PEMBRIDGE RESOURCES

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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Chairman and Chief Executive's statement

We are pleased to present the report and Consolidated Financial Statements of Pembridge Resources Plc ("Pembridge" or "the Group") and the company Financial Statements of Pembridge Resources Plc ("the Company") for the year ended 31 December 2019.

Introduction

Given the macro outlook for mining and mining investment, the Directors believed an opportunity existed for the Company to take advantage of cyclically low asset and project valuations, particularly in base and precious metals which were offering, and still offer, significant opportunities to invest in orphaned projects where existing management teams have been restricted in their access to capital.

On 3 June 2019, the Company entered into a share purchase agreement ("SPA") to acquire Minto Explorations Ltd. ("Minto") from Capstone Mining Corporation ("Capstone"). Minto is a copper-gold-silver mine located in Yukon, Canada (the "Minto Mine"). Minto was acquired while the Minto Mine was on care and maintenance and, following the acquisition, the Minto Mine restarted production in Q4 2019.

Minto is located in the mining friendly Yukon territory in Canada and has a 10-year production history with all key infrastructure and facilities in place. Minto fits perfectly with the Company's stated goal to acquire a producing and profitable mining operation to which our team can add further value. This acquisition represents a core asset to Pembridge and will be used as a platform for future growth.

On 19 September 2019, the Company announced the appointment of Gati Al-Jebouri as Chief Executive Officer and Chairman of its board of directors (the "Board" or "Directors"). The following changes also occurred on the same date: David Linsley resigned from his position as Chief Executive Officer and his directorship; and Francis 'Frank' McAllister stepped down as Non-Executive Chairman and remains as a Non-Executive Director.

The ordinary shares of the Company, suspended on 14 February 2017 following the announcement of the Minto acquisition, were re-admitted to the London Stock Exchange on 16 December 2019 subsequent to completion of the Minto acquisition.

Chairman and Chief Executive's statement

Funding the Minto acquisition

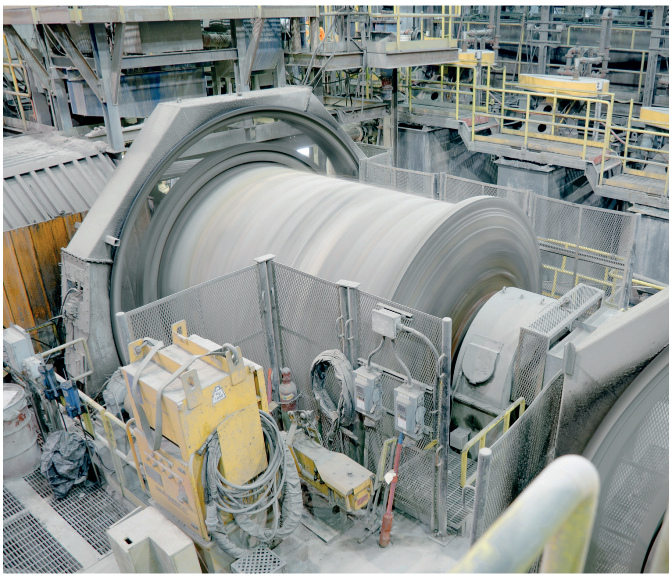
The consideration for the Minto Acquisition comprises up to US$20 million in total payments due to Capstone and based on certain hurdles linked to production levels at Minto as well as future copper prices.

Financing of US$10 million to fund the recommencement of operations was secured from Copper Holdings, LLC (**"Copper Holdings"**), a New York based private equity group and Cedro Holdings I, LLC, an entity managed by Lion Point Capital, L.P. (**"Lion Point"**), a New York based asset manager, pursuant to a shareholder and financing agreement between the Company, Copper Holdings and Lion Point dated 3 June 2019 (the **"Shareholder and Financing Agreement"**, together with the Acquisition, the **"Transaction"**).

- Staged payment structure of the Acquisition will allow Minto to achieve a cash generative operating state before any payments are made to Capstone
- The first payment from Minto to Capstone of US$5 million will be due the sooner of once production at Minto has reached a steady state 60% of mill capacity, or on 31st January 2021: this is referred to as the "Restart Date"
- A second payment from Minto to Capstone of US$5 million will be due once production at Minto has reached 60% of mill capacity and if the copper price has averaged over US$3.00/lb (US$6,615/t) for two consecutive quarters within three years of the Restart Date
- A final payment from Minto to Capstone of US$10 million will be due upon the copper price achieving an average of US$3.50/lb (US$7,717/t) for two consecutive quarters, also within three years of the Restart Date

Pembridge, Minto, Copper Holdings and Lion Point have entered into the Shareholder and Financing Agreement, under which:

- Copper Holdings and Lion Point provided, in aggregate, US$10 million to Minto with an 8% per annum coupon (the **"Debt"**)
- Copper Holdings and Lion Point acquired non-voting B shares in Minto which represent a one third economic interest each in Minto
- Pembridge has right of first refusal to buy out Copper Holdings' and Lion Point's respective interests in Minto
- Copper Holdings and Lion Point have no voting rights in Pembridge or Minto



Chairman and Chief Executive's statement

Minto operations

In March 2020, the COVID-19 pandemic broke out. Canadian and Yukon government measures have had significant impacts on the Minto mine, including mandatory quarantines of employees and contractors entering the Yukon. Such measures have disrupted operations and caused above normal operating expenses but have enabled operations to continue while ensuring the safety of the mine's employees.

Shortly after taking over Minto, an agreement with Sumitomo Canada Limited ("Sumitomo"), a subsidiary of Sumitomo Corporation, (the "Agreement") was signed by Minto to receive a working capital facility ("Advanced Payment") in connection with an off-take agreement for 55,000 tonnes of copper concentrate (the "Off-Take"), to be produced by the Minto mine. The Advanced Payment and the Off-Take are part of a broader strategic relationship between Sumitomo and Pembridge. Key highlights of the Agreement being:

- The Off-Take is for 100% of the copper concentrate produced at the Minto mine delivered on a cost, insurance and freight (CIF) basis to a nominated Japanese port and shall remain in place until (i) 55,000 tonnes of copper concentrate is delivered, or (ii) 31 December 2020, whichever is later.
- The Advanced Payment shall be made by Sumitomo to Minto on a monthly basis, for 90% of the estimated value of concentrate produced that month with final payment due on delivery to Japan.
- The Advanced Payment allows Minto to immediately monetise each month's production, eliminating the historically large working capital requirements when the site is unable to transport concentrate owing to seasonal weather disruptions.
- The Advance Payment is subject to interest payable of USD 3 month LIBOR plus 1.5 per cent until Sumitomo has taken delivery of the concentrate in Japan.

The Mine was brought out of care and maintenance in October 2019, having completed the raise boring of the Minto East vent raise and milling operations commenced on 10 October 2019. First concentrate of copper was produced on 11 October 2019 and first underground blast (6,000t at 4.5% Cu) occurred in the Minto East mining area on 13 October 2019.

In 2008, Minto entered into a streaming arrangement with Wheaton Precious Metals Corp (previously Silverstone Resources Corp.) ("Wheaton"), under which Wheaton pre-paid USD 37.5 million to help fund Minto's exploration and thus gained the right to buy Minto's future gold and silver production at an advantageous price.

On 8 November 2019, Minto entered into a Canadian law governed amendment agreement (the "Amendment Agreement") for a limited period (the "Modified Price Period") to the Precious Metals Streaming Agreement between, among others, Minto and Wheaton, dated 20 November 2008 (as previously amended by a letter agreement dated 11 March 2009 and an amendment agreement dated 13 October 2017) (the "Existing Agreement"). The key points of the Amendment Agreement being:

- For the Modified Price Period, the price received by Minto from Wheaton for Payable Gold will increase to 75% of the Market Price (the "Modified Gold Price")
- The Modified Gold Price is effective immediately and shall end on the earlier of (i) 12 months, plus 60 days from First Delivery or (ii) the first 11,000 ounces of Payable Gold having been delivered to Wheaton
- Under the Offtake Agreement between Minto and Sumitomo, 90% of the Payable Gold contained within the copper concentrate produced at the Minto mine will continue to be paid in advance to Minto by Sumitomo on a monthly basis
- Assuming that the Market Price for gold remains on average US$1,500 per ounce and that Minto produces 11,000 ounces of Payable Gold, this deal could benefit Minto's revenue by up to approximately US$8.5m during the Modified Price Period

From the restart of the mine to 31 December 2019, 104,005 MT of ore were processed, resulting in production of 6,436 MT of copper concentrate containing 2,247 MT of copper. US$7.1 million was received in payments for production in October and November, pursuant to the offtake agreement with Sumitomo.

Financials

During the year the Group made a loss of US$13,087,000 (2018 – loss of US$3,829,000). The operating loss of $11,818,000 (2018: $3,829,000) comprised exceptional expenses from the Minto acquisition of $2,347,000 (2018: nil), administrative costs of the Company of $3,049,000 (2018: $3,829,000) and the loss post-acquisition from Minto of $6,422,000 (2018: nil) which reflect the costs of re-starting operations. The closing cash and cash equivalents balance is US$ 964,000 compared to US$151,000 in 2018.

Principal risks and Uncertainties

Nature of Risk	How we manage it
Funding Risk The Company and its subsidiary may need to secure additional funding to cover working capital needs. **Impact** Shortage of cash for Head Office and operational costs.	The Company and its subsidiary have the capability to raise funds through equity and loans from shareholders.
COVID-19 The COVID-19 pandemic has forced many businesses to close. **Impact** Closure of the mine would stop production, with consequential impact on Minto's finances and on its employees and suppliers.	By following government requirements on quarantining workers before they travel to the mine, and using preventative measures on the site, the mine has been able to remain open to date.
Copper Price Risk The success of Minto is dependent partly on the market value of copper. **Impact** A high copper price will provide a good income and additional funding for mine development, whereas a low market price will reduce that income.	The relatively high grade of Minto's copper means that the price needed to break even is lower than that of other copper mines, which limits its vulnerability to the copper price. As the mine's operations become established it may consider hedging the price of future production.
Mine Development Risk The Group's strategy is to further develop the area around the Minto Mine and create underground extensions to extend the life of the Minto Mine. **Impact** Such development requires funding, a lack of which could delay progress and the resulting increased returns.	As Minto's operations become established the Company and its fellow investors will have increased opportunities to obtain funding for its further development.
Regulatory Risk Mining is an industry regulated for environmental and safety purposes. **Impact** Failure to comply with regulations can result in penalties.	The Company has appointed experienced mine management whose knowledge of the regulatory environment enables them to ensure compliance.

Principal risks and Uncertainties

Nature of Risk	How we manage it
Human Resources Risk The achievement of the Group's objectives will be dependent on the Company attracting and retaining qualified and motivated staff. **Impact** The efficiency of a particular aspect of the Group's operations could be affected leading to reduced profitability.	The Group has attracted and will retain a qualified team by providing a competitive remuneration policy, which includes financial performance incentives so as to align the team with the shareholders of the Group.
Investment Risk The investments the Company makes fail to be of any value. **Impact** The investments are written off.	Pembridge has a comprehensive investment policy and strategy, as outlined in its Financial Prospects Policy ("FPP") procedures, that will assist in prudent measures being made to identify and perform due diligence on the investments that the Company makes.

Business Review & Development

A review of the business and its operations can be found in the Chairman's and Chief Executive's statement on pages 2 to 4.

Section 172(1) statement

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006. A Director of a company is required to act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to:

- Likely consequences of long term decisions
- Interests of the employees
- Need to further the group's business relationships with suppliers, customers and others
- Impact of operations on the community and environment
- Maintaining reputation for high standards of business conduct
- Need to act fairly

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2019:

Minto acquisition

The Company completed the acquisition of the Minto mine during the year and re-started mine production. This was a landmark in the development of the Group and achieved the primary purpose of the Company up to that time with a structure that reflected the economic position of the Minto mine and of the Company.

Principal risks and Uncertainties

Refocusing the Group post-acquisition

With the Minto acquisition completed, the Company changed its focus to operating the mine. Following the changes to the Board in September 2019, Gati Al-Jebouri's business background combined with the mining experience of his fellow directors gives the Board an effective overview of the mine and enables informed discussion with its local management. Since the mine's operations are now the priority, the Board has recruited a strong local management team for Minto and started to reduce the headcount and cost base of the Company based in London.

As a company operating in the Yukon, Minto engages with the First Nations community in the operations & support functions of the mine, providing much needed employment and wider economic benefits to the local communities, and the number of First Nation employees is reported along with total employees to the Board each month to allow the Board to monitor them.

Gati Al-Jebouri
Chairman and Chief Executive Officer
26 June 2020

Corporate and Social Responsibility Report (CSR)

Pembridge is committed to complying with all Health and Safety, environmental and social legislation and protecting the health and general wellbeing of its employees. It is committed to preserving the environment.

Environment

As a mining-focused company, concern for the environment is of upmost importance to Pembridge. It is our policy to reduce to a minimum the potential environmental impact of our activities and have a positive impact on the areas in which we operate..

Health, Safety and Security

The health, safety and security of the personnel and communities in which we operate takes priority in the management of our operations. Our goal is to prevent injury and ill health to employees and contractors by providing a safe and healthy working environment and by minimising risks associated with occupational hazards. The monthly report from the Minto mine to its Board highlights injuries as a performance measure.

Business Ethics

Pembridge is committed to carrying out all its operations with high moral and legal standards. Pembridge has an anti-corruption and anti-bribery policy which are in line with the requirements of the UK Bribery Act and equivalent legislation in other countries where it operates. Staff and contractors are made aware of their obligations both on recruitment and by periodical updates.

The Strategic Report (comprising the Chairman's and Chief Executive's statement and principal risks and uncertainties) on pages 2 to 7 was approved by the Board of Directors and was signed on its behalf by Gati Al-Jebouri, Chairman of the Board.

Gati Al-Jebouri
Chairman and Chief Executive Officer
26 June 2020

Board of Directors and Senior Management

Gati Al-Jebouri, *Chairman and Chief Executive Officer*

Mr Al-Jebouri, who was born in Bulgaria in 1969, graduated from the University of Bristol with a Civil Engineering degree in 1990 and from the Institute of Chartered Accountants as a chartered accountant in 1994. In 2001 he was appointed Deputy Minister of Energy of Bulgaria and in 2002 Bulgaria's First Deputy Minister of Finance. His varied career has included working for the accountancy firm KPMG in London and Bulgaria until being recruited to LUKOIL, where he soon became Director of investment and Finance in the London office. In 2003 he became Chief Financial Officer of LITASCO (LUKOIL International Trading and Supply Company), where he rose to Chief Executive Officer two years later. In 2010 he became Executive Director for Finance and Marketing of LUKOIL Mid East Ltd and in 2018 was promoted to Managing Director of the Company. He has been a Non-Executive Director since 2017 and became Chairman and Chief Executive Officer on 19 September 2019.

Frank McAllister, *Non-Executive Director*

With over 50 years' industry experience, Frank McAllister has held various senior and Board positions in a number of metals and mining companies. He worked with ASARCO Incorporated for 33 years during which he became Chief Financial Officer in 1982 and then Executive Vice President of Copper Operations in 1993. Eventually he became ASARCO's President and Chief Operating Officer before becoming Chairman and Chief Executive Officer in 1999. In 1996 he became an Independent Director of Cliffs Natural Resources Inc and its Lead Director from 2004 to 2013. During the same period, he was also Chairman, CEO and a Director at Stillwater Mining Co, and served as President of the National Mining Association during 2012 and 2013. Frank holds an MBA from New York University, Bachelor of Science in Finance from the University of Utah and attended the Advanced Management Program at Harvard Business School.

Guy Le Bel, *Non-Executive Director*

Guy brings more than 30 years of international experience in strategic and financial mine planning to the Pembridge team. He is currently CFO of Golden Queen Mining Ltd, and was previously Vice President Evaluations for Capstone Mining Corp, Director of Golden Queen Mining, RedQuest Capital Corp and was VP, Business Development at Quadra Mining Ltd. He also held business advisory, strategy and planning, business valuation, and financial planning management roles at BHP Billiton Base Metals Ltd., Rio Algom Ltd. and Cambior Inc. He has extensive experience across precious and base metals industries in the Americas. Guy holds an MBA Finance from École des Hautes Études Commerciales, a Master Applied Sciences, Mining Engineering - University of British Columbia and a B.Sc. Mining Engineering from Université Laval.

David James, *Chief Financial Officer and Company Secretary*

David is a Chartered Accountant, having qualified with KPMG in 1995. David has had a varied career including time spent in Budapest, Hungary and in blue chip multinational groups, followed by 10 years running his own business as a consolidation and reporting specialist, providing financial reporting services mainly to multinational listed companies before joining the Company.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 December 2019.

General information about the Company is provided in note 1 to the Financial Statements.

Principal activity

The principal activity of Pembridge is to operate as a base and precious metals focussed holding Company. The principal activity of its main subsidiary, Minto Exploration Ltd, is copper mining.

Business review and future development

A review of the business and future developments of the Group is included within the Chairman and Chief Executive's statement on pages 2 to 4, which forms part of the Strategic Report. The Company acquired 100% of the shares of Minto Explorations Ltd on 3 June 2019 and the Minto mine re-started operations in October 2019.

Results and dividends

During the year the Group made a loss of US$13,087,000 (2018 – loss of US$3,829,000). The loss incurred during the year consists of costs of running the head office in London, associated listing and regulatory requirements, legal and professional costs in connection with the Minto acquisition and the costs of re-opening the Minto mine. No dividends were paid during the year and the Directors do not recommend payment of a final dividend (2018: $nil).

Going concern

The Financial Statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group and Company, including the current and future level of resources. As part of their assessment, the Directors have also taken into account the need to raise additional funding during the going concern period. Further funding will be required by the Company either through equity raisings or other financial arrangements and this additional funding is not guaranteed, however to date the Company has been successful in securing funding when required.

The Company has no income stream of its own and is reliant, until it is able to receive an income from its investment in Minto, on funding from equity and loans. The Company is in the process of obtaining such funding and its management are confident that it can meet its contracted and committed expenditure for at least the next 12 months. Minto has received commitments from its other investors, Cedro Holdings and Copper Holdings, they will support its operations for at least the next 12 months. The need for the Company to raise additional funds at the required amount during the going concern period indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, and therefore its ability to settle its debts and realise its assets in the normal course of business.

Post reporting date events

These are set out in note 33 to the financial statements.

Directors

The Directors who served during the year ended 31 December 2019 and up to the date of signing the Financial Statements were as follows:

Gati Al-Jebouri	Chairman and Chief Executive Officer (from 19 September 2019, previously Non-Executive Director)
David Charles Linsley	Chief Executive Officer and Director (resigned 19 September 2019)
Francis McAllister	Non-Executive Director (and Chairman until 19 September)
Guy Le Bel	Non-Executive Director

Share consolidation

On 16 July 2018 the Company announced the consolidation of every 10 existing ordinary shares of nominal value 0.1 pence each into one Ordinary Share of nominal value, such consolidation to take place immediately before the shares are re-listed on the London Stock Exchange, which happened in 16 December 2019. As a result, reported numbers of shares as at 31 December 2019 are stated on the consolidated basis.

Substantial shareholders

As at 31 December 2019, the total number of issued ordinary shares with voting rights in the Company was 63,231,494. Details of the Company's capital structure and voting rights are set out in Note 24 to the Financial Statements.

The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at 31 December 2019.

Directors' Report

Party Name	Number of Ordinary Shares	% of Share Capital
Gati Al-Jebouri	11,348,859	17.9
David Linsley	3,298,968	5.2
Jonathan Armstrong	4,800,000	7.6
Frank McAllister	3,451,419	5.5
Guy Le Bel	2,823,545	4.5

Capital structure

The Company's capital consists of ordinary shares which rank pari passu in all respects and are traded on the Standard segment of the Main Market of the London Stock Exchange. There are no restrictions on the transfer of securities in the Company or restrictions on voting rights and none of the Company's shares are owned or controlled by employee share schemes. There are no arrangements in place between shareholders that are known to the Company that may restrict voting rights, restrict the transfer of securities, result in the appointment or replacement of Directors, amend the Company's articles of association or restrict the powers of the Company's Directors, including in relation to the issuing or buying back by the Company of its shares or any significant agreements to which the Company is a party that take effect after, or terminate upon, a change of control of the Company following a takeover bid, or arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur because of a takeover bid.

Directors' indemnities

Pembridge maintained liability insurance for its Directors and officers during the period and also as at the date of approval of the Directors' Report.

Financial instruments

The financial risk management policies and objectives are set out in detail in Notes 28 and 30 of the Financial Statements.

Information on exposure to risks

Principal risks and uncertainties are discussed in the Strategic Report on pages 5 to 7, while liquidity risks are covered in Note 28.

Greenhouse gas emissions

The Company has as yet minimal greenhouse gas emissions to report from the operations of the Company and does not have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors report) Regulations 2014. The Minto mine re-started operations in October 2019 and will put in place procedures to be able to report greenhouse emissions for 2020.

Corporate Governance

The Governance Report is disclosed on pages 12 to 14.

Statement as to disclosure of information to auditor

The Directors who were in office on the date of approval of these Financial Statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

The auditors, PKF Littlejohn LLP, have expressed their willingness to continue in office and a resolution that they be re-appointed will be proposed at the general meeting.

By order of the Board

Gati Al-Jebouri
Chairman and Chief Executive Officer
26 June 2020

Governance Report

Introduction

Pembridge Resources Plc recognises the importance of, and is committed to, high standards of Corporate Governance. At the date of this Report, and whilst the Company is not formally required to comply with the UK Corporate Governance Code, the Company will try to observe, where practical, the requirements of the UK Corporate Governance Code. The UK Corporate Governance Code can be found at frc.org.uk/our-work/publications/Corporate-Governance.

The Company will comply with QCA Code, as published by the Quoted Companies Alliance, to the extent they consider appropriate in light of the Company's size, stage of development and resources.

The Company is currently a small company with a modest resource base. The Company has a clear mandate to optimise the allocation of limited resources to support its development plans. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves, the Board is committed to enhancing the Company's corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.

Set out below are the Company's corporate governance practices for the year ended 31 December 2019.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board - The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company.

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on 13 occasions.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

Matters reserved specifically for Board - The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of;

- The Company's overall strategy;
- Financial Statements and dividend policy;
- Management structure including succession planning, appointments and remuneration; material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls;
- The Company's corporate governance and compliance arrangements; and
- Corporate policies.

Summary of the Board's work in the year – During the year, the Board considered all relevant matters within its remit, but focused in particular on the completion of the Minto acquisition, restarting the Minto mine and re-listing the Company's shares on the London Stock Exchange. Certain other matters are delegated to the Board Committees, namely the Audit and Remuneration Committees.

Attendance at meetings:

Member	Meetings attended
Francis McAllister	13
David Charles Linsley	8
Guy Le Bel	13
Gati Al-Jebouri	13

All Directors attended 100% of Board meetings they were entitled to attend during the period. The Board is pleased with the high level of attendance and participation of Directors at Board and committee meetings.

Governance Report

The Chairman sets the Board Agenda and ensures adequate time for discussion.

Non-executive Directors - The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets.

Non-executive Directors are initially appointed for a term of three years which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Other governance matters - All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board Committee has access to the advice of the Company Secretary.

The Company Secretary - The Company Secretary role is carried out by the Chief Financial Officer.

Effectiveness

Until 19 September 2019, the Board comprised of a Chief Executive Officer, a non-executive Chairman and two independent non-executive Directors. After the changes on 19 September, the Board comprised of a combined Chairman and Chief Executive Officer and two independent non-executive Directors. Biographical details of the Board members are set out on page 9 of this report.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Independence - The Board considers each of the non-executive Directors to be independent in character and judgement.

Appointments – the Board is responsible for reviewing and the structure, size and composition of the Board and making recommendations to the board with regards to any required changes.

Commitments – All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction - All new Directors received an induction as soon as practical on joining the Board.

Conflicts of interest - A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation – The company has a policy of appraising Board performance annually. Having reviewed various approaches to Board appraisal, the Company has concluded that for a Company of its current scale, an internal process of regular face to face meetings is most appropriate, in which all Board members discuss any issues as and when they arise in relation to the Board or any individual member's performance.

Although the Board consists of only male Directors, the Board supports diversity in the Boardroom and the Financial Reporting Council's aims to encourage such diversity. The following table sets out a breakdown by gender at 31 December 2019:

	Male	Female
Directors	3	-
Senior Managers	2	-
Other employees	-	1

Accountability

The Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. This is achieved through this report and as required other periodic financial and trading statements.

Going concern - The Group's and Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Directors' Report and the Principal risks and Uncertainties sections of the Strategic Report. In addition, the notes to Financial Statements discloses the Group's and Company's financial risk management practices with respect to its capital structure, liquidity risk, foreign exchange risk, and other related matters.

Governance Report

The Directors, having made due and careful enquiry, are of the opinion that the Group and Company have adequate working capital to execute their operations and have the ability to access additional financing, if required, over the next 12 months. The Directors, therefore, have made an informed judgement, at the time of approving Financial Statements, that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have continued to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Internal controls - The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliance and risk management. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. The Directors carry out a risk assessment before signing up to any commitments.

The Audit Committee is made up of the two non-executive directors and regularly reviews and reports to the Board on the effectiveness of the system of internal control. Given the size of the Company and the relative simplicity of the systems, the Board considers that there is no current requirement for an internal audit function. The procedures that have been established to provide internal financial control are considered appropriate for a Company of its size and include controls over expenditure, regular reconciliations and management accounts.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Remuneration

A Remuneration Committee was established during 2019 and is made up of the two non-executive directors. Remuneration paid to Directors in the period under review is disclosed in the Directors' Remuneration Report.

Nomination

Currently due to the size of the Company there is no Nomination Committee.

Shareholder relations

Communication and dialogue – Open and transparent communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations made at the time of the release of the annual and interim results. All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website: www.pembridgeresources.com. Regular updates to record news in relation to the Company are included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website free of charge.

The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance. Meetings are also held with the corporate governance representatives of institutional investors when requested.

Annual General Meeting - At an AGM individual shareholders are normally given the opportunity to put questions to the Chairman and to other members of the Board that may be present although, due to the COVID-19 pandemic, physical attendance at the AGM is not possible in 2020. Notice of the AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

Gati Al-Jebouri
Chairman and Chief Executive Officer
26 June 2020

Directors' Remuneration Report

During 2019 the Company put in place a remuneration committee comprising its two non-executive directors.

The items included in this report are unaudited unless otherwise stated.

Statement of Pembridge Resources Plc's policy on Directors' remuneration

The Company's policy is to maintain levels of remuneration so as to attract, motivate, and retain Directors and Senior Executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Company's operations. Currently Director's remuneration is not subject to specific performance targets.

In future periods the Company intends to implement a remuneration policy so that a meaningful proportion of Executive and Senior Management's remuneration is structured so as to link rewards to corporate and individual performance, align their interests with those of shareholders and to incentivise them to perform at the highest levels. No Director takes part in any decision directly affecting their own remuneration.

Directors' remuneration

The Directors who held office at 31 December 2019 and who had beneficial interests in the ordinary shares of the Company are summarised as follows:

Name of Director	Position	No.of shares held
Gati Al-Jebouri	Chairman and Chief Executive Officer	11,348,859
Francis McAllister	Non-Executive Director	3,451,419
Guy Le Bel	Non-Executive Director	2,823,545

The Directors entered into service agreements at the time of the Company's admission to the main market in August 2018. Mr. Al-Jebouri entered into an new service agreement when he became Chairman and Chief Executive Officer on 19 September 2019. Details of Directors' emoluments and of payments made for professional services rendered are set out below.

Remuneration components

For the year ended 31 December 2019 salaries and fees, bonuses and share based payments were the main components of remuneration, with health insurance also for the Chief Executive Officer and redundancy pay for the outgoing Chief Executive Officer. This is expected to continue in 2020.

- Salaries and fees
- Bonus
- Redundancy pay
- Health insurance
- Pensions
- Share Incentive arrangements

Directors' Remuneration Report

Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors for the year ended 31 December 2019:

2019	Fees US$'000	Bonus US$'000	Share based payments US$'000	Health insurance US$'000	Redundancy Pay US$'000	Total US$'000
Francis McAllister	-	-	-	-	-	-
David Charles Linsley	155	501	-	13	483	1,152
Gati Al-Jebouri	91	501	-	3	-	595
Guy Le Bel	-	250	-	-	-	250
Total	246	1,252	-	16	483	1,997

2018	Fees US$'000	Bonus US$'000	Share based payments US$'000	Health insurance US$'000	Redundancy Pay US$'000	Total US$'000
Francis McAllister	-	-	-	-	-	-
David Charles Linsley	419	-	-	-	-	419
Gati Al-Jebouri	-	-	-	-	-	-
Guy Le Bel	-	-	-	-	-	-
Total	419	-	-	-	-	419

Directors beneficial share interests (audited)

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2019 and at the date of this report or their resignation (if earlier) were as follows:

Name of Director	Number of ordinary shares held at 31 December 2019	As at the date of this report (D Linsley at date of resignation)	Number of options / warrants	Number of share options / warrants vested but unexercised
Francis McAllister	3,451,419	4,663,540	1,750,000	900,000
David Linsley	3,298,968	375,000	-	-
Guy Le Bel	2,823,545	2,823,545	1,750,000	900,000
Gati Al-Jebouri	11,348,859	15,418,754	4,230,000	900,000

In addition to the above, during the year the Company entered into a convertible loan agreement of £1,700,000 with Gati Al-Jebouri, repayable on 25 October 2021. At any time prior to that date Mr. Al-Jebouri may elect to convert all or part of the convertible loan into ordinary shares in the Company at 12.5 pence per share, provided that such election would not place Mr. Al-Jebouri's shareholding above 29.9% of the total issued share capital of the Company.

Directors' Remuneration Report

Total pension entitlements (audited)

The Company currently has a statutory workplace pension scheme in place but did not pay pension amounts in relation to any Directors.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

Payments to past Directors (audited)

The Company has not paid any compensation to past Directors.

Payments for loss of office (audited)

Payments were made to David Linsley for loss of office during the year.

Consideration of shareholder views

The Board considers shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's annual policy on remuneration.

Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Board may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Policy on payment for loss of office

Payment for loss of office would be determined by the remuneration committee once appointed, taking into account contractual obligations.

Other matters

The Company does not currently have any annual or long-term incentive schemes in place for any of the Directors and as such there are no disclosures in this respect.

Approved on behalf of the Board

Gati Al-Jebouri
Chairman and Chief Executive Officer
26 June 2020

Directors' responsibilities

The Directors are responsible for preparing the Annual Report 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 Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006. 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 Group and the Company and of the profit or loss of the Group and Company 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 whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement Pursuant to Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 9, confirm that, to the best of their knowledge and belief:

- the Financial Statements prepared in accordance with IFRSs as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company; and
- the annual report and Financial Statements, including the Business review, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Independent Auditor's Report to the Members of Pembridge Resources Plc

We have audited the Financial Statements of Pembridge Resources plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2019 and of the Group's and Company's loss for the year then ended;
- of the Group have been properly prepared in accordance with IFRSs as adopted by the European Union;
- of the Company have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS regulation.

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 Group and 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 public interest 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.

Material uncertainty related to going concern

We draw attention to note 2 in the Financial Statements which details the Company is dependent on raising additional financing to enable it to continue as a going concern. This condition, along with the other matters referred to in note 2 to include the potential impact of the COVID-19 pandemic, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Pembridge Resources Plc

Our application of materiality

Materiality 2019	Materiality 2018	Basis for materiality
Group - $660,000	Group - $90,000	Average of 4% of net assets and 7% of loss before tax. The change in materiality for 2019 reflects the acquisition of Minto Explorations Ltd.
Company - $130,000	Company - $90,000	2% of total expenses

Materiality is a key concept in the context of an audit. In providing an opinion on whether the financial statements provide a 'true and fair' view, we are providing an opinion on whether the financial statements as a whole are free from material misstatement whether due to fraud or error.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item, either individually or in aggregate, is considered material if omitting it or misstating it could reasonably be expected to influence decisions that users make on the basis of an entity's financial statements. Materiality has both quantitative and qualitative characteristics. It depends on the size or nature of the item or error judged in the particular circumstances of its omission or misstatement.

Our calculated materiality has significantly increased from the previous year. This is predominantly due to the change in group structure following the acquisition of Minto Explorations Limited during the year resulting in a higher net asset value and loss before tax for the enlarged Group. Following the acquisition of Minto Explorations Limited, we consider that net assets and loss before tax are the most significant determinant of the group's financial position and performance used by shareholders.

Whilst materiality for the financial statements as a whole was set at $660,000, component materiality was set at a level between $130,000 for the parent company and CAD$400,000 (USD equivalent approximately $308,000) for Minto Explorations Limited, with performance materiality set between 70% and 75%. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We agreed with the audit committee that we would report to the committee all audit differences identified during the course of our audit in excess of $33,000 (2018: $4,500). There were certain misstatements identified during the course of our audit that were individually considered to be material and adjusted for by management.

An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the Financial Statements. In particular, we looked at areas involving significant accounting estimates and judgement by the Directors and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the Group's significant operating components which, for the year ended 31 December 2019, were located in the United Kingdom and Canada.

The significant and material Canadian component was audited by a component auditor under our instruction. There was regular interaction with the component auditor during all stages of the audit, and we were responsible for the scope and direction of their audit process.

We performed a remote review of the component audit file prepared by the auditor of Minto Explorations Limited, including the work performed on the significant risks identified at group level. The component auditor also provided their findings to us which were reviewed and challenged accordingly.

This gave us sufficient appropriate evidence for our opinion on the Group financial statements.

Independent Auditor's Report to the Members of Pembridge Resources Plc

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 opinions thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Acquisition accounting of Minto Explorations Limited under IFRS 3 (note 26) Minto Explorations Limited was acquired on 3 June 2019. This gave rise to the following key areas for consideration: 1. Fair value measurement of assets and liabilities of Minto Explorations Limited, including non-controlling interest. An independent expert has undertaken the Purchase Price Allocation (PPA) exercise. 2. The accounting treatment on consolidation of the recognition of a non-controlling interest in line with the Investor Agreement, including consideration of the substance of the arrangement based on economic interest and voting rights of the parties involved. 3. The treatment of the purchase consideration totaling up to $20million, which contains deferred and contingent elements. The contingent elements are dependent on meeting future production milestones and on future copper prices spanning a period of up to three years following recommencement of commercial production. This is therefore a key area of management judgement.	Our work included but was not restricted to: • Review of the key contractual agreements and terms entered into in connection with the acquisition of Minto Explorations Limited, to include in particular the Share Purchase Agreement with Capstone Mining Corp. and the Shareholders' Agreement; • Discussions by the audit team with the preparer of the PPA report to obtain an understanding of the methods and assumptions used within the report, including compliance with the requirements of IFRS 3 and IFRS 13; • Review of, and providing challenge to, key assumptions and methods included within the PPA exercise by Management and Management's expert. Where applicable, we undertook corroborative procedures on the underlying key assumptions including benchmarking data; • Assessing the competence, capabilities and objectivity of the preparer of the PPA report; and • Discussion with Management on the basis for calculating the deferred and contingent elements of the purchase consideration and ensuring the rationale is in accordance with the mine plan and IFRS.
Carrying value and assessment of impairment of producing mineral properties, mineral exploration and development properties, CIP and property, plant and equipment (note 15) Future profitability of the Minto Mine is sensitive to copper market prices and the success of exploration activities in order to increase resources / reserves. Management's assessment of impairment indicators, and estimation of value in use, will involve cash flow forecasts and assumptions which are inherently judgmental and potentially sensitive to reasonably possible change.	Our work included but was not restricted to: • Review of the work undertaken by the component auditor in this area with regard to the carrying values in the individual financial statements of Minto; • Performed an independent assessment to identify any indicators of impairment; • Reviewing the independently assessed mine plan in order to understand the factors underlying the long term viability of the mine; and • Review of Management's impairment considerations at group level (incorporating PPA adjustments) including challenge of judgements and estimates therein.

Independent Auditor’s Report to the Members of Pembridge Resources Plc

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor’s report thereon. The Directors are responsible for the other information. Our opinion on the Group and Company 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 the part of the Directors’ remuneration report to be audited has been properly prepared in accordance with 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 Company and their 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors’ remuneration report to be audited 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 Group and parent Company 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 Group and Company Financial Statements, the Directors are responsible for assessing the Group’s and 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 parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Pembridge Resources Plc

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.

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

Other matters which we are required to address

We were appointed by the Board of Directors on 10 February 2018 to audit the Financial Statements for the year ended 31 December 2017. Our total uninterrupted period of engagement is three years, covering the year ended 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or parent Company and we remain independent of the Group and Company in conducting our audit.

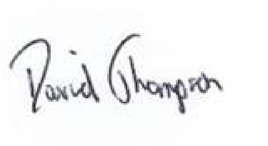
As part of our audit procedures, we gained an understanding of the legal and regulatory framework applicable to the Company and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion. Our tests included making enquiries of management, as well as inspecting underlying supporting documentation and calculations.

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. Procedures designed and executed to address these risks included the review and testing of journal entries during the period, testing and evaluating management's key accounting estimates for reasonableness and consistency, review of transactions through the bank statements, and undertaking cut-off procedures to verify proper cut-off of expenses.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our 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.



David Thompson
(Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

26 June 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Revenue from contracts with customers	7	12,398	-
Production costs		(14,739)	-
Royalties		(204)	-
Depreciation and amortisation		(3,459)	-
Administrative, legal and professional expenses		(3,110)	(3,829)
Exceptional items – acquisition and re-admission costs	8	(2,347)	-
Foreign exchange gain / (loss)		(357)	-
Operating loss	8	**(11,818)**	**(3,829)**
Finance income		-	-
Finance cost	12	(1,295)	-
Loss before income tax		**(13,113)**	**(3,829)**
Income tax	13	26	-
Loss for the year		**(13,087)**	**(3,829)**
Other comprehensive income		936	-
Total comprehensive income for the year		**(12,151)**	**(3,829)**
Loss is attributable to:			
Non-controlling interest		(5,024)	-
Shareholders of the Company		(8,063)	(3,829)
Loss for the year		**(13,087)**	**(3,829)**
Total comprehensive income is attributable to:			
Non-controlling interest		(4,400)	-
Shareholders of the Company		(7,751)	(3,829)
Total comprehensive income for the year		**(12,151)**	**(3,829)**

Earnings per share expressed in US cents		Year ended 31 December 2019	Year ended 31 December 2018
Basic and diluted loss per share attributable to the equity holders of the Company	14	(33.5c)	(17.1c)

All amounts relate to continuing activities.

The notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2019

	Note	31 December 2019 US$'000	31 December 2018 US$'000
Assets			
Non-current assets			
Property, plant and equipment	15	50,207	15
Intangible assets	16	394	148
Long-term deposits	18	4,040	-
Total non-current assets		54,641	163
Current assets			
Inventories	17	5,710	-
Trade and other receivables	18	8,610	240
Cash and cash equivalents	19	964	151
Total current assets		15,284	391
Total assets		**69,925**	**554**
Non-Current liabilities			
Borrowings	23	(10,631)	(103)
Lease liabilities	21	(2,734)	-
Reclamation and closure cost provision	22	(22,438)	-
Deferred consideration due to Capstone	32	(4,305)	-
Deferred tax liabilities	13	(270)	-
Total non-current liabilities		(40,378)	(103)
Current liabilities			
Trade and other payables	20	(8,736)	(1,831)
Borrowings	23	-	(279)
Lease liabilities	21	(2,899)	-
Deferred consideration due to Capstone	32	(4,897)	-
Total current liabilities		(16,532)	(2,110)
Total liabilities		**(56,910)**	**(2,213)**
Net assets/(liabilities)		**13,015**	**(1,659)**
Equity			
Share capital	24	825	295
Share premium	24	8,900	2,902
Capital redemption reserve		1,011	1,011
Translation reserve		312	-
Other reserve		369	66
Retained deficit		(13,465)	(5,933)
Equity attributable to shareholders of the Company		**(2,048)**	**(1,659)**
Non-controlling interests	27	15,063	-
Total equity		**13,015**	**(1,659)**

The Financial Statements were approved and authorised for issue by the Board on 26 June 2020 and signed on behalf of the Board by:

Gati Al-Jebouri
Chairman and Chief Executive Officer

The notes form an integral part of these financial statements.

Company statement of financial position

As at 31 December 2019
Registered number : 07352056

	Note	31 December 2019 US$'000	31 December 2018 US$'000
Assets			
Non-current assets			
Property, plant and equipment	15	3	15
Investment in subsidiary	31	9,202	-
Long-term deposits	18	1,517	-
Total non-current assets		10,722	15
Current assets			
Trade and other receivables	18	1,490	393
Cash and cash equivalents	19	399	151
Total current assets		1,889	544
Total assets		**12,611**	**559**
Non-Current liabilities			
Borrowings	23	(2,049)	(103)
Deferred consideration due to Capstone	32	(4,305)	-
Total non-current liabilities		(6,354)	(103)
Current liabilities			
Trade and other payables	20	(1,738)	(1,831)
Borrowings	23	-	(279)
Deferred consideration due to Capstone	32	(4,897)	-
Total current liabilities		(6,635)	(2,110)
Total liabilities		**(12,989)**	**(2,213)**
Net liabilities		**(378)**	**(1,654)**
Equity			
Share capital	24	825	295
Share premium	24	8,900	2,902
Capital redemption reserve		1,011	1,011
Other reserve		369	66
Retained deficit		(11,483)	(5,928)
Equity attributable to shareholders of the Company		**(378)**	**(1,654)**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these Financial Statements. The Company's loss for the period amounted to $5,555,000 (2018: $3,824,000 loss).

The Financial Statements were approved and authorised for issue by the Board on 26 June 2020 and signed on behalf of the Board by:

Gati Al-Jebouri
Chairman and Chief Executive Officer

The notes form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Translation/ Other reserve US$'000	Retained deficit US$'000	Total US$'000	Non-controlling interest US$'000	Total Equity US$'000
Balance at 1 January 2018	**1,306**	**2,902**	**-**	**165**	**(2,203)**	**2,170**	**-**	**2,170**
Loss for the year	-	-	-	-	(3,829)	-	-	(3,829)
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(3,829)	(3,829)	-	(3,829)
Cancellation of deferred shares	(1,011)	-	1,011	-	-	-	-	-
Warrants expired	-	-	-	(99)	99	-	-	-
Total transactions with owners recognised directly in equity	(1,011)	-	1,011	(99)	99	-	-	-
Balance at 31 December 2018	**295**	**2,902**	**1,011**	**66**	**(5,933)**	**(1,659)**	**-**	**(1,659)**
Balance at 1 January 2019	**295**	**2,902**	**1,011**	**66**	**(5,933)**	**(1,659)**	**-**	**(1,659)**
Loss for the year	-	-	-	-	(8,063)	(8,063)	(5,024)	(13,087)
Other comprehensive income – items that may be reclassified subsequently to profit or loss								
Exchange difference on translation	-	-	-	312	-	312	624	936
Total comprehensive income for the year	-	-	-	312	(8,063)	(7,751)	(4,400)	(12,151)
Proceeds from shares issued	530	6,109	-	-	-	6,639	-	6,639
Direct cost of shares issued	-	(111)	-	-	-	(111)	-	(111)
Equity element of convertible loan	-	-	-	53	-	53	-	53
Investment by non-controlling interest in Minto share capital					531	531	1,059	1,590
Non-controlling interest on acquisition of subsidiary					-	-	18,404	18,404
Share-based payments	-	-	-	250	-	250	-	250
Total transactions with owners recognised directly in equity	530	5,998	-	303	531	7,362	19,463	26,825
Balance at 31 December 2019	**825**	**8,900**	**1,011**	**681**	**(13,465)**	**(2,048)**	**15,063**	**13,015**

Company statement of changes in equity

For the year ended 31 December 2019

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Retained deficit US$'000	Total US$'000
Balance at 1 January 2018	**1,306**	**2,902**	**-**	**165**	**(2,203)**	**2,170**
Loss for the year	-	-	-	-	(3,824)	(3,824)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(3,824)	(3,824)
Warrants expired	-	-	-	(99)	99	-
Total transactions with owners recognised directly in equity	(1,011)	-	1,011	(99)	99	-
Balance at 31 December 2018	**295**	**2,902**	**1,011**	**66**	**(5,928)**	**(1,654)**
Balance at 1 January 2019	**295**	**2,902**	**1,011**	**66**	**(5,928)**	**(1,654)**
Loss for the year	-	-	-	-	(5,555)	(5,555)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(5,555)**	**(5,555)**
Proceeds from shares issued	530	6,109	-	-	-	6,639
Direct cost of shares issued	-	(111)	-	-	-	(111)
Equity element of convertible loan	-	-	-	53	-	53
Share based payments	-	-	-	250	-	250
Total transactions with owners recognised directly in equity	530	5,998	-	303	-	6,831
Balance at 31 December 2019	**825**	**8,900**	**1,011**	**369**	**(11,483)**	**(378)**

The notes form an integral part of these financial statements.

The following describes the nature and purpose of each reserve within Group and Company owners' equity:

Reserve	**Description and purpose**
Share capital	Nominal value of shares issued.
Share premium	Amount subscribed for share capital in excess of nominal value, less share issue costs.
Capital redemption reserve	Reserve created on cancellation of deferred shares.
Other reserve	Cumulative fair value of warrants and share options granted, together with the equity element of the convertible loan.
Translation reserve	Cumulative translation adjustment from retranslation of group undertakings with functional currencies other than USD.
Retained deficit	Cumulative net gains and losses recognised in the statement of comprehensive income.
Non-controlling interest	Non-controlling interests represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the parent company and are presented separately in the Consolidated Statement of comprehensive income and within equity in the Consolidated statement of financial position, distinguished from parent company shareholders' equity.

Consolidated cash flow statement

For the year ended 31 December 2019

	Note	Year Ended 31 December 2019 US$'000	Year Ended 31 December 2018 US$'000
Cash flows from operating activities			
Loss for the year		(13,087)	(3,829)
Adjusted for:			
Net finance costs		1,295	-
Unrealised FX on debt included in administrative expenses		(169)	-
Depreciation		3,459	5
Tax charge / (credit)		(26)	-
Share based payments		250	-
		(8,278)	**(3,824)**
Movements in working capital			
Decrease / (increase) in inventories		(3,248)	-
Decrease / (increase) in trade and other receivables		(8,252)	(344)
Increase / (decrease) in trade and other payables		6,752	1,928
Cash used by operations		**(13,026)**	**(2,240)**
Income taxes recovered / (paid)		-	-
Net cash used in operating activities		**(13,026)**	**(2,240)**
Cash flows from investing activities			
Payments into long-term deposits		(1,582)	-
Purchase of property, plant and equipment		(490)	(18)
Purchase of mining claims		(237)	-
Net cash used in investing activities		**(2,309)**	**(18)**
Cash flows from financing activities			
Interest payments		(497)	-
Repayment of borrowings		(647)	-
Proceeds from borrowings		10,754	382
Lease payments		(1,621)	-
Proceeds from issuance of shares		8,149	-
Net cash generated from financing activities		**16,138**	**382**
Net increase in cash and cash equivalents		**803**	**(1,876)**
Cash and cash equivalents at beginning of year		151	2,027
Impact of exchange rates on cash balances		10	-
Cash and cash equivalents at end of year	19	**964**	**151**

The notes form an integral part of these financial statements.

Company cash flow statement

For the year ended 31 December 2019

	Note	Year Ended 31 December 2019 US$'000	Year Ended 31 December 2018 US$'000
Cash flows from operating activities			
Loss for the year		(5,555)	(3,824)
Adjusted for:			
Net finance costs		160	-
Depreciation		7	5
Tax charge / (credit)		-	-
Share based payments		250	-
		(5,138)	**(3,819)**
Movements in working capital			
Decrease / (increase) in trade and other receivables		(1,147)	(40)
Increase / (decrease) in trade and other payables		(93)	1,618
Cash used by operations		**(6,378)**	**(2,241)**
Income taxes recovered / (paid)		-	-
Net cash used in operating activities		**(6,378)**	**(2,241)**
Cash flows from investing activities			
Payments into long-term deposits		(1,518)	-
Disposal/(purchase) of property, plant and equipment		5	(18)
Net cash used in investing activities		**(1,513)**	**(18)**
Cash flows from financing activities			
Interest payments		(60)	-
Repayment of borrowings		(647)	-
Proceeds from borrowings		2,318	383
Proceeds from issuance of shares		6,528	-
Net cash generated from financing activities		**6,621**	**383**
Net increase in cash and cash equivalents		**248**	**(1,876)**
Cash and cash equivalents at beginning of year		151	2,027
Cash and cash equivalents at end of year	19	**399**	**151**

The notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

The principal activity of the Company is to operate as a mining focused holding Company. The Company has an investment in the Minto copper-gold-silver mine in Yukon, Canada.

Pembridge Resources Plc is incorporated and domiciled in England. The address of the Company's registered office is 200 Strand, London, WC2R 1DJ. Pembridge Resources Plc's shares are listed on the Standard Segment of the Official List of the London Stock Exchange.

The Group's Financial Statements are presented in United States dollars (US$), which is also the functional currency of the Company, and rounded to the nearest thousand.

2. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations (IFRS IC) as adopted by the European Union, and with the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention, except as modified for assets and liabilities recognised at fair value on a business combination and contingent consideration measured at fair value.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

Going concern

The Financial Statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group and Company, including the current and future level of resources. As part of their assessment, the Directors have also taken into account the need for the Company to raise additional funding during the going concern period. Further funding will be required by the Company either through equity raisings or other financial arrangements and this additional funding is not guaranteed, however to date the Company has been successful in securing funding when required.

The Company has no income stream of its own and is reliant, until it is able to receive an income from its investment in Minto, on funding from equity and loans. The company is in the process of obtaining such funding and its management are confident that it can meet its contracted and committed expenditure for at least the next 12 months. Minto has received commitments from its other investors, Cedro Holdings and Copper Holdings, they will support its operations for at least the next 12 months. The need for the Company to raise additional funds at the required amount during the going concern period indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, and therefore its ability to settle its debts and realise its assets in the normal course of business.

At present the Group believes that there should be no significant material disruption to its mining operations from COVID-19, but the Board continues to monitor these risks and Minto's business continuity plans.

Having prepared forecasts based on current resources, assessing methods of obtaining additional finance and assessing the possible impact of COVID-19, the Directors believe the Group and Company have sufficient resources to meet its obligations for a period of 12 months from the date of approval of these Financial Statements. Taking these matters into consideration, the Directors continue to adopt the going concern basis of accounting in preparing these Financial Statements. The Financial Statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Notes to the Financial Statements

For the year ended 31 December 2019

3. STANDARDS AND INTERPRETATIONS NOT YET APPLIED BY THE COMPANY

3.1 New and amended standards mandatory for the first time for the financial year beginning 1 January 2019

The following new IFRS standards and/or amendments to IFRS standards are mandatory for the first time for the Company and Group:

Standard		Effective date
IFRS 16	Leases	1 January 2019
IAS 28 (Amendments)	Long term interests in associates and joint ventures	1 January 2019
Annual Improvements	2015 – 2017 Cycle	1 January 2019
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

The Group adopted IFRS 16 Leases from 1 January 2019. At that date the Group had no leases and Minto had no leases at the date of acquisition, so there has not been a transition process in adopting IFRS 16. Minto has since entered into a number of leases, which have been accounted for in accordance with IFRS 16.

The adoption of the other standards and amendments has not had a material impact on the financial statements other than changes to disclosures.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group or Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Group and Company intend to adopt these standards, if applicable, when they become effective.

Standard		Effective date
IFRS 3 (Amendments)	Business Combinations	1 January 2020*
IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2020*
IAS 8 (Amendments)	Accounting policies, Changes in Accounting Estimates	1 January 2020*

**Not yet endorsed by the EU.*

The Company and Group are evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Company's and Group's results or shareholders' funds.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, described in Note 5, the Directors are required to make judgments, 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 ongoing 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.

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognised in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of mineral exploration, evaluation and development costs

The Company has determined that exploratory drilling, evaluation, development, and related costs incurred, which were capitalised, have future economic benefits and are economically recoverable. In making this judgment, the Company has assessed various sources of information including, but not limited to, the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, proximity to existing ore bodies, existing permits, and life of mine plans.

Financial instruments

Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the balance sheet subsequent to inception and how changes in value are recorded. The designation may require the Company to make certain judgments, taking into account management's intention of the use of the financial instruments.

Consolidation of entities in which the Group holds less than a majority of voting rights / economic interest

The Company considers that, although it has an economic interest of less than 50% in Minto's results and net assets, it has control over Minto through holding 100% of voting rights and having control of the Minto Board, which means that it is able to control the day-to-day operations of the mine.

The following are the critical estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the Financial Statements.

Estimated reclamation and closure costs

The Group's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognised by the Group. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties.

Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

The determination of the ability of the Group and Company to utilise tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Group and Company. Management is required to assess whether it is probable that the Group and Company will benefit from these prior losses and other deferred tax assets. The tax rates expected to be in effect when temporary differences reverse is 27%. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realised or the timing of utilizing the losses.

Mineral reserve and resource estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Group's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices, and the market conditions could have a material effect in the future on the Group's financial position and results of operation. Such differences could increase or decrease the mine's revenues and may affect the rate of depreciation for mineral properties and of other fixed assets whose useful life is determined by the amount of reserves.

Notes to the Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated permitted reserves

The carrying amounts of the Group's producing mining properties are depleted based on permitted reserves. Changes to estimates of permitted reserves and depletable costs including changes resulting from revisions to the Group's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

Depreciation and amortisation rate for property, plant and equipment and depletion rates for mining interests

Depletion, depreciation, and amortisation expenses are allocated based on estimated asset lives. Should the asset life, depletion rates, or depreciation rates differ from the initial estimate, an adjustment would be made in the statement of (loss) / income on a prospective basis.

Impairment of mineral properties, plant and equipment

Management considers both external and internal sources of information in assessing whether there are any indications that the Group's mineral properties, plant and equipment are impaired and whether previously recorded impairments should be reversed. External sources of information management considers include changes in the market, economic and legal environment in which the Group operates that are not within its control and affect the recoverable amount of its mineral properties, plant and equipment. Internal sources of information that management considers include the manner in which mineral properties, plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Group's mineral properties, plant and equipment, management makes estimates of the future operating results and discounted net cash flows expected to be derived from the Group's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's mineral properties, plant and equipment.

Inventory valuation

Consumable parts and supplies, ore stockpiles and concentrates, are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the valuation of ore stockpiles and concentrates based on an appropriate allocation of direct mining costs, direct labour and material costs, mine site overhead, and depletion and amortization.

Valuation of financial instruments, including estimates used in provisional pricing calculations

Financial instrument estimates are based on either unadjusted quoted prices in active markets or direct or indirect observable inputs in accordance with the definitions of the financial instruments. Provisional pricing calculations are determined based on the change in the value of forward commodity prices of metals. To account for the change in metal prices from the total contract value to the 90% of the provisional value amount that has been received, estimates of the value of concentrates are used to determine the provisionally priced concentrate receivables at each period.

Share based payments

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant of share options and warrants. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield and making assumptions about them. The assumptions used for estimating fair value for share based payment transactions are disclosed in Note 25.

Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. The determination of fair value is based on key assumptions involving estimation of the probability of meeting each performance target and the timing thereof. As part of the acquisition of Minto, contingent consideration with an estimated fair value of US$9,202,000 was recognised at the acquisition date. See Note 26 for further details. The Group is required to remeasure the contingent liability at fair value at each reporting date with changes in fair value recognised in accordance with IFRS 9.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and Business combinations

The consolidated Financial Statements comprise the Financial Statements of the company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if the Group has:

(i) Power over the investee i.e. existing rights that give it the current ability to direct the relevant activities of the investee

(ii) Exposure, or rights to, variable returns from its involvement with the investee

(iii) The ability to use its power over the investee to affect its returns

Generally there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangements with the other vote holders of the investee

(ii) Rights arising from other contractual arrangements

(iii) The Group's voting rights and potential rights

Consolidation of a subsidiary begins when a Group obtains control over a subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and each component of Other Comprehensive Income ('OCI') are attributed to the equity holders of the Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. Acquisition related costs are expensed as incurred and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as a liability and within the scope of IFRS 9 is measured at fair value with the changes in fair value recognised in profit or loss.

Reporting foreign currency transactions in functional currency

In preparing the Financial Statements, 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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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. Exchange differences arising, if any, are recognised in profit or loss.

Translation from functional currency to presentational currency

When the functional currency of a Group entity is different from the Group's presentational currency (US dollars), its results and financial position are translated into the presentational currency as follows:

(i) Assets and liabilities are translated using exchange rates prevailing at the balance sheet date.

(ii) Income and expense items are translated at average exchange rates for the year, except where the use of such average rates does not approximate the exchange rate at the date of a specific transaction, in which case the transaction rate is used.

(iii) All resulting exchange differences are recognised in other comprehensive income and presented in the translation reserve in equity and are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Inventories

Inventories for consumable parts and supplies, ore stockpiles and concentrates, are valued at the lower of cost and net realisable value. Costs allocated to consumable parts and supplies are based on average costs and include all costs of purchase, conversion and other costs in bringing these inventories to their existing location and condition. Costs allocated to ore stockpiles and concentrates are based on average costs, which include an appropriate share of direct mining costs, direct labour and material costs, mine site overhead, depreciation and amortisation. If carrying value exceeds net realisable amount, a write down is recognised. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties, plant and equipment

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Group has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Producing mineral properties

Producing mineral properties are recorded at cost less accumulated depletion and impairment charges. The costs associated with producing mineral properties include acquired interests in production stage properties representing the fair value at the time they were acquired. Producing mineral properties also include additional capitalised costs after initial acquisition. Upon sale or abandonment of producing mineral properties, the carrying value is derecognised and any gains or losses thereon are included in the statement of income / (loss).

Mineral exploration and development properties

The carrying amount of mineral exploration and development properties comprise costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

The costs associated with mineral exploration and development properties include acquired interests in development and exploration stage properties representing the fair value at the time they were acquired. Mineral exploration and development properties related to greenfield properties, which are prospective in nature and not yet supported by an internal economic assessment, are expensed in the statement of (loss) / income, except for acquisition costs and mining interest rights. Exploration and development expenses related to brownfield mineral properties are capitalised provided that one of the following conditions is met:

- Such costs are expected to be recouped in full through successful development and exploitation of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, however active and significant operations in relation to the area are continuing, or planned for the future.

The carrying values of capitalised amounts of mineral exploration and development properties are reviewed when there are indicators of impairment at each reporting date. In the case of undeveloped projects, there may be only inferred mineral resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for development of such a project. If a project does not prove viable, all unrecoverable costs associated with the project are charged to profit or loss at the time the determination is made.

Once management has determined that the development potential of the property is economically viable and the necessary permits are in place for its development, the costs of the exploration asset are reclassified to producing mineral properties.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Plant and equipment includes in its purchase price, any costs directly attributable to bringing plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset. Upon sale or abandonment of any plant and/or equipment, the cost and related accumulated amortization and impairment losses, are written off and any gains or losses thereon are included in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in progress

Mineral property development and plant and equipment construction commences when approved by management and/or the Board and the Company has obtained all regulatory permissions to proceed. Development and construction expenditures are capitalised and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within mineral properties or plant and equipment.

Depreciation and amortisation of mineral properties, plant and equipment

The carrying amounts of mineral properties, plant and equipment are depreciated or amortised to their estimated residual value over the estimated economic life of the specific assets to which they relate, using the depreciation or amortisation methods and rates as indicated below. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining amortisation rate. Amortisation commences on the date the asset is available for its use as intended by management.

Depreciation and amortisation is computed using the following rates:

Item	Methods	Rates
Mineral properties	Units of production	Estimated proven, probable and permitted mineral reserves
Plant, equipment and motor vehicles	Straight line, units of production	4 – 10 years, Estimated proven and probable mineral reserves
Right of use assets under leases – plant and equipment	Straight line	Lesser of lease term and estimated useful life

Impairment of long-lived assets

At each reporting date, the Group and Company review the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset or CGU's value in use. In assessing recoverable amount, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable mineral reserves, estimated future commodity prices and the expected future operating and capital costs. The projected cash flows are affected by changes in assumptions about metal selling prices, future capital expenditures, production cost estimates, discount rates, and exchange rates. The discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Determining the discount rate includes appropriate adjustments for the risk profile of the country in which the individual asset or CGU operates.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognised in the statement of (loss) / income. Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depletion) had no impairment loss been recognised for the asset or CGU in prior periods. A reversal of impairment is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable result for the period. Taxable profit or loss differs from reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

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 taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case as they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences.

Compound instruments and borrowings

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt instruments. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs are expensed in the period in which they are incurred.

Financial instruments

On initial recognition, financial assets are recognised at fair value and are subsequently classified and measured at: (i) amortised cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts receivable are measured at amortised cost with subsequent impairments recognised in the statement of (loss) / income. Concentrate receivables and derivative assets are measured at FVTPL with subsequent changes recognised in profit or loss.

The mark-to-market adjustments for provisional pricing changes on concentrate receivables are based on forward commodity prices of metals and are included in revenues until final settlement.

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortised cost. All financial liabilities are classified and subsequently measured at amortised cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as amortised cost and carried on the statement of financial position at amortised cost. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in the statement of comprehensive income. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy described as follows:

(i) Level 1 – quoted market prices in active markets for identical assets or liabilities

(ii) Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for the valuation of assets and liabilities acquired in a business combination, and significant liabilities such as contingent consideration.

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Impairment and uncollectibility of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognised based on expected credit losses. This applies to financial assets measured at amortised cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognised for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognised in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortised cost decreases, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Any interest earned is accrued monthly and classified as finance income. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group and Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Leases

The Group recognises lease liabilities in relation to leases other than leases of low-value assets and short-term leases (shorter than twelve months). The lease liabilities are calculated at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, calculated as the local government bond rate plus an interest rate spread. In cases where there is an option to terminate or extend a lease, the duration of the lease assumed for this purpose reflected the Group's existing intentions regarding such options. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The right of use asset is measured initially at the amount equal to the lease liability, plus any costs of bring the asset into use. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclamation and closure cost obligations

A reclamation and closure cost obligation is recognised for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the balance sheet date. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and amortised over future production from the operations to which it relates. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in profit or loss as interest expense from discounting reclamation and closure cost obligations.

The obligation is reviewed each reporting period for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is amortised prospectively.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate and the unwinding of the discount is included in profit or loss as interest expense from discounting obligations.

Revenue recognition

Sales are recognised and revenue is recorded at market prices following the transfer of title and risk of ownership, provided that collection is reasonably assured, the price is reasonably determinable, the Company has no significant continuing involvement, and the costs incurred or to be incurred in respect of the transaction can be measured readily. The Company's metal concentrates are sold under a pricing arrangement where final prices are determined by quoted market prices in a period subsequent to the date of sale. Until prices are final, revenues are recorded based on forward market prices for the expected period of final settlement, net of costs such as transportation and refining which will be incurred in completing the transaction. Subsequent variations in the final determination of the metal concentrate weight and assay are recognised as revenue adjustments as they occur until finalised. Subsequent variations in the final determination of the price are treated as a remeasurement of a financial asset under IFRS 9 and are recognised as revenue adjustments as they occur until finalised.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Earnings per share

Basic earnings (loss) per share is computed by dividing net earnings available (attributable) to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share.

The dilutive effect of convertible securities is reflected in diluted earnings (loss) per share by application of the "if converted" method.

Investment in subsidiary

The Company recognises its investments in subsidiaries at cost, less any provision for impairment.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from proceeds.

Share based payments

The fair value of services received from employees and third parties in exchange for the grant of share options and warrants is recognised as an expense, except for those granted in connection with the issue of new ordinary shares which are shown as a deduction in equity. A corresponding increase is recognised in other reserves in equity. The fair value of the share options and warrants is calculated using an appropriate valuation model. At each reporting period end the Company revises its estimate of the number of options that are expected to become exercisable. The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when exercised.

Notes to the Financial Statements

For the year ended 31 December 2019

6. OPERATING SEGMENTS

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

The Group has one operating segment, being copper mining (of which gold and silver are by-products), therefore all IFRS 8 disclosures are incorporated within other notes to the Financial Statements.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Year Ended 31 December 2019 US$'000	Year Ended 31 December 2018 US$'000
Copper	12,789	-
Gold	1,579	-
Silver	54	-
Total gross revenue	14,422	-
Less: treatment and selling costs	(2,024)	-
Revenue	12,398	-

All revenue comprises the sale of metal concentrate to one customer.

When considering the recognition of revenue, IFRS 15 requires preparers to go through five steps which will determine the timing and quantum of the revenue recognised at a given time.

1. Identify contract with a customer

Since acquisition, and through 2020, Minto sells its concentrate to only end customer, which is Sumitomo, under an offtake agreement. Sales of copper are made direct to Sumitomo and sale of gold and silver are made to Sumitomo via Wheaton, hence the valuation of the gold and silver revenues is determined by Minto's contract with Wheaton but timing of revenue recognition for them is the same as for copper.

2. Identify performance obligation

The performance obligation is the sale of copper, gold and silver concentrate to Sumitomo, including its transportation to a location specified by them in Japan. At the end of each month, under the offtake agreement, Minto weighs and assays the concentrate it has produced and Sumitomo takes title to it, paying Minto a provisional payment of 90% of its value. Minto must keep the concentrate separate from any other product in a location approved by Sumitomo and may not sell it to any other party. From this point, Minto has control over the concentrate and, if it is still physically in Minto's care, Minto is acting as its custodian for Sumitomo.

3. Determine the transaction price

The Company's metal concentrates are sold under a pricing arrangement where final prices are determined by quoted market prices in a period subsequent to the date of sale. Until prices are final, revenues are recorded based on forward market prices for the expected period of final settlement. Subsequent variations in the final determination of the metal concentrate weight and assay are recognised as revenue adjustments as they occur until finalised. Subsequent variations in the final determination of the price are treated as a remeasurement of a financial asset under IFRS 9 and are recognised as revenue adjustments as they occur until finalised.

4. Allocate price to each performance obligation

There is one overarching performance obligation, which is the delivery of metal concentrates to Sumitomo. This includes the production of the concentrates and their transportation to Japan. Their transportation does not carry significant risks or rewards and its cost can be estimated in advance, so the revenue is recognised net of that cost until it is delivered.

5. Recognise revenue when the performance obligation is satisfied by transferring good or service to customer (i.e. the customer obtains control)

Because Sumitomo gains control over the concentrate at the end of each month, even if it is on the Minto site, and its subsequent transportation does not carry significant risks or rewards, the main obligation is satisfied when Sumitomo takes title and the revenue is booked at this time, net of costs such as transportation and refining which will be incurred in completing the transaction.

Notes to the Financial Statements

For the year ended 31 December 2019

8. OPERATING LOSS

Audit fees and staff costs are shown in notes 9 and 10.

Exceptional items charged in 2019 related to the acquisition of Minto and the re-listing of the Company's shares. They comprised legal and listing fees of $609,000 and bonuses to directors and staff of the Company that were contingent on the acquisition and re-listing of $1,738,000.

9. AUDITOR'S REMUNERATION

	Year Ended 31 December 2019 US$'000	Year Ended 31 December 2018 US$'000
Remuneration receivable by the Company's auditors for the audit of the Financial Statements	53	18
Fees payable to the Company's auditor and its associates for other services	39	58
Total remuneration	92	76

10. EMPLOYEES AND KEY MANAGEMENT

The total Directors' emoluments for the year, including share based payments, were US$1,997,000 (2018 - US$419,000). Detailed disclosure of Directors' remuneration is disclosed in the Directors' remuneration report on page 15.

The average number of employees in the Group during the year was 34 (2018 – 7) and in the Company was 4 (2018 – 7).

Key management personnel as defined under IAS 24 have been identified as only the Board of Directors.

	Group Year ended 31 December 2019 US$'000	Group Year ended 31 December 2018 US$'000	Company Year ended 31 December 2019 US$'000	Company Year ended 31 December 2018 US$'000
Staff costs				
Wages and salaries	5,878	1,038	2,579	1,038
Redundancy costs	668	-	668	-
Social security costs	391	136	391	136
Injury protection and health insurance	270	-	-	-
Pensions	65	12	10	12
Share based payments	250	-	250	-
	7,522	1,186	3,898	1,186

Notes to the Financial Statements

For the year ended 31 December 2019

11. RELATED PARTY TRANSACTIONS

The Company has entered into the following related party transactions with its Directors in order to fund working capital:

a) On 28 August 2018, the Company borrowed £200,000 from Frank McAllister. The loan had no fixed term, but was due to be repaid within 30 days of the Company being re-listed. The loan carried an interest rate of 10% per annum, payable semi-annually in arrears.

b) On 13 December 2018, the Company borrowed £40,000 from Frank McAllister. The loan had a two year term, and carried an interest rate of 20% per annum, payable semi-annually in arrears.

c) on 20 December 2018, the Company borrowed £40,000 from Guy Le Bel. The loan had a two year term, and carried an interest rate of 20% per annum, payable semi-annually in arrears.

d) on 25 February 2019, the Company borrowed £40,000 from Gati Al-Jebouri. The loan had a two year term, and carried an interest rate of 20% per annum, payable semi-annually in arrears. On 19 June the Company borrowed an additional £11,033 from him on the same terms.

Upon re-listing on 16 December 2019, the above loans and accrued interest thereon were settled in shares.

On 30 October 2019, the Company entered into a convertible loan facility of £1.7 million with Gati Al-Jebouri. The loan is to be repaid by 25 October 2021 and carries interest at an annual rate of 8%. The Company also pays an arrangement fee in the amount of 6% of the amounts drawn down under the Convertible Loan. Of this facility, £1.5 million had been borrowed at 31 December 2019. At any time prior to the Termination Date Mr Al-Jebouri may elect to convert all or part of the Convertible Loan into ordinary shares of nominal value 1 pence each in the capital of the Company ("Ordinary Shares"), to be issued at 12.5 pence per share, provided that such election would not place the lender's shareholding above 29.9% of the total issued share capital of the Company. The Company may elect to repay any portion of the Convertible Loan at any point prior to the Termination Date, provided always that the Lender will have the option to have such repayment made in Ordinary Shares, to be issued at the Conversion Price.

12. FINANCE COSTS

	Year Ended 31 December 2019 US$'000	**Year Ended 31 December 2018 US$'000**
Interest on loans	727	-
Discount unwind on provision	376	-
Interest from leases	192	-
	1,295	-

Notes to the Financial Statements

For the year ended 31 December 2019

13. INCOME TAX

Current tax:	**Year Ended 31 December 2019 US$'000**	**Year Ended 31 December 2018 US$'000**
UK corporation tax on the result for the year	-	-
Total current taxation	(292)	-
Deferred taxation	266	-
Income tax	(26)	-
Differences explained below:		
Loss before tax	(13,087)	(3,829)
Loss before tax multiplied by the standard rate 19% (2018: 19.25%)	(2,487)	(727)
Effect of:		
Different tax rates	(519)	-
Non-qualifying depreciation	1	-
Expenses not deductible	244	-
Non-taxable portion of unrealised gains	23	-
Tax losses for which no deferred income tax asset was recognised	2,738	727
Yukon mining taxes	(26)	-
Tax charge / (credit) for the year	(26)	-
Unrecognised deferred tax asset		
Tax losses UK – excess management expenses	2,145	1,134
Tax losses Canada	1,727	-
	3,872	1,134

The deferred tax assets are currently unrecognised as the likelihood of sufficient future taxable profits does not yet meet the definition of "probable".

The unrecognised deferred tax asset has no expiry period.

The deferred tax liability of $270,000 (2018: nil) relates to timing differences on long-term assets.

Notes to the Financial Statements

For the year ended 31 December 2019

14. EARNINGS PER SHARE

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

	Year Ended 31 December 2019	Year Ended 31 December 2018
Basic and diluted loss per share (US cents)	(33.5c)	(17.1c)
Weighted average number of shares for basic and diluted loss per share	24,063,552	22,384,926

The basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company of US$8,063,000 (2018: US$3,829,000) as the numerator, i.e. no adjustment to loss was necessary. The basic and dilutive loss per share are the same as the effect of the exercise of share options and warrants would be anti-dilutive.

The number of shares and loss per share for 2018 have been restated to reflect the impact of the consolidation of every 10 existing ordinary shares of nominal value 0.1 pence each into one Ordinary Share of nominal value 1p.

Details of share options and warrants that could potentially dilute earnings per share in future periods are set out in Note 25.

15. PROPERTY PLANT AND EQUIPMENT - GROUP

	Mineral properties US$'000	Plant, equipment and motor vehicles US$'000	Construction in progress US$'000	Right of use assets – plant and equipment US$'000	Total US$'000
Cost					
At 1 January 2019	-	21	-	-	21
Additions	-	-	403	7,065	7,468
Acquisition of subsidiary	20,370	22,986	1,954	-	45,310
Rehabilitation provision adjustment	(813)	-	-	-	(813)
Disposals	-	(9)	-	-	(9)
FX on translation	724	831	77	113	1,745
At 31 December 2019	20,281	23,829	2,434	7,178	53,722
Depreciation					
At 1 January 2019	-	(6)	-	-	(6)
Charge for the year	(149)	(2,045)	-	(1,265)	(3,459)
Depreciation written back on disposals	-	4	-	-	4
FX on translation	(3)	(33)	-	(19)	(55)
At 31 December 2019	(152)	(2,080)	-	(1,284)	(3,516)
Net book value at 31 December 2019	20,129	21,749	2,435	5,894	50,207
Net book value at 31 December 2018	-	15	-	-	15

Notes to the Financial Statements

For the year ended 31 December 2019

15. PROPERTY PLANT AND EQUIPMENT - COMPANY

	Furniture and office equipment US$'000
Cost	
At 1 January 2019	21
Additions	-
Disposals	(9)
At 31 December 2019	12
Depreciation	
At 1 January 2019	(6)
Charge for the year	(7)
Depreciation written back on disposals	4
At 31 December 2019	(9)
Net book value at 31 December 2019	3
Net book value at 31 December 2018	15

16. INTANGIBLE ASSETS - GROUP

	Mining claims US$'000
Cost	
At 1 January 2019	148
Additions	237
FX on translation	9
At 31 December 2019	394
Depreciation	
At 1 January 2019	-
Charge for the year	-
FX on translation	-
At 31 December 2019	-
Net book value at 31 December 2019	394
Net book value at 31 December 2018	148

Notes to the Financial Statements

For the year ended 31 December 2019

17. INVENTORIES

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Consumable parts and supplies	1,666	-
Ore stockpiles (to be processed within 12 months)	4,044	-
	5,710	-

Inventories recognised as an expense during the year are shown in profit and loss as 'Production costs' and amounted to US$14,739,000. No inventories were written down during the year.

18. TRADE AND OTHER RECEIVABLES

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Trade receivables	6,562	-	-	-
Inter-company receivables	-	-	394	153
Other receivables	10	207	10	207
Prepayments	298	7	14	7
VAT and other sales taxes	693	26	25	26
Unpaid share capital	1,047	-	1,047	-
Other receivables	2,048	240	1,490	393
Trade and other receivables - current	8,610	240	1,490	393
Other receivables – non-current: Long-term deposits	4,040	-	1,517	-

Long term deposits are held to provide security for decommissioning cost obligations.

19. CASH AND CASH EQUIVALENTS

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Cash and short-term deposits	964	151	399	151

Notes to the Financial Statements

For the year ended 31 December 2019

20. TRADE AND OTHER PAYABLES

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Trade payables	6,973	900	-	900
Other payables and accruals	1,763	931	1,738	931
	8,736	1,831	1,738	1,831

Trade and other payables are non-interest bearing and normally settled in the month following date of invoice.

21. LEASE LIABILITIES

	Lease liabilities US$'000
Additions	6,974
Lease payments	(1,621)
Interest accretion	192
FX on translation	88
At 31 December 2019	5,633
Current portion	2,899
Non-current portion	2,734
	5,633
Undiscounted lease liabilities:	
No later than 1 year	3,328
Later than 1 year and not later than 5 years	2,939
At 31 December 2019	6,297

During the period ended December 31, 2019, the Group entered into lease arrangements for several mining equipment assets. The incremental borrowing rate for the lease liabilities initially recognised is 10 percent. Interest expense on the lease liabilities amounted to US$192,000 for the period ended December 31, 2019 (2018 - $nil). There were no leases with residual value guarantees or leases not yet commenced to which Minto is committed. The expense relating to short-term leases and low value leases amounted to $nil for the period ended December 31, 2019 (2018 - $nil).

The right of use assets are shown in Note 15. The maturity analysis of lease liabilities is disclosed in Note 28.

Notes to the Financial Statements

For the year ended 31 December 2019

22. RECLAMATION AND CLOSURE COST PROVISION

	Reclamation and closure cost provision US$'000
At acquisition	22,084
Change in estimate	(813)
Interest expense from discounting obligations	376
FX on translation	791
At 31 December 2019	22,438

The change in estimate related to the reclamation and closure cost obligation of $0.8 million was recorded as a decrease to mineral properties.

A reclamation and closure cost obligation has been recognised in respect of the mining operations of the Minto Mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the Minto reclamation and closure cost obligation as at December 31, 2019 were $27.5 million, which were adjusted for inflation and uncertainty of the cash flows and then discounted using current market-based pre-tax discount rate of 1.68 percent (June 3, 2019 - 2.51 percent). An amount of C$72.1 million is secured by a Surety Bond from Zurich Insurance Company Ltd. in favour of the Government of Yukon. Capstone Mining Corp. acts as an indemnitor to the surety bond provider.

The Company expects that the cash outflows in respect to the balances accrued at the financial statement date will occur proximate to the dates these long term assets are retired.

In view of uncertainties concerning reclamation and closure cost obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of future reclamation and closure cost obligations is also subject to change based on amendments to applicable laws and legislation. Future changes in reclamation and closure cost obligations, if any, could have a significant impact on the asset retirement obligation.

Notes to the Financial Statements

For the year ended 31 December 2019

23. BORROWINGS

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Loan notes	8,582	-	-	-
Loans from directors – non-current	2,049	103	2,049	103
Borrowings – non-current	10,631	103	2,049	103
Loans from directors - current	-	279	-	279
Total borrowings	10,631	382	2,049	382

The Company and Minto entered into a Financing Agreement on 3 June 2019 with Copper Holdings, LLC, a New York based private equity group and Cedro Holdings I, LLC, an entity managed by Lion Point Capital, L.P. (together, the "Investor Consortium") , pursuant to which the Investor Consortium advanced $10 million to Minto to finance the recommencement of operations. The $10 million comprised $1.6m of subscription proceeds from new 'B' shares issued by Minto and $8.4m of proceeds, net of a 15.9% discount, from a private placement of $10m of 8% loan notes. The Investor Consortium shall be entitled to be repaid from all free cash-flows and realisations arising from Minto until the holders of the loan note (i.e., the Investment Consortium, their assignors and successors) have received US$10,000,000 plus interest at a rate of 8% per annum. The Investor Consortium have been granted security over the assets of Minto until such time as the holders of the loan note have been repaid.

On 30 October 2019, the Company entered into a convertible loan facility of £1.7 million with Gati Al-Jebouri, Chief Executive Officer and Chairman of the Board. The loan is to be repaid by 25 October 2021 and carries interest at an annual rate of 8%. The Company also pays an arrangement fee in the amount of 6% of the amounts drawn down under the Convertible Loan. Of this facility, £1.5 million had been borrowed at 31 December 2019.

As at 31 December 2019, any time prior to the Termination Date Mr Al-Jebouri could elect to convert all or part of the Convertible Loan into ordinary shares of nominal value 1 pence each in the capital of the Company ("Ordinary Shares"), to be issued at 12.5 pence per share, provided that such election would not place the lender's shareholding above 29.9% of the total issued share capital of the Company. The Company may elect to repay any portion of the Convertible Loan at any point prior to the Termination Date. Since the year end, as described in note 33, the Company and Mr Al-Jebouri agreed changes to the terms of the loan that included the removal of convertible rights.

During 2019, previous loans made to the Company by its Directors were settled in shares.

Notes to the Financial Statements

For the year ended 31 December 2019

24. SHARE CAPITAL AND PREMIUM

Allotted, called up and fully paid	Number of ordinary shares	Share Capital – ordinary shares US$000	Share premium US$000	Total US$000
At 1 January 2019	223,849,258	295	2,902	3,197
Impact of share consolidation (see below)	(201,464,332)			
At re-listing	22,384,926	295	2,902	3,197
Proceeds from share issue at 0.125p per share	40,846,568	530	5,998	6,528
At 31 December 2019	63,231,494	825	8,900	9,725

Ordinary shares have attached to them full voting, dividend and capital distribution rights (including on a winding up).
On 16 July 2018 the Company announced the consolidation of every 10 existing ordinary shares of nominal value 0.1 pence each into one Ordinary Share of nominal value 1p, which took place immediately before the shares were re-listed on the London Stock Exchange on 16 December 2019.

25. SHARE BASED PAYMENTS

Movements in the number of share options and warrants and their related weighted average exercise prices are as follows:

	2019		2018	
	Options and warrants Number	Average exercise price (pence)	Options and warrants Number	Average exercise price (pence)
Outstanding at 1 January	177,110,843	3.29	220,139,010	3.52
Impact of share consolidation	(159,399,759)	3.29	-	
Granted	6,284,800	12.65	-	-
Forfeited	(16,136,084)	33.39	(47,082,949)	4.34
Outstanding at 31 December	7,859,800	19.09	177,110,843	3.29
Exercisable at 31 December	1,650,800	39.23	16,241,084	33.30

The weighted average remaining contractual life for the share options and warrants outstanding as at 31 December 2019 was 8.6 years (2018: 1.8 years).

The fair value of share-based payment transactions is calculated using the Black-Scholes Option Pricing Model. Key inputs to the model were: volatility 56.69%, risk free rate 0.61% and dividend yield 0%. Share options and warrants outstanding at the end of year have the following expiry dates and exercise prices:

Grant-Vest	Expiry date	Exercise price (pence)	2019 Number	2018 Number (before consolidation)
2017	2019	43.4	600,000	6,000,000
2018	2019	32.0	-	146,060,083
2018	2020	43.4	300,000	3,000,000
2018	2027	20.00	225,000	7,350,000
2018-2019	2027	40.00	225,000	7,350,000
2018-2020	2027	80.00	225,000	7,350,000
2019-2021	2029	12.50	5,984,000	-
2019	2022	15.625	300,800	-

As described in note 33, on 16 April 2020 the Directors surrendered their rights to options over 4,085,000 shares.

Notes to the Financial Statements

For the year ended 31 December 2019

26. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

Acquisition of Minto Explorations Ltd

On 3 June 2019 the company acquired all of the outstanding common shares of Minto Explorations Ltd (Minto) from Capstone Mining Corp (Capstone) ("Minto Acquisition").

The consideration for the Minto Acquisition, which is unconditional, comprises up to US$20 million in total payments due to Capstone payable out of future cash flows and realisations from Minto and based on certain hurdles linked to production levels at Minto as well as future copper prices as detailed below.

1. First payment to Capstone of US$5 million will be due at the earlier of when production at Minto has reached a steady state 60% of mill capacity and 21 January 2021 (the 'Restart Date').

2. Second payment to Capstone of US$5 million will be due once production at Minto has reached 60% of mill capacity and the copper price has averaged over US$3.00/lb (US$6,615/t) for two consecutive quarters, within three years of the Restart Date.

3. Final payment to Capstone of US$10 million will be due upon the copper price achieving an average of US$3.50/lb (US$7,717/t) for two consecutive quarters, within three years of the Restart Date.

The Company has calculated a fair value for the total consideration due for the Minto Acquisition as US$9.2 million, and accordingly a liability of $9.2 million is recorded in the consolidated statement of financial position.

On the same day, to fund the re-starting of mine operations, Pembridge made an agreement with two other investors, Copper Holdings and Lion Point, who each acquired non-voting B shares in Minto which represent a one third economic interest each in Minto.

The provisional fair values of identifiable assets and liabilities of Minto as at the date of acquisition were:

	Provisional fair value $'000
Cash and cash equivalents	1
Inventory	2,325
Long term deposits	2,371
Current assets	4,697
Mineral properties	20,370
Property, plant and equipment	22,986
Construction in progress	1,954
Non-current assets	45,310
Total assets	**50,007**
Income and mining tax	(317)
Reclamation and closure cost provision	(22,084)
Total liabilities	**(22,401)**
Net Assets acquired at fair value	**27,606**
Non-controlling interest	18,404
Purchase consideration	9,202
	27,606

The Group elected to recognise the non-controlling interest at the proportionate share of the acquired identifiable net assets.

The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date.

Notes to the Financial Statements

For the year ended 31 December 2019

26. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

The Company's one third economic interest in Minto means that it has an interest in 33% of the above net assets, which is US$9.2m. No goodwill arose on the acquisition.

The revenue and loss before tax of Minto since acquisition, and for the full year, are set out below.

	From acquisition US$'000	**From 1 January 2019 US$'000**
Revenue	12,398	24,556
Loss before income tax	(7,562)	(13,916)

There was no up front consideration for the acquisition. Transaction costs such as legal fees directly related to the acquisition were $198,000.

The non-current assets are not movable so were valued on an income basis as a part of the wider Minto business. This required a DCF valuation of the overall business, based on the investment case, which gave a Business Enterprise Value ('BEV'). The values of the mineral properties and property, plant and equipment from an independent valuation were reduced by an obsolescence provision in order that the fair-valued nets assets would fit within the BEV.

Minto's reclamation and closure cost provision reflects its obligation to restore past disturbances caused by the mining, exploration and development of the mine. It was valued with the income approach, reflecting the present value of the expected reclamation cash flows, based on an appropriate discount rate to reflect the time value and risk of the cash flows.

27. NON-CONTROLLING INTEREST IN MINTO EXPLORATIONS LTD

The Company and its fellow investors each own a one third economic interest in Minto Explorations Ltd, which means that there is a non-controlling interest in Minto of 67%. Movements in the non-controlling interest in the period are set out below.

	$'000
Balance at 1 January 2019	-
On acquisition of 67% economic interest of subsidiary	18,404
Investment by non-controlling interest in Minto share capital	1,059
Share of loss for the year	(5,024)
Share of exchange difference on translation	624
	15,063

Notes to the Financial Statements

For the year ended 31 December 2019

27. NON-CONTROLLING INTEREST IN MINTO EXPLORATIONS LTD (continued)

Summarised financial information for Minto since its acquisition on 3 June 2019 is set out below.

Summarised income statement from 3 June to 31 December 2019	**$'000**
Revenue	12,398
Operating loss	(6,345)
Loss before income tax	(7,562)
Income tax	26
Loss for the year	(7,536)

Summarised statement of financial position as at 31 December 2019	
Non-current assets	52,726
Current assets	13,789
Non-current liabilities	(34,024)
Current liabilities	(9,896)
Net assets	22,595

Cash flow statement from 3 June to 31 December 2019	
Cash flows from operating activities	(6,884)
Cash flows from investing activities	(559)
Cash flows from financing activities	7,998
Net increase in cash and cash equivalents	555
Cash and cash equivalents on 3 June 2019	1
Impact of exchange rates on cash balances	9
Cash and cash equivalents at end of year	565

Notes to the Financial Statements

For the year ended 31 December 2019

28. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 5.

The only financial assets currently held by the Group are classified as receivables and cash and cash equivalents.

Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities. The trade payables are concentrate receivables as described in note 5. Because of the conditional nature of the deferred consideration due to Capstone, this balance is shown at fair value and is subject to subsequent remeasurement with changes in fair value being booked to the income statement.

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Financial assets				
At fair value through profit and loss				
Trade receivables	6,562	-	-	-
At amortised cost				
Inter-company receivables	-	-	394	153
Other receivables	1,750	233	1,082	233
Long-term deposits	4,040	-	1,517	-
Cash and cash equivalents	964	151	399	151
	13,316	384	3,392	537
Financial liabilities				
At amortised cost				
Trade payables	(6,973)	(900)	-	(900)
Other payables	(1,763)	(931)	(1,738)	(931)
Borrowings	(10,631)	(382)	(2,049)	(382)
At fair value through profit and loss				
Deferred consideration due to Capstone	(9,202)	-	(9,202)	-
	(28,569)	(2,213)	(12,989)	(2,213)

As at 31 December 2019, trade and other receivables are all considered to be recoverable.

The fair value is equivalent to book value for current assets and liabilities at amortised cost. Trade receivables are classified as level 2 under the fair value hierarchy. The key inputs to the valuation of the trade receivable balance are payable metal and future metal prices. At each reporting date, trade receivables are marked-to-market based on a quoted forward price for which there exists an active market.

The main risks arising from the Company's financial instruments are liquidity risk and foreign currency risk. Interest rate risk is minimised by fixed rate borrowings as described in note 20. The Directors review and agree policies for managing these risks and these are summarised below.

Notes to the Financial Statements

For the year ended 31 December 2019

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Directors are current assessing the Company's options in respect of raising additional finance for the business.

The Directors monitor cash flow on a regular basis and at quarterly Board meetings in the context of their expectations for the business, in order to ensure sufficient liquidity is available to meet foreseeable needs.

The Group's cash at bank is held with institutions with A- and AA- credit ratings (Fitch).

As of December 31, 2019, the Group's liabilities that have contractual maturities were as follows:

		Contractual cash flows					
	Carrying amount US$'000	Total US$'000	2020 US$'000	2021 US$'000	2022 US$'000	2023 US$'000	After 2023 US$'000
Trade and other payables	15,709	15,709	15,709	0	0	0	0
Long term debt	10,631	12,119	0	2,133	0	0	9,986
Lease liabilities	5,634	6,267	3,329	2,525	414	0	0
Payable to Capstone	9,202	5,000	5,000	0	0	0	0
	41,176	39,096	24,038	4,658	414	0	9,986

The cash flows for the payable to Capstone above are limited to the first payment due to the uncertainty over the other components of the balance.

Foreign currency risk management

The carrying amounts of monetary assets and monetary liabilities denominated in a currency other than the relevant company's functional currency at the reporting date are as follows:

	USD items in a CAD functional company 31 December 2019 US$'000	GBP items in a USD functional company 31 December 2019 US$'000	USD items in a CAD functional company 31 December 2018 US$'000	GBP items in a USD functional company 31 December 2018 US$'000
Financial assets				
Trade receivables	6,562	-	-	-
Other receivables	362	1,082	-	233
Cash and cash equivalents	754	399	-	151
	7,678	1,481	-	384
Financial liabilities				
Trade and other payables	(363)	(1,738)	-	(1,831)
Borrowings	(8,582)	(2,049)	-	(382)
	(8,945)	(3,787)	-	(2,213)
	(1,267)	(2,306)	-	(1,829)

Notes to the Financial Statements

For the year ended 31 December 2019

28. FINANCIAL INSTRUMENTS (continued)

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and equity where the US dollar strengthens 10% against the relevant currency. For a 10% weakening of the US dollar against the relevant currency, there would be an equal and opposite impact on the profit and equity, and the balances below would be negative.

		31 December 2019 US$'000	31 December 2018 US$'000
Effect on loss	+10%	36	183
	-10%	36	183
Effect on equity	+10%	36	183
	-10%	36	183

29. RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January US$'000	New borrowing US$'000	Interest added to debt US$'000	Debt repaid US$'000	Other cash flows US$'000	Foreign exchange US$'000	At 31 December US$'000
Cash at bank and in hand	151	10,701	-	(2,765)	(7,132)	9	964
Borrowings -							
by the Company	(382)	(2,265)	(144)	707	-	35	(2,049)
by Minto	-	(8,436)	(583)	437	-	-	(8,582)
	(382)	(10,701)	(727)	1,144	-	35	(10,631)
Lease liabilities	-	(6,974)	(192)	1,621	-	(88)	(5,633)
Net debt	(231)	(6,974)	(919)	-	(7,132)	(44)	(15,300)

30. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company considers its capital to be equal to the sum of its total equity, disclosed on the Group Balance Sheet, and net debt. The Group's objectives when managing its capital are:

- To ensure that the Group and all of its businesses are able to operate as going concerns and ensure that the Group operates within the financial covenants contained within its debt facilities
- To have available the necessary financial resources to allow the Group to invest in areas that may deliver acceptable future returns to investors
- To maintain sufficient financial resources to mitigate against risks and unforeseen events
- To maximise shareholder value through maintaining an appropriate balance between the Group's equity and net debt

Notes to the Financial Statements

For the year ended 31 December 2019

31. GROUP STRUCTURE

The parent entity of the Group is Pembridge Resources plc, incorporated in England, and the book value of its subsidiaries are set out below.

	Company $'000
At 1 January	-
Acquisition	9,202
At 31 December	9,202

On 3rd June 2019, the Company acquired 100% of the voting rights in Minto Exploration Ltd ('Minto'), which gives it control over the running of its subsidiary. The other two investors in Minto have non-voting shares which do not give them control but do entitle them each to a third of its economic interest. As part of the agreement with the other two investors they also each gained a third in the economic interests of Yukon 536545 Inc. and Yukon 536445 Inc.

The details of its subsidiaries are as follows.

				Ownership Interest	
	Activity	Registered office address	Jurisdiction	As at 31 December 2019	As at 31 December 2018
Yukon 536545 Inc.	Holds mining rights	200-204 Lambert Street, Whitehorse, YT, Y1A 1Z4	Canada	33%	100%
Yukon 536445 Inc.	Holds mining rights	200-204 Lambert Street, Whitehorse, YT, Y1A 1Z4	Canada	33%	100%
Minto Exploration Ltd.	Mining	625 Howe Street, Suite 860, Vancouver, BC, V6C 3B8	Canada	33%	-

32. COMMITMENTS AND CONTINGENCIES

Contingent consideration

On 3 June 2019 the Company acquired all of the outstanding common shares of Minto Explorations Ltd ("Minto") from Capstone Mining Corp (Capstone) ("Minto Acquisition"). The consideration for the Minto comprises up to US$20 million in total payments due to Capstone payable out of future cash flows and realisations from Minto and based on certain hurdles linked to production levels at Minto as well as future copper prices as detailed below. Of the three payments detailed below, the first is contingent only in respect of its timing, whereas payments 2 and 3 are contingent on copper prices reaching certain levels within a specified timeframe.

1. First payment to Capstone of US$5 million will be due at the earlier of when production at Minto has reached a steady state 60% of mill capacity and 31 January 2021 (the 'Restart Date').
2. Second payment to Capstone of US$5 million will be due once production at Minto has reached 60% of mill capacity and the copper price has averaged over US$3.00/lb (US$6,615/t) for two consecutive quarters, within three years of the Restart Date.
3. Final payment to Capstone of US$10 million will be due upon the copper price achieving an average of US$3.50/lb (US$7,717/t) for two consecutive quarters, within three years of the Restart Date.

The Company has calculated a fair value as at 31 December 2019 for the total consideration due for the Minto Acquisition as US$9.2 million.

This is split as follows:

Current	4,897
Non-current	4,305
	9,202

Agreements with the Selkirk First Nation

Under the terms of a revised co-operation agreement between Minto and the Selkirk First Nation ("Selkirk") dated 15 October 2009, Minto has made various commitments to Selkirk to enhance Selkirk participation in the Minto Mine, including a variable net smelter return royalty on production from the Minto Mine that fluctuates from 0.5% to 1.5% depending on the variation of copper prices, as well as various commitments in respect of employment, contracting, training and scholarship opportunities.

Notes to the Financial Statements

For the year ended 31 December 2019

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

(a) In March 2020, the COVID-19 pandemic broke out. Canadian and Yukon government measures have had significant impacts on the Minto mine, including mandatory quarantines of employees and contractors entering the Yukon. Such measures have disrupted operations and caused above normal operating expenses but have enabled operations to continue while ensuring the safety of the mine's employees. There are significant uncertainties with respect to future developments and impact to Minto related to the COVID-19 pandemic, including the duration, severity and scope of the outbreak and measures taken by government and businesses to contain the pandemic.

(b) In December 2019, the other investors, Copper Holdings and Cedro Holdings, called for USD 3 million of new equity capital investment into Minto from Pembridge Resources plc in accordance with the Minto Shareholders' Agreement. Having funded C$4 million of Minto's total obligation to fund C$10 million over ten quarters into the control account, as required by Zurich in association with the Surety Bond associated with Minto's asset retirement obligation and in accordance with the original Shareholders' Agreement, Pembridge believed that it had fulfilled this obligation. However, in view of the cash position of Minto under the circumstances of the COVID-19 pandemic, the shareholders agreed that a further USD 3 million was needed and that it be funded by Copper Holdings and Cedro Holdings purchasing an additional 484,240,064 of Minto's Class B shares for USD $3 million. Such purchase would increase the combined economic ownership of Copper Holdings and Cedro Holdings in Minto from 66.66 percent to 89 percent, and would reduce the economic ownership of Pembridge from 33.33 percent to 11 percent. Minto's USD $10 million 8 percent Notes held by Copper Holdings and Cedro Holdings remain outstanding. Concurrent with the USD $3 million to be invested by Copper Holdings and Cedro Holdings; Copper Holdings, Cedro Holdings and Pembridge will amend and revise the existing Shareholder Agreement reflecting the above matters and other details. Such revisions were executed by the parties at the time of the purchase of the new Class B shares by Copper Holdings and Cedro Holdings, in May 2020.

Under the original Shareholders' Agreement, Pembridge was committed to funding up to a further $2 million for the control account, in addition to the $4m funded already on behalf of Minto. As part of the revised Shareholders' Agreement described above, Pembridge will be relieved of this obligation and such further funding will be made by the Company to complete the $10 million required. Minto continues to owe the existing funding, on which interest is payable, to Pembridge and will repay it in quarterly stages when it has finished funding the control account.

(c) On 16 April 2020 the Board of Directors approved the issuance and allotment of 11,175,499 new ordinary shares at a price of 3.3p each, raising proceeds of £368,000. In order to enable this share issue within the rules of the London Stock Exchange the directors agreed to surrender their share options and the following changes were made to the Convertible Loan Agreement with Pembridge's Chairman and Chief Executive Officer, Gati Al-Jebouri:

- removing the right of Mr. Al-Jebouri to convert any of the loans to shares in the Company;
- the maturity date of the loans was extended from 25 October 2021 to 31 December 2022. The extension in maturity corresponds with the Company's expectations with regard to inflow of funds from Minto Explorations Ltd to the Company; and
- In consideration for these changes, the Company agreed to increase the interest rate on the loan from 8% to 10% with effect from 1st May 2020, with the accumulated interest to be paid only at the maturity date of the loan with no interim payments.

To increase the share capital headroom and so enable the share issue, the Directors surrendered their rights to option over 4,085,000 shares.

Company Information

Directors	Gati Al-Jebouri Francis Ralph McAllister Guy Le Bel	(Chairman and Chief Executive Officer) (Non-Executive Director) (Non-Executive Director)
Secretary	David James	
Registered office	200 Strand London WC2R 1DJ	
Registered number	07352056 (England and Wales)	
Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD	
Bankers	Bank of Scotland St James's Gate 14-16 Cockspur Street London SW1Y 5BL	
Solicitors	Kerman & Co. 200 Strand London WC2R 1DJ	
Brokers	Brandon Hill Capital Ltd Kemp House 152-160 City Road London EC1V 2NX	
Registrars	Link Asset Management The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Website	www.pembridgeresources.com	
TDIM	PERE	

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