Uncertainties section of this report.

Details of significant events since the balance sheet date are contained in note 31 to the financial statements.

Performance

The key indication of performance of the Group is the extent of its success in identifying, acquiring, progressing and divesting investments in projects so as to build shareholder value. At this stage in its development, the Group's performance is not readily measured using quantitative key performance indicators. However, a qualitative summary of performance in the period is provided in the Executive Chairman's Statement and Strategic Report.

Strategic Report

CONTINUED

Financial Review

Financial Summary Table

	Year ended 31 December 2022 (£million)	Year ended 31 December 2021 (£million)
<i>Consolidated income resulting from continuing operations</i>		
Revenue		
Sale of gold bars	2.11	0.69
Other operating income	0.70	0.19
Operating and administrative expenses	(3.04)	(3.31)
Direct operating	(1.69)	(0.57)
Other operating	(0.12)	(0.08)
Administration	(1.23)	(2.66)
Project costs	(1.43)	(0.43)
Other losses	—	—
Finance costs	0.11	(0.19)
(Loss) for the period from continuing operations	(1.55)	(3.06)
Taxation	(0.28)	(0.08)
(Loss) for the period	(1.83)	(3.13)
(Loss) per share		
Basic	(0.22)p	(0.40)p
<i>Consolidated balance sheet position</i>		
Intangible fixed assets	19.42	16.75
Tangible fixed assets	0.04	0.02
Cash	0.19	5.39
Total assets	21.12	23.01
Total equity	19.68	20.66
Total equity – weighted average number of shares	849,532,192 shares	805,203,295 shares

Income Statement Analysis

The Group reported a net loss before tax of £1.55 million (2021: £3.06 million), The Group's basic loss per share decreased to 0.22p (2021: basic loss per share of 0.40p). Manica alluvial and hard rock gold sales for the year amounted to £2.11 million (2021: £0.69 million). This was primarily due to an increased production throughout 2022 in alluvial mining from both the 3390C and 7569L concessions. It was first year of full production from Guy Fawkes and Boa Esperanza hard rock deposits while in 2021, production in the 1st half of the year was curtailed as contactors were not able to operate at full capacity due to Covid-19 which had an effect on the rest of 2021. Operating and administrative expenses decreased from the prior year and amounted to £3.04 million (2021: £3.31 million). A total of £1.47 million share-based payment charge was included in the administration fees for 2021, while the charge for this year amounted to £0.25 million. The charge relates to share options granted to employees and consultants of the Company in 2021 and 2022. The accounting charge has been calculated using the Black- Scholes method. Direct operating costs increased from £0.57 million in 2021 to £1.69 million for 2022, which is reflective in the increased production and revenue in 2022. Non-administrative project costs which during 2022 and 2021 included additional costs relating to Southern African projects amounted to £1.43 million (2021: £0.43 million) and in 2022 included an impairment charge of £0.98 million for all historical costs incurred to date on the date on the Eureka Copper project in Zambia and £0.32 million in 2021 for all historical costs on the Kalengwa copper project in Zambia. The Company continues to look at different areas of where potential savings could be achieved and continues to implement certain measures which assist in achieving a corporate overhead cost base consistent with other junior mining companies. Finance income for 2022 amounted to £0.11 million which comprises of interest charged on outstanding invoices, compared to finance costs in the prior year of £0.19 million.

Strategic Report

CONTINUED

Intangible Fixed Assets

The Group's intangible fixed assets increased from £16.75m in 2021 to £19.42m in 2022. The majority of the increase relates to the Bushranger exploration costs for 2022 which have been capitalised to the intangible fixed assets.

Cash Position

The Group's net cash position at 31 December 2022 was £0.19 million (2021: £5.39 million) with no outstanding borrowings (2021: Nil).

Environmental Responsibility

The Company recognises that the Group's operations require it to have regard to the potential impact these activities may have on the environment. Wherever possible, the Company also ensures that all related companies are encouraged to comply with the local regulatory requirements with regard to the environment.

Risks and Uncertainties

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Group's internal control system. The board and the executive committee keep the risks inherent in an exploration business under constant review. The principal risks for an exploration company and the measures taken by the Company to mitigate them are detailed below:

General and Economic Risks:

- Contractions in the world economies or increases in the rate of inflation resulting from international conditions;
- Movements in the equity and share markets in the United Kingdom and throughout the world;
- Movements in global equity and share markets and changes in market sentiment towards the resource industry;
- Currency exchange rate fluctuations and, in particular, the relative prices of the US Dollar, Australian Dollar, Mozambican Metical and the UK Pound;
- Adverse changes in factors affecting the success of exploration and development and mining operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; and unforeseen adverse geological factors or prolonged weather conditions.
- The current conflict between Russia and Ukraine could have a significant impact on both the availability and cost of fuel supplied to Southern Africa and should the conflict continue there is an ongoing risk to fuel supply and costs.

Dependence on key personnel:

- The Company is dependent upon its executive management team and various technical consultants, and the retention of their staff cannot be guaranteed. The development and success of the Company depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Company grows could have an adverse effect on future business and financial conditions:

Strategic Report

CONTINUED

COVID-19 risk:

- COVID-19 and other pandemics which have the potential to cause disruption and to pose a threat on similar operations worldwide and could impact the Company's ability to operate and ultimately impact its cashflows. It remains the Group's focus to protect all personnel, site visitors and stakeholders and at the same time to ensure business continuity. The necessary changes have taken place in all the relevant jurisdictions and the Group continues to monitor government guidance in each territory in which it operates to mitigate the above risk.

Market perception:

- Market perception of mining and exploration companies may change, which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by issue of further shares in the Company.

Political risk:

- Political risk is the risk that assets will be lost through expropriation and unrest or war. The Group minimises political risk by operating in countries with relatively stable political systems, established fiscal and mining codes and a respect for the rule of law.

Uninsurable risks:

- The Group may become subject to liability for accidents, pollution and other hazards, which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, such as in amounts, which exceed policy limits.

Security of tenure:

- The Group investigates its rights to explore and extract minerals from all of its material properties and, to the best of its knowledge; those rights are expected to be in good standing. However, no assurance can be given that the Group will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to it, or that governments in the jurisdiction in which the Group operates will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments or other claimants. Although the Group is not aware of any existing title uncertainties with respect to any of its material properties, there is no assurance that such uncertainties, if negative, will not result in future losses or additional expenditures, which could have an adverse impact on the Group's future cash flows, earnings, results of operations and financial condition.

Funding Risk:

- The Company may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

Commodity Risk:

- Commodity risk is the risk that the price earned for minerals will fall to a point where it becomes uneconomic to extract them from the ground and process. Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Company. Production costs depend on a wide range of factors, including commodity prices, capital and operating costs in relation to any operational site. The principal metals in the Group's portfolio are gold, copper. The prices of these elements have been volatile during the year, but an uptrend is in place. The potential economics of all the Group's projects are kept under close review on a regular basis.

Strategic Report

CONTINUED

Exploration and Development Risks:

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs;
- Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects;
- Some of the countries in which the Company operates have native title law, which could affect exploration activities.

Reserve and resource estimates:

- The Company's future reported reserves and resources are only estimates. No assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral and metal reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative.
- Mineral and metal reserve and resource estimates may require revision (either up or down) based on actual production experience or further sampling. Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or can be brought into profitable production. Furthermore, a decline in the market price for natural resources that the Company may discover or invest in could render reserves containing relatively lower grades of these resources uneconomic to recover and may ultimately result in a restatement of reserves.

Operational risk:

- Exploration and subsequent mining operations are subject to hazards normally encountered in exploration, development and production. Although it is intended to take adequate precautions during each stage of development to minimise risk, there is a possibility of a material adverse impact on the Group's operations and its financial results. The Group will develop and maintain policies appropriate to the stage of development of its various projects. Recruiting and retaining skilled and qualified personnel are critical to the Group's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. While the Group has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on the Group's business, results of operations and financial condition. Members of staff are encouraged to discuss with management matters of interest to the employees and subjects affecting day-to-day operations of the Group.

Mining risk:

- There is no guarantee that the minerals contained in the various assets can be mined either practically, technically or at a cost less than the realisable value of the contained minerals. The cost of development and access may preclude the development of the mine. Should a mine be developed there is no assurance that operations can continue since operations are dependent on product prices, direct operating cost and the cost of "stay in business" capital. Mining operations are often challenged by difficult mining and/or slope stability conditions, variability of grade, excess water and small faulting. All of these factors could adversely affect mining production rate and therefore profitability. Alluvial gold is random in nature and its distribution varies in degrees of fineness and maybe insufficient in quantity and could present processing constraints with recoverability.

Strategic Report

CONTINUED

Environmental factors

All mining operations have some degree of environmental risk. Although the directors have made reasonable assessment, no assurance can be given that no outstanding or intended claims against disturbance of the environment exist. In addition, the Group will also be subjected to, where appropriate, clean-up costs and for any toxic or hazardous substances, which may be produced as a result of its operation. Environmental legislation and permitting are evolving in a non-mining supportive manner, which could result in onerous standards and enforcement with the risk of consequential fines, penalties and closure. As the Company develops, the directors intend to carry out the appropriate environmental base-line studies with experts outsourced from independent environmental consultancies.

Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company, with significant developments disseminated through stock exchange announcements. The Board regards the annual general meeting as a forum for communication between the Company and its shareholders and encourages shareholders' participation in its agenda.

Outlook

The year has been a challenging one, but I am pleased to say that we issue this report in a stable, focused manner with a clear vision on how the Company will go forward.

We intend to continue to move forward with our base metal projects in Australia and Zambia, which have proved to be very exciting potentially large-scale projects.

The Manica Project continues to offer many opportunities which can be exploited. Our agreement with Mutapa Mining and Processing ensures benefit to the Company by receiving between 20%-23% of the profit depending on the gold price when mining the hard rock open pit. The Manica Project was brought into full commercial production during the second half of 2022 and our alluvial gold production playing less of a part in the overall gold production.

Post Covid-19, geopolitical tensions and finance market uncertainties lead us to believe that the coming year will continue to see a stronger copper and gold price which the Company could benefit from, and at the same time, our current portfolio is balanced thereby presenting good opportunities for value accretion in the short to mid-term.

Colin Bird

Executive Chairman

29 June 2023

Report of the Directors

The Directors present their report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2022. The Corporate Governance Statement is set out on page 36 and forms part of this report.

Going Concern

These consolidated financial statements are prepared on a going concern basis, which the Directors believe appropriate as referred to in note 3 of the financial statements.

Capital Structure

Details of the Company's share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 23. The Company has one class of ordinary share and one class of deferred share. No person has any special rights of control over the Company's share capital and all issued shares are fully paid and carry no right to fixed income.

There are no specific restrictions on the size of holding or on the transfer of the ordinary shares. The Directors are not aware of any agreements between shareholders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

The deferred shares have certain rights and are subject to certain restrictions. Inter alia, the deferred shares do not carry any entitlement to dividends or to participate in any way in the income or profits of the Company, do not confer on the holders thereof any entitlement to receive notice of or to attend or speak at or vote at any general meeting of the Company and shall not be capable of transfer at any time other than with the prior consent of each of the Directors.

Under its Articles of Association, the Company had authority to issue up to 2,000,000,000 ordinary shares. Pursuant to the Companies Act 2006 and with effect from 1 October 2009, the requirement for a Company to have an authorised share capital has been abolished and the new Articles which the Company adopted at the 2009 AGM reflect this. However, there are certain restrictions as to the number of shares that can be allotted in terms of the Companies Act 2006.

Results and Dividends

The net loss for the Group for the year ended 31 December 2022 amounts to £1,829k (2021: £3,132k). No dividends were paid or proposed by the Directors in either the current or previous year.

Directors

The Directors of the Company who held Office during the year are as follows:

- Colin Bird
- Joel Silberstein
- Alastair Ford
- Kjeld Thygesen

Report of the Directors

CONTINUED

Colin Bird, *Executive Chairman*

Executive Chairman Colin is a chartered mining engineer and a Fellow of the Institute of Materials, Minerals and Mining with more than 40 years' experience in resource operations management, corporate management, and finance. Colin has multi commodity mine management experience in Africa, Spain, Latin America and the Middle East. He has been the prime mover in a number of public company listings in the UK, Canada and South Africa. His most notable achievement was founding Kiwara Resources Plc and selling its prime asset, a copper property in Northern Zambia, to First Quantum Minerals for US\$260 million in November 2009.

Joel Silberstein, *Finance Director*

Joel holds an Honours Bachelor of Accounting Science degree from the University of South Africa.

He qualified as a chartered accountant with Mazars, Cape Town in 2002, and subsequently joined Toronto-quoted European Goldfields Limited. There he held the position of Group Financial Controller and Vice President Finance, supporting the executive team in growing the company through its exploration and development phases, until it was bought by Eldorado Gold in a C\$2.5bn deal. He joined AIM-traded Xtract Resources plc in mid-2013 and was appointed finance director in February 2014. He has subsequently assisted in several corporate transactions, including those surrounding the Manica gold mining operations, and he has experience of working in multiple jurisdictions around the world. He also joined the Galileo Resources Plc board in October 2020 as Financial Director. He is a member of the Institute of Chartered Accountants of South Africa as well a Fellow of the Institute of Chartered Accountants in England and Wales.

Alastair Ford, *Non-executive Director (member of audit and remuneration committees)*

Alastair Ford has been involved in the mining sector for more than two decades. For many years he was the mining correspondent at The Investors' Chronicle, the UK's number one investment magazine. He also played a key role at Minesite.com, the mining investment portal that was prominent during the last mining boom and in the aftermath. He was subsequently Chief Investment Officer and Chief Executive of Mineral & Financial Investments, an AIM-listed mining and commodities investment vehicle, and is currently a non-executive director of Great Western Mining.

Kjeld Thygesen, *Non-executive Director (member of audit and remuneration committees)*

Mr Thygesen joins the Board with a wealth of natural resource industry experience having worked as an executive director of N M Rothschild International Asset Management and subsequently, as the investment manager to several natural resource funds. Between 2002 and 2010 he served as a director of Ivanhoe Mines Ltd, which discovered and developed the Oyu Tolgoi mine in the South Gobi Desert of Mongolia, which was acquired by Rio Tinto. Mr Thygesen's particular focus is in financing, valuation and corporate development.

Retirement by Rotation

In compliance with the Company's Articles of Association, Joel Silberstein and Kjeld Thygesen will retire by rotation at the Company's forthcoming Annual General Meeting and will offer themselves for re-election.

Directors' Remuneration

The Company aims to remunerate the Directors at a level commensurate with the size of the Company and their experience. During the year, the Remuneration Committee consisted of Alastair Ford and Kjeld Thygesen.

The emoluments for the Directors are disclosed in note 10 of the Financial Statements.

Report of the Directors

CONTINUED

Directors' Interests

The Directors who held office at 31 December 2022 have the following interests in the Company:

	31 December 2022		31 December 2021	
	Ordinary shares	Options	Ordinary shares	Options
Colin Bird	16,754,149	32,000,000	14,586,966	27,000,000
Kjeld Thygesen	—	1,000,000	—	—
Alastair Ford	—	2,000,000	—	2,000,000
Joel Silberstein	718,266	14,000,000	—	12,000,000

No Director held any interest in any of the Company's subsidiaries at the beginning (or, if later, the date of their appointment) or the end of the year.

Further details of the share options and warrants in the Company can be found in note 26 of the Financial Statements.

Directors' Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year and these remain in force at the date of this report.

Directors' Service Contracts

Directors' contracts are continuous until terminated by either party upon six months' notice for Executive Directors and three months' notice for Non-Executive Directors. In accordance with the Company's Articles, at the forthcoming annual general meeting at least one third of the Directors are required to resign by rotation.

Major shareholders

The Directors are aware of the following substantial shareholdings of 3% or more of the share capital of 856,375,115

Ordinary shares as at 1 June 2023. As at the date of the report, the Company had not received any notifications of major interest in shares.

Shareholders	1 June 2023	%
Hargreaves Lansdown Asset Management	158,911,274	18.56
Interactive Investors	96,262,946	11.24
Halifax Share Dealing	66,330,433	7.75
Mr Alex Terry	56,500,000	6.60
Barclays Wealth	51,986,679	6.07
A J Bell Securities	46,850,331	5.47

Report of the Directors

CONTINUED

Statement of Directors' Responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Adopted International Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with UK Adopted International Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Environmental Responsibility

The Company recognises its role as a mining and exploration company and is aware of the potential impact that the Company may have on the environment. The Company ensures that it complies with the local regulatory requirements with regard to the environment.

Supplier Payment Policy

The Company's policy is to settle the terms of payment with suppliers when agreeing terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Financial Risk Management Objectives

The Group has disclosed the financial risk management objectives within Note 27 to these Financial Statements.

Corporate Governance

A report on corporate governance is provided on page 36.

Events after balance sheet date

There were no significant events after balance sheet date.

Report of the Directors

CONTINUED

Annual General Meeting

The Company will hold the annual general meeting during the early part of the 3rd quarter of 2023 to lay the annual accounts before the shareholders and to deal with any other business for the consideration of the shareholders. The notice of the meeting with full details of the business to be considered thereat will be sent to shareholders in a separate circular.

Auditors

Provision of information to Auditor

Each of the persons who are a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Jeffreys Henry Audit Limited resigned as auditors on 30 March 2023 and MAH, Chartered Accountants were appointed by the directors to fill the vacancy arising with effect from that date.

A resolution to appoint MAH, Chartered Accountants as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Colin Bird

Executive Chairman

29 June 2023

Corporate Governance

Corporate Governance Report

Introduction

In April 2018, the Quoted Companies Alliance (QCA) published an updated version of its Code which provides UK small and mid-sized companies with a corporate governance framework that is appropriate for a Company of our size and nature. The Board considers the principles and recommendations contained in the QCA Code are appropriate and have therefore chosen to apply the QCA Code.

The updated 2018 QCA Code has 10 principles that should be applied. Each principle is listed below together with a short explanation of how the Company applies each of the principles:

Principle One

Business Model and Strategy

The Board has and continues to pursue a strategy which can achieve long term value to its shareholders. The investment framework has been to identify and invest in near-term resources assets that:

- Can be brought into production within 24 months;
- Are near or at surface without major capital expenditure;
- Are on the low end of the cash cost curve and have further upside growth potential;
- A low entry cost and located in favourable mining jurisdictions

The Company has in the past focused on precious metals and in particular gold projects and as at the date of this report has 1 precious metal project in Mozambique (Manica Gold project), 1 base metal project in Australia (Bushranger Copper project) and a further base metal projects in Zambia (Kakuju Copper project) which meet the above criteria, whether it be an active or strategic investment. The Company will continue to seek to grow both businesses organically and will seek out further joint ventures and other arrangements that create enhanced value.

Principle Two

Understanding & Meeting Shareholder Needs and Expectations

The Board is fully committed to developing a good understanding of the needs and expectations of the Company's shareholder base as well as maintaining good communication and having constructive dialogue with its shareholders. There are currently no institutional shareholders with the majority shareholder base being private shareholders. The Company has ongoing relationships with its private shareholders. All shareholders are encouraged to attend the Company's Annual General Meeting and other shareholder meetings. Investors also have access to current information on the Company through its website, www.xtractresources.com, social media platforms and via the Executive Chairman, Colin Bird who is available to answer investor relations enquiries.

Principle Three

Considering wider stakeholder & social responsibilities & their implications for long-term success

Long-term success relies upon good relations with different stakeholder groups including internal and external stakeholders. The Board recognises the importance of the Company reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders.

The Company's Mozambican subsidiary, Explorator Limitada deals on a regular basis with institutions such as the Ministry of Mines and its subordinate departments, the Ministry of Land and Environmental as well as the Local Government of the District of Manica and authorities based in Maputo. The Company is also involved with the local community including projects, which have and will benefit the local community and surrounding areas.

PropsectOre Pty Ltd has its operations on the Bushranger Project regulated by the New South Wales Resources Regulator, who is the companies most important external stakeholder. The New South Wales Resources Regulator, approve the location and design of all drill holes and access tracks and then monitor rehabilitation of all land disturbed on the Bushranger.

Corporate Governance

CONTINUED

Project. Drilling cannot be completed without the approval of the New South Wales Resources Regulator. ProspectOre is currently in full compliance with all directives of the New South Wales Resources Regulator and there are no outstanding issues which have been raised by the New South Wales Resources Regulator with ProspectOre. The Bushranger Project predominantly covers land owned by Forestry New South Wales, a state government forestry company. ProspectOre and Forestry New South Wales have agreed a land access agreement which defines the notice ProspectOre must give Forestry New South Wales regarding the exploration activities which ProspectOre wishes to undertake. ProspectOre conducts regular meetings with Forestry New South Wales to keep them updated on the status of the Bushranger Project and future plans. Currently Forestry New South Wales have not raised any issues of concern with ProspectOre.

As the Company progresses with its project in Zambia, it will implement the same procedures as currently in place with the rest of the group.

Management have focused on implementing put in place processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

Principle Four

Risk Management

In addition to its other roles and responsibilities, the Audit Committee will be focusing on further ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out those risks and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit Committee will review and assess the risk matrix and the effectiveness on an annual basis. The following principal risks and controls to mitigate them, have been identified:

Activity	Risk	Impact	Control(s)
Management	Retention of key staff	Effect the overall operating capability	Consideration of longer-term incentive plans along with other forms of remuneration and wherever possible preserving cash resources.
Strategic	Single Jurisdiction	Changes arising could adversely effect operations & value of assets	Constantly evaluate political and economic risk. Further maintaining cordial relations with the relevant authorities. Evaluate further opportunities in other jurisdictions. The Company currently operates in 3 jurisdictions.
	Pandemic Risk	Should a new pandemic occur, there remains a risk that challenges could be placed on the Company and the wider economy will impact the Group's ability to operate, which will ultimately impact its cash flows.	Company's focus to protect all personnel, site visitors and stakeholders and at the same time to ensure business continuity. The necessary changes have taken place in all the relevant jurisdictions and the Group continues to monitor government guidance to mitigate the above risk.
	Single Commodity Risk	Commodities being subject to high levels of volatility in price and demand. Being exposed to one type of commodity would have a greater impact operations and profitability.	The Company is active in seeking out other opportunities, which may diversify commodity risk. The Company has exposure to both base and precious metals

Corporate Governance

CONTINUED

Activity	Risk	Impact	Control(s)
Regulatory Risk	Non-compliance of AIM rules & Companies Act	Withdrawal of Authorisation and censure	Reliance and guidance from numerous advisors of the Company which helps instill a culture of compliance in the Company at all levels
Financial	Liquidity, market and credit risk Inappropriate controls and accounting policies	Entity not able to continue as going concern Reduction in asset values Incorrect reporting of assets	Capital management policies and procedures Appropriate authority and investment levels in place

The Directors will continue to further establish procedures, as represented by this statement, for the purpose of providing a system of internal control. Due to the size of the Company and the interaction on a daily basis between Directors and Officers of the Company, the Board at this stage continue not to deem it necessary or practical to incorporate an internal audit function. The Board will continue to monitor the need for an internal audit function and continue to work closely with the Company's financial accountant to ensure the effectiveness of its control systems.

Principle Five

A Well-Functioning Board of Directors

The Board currently comprises of 4 members, 2 Executive members (The Executive Chairman Colin Bird and Finance Director Joel Silberstein) and 2 Non-Executive Directors (Alastair Ford and Kjeld Thygesen). Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. All the Directors including the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

All letters of appointment of Directors are available for inspection at the Company's registered office during normal business hours. The Board elects a Chairman to chair every meeting.

The Board holds formal meetings periodically as issues arise and require more details. The Directors are in contact and discuss all necessary issues on a regular basis and to ensure that the Non-Executive director, while not involved in the day to day running of the Company is still kept up to date on a regular basis.

The Company has an established Audit Committee as well as a Remuneration Committee, particulars of which appear hereafter. All appointments to the Board are made by the Board as a whole as oppose to a Nominations Committee. The Non-Executive Director is considered to be part time but can be expected to provide as much time to the Company as is required. From September 2012 to August 2016, Colin Bird acted as the Non-Executive Chairman. In August 2016, Colin Bird moved from being a Non-Executive Director to Executive Chairman shortly before the resignation of the former CEO. This change to an executive role came at a challenging time for the Company and through Colin Bird's leadership and guidance the Company has been able to refocus operations, from a single jurisdiction Company to three jurisdictions.

The QCA recommends a balance between executive and Non-Executive Directors and recommends that there be two independent non-executives. In the case of Xtract, the Board has since the Board changes in August 2016 considered its composition to be appropriate. Since July 2020, the Company has maintained a minimum of 2 Non-Executive directors in line with the current portfolio of projects in multi jurisdictions.

The Board continues to monitor the need for additional independent Non-Executive directors based on operational performance and costs. The current Non-Executive directors are considered to be Independent Directors. The Board continues to review further Non-Executive appointments as scale and complexity grows.

Corporate Governance

CONTINUED

Attendance at Board and Committee Meetings

To date the Directors, have attended meetings. In order to be efficient, the Directors wherever possible try and meet formally and informally both in person and if not practical then by telephone or online means.

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of four Directors and, in addition, the Company has employed the outsourced services of Lion Mining Finance Ltd to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets.

The Board recognises that it currently has the necessary skills but will consider as part of any future recruitment an additional Non-Executive director with mining experiences, if the Board concludes that replacement or additional directors are required.

Given the stage of the Company's mining exploration projects and the Executive Chairman's experience in managing numerous projects and his familiarity with the Company's projects, it is the Company's view that it is appropriate for the roles of Chairman and Chief Executive Officer to be combined at this stage. The Company will keep this under review until it is deemed necessary to split the roles and can justify the need for a separate Chief Executive Officer role.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Colin Bird

Executive Chairman

Executive Chairman Colin is a chartered mining engineer and a Fellow of the Institute of Materials, Minerals and Mining with more than 40 years' experience in resource operations management, corporate management, and finance. Colin has multi commodity mine management experience in Africa, Spain, Latin America and the Middle East. He has been the prime mover in a number of public company listings in the UK, Canada and South Africa. His most notable achievement was founding Kiwara Resources Plc and selling its prime asset, a copper property in Northern Zambia, to First Quantum Minerals for US\$260 million in November 2009.

Alastair Ford

Independent Non-Executive Director

Alastair Ford has been involved in the mining sector for more than two decades. For many years he was the mining correspondent at The Investors' Chronicle, the UK's number one investment magazine. He also played a key role at Minesite.com, the mining investment portal that was prominent during the last mining boom and in the aftermath. He was subsequently Chief Investment Officer and Chief Executive of Mineral & Financial Investments, an AIM-listed mining and commodities investment vehicle, and is currently a non-executive director of Great Western Mining.

Kjeld Thygesen

Independent Non-Executive Director

Mr Thygesen joins the Board with a wealth of natural resource industry experience having worked as an executive director of N M Rothschild International Asset Management and subsequently, as the investment manager to several natural resource funds. Between 2002 and 2010 he served as a director of Ivanhoe Mines Ltd, which discovered and developed the Oyu Tolgoi mine in the South Gobi Desert of Mongolia, which was acquired by Rio Tinto. Mr Thygesen's particular focus is in financing, valuation and corporate development.

Corporate Governance

CONTINUED

Joel Silberstein

Finance Director

Joel holds an Honours Bachelor of Accounting Science degree from the University of South Africa.

He qualified as a chartered accountant with Mazars, Cape Town in 2002, and subsequently joined Toronto-quoted European Goldfields Limited. There he held the position of Group Financial Controller and Vice President Finance, supporting the executive team in growing the company through its exploration and development phases, until it was bought by Eldorado Gold in a C\$2.5bn deal. He joined AIM-traded Xtract Resources plc in mid-2013 and was appointed finance director in February 2014. He has subsequently assisted in several corporate transactions, including those surrounding the Manica gold mining operations, and he has experience of working in multiple jurisdictions around the world. He also joined the Galileo Resources Plc board in October 2020 as Financial Director. He is a member of the Institute of Chartered Accountants of South Africa as well a Fellow of the Institute of Chartered Accountants in England and Wales.

Principle Seven

Evaluation of Board Performance

The Company does not perform any Internal evaluation of the Board, the Committee and individual Directors. This will be undertaken going forward on an annual basis. The process will be in the form of peer appraisal and discussions in order to determine the effectiveness and performance of the Executive Directors, as well as the continued independence of the Non-Executive Directors.

The Appraisals will take place during the 2nd half of the calendar year. The results of the appraisals of each director will be benchmarked against any previous targets or milestones set in the previous year and will identify any new corporate and financial targets for the coming year.

Principle Eight

Corporate Culture

The Board's decisions regarding strategy and risk could impact the corporate culture of the Company as a whole and could impact the performance of the Company. The Board is aware that the tone and culture set by the Board could impact all aspects of the Company as a whole and have an effect on the employees. The Board recognises that their decisions regarding strategy and risk could also impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board could impact all aspects of the Company as a whole and the way that employees behave. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities, which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine

Maintenance of Governance Structures and Processes

The QCA code recommends that the Company maintains governance structures and processes in line with its culture and appropriate to its size and complexity.

Corporate Governance

CONTINUED

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority, which set out matters, which are reserved to the Board. The Executive Chairman is responsible for the effectiveness of the Board, and the management of the Company's business and primary contact with shareholders has been delegated by the Board to the Executive Chairman.

Audit and Compliance Committee

The Audit Committee comprises Kjeld Thygesen who chairs the committee and Alastair Ford. This committee has primary responsibility for monitoring the Financial Reporting function and internal controls in order to ensure that the financial performance of the Company is properly measured and reported. The committee receives the Financial reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

Remuneration Committee

The Remuneration Committee comprises Alastair Ford who chairs the committee and Kjeld Thygesen. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

Nominations Committee

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

Non-Executive Directors

The Board is in the process of adopting guidelines for the appointment of Non-Executive Directors, which will be in place in the early part of 2024. The guidelines will provide for the orderly succession and rotation of the Chairman and Non-Executive directors insofar as both the Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms. The Chairman may serve as a Non-Executive Director before commencing a first term as Chairman.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten

Shareholder Communication

The Board has been and continues to be committed to maintaining good communication and having constructive dialogue with its shareholders. The Company currently has no institutional shareholders and has ongoing relationships with its private shareholders. The Executive Chairman regularly attends investor shows and conferences. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Corporate Governance

CONTINUED

The Company maintains a website (www.xtractresources.com) which allows investors to access any Company information. Any questions can be e-mailed to the Company and will be answered by the relevant member of management available to answer investor relations enquiries. The Company will continue to investigate ways of improving communication with shareholders whether through its current format or possibly moving to electronic communications with shareholders in order to maximise efficiency.

Directors' s172 Statement

The Directors continue to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefits of the members as a whole, and in doing so have regard, amongst other matters to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community as well as the environment;
- the need to act fairly as between members of the Company, and
- the desirability of the company maintaining a reputation for high standards of business conduct.

The Board has always recognised the relationships with key stakeholders as being central to the long-term success of the business and therefore seeks active engagement with all stakeholder groups, to understand and respect their views, in particular of those with the communities in which it operates, its host governments, employees and suppliers. Throughout the year, the Directors continued to exercise all their duties, whilst having the highest regard to section 172 factors as they assessed and considered proposals from senior management and governed the company on behalf of their stakeholders.

As with smaller size companies, day-to-day management, execution of the business strategy and related policies of the Company is delegated to senior executives however the Board reviews compliance and legal matters at along with the Company's key financial and operational data, diversity, corporate responsibility, environmental and stakeholder-related matters over the course of the financial year.

In response to COVID-19 and other potential pandemics, the Board agreed to a management plan proposed by senior executives prioritising and maintaining the health and safety of all employees and contractors.

Consideration of the Company's conduct towards its stakeholders, suppliers and employees of the Group is essential when implementing ways in which the Board's engagement can be improved to help the business operate more effectively.

Details of the Board's decisions for the year ending 31 December 2022 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout the Strategic Report, Directors' and Corporate Governance reports.

By order of the Board

Colin Bird

Executive Chairman

29 June 2023

Independent Auditor's Report

TO THE MEMBERS OF XTRACT RESOURCES PLC

Opinion

We have audited the Group financial statements of Xtract Resources Plc (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK adopted International Accounting Standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a detailed review of the Group's forecasts in comparison to available management accounts at the date of these financials to assess the reasonability of the estimates made. We have further performed a sensitivity analysis to conclude on the degree to which current cash reserves will be able to sustain the Group for at least a further twelve months from the date of these financials.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report

CONTINUED

Our audit approach

Overview

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

- Carrying value and classification of intangible exploration and evaluation assets & Carrying value of investment in subsidiaries.

These are explained in more detail below

Audit scope

We performed audits of the complete financial information of the Group reporting units, which were individually financially significant and accounted for 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over certain account balances and transaction classes that we regarded as material to the Group at the reporting units.

Key Audit Matters

How our scope addressed this matter

Carrying value and classification of intangible exploration and evaluation assets

The Group and company hold material intangible assets relating to capitalised costs in respect of mineral exploration projects.

There is a risk that impairment indicators exist which would result in an impairment of the year end and intangible assets balance.

There is also a risk that the classification and accounting of the mining properties could be misstated due to the timing of projects being moved from exploration to production stage.

The directors consider each category of asset to assess whether there are indicators of impairment by considering the potential resources available from exploration and evaluation work undertaken, together with the availability of finance to further evaluate the exploration projects.

Careful consideration has been given to the point at which the mining properties should be transferred out of intangible assets and amortised accordingly. Criteria used to identify the production start date are as follows:

- Level of capital expenditure incurred compared with the original construction cost estimate

Our audit work in this area included:

- Reviewing of costs capitalised during the year, including the considerations made by the directors in respect of their appropriateness for capitalisation in accordance with discounted cash flow value in use and IFRS 6's recognition and impairment indicators;
- Confirming that the Group has a good title to the applicable exploration licences, including new licences obtained during the year;
- Evaluating and coordinating the status of the projects during the year, and subsequent to the year-end, to identify and evidence any impairment indicators in accordance with IFRS 6;
- Assessing management's impairment reviews, including challenge to all key assumptions and consideration of sensitivity to reasonably possible changes;
- Reviewing and challenging management's assessment of when the project reaches the production stage, and consequently the mining

Independent Auditor's Report

CONTINUED

Key Audit Matters

- Level of EBITDA achieved
- Level of recovery rate of mineral resources
- Level of production of mineral resources

As a result of the evaluation, no impairment has been recognised by the directors during the year.

After careful consideration, the directors believe the Group was still at the exploration stage at the year end and the Manica project primarily related to trial operations in the period. Therefore, nil amount of the intangibles have been transferred to mining properties.

How our scope addressed this matter

- properties should be transferred out of intangible assets and be depreciated; and
- Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate and in line with our understanding of the Group and its activities.

Based on the audit work performed, we do not consider exploration assets as at 31 December 2022 to be materially misstated.

Carrying value of investment in and loans to subsidiaries

Investment in subsidiaries is the most significant asset in the company's financial statements. Given the continuing Group losses, there is a risk that the investments in and loans to subsidiaries may not be fully recoverable.

Our work in this area included:

- Confirming that the company has ownership to the investments;
- Assessing recoverability of investments by reference to underlying net asset values;
- Assessing impairment assessment prepared by the company and challenging all significant inputs and estimates included therein; and
- Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate

Independent Auditor's Report

CONTINUED

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company
Overall materiality	£211,000	£200,000
How we determined it	Based on 1% of gross assets	Based on 1% of gross assets
Rationale for benchmark applied	We believe the most adequate basis is for materiality to be based on gross assets, as it is from these assets that the Group seeks to deliver returns for shareholders, in particular the value of exploration and development projects that the Group is interested in.	We believe the most adequate basis is for materiality to be based on gross assets, as it is from these assets that the Group seeks to deliver returns for shareholders..

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation reporting units, comprising the Group's operating businesses and holding companies.

We performed full scope audits of the financial information of the components within the Group which were individually financially significant and material. We also performed specified audit procedures over certain account balances and transaction classes that we regarded as material to the Group, as well as analytical procedures, for components which were not significant and not material. The audit work and specified audit procedures accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

Independent Auditor's Report

CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

CONTINUED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
 - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

Independent Auditor's Report

CONTINUED

- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
 - agreeing financial statement disclosures to underlying supporting documentation;
 - reading the minutes of meetings of those charged with governance;
 - enquiring of management as to actual and potential litigation and claims;
 - reviewing correspondence with HMRC and the Group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters that we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mohammed Haque

Senior Statutory Auditor

For and on behalf of

MAH, Chartered Accountants (Statutory Auditors)

2nd Floor, 154 Bishopsgate,

London, EC2M 4LN

29 June 2023

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

Registered number: 5267047

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Continuing operations			
Revenue from gold sales	5	2,110	692
Other operating income		702	189
Operating and administrative expenses			
Direct operating		(1,686)	(569)
Other operating		(122)	(85)
Administration		(1,230)	(2,657)
		(3,038)	(3,311)
Project expenses		(1,430)	(432)
Operating loss		(1,656)	(2,862)
Other losses	6	—	—
Finance income/(cost)	11	110	(194)
(Loss) before tax	7	(1,546)	(3,056)
Taxation	12	(283)	(76)
(Loss) for the year		(1,829)	(3,132)
Attributable to:			
Equity holders of the parent		(1,829)	(3,132)
Net (loss) per share			
Basic (pence)	13	(0.22)	(0.40)
Diluted (pence)	13	(0.22)	(0.40)

The notes on pages 56-91 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss for the year	(1,829)	(3,132)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss	—	—
Exchange differences on translation of foreign operations	343	242
Other comprehensive (loss)/income for the year	343	242
Total comprehensive loss for the year	(1,486)	(2,890)
Attributable to:		
Equity holders of the parent	(1,486)	(2,890)

The notes on pages 56-91 form an integral part of these financial statements

Consolidated and Company Statements of Financial Position

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		As at 31 December 2022 £'000	As at 31 December 2021 £'000	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Non-current assets					
Intangible assets	14	19,418	16,752	80	828
Property, plant & equipment	15	40	25	—	—
Loans to group companies		—	—	9,637	6,554
Investment in subsidiary	16	—	—	9,823	9,823
Other financial assets	17	—	—	—	—
		19,458	16,777	19,540	17,205
Current assets					
Trade and other receivables	18	1,342	664	1,443	582
Inventories	19	123	177	—	—
Loans to group companies		—	—	—	—
Cash and cash equivalents		192	5,389	51	4,205
		1,657	6,230	1,494	4,787
Total assets		21,115	23,007	21,034	21,992
Current liabilities					
Trade and other payables	21	759	2,226	183	396
Other loans	21	50	—	50	—
Current tax payable	21	312	121	—	—
		1,121	2,347	233	396
Net current assets/(liabilities)		536	3,883	1,261	4,391
Non-current liabilities					
Environmental rehabilitation provision	22	312	—	—	—
Loans from group companies	21	—	—	11,553	11,518
Total liabilities		1,433	2,347	11,786	11,914
Net assets		19,682	20,660	9,248	10,078
Equity					
Share capital	23	4,975	4,973	4,975	4,973
Share premium account		71,978	71,684	71,978	71,684
Warrant reserve	24	304	467	304	467
Share-based payments reserve	24	2,121	1,874	2,121	1,874
Fair Value reserve	24	—	—	—	—
Foreign currency translation reserve	24	651	308	—	—
Accumulated losses		(60,347)	(58,646)	(70,130)	(68,920)
Equity attributable to equity holders of the parent		19,682	20,660	9,248	10,078
Total equity		19,682	20,660	9,248	10,078

The financial statements of Xtract Resources Plc, registered number 5267047, were approved by the Board of Directors and authorised for issue. As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year is disclosed in Note 3. It was signed on behalf of the Company by:

Joel Silberstein

Director

29 June 2023

The notes on pages 56-91 form an integral part of these financial statements

Consolidated Statement of Changes in Equity

Group

	Note	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share based payments reserve £'000	Fair value reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2021		4,928	61,951	76	436	—	66	(55,530)	11,927
<i>Comprehensive income</i>									
Loss for the year		—	—	—	—	—	—	(3,132)	(3,132)
<i>Forex currency translation differences</i>									
		—	—	—	—	—	242	—	242
Total comprehensive income for the year		—	—	—	—	—	242	(3,132)	(2,890)
<i>Transactions with owners</i>									
Issue of shares	23	45	10,769	—	—	—	—	—	10,814
Share issue costs		—	(664)	—	—	—	—	—	(664)
Issue of share options	24	—	—	—	1,473	—	—	—	1,473
Expiry of share options		—	—	—	(16)	—	—	16	—
Exercise of share options		—	19	—	(19)	—	—	—	—
Issue of warrants	24	—	(456)	456	—	—	—	—	—
Exercise of warrants		—	65	(65)	—	—	—	—	—
As at 31 December 2021		4,973	71,684	467	1,874	—	308	(58,646)	20,660
<i>Comprehensive income</i>									
Loss for the year		—	—	—	—	—	—	(1,829)	(1,829)
<i>Forex currency translation difference</i>									
		—	—	—	—	—	343	—	343
Total comprehensive income for the year		—	—	—	—	—	343	(1,829)	(1,486)
<i>Transactions with owners</i>									
Issue of shares	23	2	259	—	—	—	—	—	261
Share issue costs		—	—	—	—	—	—	—	—
Issue of share options	24	—	—	—	247	—	—	—	247
Expiry of warrants		—	—	(128)	—	—	—	128	—
Exercise of warrants		—	35	(35)	—	—	—	—	—
As at 31 December 2022		4,975	71,978	304	2,121	—	651	(60,347)	(19,682)

The notes on pages 56-91 form an integral part of these financial statements

Statement of Changes in Equity

Company

	Note	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share based payments reserve £'000	Fair value reserve £'000	Foreign currency translation reserve £'000	Accumulated losses £'000	Total Equity £'000
As at 1 January 2021		4,928	61,951	76	436	—	—	(66,011)	1,380
<i>Other Comprehensive income</i>									
Loss for the period		—	—	—	—	—	—	(2,925)	(2,925)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		—	—	—	—	—	—	(2,925)	(2,925)
Issue of shares	23	45	10,769	—	—	—	—	—	10,814
Share issue costs		—	(664)	—	—	—	—	—	(664)
Issue of share options		—	—	—	1,473	—	—	—	1,473
Expiry of share options		—	—	—	(16)	—	—	16	—
Exercise of share options		—	19	—	(19)	—	—	—	—
Issue of warrants		—	(456)	456	—	—	—	—	—
Exercise of warrants		—	65	(65)	—	—	—	—	—
As at 31 December 2021		4,973	71,684	467	1,874	—	—	(68,920)	10,078
<i>Other Comprehensive income</i>									
Loss for the period		—	—	—	—	—	—	(1,338)	(1,338)
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income for the year		—	—	—	—	—	—	(1,338)	(1,338)
Issue of shares	23	2	259	—	—	—	—	—	261
Share issue costs		—	—	—	—	—	—	—	—
Issue of share options		—	—	—	247	—	—	—	247
Expiry of warrants		—	—	(128)	—	—	—	128	—
Exercise of warrants		—	35	(35)	—	—	—	—	—
As at 31 December 2022		4,975	71,978	304	2,121	—	—	(70,130)	9,248

The notes on pages 56-91 form an integral part of these financial statements

Consolidated and Company Cash Flow Statements

	Note	Group		Company	
		Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Net cash generated from/(used in) operating activities	25	(2,530)	(767)	(948)	(1,352)
Investing activities					
Acquisition of subsidiary undertaking		—	—	—	—
Acquisition of intangible fixed assets	14	(2,868)	(5,009)	(191)	(751)
Acquisition of tangible fixed assets	15	(27)	(13)	—	—
Loans advanced to group companies		—	—	(3,360)	(4,128)
Net cash used in investing activities		(2,895)	(5,022)	(3,551)	(4,879)
Financing activities					
Proceeds on issue of shares		261	10,149	261	10,149
Repayment of loans from group companies		—	—	34	34
Proceeds from borrowings		50	—	50	—
Net cash from financing activities		311	10,149	345	10,183
Net Increase/(decrease) in cash and cash equivalents		(5,114)	4,360	(4,154)	3,952
Cash and cash equivalents at beginning of year		5,389	919	4,205	253
Effect of foreign exchange rate changes		(83)	110	—	—
Cash and cash equivalents at end of year		192	5,389	51	4,205

The notes on pages 56-91 form an integral part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Xtract Resources Plc is a Public Company limited by shares 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 5 to 30.

The financial statements are presented in pounds sterling (£) which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 3. These annual financial statements were approved by the board of directors on 29 June 2023.

2. Adoption of new and revised Standards

Basis of accounting

The consolidated annual financial statements have been prepared in accordance with UK-adopted international accounting standards and in conformity with the Companies Act 2006. The consolidated annual financial statements have been prepared on the historical cost basis, as modified by financial assets measured at fair value through other comprehensive income. The principal accounting policies are set out below.

On 31 December 2020 IFRS as adopted by the European Union were brought into UK law and became UK-adopted international accounting standards with future changes being subject to endorsement by the UK Endorsement Board.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS 101') and the requirements of the Companies Act 2006. The Company will continue to prepare its financial statements in accordance with FRS 101 on an ongoing basis until such time as it notifies shareholders of any change to its chosen accounting framework.

In accordance with FRS 101, the Company has taken advantage of the following exemptions:

- Requirements of IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the Financial Statements

CONTINUED

2. Adoption of new and revised Standards (continued)

New and amended standards adopted by the Group

The most significant new standards and interpretations adopted, none of which are considered material to the Group, are as follows:

Ref	Title	Summary	Application date of standards (periods commencing)
IFRS 3	Business Combinations	Updates certain references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	1 January 2022
IAS 16	Property, Plant and Equipment	Requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset.	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle		Minor amendments to IFRS 1, IFRS 9 and IAS 41. Amendment to Illustrative Examples accompanying IFRS 16.	1 January 2022
IAS 37	Onerous Contracts	Specifies which costs to include when assessing whether a contract will be loss-making.	1 January 2022

Notes to the Financial Statements

CONTINUED

2. Adoption of new and revised Standards (continued)

New standards and interpretations not yet adopted

Unless material the Group does not adopt new accounting standards and interpretations which have been published and that are not mandatory for 31 December 2022 reporting periods.

No new standards or interpretations issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee ('IFRIC') have led to any material changes in the Company's accounting policies or disclosures during each reporting period.

The most significant new standards and interpretations to be adopted in the future are as follows:

Ref	Title	Summary	Application date of standards (periods commencing)
IFRS 17	Insurance Contracts	Establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and qualifying investment contracts with discretionary participation features issued.	Annual periods beginning on or after 1 January 2023.
IFRS 16	Lease Liability in a Sale and Leaseback	Specifies requirements relating to measuring the lease liability in a sale and leaseback transaction after the date of the transaction.	Annual periods beginning on or after 1 January 2024.
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Introduces an exception to clarify that the 'initial recognition exemption' does not apply to transactions that give rise to equal taxable and deductible timing differences.	Annual periods beginning on or after 1 January 2023.
IAS 8	Changes in Accounting Estimates and Errors: Definition of Accounting estimates	Clarifies how to distinguish changes in accounting policies from changes in accounting estimates.	Annual periods beginning on or after 1 January 2023.
IAS 1	Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies	Changes requirements from disclosing 'significant' to 'material' accounting policies and provides explanations and guidance on how to identify material accounting policies.	Annual periods beginning on or after 1 January 2024.
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants Date	Clarifies that only those covenants with which an entity must comply on or before the end of the reporting period affect the classification of a liability as current or non-current.	Annual periods beginning on or after 1 January 2024.

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.

The directors are evaluating the impact that these standards will have on the financial statements of the Group.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies

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 2022.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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 as amended, 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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Going concern

The operations of the Group have been financed through operating cash flows as well as through funds which have previously been raised from shareholders. As at 31 December 2022, the Group held cash balances of £0.19 million and an operating loss has been reported. Since November 2017, the Group generated revenues, from its Manica Alluvial operations, which have been covering the Manica operating costs and not the costs for the rest of the Group.

During 2019, the Company entered into a net profit share agreement for its Fair Bride hard rock gold project in Manica, Mozambique. Full commercial production commenced during the 4th quarter of 2022. On this basis the Company expects earnings from the Mozambique gold operations to be significant.

The Directors anticipate net operating cash inflows for the Group for the next twelve months from the date of signing these financial statements.

The Directors have assessed the working capital requirements for the forthcoming twelve months and have undertaken assessments which have considered different scenarios based on exploration and mine development spend along with a number of production forecasts until June 2024.

Upon reviewing those cash flow projections for the forthcoming twelve months, the directors consider that the Company is not likely to require additional financial resources in the twelve-month period from the date of approval of these financial statements to enable the Company to fund its current operations and to meet its commitments. The Group will continue to monitor corporate overhead costs on an ongoing basis.

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

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

Parent only income statement

Xtract Resources PLC has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss for the year ended 31 December 2022 was £1,338k (2021: loss £2,925k).

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.

Foreign currency differences arising on retranslation into an entity's functional currency are recognised in profit and loss.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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 comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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. Once the Company has determined the existence of commercially exploitable reserves and the Company decides to proceed with the project, the full carrying value is transferred from exploration and development costs to mining development. 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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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

Classification

The Group classifies its financial assets in the following categories: at amortised cost including trade receivables and other financial assets at amortised cost, at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other financial assets at amortised cost

Classification of financial assets at amortised cost

The group and parent company classify its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principle and interest.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest could be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and repayable within three years from the end of the reporting period.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial assets at fair value through other comprehensive income

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise an investment held. These are carried in the statement of financial position at fair value. Subsequent to initial recognition, changes in fair value are recognised in the statement of other comprehensive income.

Financial liabilities

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans to/(from) Group companies

These include loans to and from subsidiaries are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as financial assets at amortised cost. Loans from Group companies are classified as financial liabilities measured at amortised cost.

Inter-company loans are interest bearing.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term highly liquid deposits with a maturity of three months or less.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions, which are not market, related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, Group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non- accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Share-capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

Share Capital

Share capital represents the amount subscribed for shares at nominal value.

Share Premium

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Share-Based Payment Reserve

The share-based payment reserve represents the cumulative amount which has been expensed in the statement of comprehensive income in connection with share-based payments, less any amounts transferred to retained earnings on the exercise of share options.

Warrant Reserve

The warrant reserve presents the proceeds from issuance of warrants, net of issue costs. Warrant reserve is non-distributable and will be transferred to share premium account upon exercise of warrants.

Finance Income

Finance income comprises interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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 control of the products has transferred, that is, when the products are delivered to the customer. A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Notes to the Financial Statements

CONTINUED

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.

Financial Assets Fair Value through Comprehensive Income

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 corporate level investments in subsidiaries.

Impairment of intangible assets

The assessment of intangible assets for any indications involves judgement. Such assets have an indefinite useful life as the Company has a right to renew exploration licences and the asset is only amortised once extraction of the resource commences. Management tests for impairment annually whether exploration projects have future economic value in accordance with the accounting policy stated in Note 14. Each exploration project is subject to an annual review by either a consultant or a geologist to determine if the exploration results returned during the period warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and supply and demand outlook. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside a decision will be made to discontinue exploration; an impairment charge will then be recognised in the Income Statement.

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.

Notes to the Financial Statements

CONTINUED

5. Revenue

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

	Group	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue		
Gold sales	2,110	692
Total Revenue	2,110	692

The group derives revenue from sale of dore bars from its share of production at its alluvial and hard rock operations in Mozambique. The Revenue is recognised when control is transferred between the Company and the purchaser.

6. Other losses

An analysis of the Group's other gains and losses are as follows:

	Group	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Other losses	—	—
Total other losses	—	—

7. Segmental Analysis

The divisions on which the Group reports its primary segment information are reported 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 gold mining segment – Mozambique
- Mine Development – Mozambique
- Exploration
- Investment and other

Notes to the Financial Statements

CONTINUED

7. Segmental Analysis (continued)

Segment results

Year ended 31 December 2022

	Mine Development (Continuing) £'000	Exploration (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment Revenue					
Sale of gold bars	—	—	—	2,110	2,110
Segment Gross profit	—	—	—	2,110	2,110
Other operating income	—	—	667	35	702
Operating and administrative expenses	(196)	—	(1,156)	(1,686)	(3,038)
Project costs	(127)	—	(1,289)	(14)	(1,430)
Segment results	(323)	—	(1,778)	445	(1,656)
Other gains and losses	—	—	—	—	—
Finance (costs)	(34)	—	184	(40)	110
(Loss)/profit before tax	(357)	—	(1,594)	405	(1,546)
Taxation	—	—	—	(283)	(283)
(Loss)/profit for the year	(357)	—	(1,594)	122	(1,829)

Year ended 31 December 2021

	Mine Development (Continuing) £'000	Exploration (Continuing) £'000	Investment and Other (Continuing) £'000	Alluvial Gold Mining Production (Continuing) £'000	Total £'000
Segment Revenue					
Sale of gold bars	—	—	—	692	692
Segment Gross Profit	—	—	—	692	692
Other operating income -	—	—	—	189	189
Operating and administrative expenses	(71)	—	(2,671)	(569)	(3,311)
Project costs	(13)	—	(419)	—	(432)
Segment result	(84)	—	(3,090)	312	(2,862)
Other gains and losses	—	—	—	—	—
Finance (costs)	(1)	—	(106)	(87)	(194)
(Loss)/profit before tax	(85)	—	(3,196)	225	(3,056)
Taxation	—	—	—	(76)	(76)
(Loss)/profit for the year	(85)	—	(3,196)	149	(3,132)

Notes to the Financial Statements

CONTINUED

7. Segmental Analysis (continued)

	2022 £'000	2021 £'000
Balance sheet		
Total assets		
Gold production	682	925
Exploration	8,792	6,552
Mine Development	10,756	10,298
Investment & other	885	5,232
Consolidated total assets	21,115	23,007
Liabilities		
Gold production	(892)	(659)
Exploration	(219)	(349)
Mine Development	—	—
Investment & other	(322)	(1,339)
Consolidated total liabilities	(1,433)	(2,347)

Geographical information

The following table provides information about the Group's segment revenues by geographical location:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Mozambique	2,110	692
Australia	—	—
United Kingdom	—	—
Zambia	—	—
	2,110	692

The following table provides information about the Group's segment assets by geographical location:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Mozambique	11,439	11,223
Australia	8,685	5,726
United Kingdom	885	5,232
Zambia	106	826
	21,115	23,007

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of 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.

Notes to the Financial Statements

CONTINUED

8. Expenses by nature

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

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Depreciation of property, plant and equipment	15	14	11
Amortisation of intangible fixed assets	14	—	—
Inventory		53	(160)
Auditors remuneration	9	30	41
Directors remuneration	10	350	1,317
Share-based payments expense (non-directors)		130	525

9. Auditors remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Fees payable to the Company's auditors and their associates for the of audit the Group's annual accounts	25	25
Under/(overprovision) of prior year fees	5	16
Fees payable to the Company's auditors and their associates for the audit		
Total audit fees	30	41
Fees payable to the Group's auditors and its associates for other services: – other assurance services relating to interim reporting	—	—
Total non-audit fees	—	—
Total auditors' remuneration	30	41

Notes to the Financial Statements

CONTINUED

10. Staff costs

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
The average monthly number of employees (including directors) was:		
Directors	4	4
Employees	29	27
	33	31
	£'000	£'000
The aggregate employee (including directors) remuneration comprised:		
Salaries and fees	623	822
Social security cost	17	9
Total salaries and fees	640	831
Share based payments	132	1,172
	772	2,003

The above staff costs include labour costs of £Nil (2021: £Nil), which have been capitalised as Mine Development Costs.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
The aggregate directors' remuneration comprised:		
Salaries and fees	232	379
Share based payments	118	948
	350	1,327

Total remuneration for the highest paid Director in the year was £200k (2021: £781k).

Notes to the Financial Statements

CONTINUED

10. Staff costs (continued)

Year ended 31 December 2022

	Salary £'000	Bonus £'000	Share Options £'000	Total £'000
Colin Bird	126	—	74	200
Alastair Ford	38	—	—	38
Joel Silberstein	44	—	29	73
Kjeld Thygesen	25	—	14	39
	233	—	117	350

Year ended 31 December 2021

	Salary £'000	Bonus £'000	Share Options £'000	Total £'000
Colin Bird	96	93	592	781
Jeremy Read	21	—	59	80
Alastair Ford	36	21	60	117
Joel Silberstein	44	40	237	321
Peter Moir	10	—	—	10
Kjeld Thygesen	—	18	—	18
	207	172	948	1,327

As at 31 December 2022 directors' remuneration included a share-based payment charges of which £74k (2021: £592k) relates to Colin Bird, £29k (2021: £237k) which relates to Joel Silberstein, £Nil (2021: £60k) which relates to Alastair Ford and £14k (2021: £Nil) which relates to Kjeld Thygesen. The above share-based payment charge included in total remuneration, relates to grant of options during the year to the directors based on the Black-Scholes Model.

As at 31 December 2022 directors' fees of £70k (2021: £174k) relating to current and prior year fees remains outstanding, of which £23k (2021: £93k) relates to Colin Bird, £Nil (2021: £40k) relates to Joel Silberstein, £20k (2021: £23k) relates to Alastair Ford and £27k (2021: £18k) relates to Kjeld Thygesen.

11. Finance cost/(income)

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Foreign exchange (gains)/losses	(13)	202
Bank Charges	11	9
Investment income	(107)	(20)
Loan interest payable	—	—
Finance charges	(1)	3
	(110)	194

Notes to the Financial Statements

CONTINUED

12. Tax

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Corporation tax:		
Current year	283	76
Adjustments in respect of prior years	—	—
Total current tax	283	76
Deferred tax	—	—

UK corporation tax is calculated at 19.00% (2021:19.00%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group tax credit for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss before tax from continuing operations	(1,829)	(3,056)
Loss before tax	(1,829)	(3,056)
Tax at the UK corporation tax rate of 19.00% (2021: 19.00%)	(347)	(581)
Tax effect of expenses that are not deductible in determining taxable profit	150	480
Impairment loss	178	—
Tax effect of unrecognised tax losses carried forward	232	158
Difference in overseas tax rates	70	20
Tax loss utilised	—	—
Tax charge/(credit) for the year	283	76

The tax charge relates to Mozambican corporation tax payable at a rate of 32.00%.

Notes to the Financial Statements

CONTINUED

13. (Loss) per share

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss per share	(0.22)	(0.40)
(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	(1,829)	(3,132)
	(1,829)	(3,132)
	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares for purposes of basic EPS	849,532,192	805,203,295
Effect of dilutive potential ordinary shares-options and warrants	—	—
Weighted average number of ordinary shares for purposes of diluted EPS	849,532,192	805,203,295

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.

Notes to the Financial Statements

CONTINUED

14. Intangible assets

Group	Mineral exploration assets £'000	Total £'000
At 1 January 2021	11,978	11,978
Additions – at cost (Manica)	68	68
Foreign Exchange (Manica)	193	193
Additions – at fair value (Bushranger)	—	—
Additions – at cost (Bushranger)	4,270	4,270
Foreign exchange (Bushranger)	(66)	(66)
Additions – at cost (Eureka)	551	551
Additions – at cost (Kalengwa)	120	120
As at 31 December 2021	17,114	17,114
Additions – at cost (Manica)	312	312
Foreign exchange (Manica)	146	146
Additions – at fair value (Bushranger)	—	—
Additions – at cost (Bushranger)	2,677	2,677
Foreign exchange (Bushranger)	278	278
Additions – at cost (Eureka)	191	191
As at 31 December 2022	20,718	20,718
Impairment		
At 1 January 2021	—	—
Charge for the year	(362)	(362)
As at 31 December 2021	(362)	(362)
Charge for the year	(938)	(938)
As at 31 December 2022	(1,300)	(1,300)
Amortisation		
At 1 January 2021	—	—
Charge for the year	—	—
As at 31 December 2021	—	—
Charge for the year	—	—
As at 31 December 2022	—	—
Net Book value at 31 December 2021	16,752	16,752
Net book value at 31 December 2022	19,418	19,418

Notes to the Financial Statements

CONTINUED

14. Intangible assets (continued)

Company	Mineral exploration assets £'000	Total £'000
At 1 January 2021	438	438
Additions – at cost (Manica)	68	68
Additions – at cost (Bushranger)	13	13
Additions – at cost (Eureka)	551	551
Additions – at cost (Kalengwa)	120	120
As at 31 December 2021	1,190	1,190
Additions – at cost (Eureka)	190	190
As at 31 December 2022	1,380	1,380
Impairment		
At 1 January 2021	—	—
Charge for the year	(362)	(362)
As at 31 December 2021	(362)	(362)
Charge for the year	(938)	(938)
As at 31 December 2022	(1,300)	(1,300)
Amortisation		
At 1 January 2021	—	—
Charge for the year	—	—
As at 31 December 2021	—	—
Charge for the year	—	—
As at 31 December 2022	—	—
Net Book value at 31 December 2021	828	828
Net book value at 31 December 2022	80	80

Mozambique

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.

Australia

In November 2020, the Company acquired the Bushranger copper-gold project (“Bushranger Project”) which comprises of four exploration licences totalling 501km², located in eastern central New South Wales, Australia. The Bushranger Project hosts the Racecourse deposit, a JORC (2012) compliant inferred resource estimated at 71Mt @ 0.44% Cu and 0.064g/t Au using a 0.3% Cu cut-off.

Notes to the Financial Statements

CONTINUED

14. Intangible assets (continued)

Zambia

The Eureka copper-gold property with the small-scale mining licence number 22134-HQ-SML comprising approximately 345 hectares is accessed by a 100km dirt road from Kabwe, west of the Zambian Copperbelt district.

The Kalengwa copper property is located in the North-western province of Zambia 800 km north-west of Lusaka and 400 km south-west of Kitwe.

The Directors along with a consultant undertook an assessment of the following areas and circumstances that could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal;
- No further exploration or evaluation is planned or budgeted for;
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves; or
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

The Company considered the above assessment of impairment. As the 31 December 2022, the Company impaired £938K of costs incurred on the Eureka property to date and as at 31 December 2021, impaired £362K of costs incurred on the Kalengwa property.

15. Property, plant and equipment

Cost or fair value on acquisition of subsidiary

	Motor Vehicles & equipment £'000	Land & Buildings £'000	Furniture & Fittings £'000	Total £'000
At 1 January 2021	19	—	—	19
Additions – at cost	14	—	—	14
Foreign Exchange	3	—	—	3
As at 31 December 2021	36	—	—	36
Additions – at cost	27	—	—	27
Foreign Exchange	2	—	—	2
At 31 December 2022	65	—	—	65
Depreciation				
At 1 January 2021	—	—	—	—
Charge for period	11	—	—	11
At 31 December 2021	11	—	—	11
Charge for period	14	—	—	14
At 31 December 2022	25	—	—	25
Net Book Value				
At 31 December 2021	25	—	—	25
At 31 December 2022	40	—	—	40

Notes to the Financial Statements

CONTINUED

16. Subsidiaries

Investments in subsidiaries

	2022 £'000	2021 £'000
At 1 January – Cost	29,509	29,509
Additions during the year	—	—
	29,509	29,509
At 1 January – Impairment	19,686	19,686
Impairment during the year	—	—
At 31 December – Impairment	19,686	19,686
At 31 December – Net Book Value	9,823	9,823

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name	Place of Incorporation and Operation	Date controlling interest acquired	Proportion of ownership & voting power held		Principal Activity
			Group %	Parent %	
Sermines de Mexico S.A. de C.V.	Mexico	08/08/2005	100	100	Dormant
Xtract International Limited	England and Wales	15/11/2006	100	100	Dormant
Xtract Energy Spain SL	Spain	10/09/2009	100	100	Not Trading
Xtract Energy Holdings Limited	England and Wales	03/12/2007	100	100	Dormant
Elko Energy Inc.	Canada	11/01/2010	100	—	Not Trading
Elko Energy A/S	Denmark	11/01/2010	100	—	Not Trading
RPK Finance & Holdings BV	The Netherlands	11/01/2010	100	100	Holding Company
Elko Energy BV	The Netherlands	11/01/2010	100	—	Not Trading
Elko Exploration BV	The Netherlands	11/01/2010	100	—	Not Trading
Polar Mining (Barbados) Limited	Barbados	03/03/2014	100	100	Holding Company
Minera Polar Limitada	Chile	03/03/2014	100	1	Not Trading
Mistral Resource Development Corporation	BVI	01/03/2016	100	100	Holding Company
Explorator Limitada	Mozambique	01/03/2016	100	2	Operating Company
Chinhamapere Mining Services Limitada	Mozambique	02/03/2020	100	2	Operating Company
Macequece Mining Services, Limitada	Mozambique	02/03/2020	100	2	Operating Company
ProspectOre Ltd	Australia	10/11/2020	100	100	Operating Company
Arend Traders Ltd	BVI	01/07/2020	100	100	Not Trading
Eureka Mine International Limited	BVI	01/10/2021	50	50	Holding Company
Falcon Mineral Processing Limited	Zambia	01/10/2021	48	48	Operating Company
Ascott Mining Zambia Ltd	Zambia	15/03/2022	100	99	Operating Company
Sandown Holdings	Mauritius	31/10/2017	100	100	Trading
Newmarket Holdings	Mauritius	31/10/2017	100	100	Trading

Notes to the Financial Statements

CONTINUED

17. Other Financial Assets

Fair value through other comprehensive income

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Level 3				
Cemos Group Plc	—	—	—	—
	—	—	—	—

The Company holds 2,371,365 shares in the above non-listed entity which management have valued at £Nil (2021: £Nil). An additional 1.5 million shares would be issued to the Company if, the entity listed on any Stock Exchange or other market shares in a non-listed entity. Management assessed financial and other information available to them decided to impair their investment in December 2015. There is no active share market on which the shares can be traded management feel that it is unlikely that the entity will achieve a listing which would enable the Company to realise value from their investment.

Fair value hierarchy of financial assets at fair value through other comprehensive income.

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy, which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets, which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs, which are not based on observable market data.

18. Trade and other receivables

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Other debtors	1,277	478	23	26
Trade debtors	—	—	1,409	430
Prepayments	65	186	11	126
Loan to group companies	—	—	—	—
	1,342	664	1,443	582

Company trade debtors comprise primarily of intercompany management charges, The amounts are due in accordance with group policy although collection is determined by group cash requirement.

Loan to group companies bear interest between 1.25% and 5% per annum, unsecured and repayable by mutual agreement.

Notes to the Financial Statements

CONTINUED

19. Inventories

	Group	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Gold dore bars on hand	123	177
	123	177

20. Deferred tax

The Group currently has unused tax losses which could possibly be utilised for future tax relief and losses in excess of £10 million relates to the United Kingdom. No deferred tax asset is recognised on the above losses as there is insufficient evidence that taxable profits will arise in the foreseeable future.

21. Trade and other payables

Current

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Trade creditors and accruals	759	2,226	183	396
Other loans	50	—	50	—
Current tax payable	312	121	—	—
	1,121	2,347	233	396

Non-Current

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Loans from group companies	—	—	11,553	11,518
	—	—	11,553	11,518

Notes to the Financial Statements

CONTINUED

22. Environmental rehabilitation provision

	Group		Company	
	As at 31 December 2022 £'000	As at 31 December 2021 £'000	As at 31 December 2022 £'000	As at 31 December 2021 £'000
As at 1 January 2022	—	—	—	—
Additions	302	—	—	—
Unwinding of discount	10	—	—	—
	312	—	—	—

A provision has been recognised for site rehabilitation and decommissioning of current mining activities at the Manica gold project in Mozambique. The gross provision was based on an assessment carried out in 2016 and adapted to the current mine pit and plant currently in place. The provision has been discounted to a net present value using a discount rate of 17.30% and over the life of mine. The corresponding rehabilitation asset has been capitalised to the intangible asset and is depleted over the life of the mine.

23. Share capital

	2022		2021	
	Number of shares	£'000	Number of Shares	£'000
Deferred shares of 0.09p each				
At 1 January	5,338,221,169	4,804	5,338,221,169	4,804
Subdivision**	—	—	—	—
Issued during the period	—	—	—	—
At 31 December	5,338,221,169	4,804	5,338,221,169	4,804
Ordinary shares of 0.02p each				
At 1 January	845,143,693	169	620,465,144	124
Share Consolidation*	—	—	—	—
Issued during the period	11,231,422	2	224,678,549	45
Outstanding as at 31 December	856,375,115	171	845,143,693	169

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

- Issued 28 April 2022 – 4,416,665 at 1.20p per share
- Issued 28 April 2022 – 833,333 at 1.85p per share
- Issued 4 November 2022 – 5,981,424 at 3.23p per share

The following share options were issued during the year:

- Issued 4 November 2022 – 16,875,000 exercisable at 5.00p per share

Notes to the Financial Statements

CONTINUED

23. Share capital (continued)

The following warrants expired during the year:

- Issued 30 September 2020 – 19,250,000 exercisable at 1.85p per share
- Issued 30 September 2020 – 3,333,335 exercisable at 1.20p per share

All of the above share options and warrants entitle the holder to one fully paid share in the Company upon payment of the exercise price per share.

24. Reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the costs relating to share-based payments issued to employees and officers of the group.

Warrant reserve

The warrant reserve is used to represent the costs relating to share warrants issued to the Company's brokers and lenders.

Fair value reserve

A fair value reserve captures the cumulative net change in the fair value of an asset as long as it is still recognised on the financial statements of an entity.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the Financial Statements

CONTINUED

25. Notes to the cash flow statement

	Group		Company	
	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss for the year before tax	(1,546)	(3,056)	(1,338)	(2,925)
Adjustments for:				
Net finance costs	(3)	214	(330)	36
Depreciation	14	11	—	—
Other losses	—	—	—	—
Interest income	(107)	(20)	(115)	(29)
Impairment of intangible asset	938	362	1,216	362
Impairment of loans to subsidiaries	—	—	—	—
Share-based payments expenses	248	1,473	247	1,473
Operating cash flows before movements in working capital	(456)	(1,016)	(320)	(1,083)
Decrease in inventories	52	(169)	—	—
(Increase)/decrease in receivables	(677)	(516)	(860)	(297)
Increase/(decrease) in payables	(1,467)	1,176	(213)	35
Cash generated from/(used in) operations	(2,548)	(525)	(1,393)	(1,345)
Tax paid	(92)	(48)	—	—
Net finance costs	110	(194)	445	(7)
Net cash generated from/(used in) operating activities	(2,530)	(767)	(948)	(1,352)

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Notes to the Financial Statements

CONTINUED

26. Share-based payments

Options/Warrants

The Company has issued share options and to certain employees and officers of the Group, along with external third parties and warrants to the Company's brokers for costs directly associated with share issuance. All share options/warrants vest immediately or within three years of the issue date. If the share options/warrants remain unexercised after the relevant time period from the date of grant the share options/warrants expire.

Details of the Company's share options/warrants outstanding during the year are as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Number of share options/warrants	Weighted average exercise price p	Number of share options/warrants	Weighted average exercise price p
Outstanding at beginning of year	154,907,933	6.05	83,417,915	2.00
Granted during the year	16,875,000	5.00	84,373,411	8.50
Exercised during the year	(5,249,998)	1.30	(12,833,333)	1.62
Expired during the year	(22,583,335)	1.75	(50,000)	38.0
Outstanding at the end of the year	143,949,600	6.78	154,907,993	6.05
Exercisable at the end of the year	143,949,600	6.78	154,907,993	6.05

The share options outstanding at 31 December 2022 had a weighted average exercise price of 6.78p (2021:6.05p) and a weighted average remaining contractual life of 2.16 years (2021: 2.18 years).

On 4 November 2022, the Company issued 16,875,000 options of which 8,000,000 have been awarded to Directors and a further 8,875,000 options have been awarded to employees, consultants and officers of the Company.

The options vest and are exercisable immediately on award, with an exercise price of 5.00p. All share options issued to directors and employees are recognised as an expense in the income statement over the vesting period of the options. The options granted during the year vested immediately.

No options were exercised during the year.

A total of 22,583,335 warrants expired during the year. A total of 19,250,000 expired with an exercise price of 1.85p and 3,333,335 with an exercise price of 1.20p per ordinary share.

A total of 5,249,998 warrants were exercised during the year. A total of 833,333 were exercised at an exercise price of 1.85p and 4,416,665 at an exercise price of 1.20p per ordinary share.

New options and warrants granted are valued using the Black Scholes model, a commonly used option-pricing model. The calculation of volatility used in the model is based upon the share price and equity instrument movements during the financial period. The following factors are all taken into consideration when the options are valued:

- Weighted average share price
- Expected volatility
- Expected dividends
- Stock price
- Exercise price
- Option life
- Risk free interest rate

Notes to the Financial Statements

CONTINUED

26. Share-based payments (continued)

The inputs used to value new warrants issued during the period under review are as follows:

Fair value was determined by using the Black-Scholes Valuation Model.

The following inputs were used for new options issued:

	2022	2021
Average spot at grant date (pence)	3.08p	8.79p
Expected volatility	67.45%	167.02%
Expected option life	5 years	2-5 year
Expected dividends	—	—
The risk free interest rate	3.52%	0.40%

Share-options have been valued using the Black-Scholes model.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year.

The expected life used in the model has been adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The total charge in the year to the income statement was £248k (2021: £1,473k). The total amount recognised in equity by the Group relating to share-based payments at the Balance Sheet date is £2,121k (2021: £1,874k) in the share-based payments reserve after the reversal of expired and lapsed share options, and £304k (2021: £467k) in the warrants reserve.

27. Financial instruments

Finance Risk Management

The Company has exposure to the following risks arising from financial instruments:

- Capital
- Market
- Interest rate
- Foreign currency
- Credit
- Liquidity

This information included relates to the exposure to each risks, the objectives, policies and processes for measuring and managing risk. Management determines, as required, the degree to which it is appropriate to use financial instruments to mitigate risk. Currently the Company's principal financial instruments comprise cash and cash equivalents and equity capital. The Company does not enter into complex derivatives to manage risk. There is no material difference between the book value and fair value of the Group cash balances, trade and other receivables, trade payables.

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

The Group calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable at the balance sheet date.

The Group's financial assets and liabilities, which book value approximate their fair value.

Trade payables are non-interest bearing and are normally settled within 30 days. Other payables are to be settled within the next 12 months, as and when they become due.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern. The Group is not subject to externally imposed capital requirements. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group has historically generated limited amounts of cash from its alluvial operations in Mozambique and managed its liquidity through raising finance to finance its activities for limited periods until further funding was required in order to provide for any shortfall in working capital and operating costs. Going forward, the Group will be generating cash from its hard rock operations in Mozambique, through its 23% net profit share agreement.

The group continues to utilise cash from operations along with capital raisings and will also consider project funding where necessary.

Market risk management

The Group's activities expose it primarily to the financial risks of foreign currency exchange rates. The Group applies a continuous review process to manage its exposure to foreign currency and equity price risk:

- The respective exchange rates of the currencies for which the Group holds significant balances are monitored on a daily basis;
- known cash requirements in the respective currencies in which the Group transacts are matched against cash reserves and any shortfalls are addressed through transfers throughout the longest practical timeframes in order to minimise as best as possible foreign currency risk; and
- strategies are updated on a regular basis to reflect actual market data and the changing needs of the business.

Interest rate risk management

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates. Currently, the Company has no borrowings and therefore no risk of significant fluctuations. The Company's exposure to interest rate risk is limited to its cash and cash equivalents held and are not considered material.

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies and consequently exposures to year end and average exchange rate fluctuations arise.

The Group is mainly exposed to the US Dollar, Australian Dollar, Mozambican Metical, Euro and Danish Krone currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including tax liabilities) at the reporting date are as follows:

Group	Liabilities		Assets	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
US dollar	69	28	1,007	257
Australian Dollar	62	278	101	1,538
Euro	49	6	1	4
Mozambican Metica	942	366	614	344
Danish Krone	8	871	2	869
Total	1,130	1,549	1,725	3,012

Company	Liabilities		Assets	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
US dollar	800	765	1,454	440
Australian Dollar	—	—	7,531	5,502
Euro	—	—	—	—
Mozambican Metica	—	—	280	609
Danish Krone	—	—	191	172
Total	800	765	9,456	6,723

Sensitivity analysis

A 10% strengthening of the British pound against the respective currencies at 31 December 2022 would have increased/(decreased) profit and loss by the amounts shown below:

	Group		Company	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
US dollar	108	26	65	(32)
Australian Dollar	4	126	753	550
Euro	(5)	—	—	—
Mozambican Metica	(33)	(2)	28	61
Danish Krone	(1)	—	19	17
Total	73	150	865	596

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's principal financial assets are cash deposits and the credit risk on these liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

An allowance for impairment is made where there is an identified loss event, which is evidence of a reduction in the recoverable cash flows.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Group		Company	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
Trade and other receivables	1,342	664	1,443	582
Loan receivables	—	—	—	—
Cash and cash equivalents	192	5,389	51	4,205
Loans to group companies	—	—	—	—
Total	1,534	6,053	1,494	4,787

Liquidity risk management

Liquidity risk is the risk is the possibility that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses. The following are contractual maturities of financial liabilities at the balance sheet date:

	Group		Company	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
Trade and other payables	759	2,226	183	396
Tax payable	312	121	—	—
Other loans	50	—	50	—
Total	1,121	2,347	233	396

Group 31 December 2022	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	759	759	—	—
Tax payable	312	—	312	—
Other loans	50	—	50	—
Total	1,121	2,226	362	—

Notes to the Financial Statements

CONTINUED

27. Financial instruments (continued)

Company 31 December 2022	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	183	172	8	3
Other loans	50	—	50	—
Total	233	172	58	3

Group 31 December 2021	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	2,226	2,226	—	—
Tax payable	121	—	121	—
Total	2,347	2,226	121	—

Company 31 December 2021	Carrying amount £'000	2 months or less £'000	2 to 12 months £'000	More than 12 months £'000
Trade and other payables	396	396	—	—
Loans from group companies	—	—	—	—
Total	396	396	—	—

28. Related party transactions

Group

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. During the year the Company invoiced fees to subsidiaries within the group amounting to a total of £184k (2021: £484k).

Transactions with directors

Lion Mining Finance Limited, a Company incorporated in the England and Wales, in which Colin Bird is a Director and shareholder has provided and continues to provide essential administrative services to the Company to carry out its operations in a cost-efficient manner. The total for services provided during the year amounted to £36k plus VAT. An amount of £Nil was outstanding as at 31 December 2022 (2021: £Nil).

As at 31 December 2022, the Company owed a balance of £50k (2021: £Nil) Galileo Resources Plc, a company incorporated in England and Wales in which Colin Bird and Joel Silberstein are directors, in respect of a current other payables balance.

A total £23k (2021: £23k) of Alastair Ford's fee was invoiced Sofabar Consulting Ltd, a company controlled by him.

As at 31 December 2022 directors' fees of £70k (2021: £174k) relating to current and prior year fees remains outstanding, of which £23k (2021: £93k) relates to Colin Bird, £Nil (2021: £40k) relates to Joel Silberstein, £20k (2021: £23k) relates to Alastair Ford and £27k (2021: £18k) relates to Kjeld Thygesen.

The emoluments of the Directors are disclosed in note 10 on page 73.

The Directors' shareholding and options are disclosed in the Report of the Directors.

Notes to the Financial Statements

CONTINUED

28. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the Directors and other staff members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in note 10 on page 73.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Salaries and other short-term employee benefits	268	570
Share-based payments	132	1,117
	400	1,687

29. Contingent liability

Nexus Collaboration Agreement

On 10 December 2019, the Company announced that the Collaboration Agreement for the exploitation of the Manica alluvials had been terminated by Nexus Capital Holdings PTE Limited ("Nexus") with an effective date of 2 December 2019. Prior to termination, Nexus had disputed the receipts in respect of alluvial gold production and pending resolution of this and as provided for under the Collaboration agreement, Nexus had submitted a claim to South African arbitration on 21 June 2019 for payment of US\$347k, being the gross proceeds from alluvial gold sales due to Nexus as at the end of April 2019.

On 3 October 2019, Nexus amended its claim to US\$110,128 plus interest which was submitted by Nexus to the arbitrators. On 14 November 2019, a South African "arbitral tribunal" determined that Nexus' claim could be heard in South Africa, but no ruling was made on the quantum of Nexus' claim. Explorator challenged whether a South African arbitration tribunal had jurisdiction and appealed on this basis to the South African High Court.

The appeal process requires Nexus to have delivered an answering affidavit by the middle of February 2020. Instead of doing this Nexus attorney's withdrew as such. New attorneys came on record in December 2020, but the answering affidavit, which was even by then grossly overdue, has still not been delivered. Having regard to the extent that it is overdue, it is probable that the appeal will succeed on an unopposed basis. In any event, it is the Board's view that, even if Nexus does now deliver an answering affidavit and the appeal fails, the Arbitration Tribunal will not make an award in favour of Nexus.

30. Ultimate controlling party

The Directors believe there is no ultimate controlling party.

31. Events after balance sheet date

There were no significant events.

Company Information

Directors

Colin Bird, Executive Chairman
Joel Silberstein, Finance Director
Alastair Ford, Non-Executive Director
Kjeld Thygesen, Non-Executive Director

Company Secretary

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