



## ANNUAL REPORT & ACCOUNTS 2019

forward

HUMMINGBIRD RESOURCES

ANNUAL REPORT & ACCOUNTS 2019



## Our Strategy

At Hummingbird we are focused on high-margin gold production, seeking to deliver the best value possible for our shareholders, whilst having total commitment to operating in a safe, environmentally and socially responsible manner. Through this, we seek to provide long-term benefits for all of our stakeholders.

**Having developed our business from first principles of exploration to operating a producing mine; we recognise the risks associated with the industry and operating a single producing asset. Our belief is that this experience has endowed the company with a platform to support growth, either organically or through corporate transactions, and with this growth will come value creation, security and ultimately the lasting positive legacy on building a best in class modern gold company.**



# Focus and priorities

## Explore and Unlock Value

Operating the business with strict technical and disciplined capital allocation, we aim to explore within our Yanfolila mine permit area to extend mineable ounces both in open pits and in order to develop underground sources of ore at Yanfolila.

We have a significant total gold inventory of 6.4Moz across two projects in West Africa and further exploration exposure through our investment in AIM-listed Cora Gold.

## Growth

Organically, our short term strategy is to extend the mine life at Yanfolila through exploration within our mining permit, both open pit and underground. Medium-to-long-term, we strive to continue to evaluate M&A opportunities with a focus on our proven expertise as developers.

## Socially and Environmentally Responsible

We want our employees and local communities to feel uplifted and empowered. Our organisational structure encourages us to learn, grow and, above all else, challenge. Hummingbird strives to execute business in the most beneficial way possible for our staff, host governments and communities, and for the environments where we work.

## Entrepreneurial and Experienced

Strategic focus on technical and corporate expertise at all levels from the Board down. Hummingbird has been and remains committed to being entrepreneurial in conducting business, an essential skill in a fast-moving industry.

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## Chairman's Statement



Hummingbird's year was characterised by the significant improvement in the Company's operational performance after overcoming significant challenges at the start of 2019.

### A return to full production capacity

We started the year with the drive and ambition to return to full production capacity.

We can safely say that we achieved this with production up 42% and cash costs reduced by 33% from the first to fourth quarter of the year.

**We successfully posted four consecutive quarters of increased production and decreased costs at our Yanfolila gold mine in Mali and signed our Dugbe Mineral Development Agreement ("MDA") with the Government of Liberia. This has enabled the Company to start 2020 in a strong operational and financial position and has given Hummingbird a bright future. The dedication and perseverance of our team has allowed the Company to look forward to further growth as we aim to progress both Yanfolila and Dugbe in the coming year.**

In line with many businesses operating internationally, the global COVID-19 pandemic has created material uncertainty for the Company. We have taken decisive action in order to protect our operating environment, especially the safety and wellbeing of our staff, contractors, service providers and suppliers as an absolute priority. This pandemic shows no respect for the perimeter fence and we showed a duty of care for our surrounding communities including through strengthening healthcare provision, washing materials, the provision of an isolation facility and socio-economic support. We continue to successfully manage the situation with 2020 production on track to meet full year guidance but acknowledge the dynamic risks COVID-19 presents with many aspects beyond the control of the Company.

After the severe operational challenges towards the later end of 2018 we started the year with the drive and ambition to return to full production capacity and put Hummingbird back on the same course

as when it started its life as a producing gold company. We can safely say that we achieved this with production up 42% and cash costs reduced by 33% from the first to fourth quarter of the year.

Further to this, the Group successfully completed construction of its second ball mill at Yanfolila which increased throughput to 1.4Mtpa. Through exploration efforts and technical studies, we have also increased reserves at Yanfolila with a five-year rolling mine plan showing that we have many years of cash generation from the mine to come.

As has always been the case, Environmental, Social and Governance ("ESG") was at the heart of our business in 2019, and we maintained an impressive safety record. Our engagement with local stakeholders happened at all levels, from national government through to local communities and meant that significantly fewer grievances were recorded compared to the previous period.

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**We are always striving for ways in which to minimise our effects on the environment in which we operate and are committed to being transparent with regard to our environmental impacts, including quantifying our carbon emissions.**

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The Group successfully completed construction of its second ball mill at Yanfolila which increased throughput to 1.4Mtpa.

Some extremely successful initiatives that Hummingbird has been mindful in championing are our livelihood restoration projects. 2019 saw continued investment in four new market gardens for 350 women, renovation and upgrade work to four market gardens previously supported, construction of a building for a local soap factory, donation of rice mills to two communities and the construction and opening of a new micro-finance office.

It was also very pleasing to see that the chicken projects previously invested in produced US\$30,000 of income for the community in the period, showing that these initiatives give lasting and crucial livelihoods for communities.

**We can safely say that we achieved this with production up 42% and cash costs reduced by 33% from the first to fourth quarter of the period.**

Hummingbird has always held the community work and investment it does as a key focus and 2019 saw us provide three new water supply systems including a borehole, pump, solar system, water storage and delivery system throughout the villages of Bougoudale, Kona and Kabaya.

In terms of continued support for education and health in the communities where we operate, I was pleased to see us provide traineeship programmes in vocational skills and sponsor teachers' salaries as well as making significant donations of medical equipment and training to healthcare workers.

Closely linked to our community work is the environmental management plan that we applied across the Company's operations including air quality sampling, water quality sampling, monthly noise monitoring, continuous particulate monitoring and management of all waste.

We are always striving for ways in which to minimise our impacts on the environment in which we operate and are committed to being transparent in terms of our environmental impacts, including quantifying our carbon emissions.

I would like to thank all our shareholders who have been there through our evolution from gold explorer to gold producer and remained committed through the challenging times. I hope that you are able to recognise the strides the Company has made in the period and the bright future Hummingbird has.

Russell King  
**Non-Executive Chairman**



## CEO's Statement



2019 was about building on the strong platform we worked hard to establish and achieving production growth at Yanfolila.

We have focused on driving forward our clear path to sustainable growth and that we have made strong headway in this respect.

### On track to be debt free in H1 2021

During the year we deleveraged aggressively, strengthening our balance sheet.

A fourth consecutive quarter of increase production vs reduced costs is testament to the hard work and operational excellence of our staff.

**We have continued to build on our financial strength as we move forward as a consistent gold producer, exemplified by Yanfolila reporting four consecutive quarters of increased production and reduced costs per ounce and ending the year within our forecasted production guidance. As pleased as we are with last year's performance, we continue to look forward and are focused on maintaining this momentum and on operating responsibly for the benefit of all our stakeholders.**

Our aim at the start of the year was to get production and plant throughput back on track following the well-flagged operational challenges in 2018. Our progress as a producing gold company was soon demonstrated with the completion of Yanfolila's second ball mill, which was achieved ahead of time and within our budget. This was a testament to the hard work and operational excellence of our staff whose work has helped to increase plant throughput capacity by around 24% and brought valuable economies of scale to our business.

Ultimately, this contributed to us achieving our production guidance for the year delivering over 115,000 ounces of gold as well as reduced costs per ounce.

Our evolution as an established mining company has also been demonstrated in our improving financial strength. During the year we continued to deleverage aggressively, strengthening our balance sheet. We ended the year strongly and we are on track to be debt free in the first half of 2021.

We also continued to build on our Reserves at Yanfolila during the year and were pleased to add a further 165,000 ounces to pre-production Reserves, an increase of 32% to the previous Reserve base. This was particularly pleasing given it included maiden Reserves at Gonka and Sanioumale West which will form part of our plan to ensure the mine's long-term future. We have also, post period end, re-commenced exploration drilling in 2020 with the aim to further extend resources and confidence in the underground potential at Komana East.

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**Our vision of building a sustainable mining company that benefits all of our stakeholders will continue into 2020 and the years ahead.**

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In Liberia, we were delighted to sign a 25-year MDA with the Government of Liberia which covers Hummingbird's 4.2Moz Dugbe Gold Project. This agreement provides the necessary long-term stability and framework for work to progress at Dugbe including further exploration, feasibility studies, mine development, production and ultimately mine closure. The strong gold price during the year only made this large project more attractive, adding opportunity and optionality to Hummingbird's portfolio; and it will be a core strategic goal of the company in 2020 to find ways to unlock the huge potential value of this project.



## 25-year Mineral Development Agreement signed with Liberian government

This provides long-term stability and an excellent framework for the future of Dugbe.

Furthermore this adds both opportunity and optionality to our portfolio.



Our Livelihood Restoration Projects include market gardens, soap manufacture and poultry breeding, and have proved to be a tremendous source of focus and income for all involved.

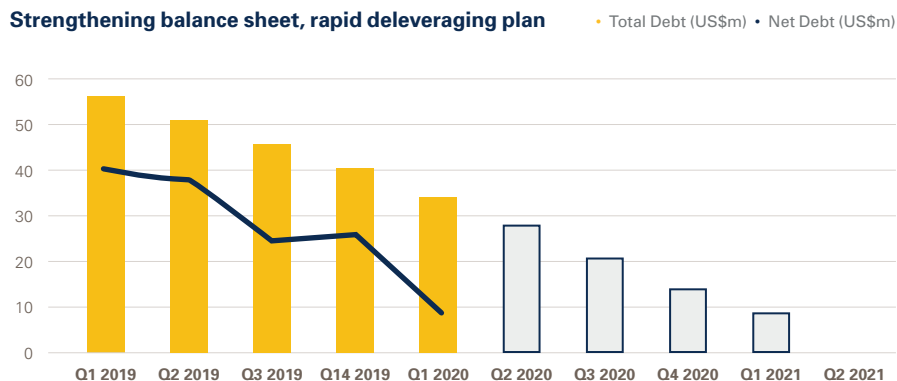
ESG is central to all levels of decision making at Hummingbird. We understand our responsibility as a gold company and continue to seize the opportunity to make a difference. Our ESG Committee helped drive tangible progress across all areas in 2019, for example through a focus on our risk management framework, reducing the usage of fresh water at our mine site, progressing a project which will provide alternative ASM opportunities and working with local communities to gain feedback and ensure we are operating to the benefit of everyone.

Our aim to build a lasting positive legacy in local communities was progressed further with the construction of 22 latrines, providing training for medical workers, equipping medical centres and sponsoring teachers' salaries being just a few of our initiatives during the year. We are looking to continue our work as a responsible company by working towards conformance with the World Gold Council Responsible Mining Principles by 2022.

Providing a safe working environment for all our employees remains at the heart of our operations. We are proud of our improving safety record in 2019 with a 20% reduction in Total Recordable Injury Frequency Rate ("TRIFR") but we will not stop until this number is zero. In this vein, we continued to improve safety across all aspects of our operations, delivering over 11,000 hours of safety training in the year.

As always, I would like to thank our incredible employees for their tireless work during the year. We could not operate without you and our strong company ethos of transparency, responsibility, excellence, respect and being one team will ensure we continue to work well together for years to come.

### Strengthening balance sheet, rapid deleveraging plan



I am extremely pleased with our performance and proud of our people, but we are not done. Our vision of building a sustainable mining company that benefits all of our stakeholders will continue into the years ahead.

This has already started with the release of our five-year rolling mine plan which is focused on converting further resources to reserves and extending the Life of Mine through exploration and underground development.

Cash generation and shareholder value will continue to be key areas of focus going forward and we are forecast to produce 110 – 125,000 ounces of gold in 2020. I am excited by our progress already this year and look forward to delivering for our various stakeholders over the years to come.

As a postscript, as this goes to print, we are all working from relative isolation in the strange new world caused by the novel Coronavirus. It strikes me that the paragraph above has never been more true – those staff who have been retained at site keeping the operation going, unable to leave and see their families have worked tirelessly to keep the mine going. The situation is unprecedented and presents a dynamic set of challenges from supply chain to security and from morale and fatigue to safety and contractor management. We are mindful too of the fragile health systems in West Africa and have been working with authorities and local community representatives to strengthen the community's resilience should the pandemic arrive in our local villages. We are now several weeks into this situation, and I am confident we will be able to maintain operations through this period thanks to the commitment and dedication of the team. Thank you.

Dan Betts  
Chief Executive Officer



## How We Operate

We are centred on technical excellence in exploration, development and operations having progressed from explorers to producers.

**Our focus is on growth; unlocking and delivering value, while empowering our people and leaving a lasting positive legacy on the local communities.**

### Multi-asset gold company

Producer with 6.4Moz gold inventory.

Two high-quality West African projects.

### Operational improvement

Second Ball Mill commissioned on time and within budget.

Increased capacity from 1Mtpa to 1.24Mtpa when operating at 100% fresh ore.

Increased capacity from 1.2Mtpa to 1.4Mtpa when processing a blend of ore types.

### 112,686 oz Gold sold +23%

Increase of 23% (2018 - 91,546 oz).

At average gold price of US\$1,377/oz (2018 - US\$1,271/oz).

Generating revenues of US\$155m.

Additional US\$1.8 million revenue generated from sale of Single Mine Origin ("SMO") gold coins.

### 115,649 oz Gold poured +26%

Increase of 26%; in the middle of guidance range (2018 – 91,620 oz)

At the Yanfolila Gold Mine, Mali.

Full year AISC of US\$986 per oz sold (decrease of 9%).

### Strengthening balance sheet

Total debt at US\$40m down from US\$61m at end of 2018 (US\$21m repaid in year).

Rapid deleveraging with forecast positive net cash in 2020.

### Safety

At Yanfolila we have a strong safety record which is continually improving and making us a favourable industry benchmark.

**1.2 Lost Time Injury Frequency Rate (down from 1.8 in 2018).**



### Advancement of ESG practices

Membership of World Gold Council.

Adoption of Responsible Gold Mining Principles.

SMO Gold proving traceability to sustainable source.

### Near-term growth at Yanfolila

Positive campaign driving long term value creation and demonstrating why Yanfolila is a high-quality gold mine.

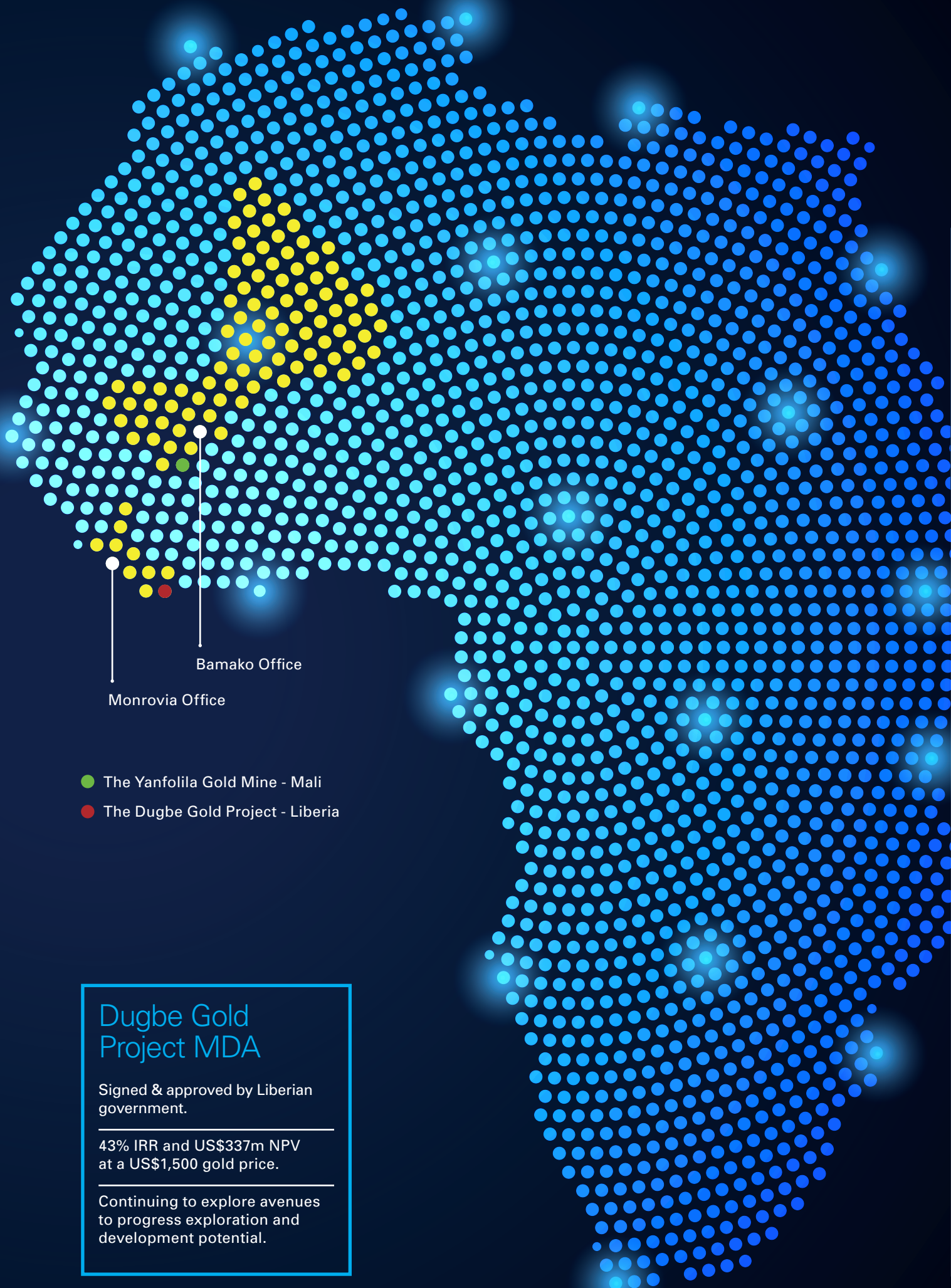
Foundations laid for LOM extension (post period) and for further reserve extensions.

32% increase to Reserve base on 31st Oct 2019.

Maiden Reserves at Gonka and Sanjoumale West achieved.

2020 drill programme targeting both open pit and underground Resources and Reserves.





## Dugbe Gold Project MDA

Signed & approved by Liberian government.

43% IRR and US\$337m NPV at a US\$1,500 gold price.

Continuing to explore avenues to progress exploration and development potential.

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## Operational Review

### The Yanfolila Gold Mine - Mali

**Review of 2019** – 2019 represented a transformational year for Hummingbird signified by continued operational improvements. The first quarter saw Hummingbird resume mining to plan, following a period of remediation work on the pit wall at Komana East. Production from Komana West was also impacted by ore depletion from historic artisanal working, which was greater than forecast in the reserve model. The Company took swift action which saw steady improvement to achieve quarter on quarter improved operational performance throughout the rest of the year, both with production increasing and All-in Sustaining Costs ("AISC") decreasing. This led to Hummingbird achieving mid guidance of 115,649 ounces, a notable achievement considering the challenges overcome at the start of the year.



#### Full year results

	2019	2018
Gold poured (Ounces)	115,649	91,620
Ore mined (Tonnes)	1,733,870	1,130,990
Ore processed (Tonnes)	1,253,658	1,092,485
Avg. grade mill feed (g/t)	2.88	2.83
Recovery (%)	93.48	95.38
Gold sales (Ounces)	112,686	91,546
AISC (US\$/oz)	986*	1,087
Avg. gold sales price (US\$/oz)	1,377	1,271

\* Increased from our Q4 2019 announcement due to a 30% backdated salary increase endorsed by the government of Mali. Refer to page 32 in the Finance Review.

### 115,649oz Gold poured

115,649 ounces ("oz") of gold poured in FY 2019, against guidance of 110,000 – 125,000 oz.

Guidance for 2020 of 110-125,000 oz production.

### Second Ball Mill commissioned

Second Ball Mill construction at Yanfolila commissioned on time and budget in Q3.

Our second ball mill was built ahead of schedule and within budget.





## Second Ball Mill

The second ball mill was successfully commissioned in July ahead of schedule and within budget. The second ball mill increased throughput capacity from 1Mtpa to 1.24Mtpa, when operating with 100% fresh material. The benefits of the second mill were evident in the increased production capacity seen in the third and fourth quarters and we are expecting to see further benefits over the coming quarters as we are able to manage a higher throughput of fresh ore.

## Reserves and Resources

In December 2019 Hummingbird announced the following updated Open Pit Reserves which included Maiden Reserves at Gonka and Sanioumale West (JORC compliant, effective date 31 October 2019).



Throughout 2019, our clinic provided over 3,500 initial consultations and delivered first aid training courses to 204 employees.

### Ore Reserves within pit designs nominated cut-off, including mine recovery and mine dilution

Deposit	Classification	kt	Au (g/t)	Contained Au (koz)
Komana West	Proved	-	-	-
	Probable	2,934	2.53	239.0
	<b>Subtotal</b>	<b>2,934</b>	<b>2.53</b>	<b>239.0</b>
Komana East	Proved	-	-	-
	Probable	2,852	3.0	275.2
	<b>Subtotal</b>	<b>2,852</b>	<b>3.0</b>	<b>275.2</b>
Sanioumale West	Proved	-	-	-
	Probable	879	2.23	63.0
	<b>Subtotal</b>	<b>879</b>	<b>2.23</b>	<b>63.0</b>
Gonka	Proved	-	-	-
	Probable	837	2.91	78.2
	<b>Subtotal</b>	<b>837</b>	<b>2.91</b>	<b>78.2</b>
Stockpiles	Proved	388	1.65	20.6
	Probable	-	-	-
	<b>Subtotal</b>	<b>388</b>	<b>1.65</b>	<b>20.6</b>
<b>All Deposits</b>	<b>Proved</b>	<b>388</b>	<b>1.65</b>	<b>20.6</b>
	<b>Probable</b>	<b>7,502</b>	<b>2.72</b>	<b>655.4</b>
	<b>Subtotal</b>	<b>7,890</b>	<b>2.66</b>	<b>676.00</b>

### Total Mineral Inventory

	Tonnes	Ounces	Grade (g/t)
Total**	27,952,000	2,005,300	2.23

\*\*Including non-JORC compliant resources estimated as at 31 March 2019



# Operational Review continued

## 2020 Guidance and Updated Five Year Rolling Mine Plan

Following an encouraging Q1 performance, despite the impacts of Covid-19 to date, the Company believes that the total production guidance for 2020 of 110,000 to 125,000 ounces is achievable and maintains its guidance forecast.

Year	Oz (Au)
2020	<b>125,000</b>
2021	<b>120,000</b>
2022	<b>121,000</b>
2023	<b>100,000</b>
2024	<b>108,000</b>

Based on the increased open pit Reserves an update five year rolling mine plan was developed as a base case moving forward incorporating only current Reserves. In addition to the Reserves used in this plan, the mine still has considerable Resources (both open pit and underground), which Hummingbird will look to utilise in our exploration and development work in order to extend and improve the plan further. During 2020 exploration and development studies targeting this are a strategic focus of the Company.

## 2020 Exploration and Development Plan

In March 2020, the Company recommenced exploration activities after its successful campaign in 2018/2019 where 230kcozs was converted to Indicated Resources and 62kcozs of Inferred Resources were delineated.

Remaining within the Company's portfolio of Resources there are existing deposits containing Indicated and Inferred Resources not yet in the mine plan (Komana East Underground, Sanioumale East, Kabaya South and Gonka Underground), which demonstrate the continued potential to increase the current mine life in the future.

In 2020, a focused three-fold exploration strategy has been developed targeting both open pit and underground Resources and Reserves, as well as testing new near mine targets to feed the exploration pipeline.

### 1. Sanioumale East

Currently Sanioumale East has a small oxide only Indicated Resource of 62kcozs of gold (Au). Previous but limited exploration drilling into the fresh rock intersected the down dip extension of the mineralisation in hole SNDD0029, reporting 10.5m at 5.4 g/t Au. This intersection lies directly below the largest potential oxide open pit at Sanioumale East.

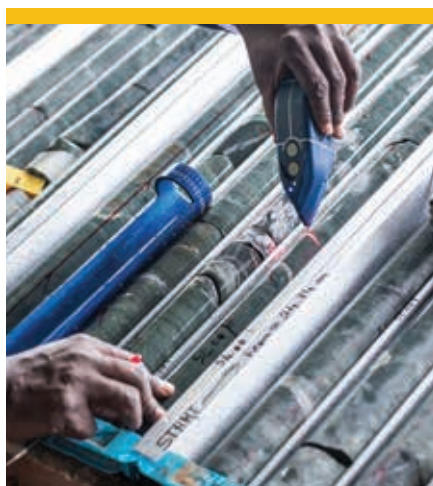
The open mineralisation at Sanioumale East is planned to be drilled to test the down dip and along strike extension of the main mineralised zone, following which the Resource models will be updated with the intention to define an open pit Reserve at Sanioumale East.

Due to its high grades and proximity to the existing open pit Reserves at Sanioumale West, defining an open pit Reserve at Sanioumale East would provide additional optionality to the rolling mine plan as well as extending the overall mine life.

### 2. Komana East Underground

The potential for establishing underground mining operations at Komana East is based on previously released desk top studies carried out by CSA Global and DRA.

Additional high grade Indicated Resources are being targeted at Komana East beneath the existing pit, with the intention to define additional Indicated Resources that can be mined from underground to enhance the Company's production profile. In parallel the Company is evaluating potential options to accelerate underground mine development through a trial mine.



Our geological research and expertise maintains a pipeline of indicated and inferred resources.

### 3. Greenfield targets

Since acquiring Yanfolila from Gold Fields Ltd in 2014, no new targets have been drill tested to add new mineral resources to the existing resource base.

Reconnaissance drilling on high priority targets both within the mining license and the adjacent Diaban exploration license are being targeted.

Specifically, five high priority co-incident gold-in-soil, structural / lithological targets located within 6 km of the process plant were identified as a result of an in-house target generation study. Due to their location to the processing plant and being situated within the mining license, if economic Resources are delineated, these can be developed into open pit reserves and added to the rolling mine plan within a short time frame.

**In 2020, a focused three-fold exploration strategy has been developed targeting both open pit and underground Resources and Reserves, as well as testing new near mine targets to feed the exploration pipeline.**

Further greenfield targets are due to be tested and these lie across the border with the adjacent Diaban exploration licence. These high priority co-incident gold-in-soil and structural targets were identified immediately to the south of the Gonka project area.

These targets are centred around the intersection of the Siekorole Fault (a geological structure between the Birimian and Yanfolila Belt) and the Sankarani Shear Zone. The Sankarani Shear Zone is a highly prospective exploration target due to hosting the three major high-grade deposits of Gonka, Komana East and Sanioumale East.

Further target generation work is planned to be carried out simultaneously to the above drill programmes as the Company looks to aggressively pursue additional Reserves in order to extend the mine life significantly.

## The Dugbe Gold Project - Liberia

The Dugbe Gold Project is a 4.2Moz gold resource with a completed Preliminary Economic Assessment ("PEA") showing a 20-year Life of Mine (LoM) of 125Koz annual gold production. This is Liberia's largest gold deposit and the Company strongly believes there is significant potential to grow these resources further.

### 4.2Moz at 1.4g/t

- Liberia's largest gold deposit.
- Positive Preliminary Economic Assessment at gold price estimate of US\$1,500 per oz
  - US\$337m NPV
  - 43% IRR
  - 125,000oz average production per year over a 20 year LoM.
- Significant exploration upside.
- Mineral Development Agreement passed into law and printed into handbills in April 2019.



Resource exploration at The Dugbe Gold Project.

**Hummingbird is pleased to report that, during the first quarter of 2019, the 25-year Mineral Development Agreement was ratified by both houses of Parliament and was subsequently passed into law by the President in the second quarter of 2019.**

The agreement marks the first and only post-conflict MDA on a new discovery with the Government and, as such, represents a major milestone for both parties.

The project therefore now possesses the long-term stability and framework required to be a transformational asset, not only for the Company but also for Liberia; when in production, Dugbe would make a meaningful impact on the country's GDP.

In Mali, Hummingbird has shown that it is committed to building mines for the benefit of all stakeholders and would look to achieve the same in Liberia.

The existing discovered resources offer a compelling opportunity to build a large bulk tonnage open pit gold mine and, combined with an extremely large and unexplored exploration area, there is clearly a large amount of unlocked potential. Hummingbird has over 2,000 square kilometres of exploration ground in southeast Liberia. This offers huge upside potential for future gold discoveries in a still largely unexplored, yet highly prospective region of the Birimian gold province.

Hummingbird continues to explore numerous avenues in order to progress the exploration and development potential of the Dugbe Gold Project in Liberia and unlock the significant potential it holds.

For further information on the Dugbe Gold Project please visit our website; [www.hummingbirdresources.co.uk](http://www.hummingbirdresources.co.uk)



# Operational Review continued

## Sustainability - Responsible Mining

During this reporting period, we are pleased to report a generally improving safety record with a 20% reduction in our Total Recordable Injury Frequency Rate (“TRIFR”). Tangible progress has been made in the implementation of our maturing environmental management system including a new environmental database. Following heavy rainfall over previous years we have reviewed water management plans and improved our sediment control measures.

### Livelihood restoration projects are starting to bear fruit and we continue to invest in expanding and upgrading these programmes.

The challenge of Artisanal and Small-scale Mining (“ASM”) remains across the permit area, with encroachment by local people involved in ASM onto project sites posing a significant risk to safety and security. We continue to note the increasing presence of other nationalities partaking in ASM activities across the wider area within the context of increasing migratory pressures in the Sahel. We hope to expedite progress on our ambitious ASM strategy which involves an element of formalisation and measures to improve safety, environmental and social performance later this year. To deliver on these objectives we will need the commitment of government and we are also looking to work closely with an experienced civil society partner.

A key focus for us has always been on community investment and this past year is no different. A continued emphasis on community health and water, sanitation and hygiene (“WASH”) has seen us build new water infrastructure, train local medical workers and equip medical centres, as well as provide vocational training opportunities in our host communities.

### Our Approach

We understand that it is our responsibility to integrate environment and social performance into the full life cycle of our business, from grass-roots exploration, through development and operations, and to ensure positive and sustainable legacies after mine closure. This commitment is embedded in the Hummingbird Values:



The chicken projects we previously invested in produced US\$30,000 of income for the community during the year in review, showing that these initiatives give lasting and crucial livelihood’s for communities.

### Hummingbird Ethos Value Share



The Values Framework as the foundation of our ESG approach at the mine site was extensively briefed at Yanfolila throughout 2019 and will continue to be in 2020.



## Operational Review

# Socially and environmentally responsible.



The market garden in Bougoudale, which is now part of a functioning business.



## Operational Review continued

The Hummingbird approach to sustainability is grounded in international best practice and aims to ensure that all Hummingbird projects and operations are developed in alignment with International Finance Corporation (“IFC”) Performance Standards, the International Cyanide Management Code, and the Voluntary Principles on Security and Human Rights. Hummingbird has an ESG Committee, which includes an independent Chair and another independent adviser. The Company Chairman, the Chief Executive, and the Finance Director are also invited to attend these meetings.

It meets at least monthly to review and advise the Company on performance and its independent members conduct an annual site visit.

From Board level through to our in-country team, every Hummingbird employee has a duty to work safely and respectfully, protecting the environment and the communities in the countries in which we are privileged to work.

### This Report

This report provides a summary overview of key performance indicators and metrics. Material factors have been informed by the ESG Committee, and selected stakeholders both internal and external to Hummingbird.

It is our vision to work towards conformance with the World Gold Council Responsible Gold Mining Principles compliance by 2022, starting with self-assessment and gap analysis in 2020 followed by external assurance.

### Key Targets and Focus Areas

Topic	Target	Unit of measure	2019 result
<b>Certification</b>	Implementation of World Gold Council's Responsible Gold Mining Principles (“RGMP”)	Qualitative	Membership of the World Gold Council achieved in May 2020.
		Year 1 – readiness review	
		Year 2 – internal assessment	
		Year 3 – third party assurance on compliance	
<b>Local employment</b>	25% from communities directly impacted by the operations.	% employee (incl. contractor companies)	27%
	95% National Employees	% employee (incl. contractor companies)	95%
<b>Local Procurement and Supply Chain</b>	Review of local procurement policy and supply chain to identify new opportunities	Qualitative	New for 2020
	Complete due diligence for child labour / modern slavery in the supply chain.		
<b>Environmental Compliance</b>	Process water recycling - 85% target	% return water	75%
	Raw (fresh) water efficiency of 0.50	M3/tonne ore	0.49
	No exceedance of permit conditions	Number	No incidents
	No major environmental incidents	Number	No incidents
	Cyanide Detoxification performance less than 50ppm WAD CN	ppm WAD CN	2.24ppm
<b>Climate Change/GHG</b>	GHG emissions efficiency	tCO2e/Au oz	0.59 (0.59 in 2018)
	Introduce a site wide policy to reduce and offset GHG emissions.	Qualitative	New for 2020
<b>OHS</b>	No work-related fatalities	Number	Target met
	LTIFR below industry peer comparison of 2.12	per million hours worked	1.25
	TRIFR below 2.5	per million hours worked	2.82
	Malaria cases. Target for 2020 is an incidence rate of 40%	% of total workforce.	42% incidence (36% in 2018)
<b>Training</b>	Safety training – Target of 11,400 hours	Hours	11,419 hours of safety training
	Human Rights training	Number of People	890 people trained, including Malian national security forces and private security contractors
	Anti-bribery and corruption (“ABC”) training	Number of People	40 people (100%) of corporate team 34 people (15%) of Mali team

<b>Diversity</b>	Develop a Diversity Policy at SMK level, highlighting any restrictions on gender diversity Develop action plan to improve performance	Qualitative	New for 2020
<b>Stakeholder engagement</b>	Review grievance mechanism in light of stakeholder feedback to ensure good awareness, accessibility and responsiveness.	Qualitative	2 grievances vs. 19 in 2018
<b>ASM</b>	ASM formalisation project advanced with government support and third-party involvement	Qualitative	New for 2020
	Livelihood Restoration project spend	\$/yr	\$180,000
<b>Community Investment and Health</b>	Community Investment - Budget \$190,000 <sup>1</sup>	\$/yr	\$352,000 <sup>1</sup>
	Malaria programme rolled out (Indoor residual spraying with a entomological and parasitological focus and post spraying effectiveness study).	Qualitative	Postponed in 2019, now planned for 2020 for Bougoudale and Tiemba with an anticipated cost of \$100,000.
<b>Waste</b>	80% of materials reused/recycled	% of material recycled.	80%
<b>Revegetation</b>	20 hectares reforested	ha	0 <sup>2</sup>

<sup>1</sup> Exchange rate of 575 FCFA used.

<sup>2</sup> Revegetation programme to start in 2020.

## Safety

Safety remains a paramount consideration for Hummingbird including for all our contractors working at Yanfolila. In 2019 we improved our Lost Time Injury Frequency Rate ("LTIFR")<sup>1</sup> to 1.25, compared to 1.8 for the year 2018.

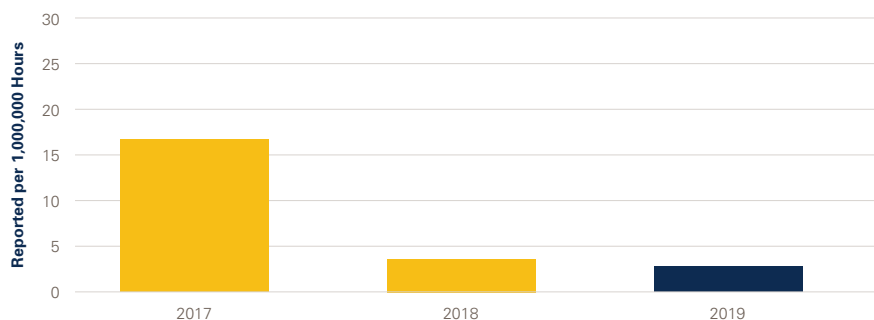
Whilst this is a move in the right direction, we are still striving for further improvement. In 2019 there were four injuries that resulted in lost time for a total of 61 days. We are pleased to report that all of these people have now returned to work.

We have worked hard to ensure all incidents are reported and recorded and that causes are identified and shared, with additional training if required to prevent repeats.

We achieved a TRIFR<sup>1</sup> of 2.82 in the year, comparing favourably with peers and against some of the industry's largest companies. Despite these improvements in performance, the Company did not achieve its 2019 goals, and as such Hummingbird continues to aim to reduce TRIFR to below 2.5 in 2020.

Recording 'near misses' and responding to these with appropriate mitigation measures is a central pillar of our system. In 2019 we recorded a High Potential Incident Frequency Rate ("HPIFR")<sup>1</sup> of 7.3 compared to 7.2 in 2018. This figure remains a key indicator of both the maturity of the system for reporting 'near misses' as well as the challenges we face at Yanfolila to ensure that we maintain a safe working environment for all.

### Yanfolila Project TRIFR – 2017 to 2019



<sup>1</sup> Defined as an incident which could have resulted in a recordable injury i.e. medical treatment, lost time or fatality



The exploration team at Gonka.



## Operational Review continued

### Yanfolila Safety Statistics

	TRIFR	LTIFR
Hummingbird	1.32	0
Contractors	2.98	1.49

At Yanfolila, we make extensive use of contractors, many of whom are part of well-known international groups with recognised and accredited safety management systems. We also make use of numerous smaller contractors, often as part of our efforts to ensure local content in our supply chain.

Sometimes these smaller contractors lack significant experience in safety management, however working together we aim to ensure that all staff on site align with our vision for safety.

**For the year we delivered over 11,000 hours of safety training, an impressive 50% increase compared to 2018.**

Integrating contractor management, no matter how big or small a contractor, is a key focus for the business and we are proud to report our integrated safety performance and recognise them as central to our success. Safety at site must be, and is, run on the basis of shared standards and systems.

Induction and training programmes are developed by the Company and its contractors to address specific workplace risks and hazards. All employees and contractors are required to complete Hummingbird safety training modules in hazard awareness, job safety analysis, basic fire response, first aid and chemicals awareness. In 2019 we introduced a set of fundamental safety principles that have been rolled out across the site.

For the year we delivered over 11,000 hours of safety training, an impressive 50% increase compared to 2018.

A particular focus for 2019 was placed on cyanide management and safety around the site. This included training modules provided by our cyanide supplier, as well as specialist emergency response training provided to 34 employees by our medical services contractor Critical Care International ("CCI"). All staff are trained in cyanide awareness, with in-depth training given to those workers considered at high risk of exposure. Specialist equipment including monitoring, personal protection, and emergency response is provided in key areas.



Staff and community training has proved enormously popular. Shown here are participants from the Resuscitation for Newborns course.

Major Contractors	Number of people on site	Responsibility
AMS	477	Contract Mining
Capital Drilling	33	Drilling
Aggreko	8	Power provider
SGS	26	Laboratory services
Vivo	7	Fuel
CIS	66	Camp and catering
Escort	116	Security

Health

Working alongside our doctors and nurses, our medical services contractor CCI continues to deliver an exceptional standard of health care, both to our workforce of over 1,300 employees and contractors, and to the wider region through our Community Health Programme. Areas of focus for employee healthcare include malaria, communicable diseases, chronic conditions and occupational health.

Throughout 2019, the clinic provided over 3,500 initial consultations and delivered first aid training courses to 204 employees. Annual medical checks are provided to all direct employees, in collaboration with the national worker health services. No occupational diseases were diagnosed in 2019.

We have worked hard to ensure all incidents are reported and recorded and that causes are identified and shared, with additional training if required.

Malaria continues to present a major health risk to employees and community members. Measures undertaken to reduce exposure to bites include education sessions; spraying of buildings; provision of nets and insecticide; and clothing policies. Our malaria programme started to generate favourable results with a decrease in workforce malaria incidence from 59% in 2017 to 36% in 2018. However, in 2019 we saw an increase in malaria incidence to 42% with a corresponding 98 days lost.

The vast majority of cases are recorded from workers living locally. Considerable focus is placed on malaria through our on-going community health outreach programmes. A baseline epidemiological study was undertaken in 2018 as the basis for a wider scale intervention against malaria in our host communities, however owing to budgetary constraints at the time this programme was put on hold. Our malaria programme aims to expand into the local communities in the future, particularly through an Indoor Residual Spraying programme in partnership with national stakeholders.

Our Workforce

Involvement of local people in the benefits offered by the presence of the mine is central to our vision of responsible mining. Thus, local hiring and training remains a priority and key performance indicator and Hummingbird is proud to report that 95% of all employees (including contractors) are Malian nationals, and 27% of all employees (including contractors) are from the local communities (total of 359 people at end 2019). In Liberia 100% of our workforce is Liberian.

Total average number of workforces is as follows:

Corporate	27
Mali	221
Liberia	17
Total Employees	265
Contractors	1,113



Our Community Health Programme provides healthchecks for the broader community as well as our 1,300+ employees and contractors.



## Operational Review continued

### Payments to Government and Local Content

Hummingbird complies with the Extractive Industries Transparency Initiative ("EITI") requirements in both Mali and Liberia. In 2019 Hummingbird paid a total of US\$13,077,000 to the Government of Mali comprising taxes, duties and royalties. In Liberia, Hummingbird paid US\$1,747,000 in licence fees and taxes, to the Government of Liberia.

#### Payments to Government of Mali 2019

	2019		2018	
	XOF'000'000	USD'000	XOF'000'000	USD'000
Payroll taxes	824	1,411	539	976
Social Security	824	1,408	461	836
Withholding tax - IBIC	1,787	3,028	1,500	2,800
Royalties - CPS Tax Payable	2,261	3,853	2,000	3,600
Customs and import fees	236	406	389	700
Gold export fees	591	1,009	394	700
Corporation tax / Minimum tax	965	1,645	-	-
Other taxes	185	317	281	500
<b>Total</b>	<b>7,673</b>	<b>13,077</b>	<b>5,564</b>	<b>10,112</b>

#### Payments to Government of Liberia 2019

	2019	2018
	USD'000	USD'000
Business registration fees	5	5
Licence fees	165	139
MDA signing bonus	1,500	-
Payroll taxes	10	11
Withholding tax	67	12
<b>Total</b>	<b>1,747</b>	<b>167</b>

#### Mali Local Procurement 2019

In 2019, 80% of payments for goods and services were made to national suppliers, equating to over US\$90,879,000 of payments.

#### Vendors

	2019	2018
	USD'000	USD'000
Local Vendors	341	373
National Vendors	90,879	93,000
International Vendors	21,948	26,000
<b>Total</b>	<b>113,168</b>	<b>119,373</b>

## Environment

The environmental management plan applied across the Company's operations first looks to avoid impact wherever possible, before minimising, managing, or monitoring impacts, and finally restoring, rehabilitating, or compensating as appropriate.

Hummingbird's Environmental Department continues to implement the environmental management plan, including monitoring parameters across the project site.

Over the course of the year, these included 144 air quality samples, over 500 water quality samples, monthly noise monitoring and continuous particulate monitoring and management of all waste.

All new and historic data is now integrated into a specialised database allowing greater analysis of trends to be undertaken on site. Waste management included segregating materials for recycling, off-site transport and disposal, and landfill.

**The Environmental Department continues to implement the environmental management plan, including monitoring parameters, across the project site.**

## Water use and effluents

Water management and efficiency of use is a key principle across the operation. Specifically, Hummingbird aims to: avoid release of pollution, reduce usage of freshwater, and manage water across the site through regular monitoring, inspections, and auditing.

Hummingbird utilises freshwater in mineral processing and extracts groundwater from dewatering of open pits. We also manage run-off from our facilities including the waste rock dumps in order to ensure compliance with our permit. The Tailings Storage Facility ("TSF") operates as a zero-discharge facility. In 2019, no significant water quality impacts were recorded. Efforts to increase the percentage of water recycled in mineral processing (largely from TSF reclaim) are ongoing with an overall efficiency of freshwater usage of 0.49 cubic metres per tonne of ore (in FY2018, the equivalent number was 0.64 cubic metres per tonne of ore).

Following exceptionally intense rainfall, in 2018 Hummingbird recorded several grievances associated with sediment run-off at Yanfolila. Following a comprehensive review, improved sediment control measures were implemented, and no run-off related grievances were received in 2019.



Members of the local community tending to crops in one of the market gardens.



# Operational Review continued

Managing the water balance across the site is key. The TSF is independently audited on a quarterly basis by a chartered engineer. Inspections are conducted to assess the tailings storage operations in terms of international standards and practices. The inspections provide commentary on the condition of the facility, identify any unusual conditions, highlight areas of concern, review monitoring data and provide suggestions and recommendations for any changes in operating practices that may be required. Inspections entail a physical inspection of the facility and associated infrastructure, a review of monitoring data and discussions with relevant site personnel.

## A summary of major findings:

- Sufficient freeboard on the TSF to design criteria
- Rainfall above design in recent years
- Rate of rise is higher than planned due to increased volumes of water on dam
- Despite carrying more water, the TSF remains in good condition
- Focus on-going to improve water efficiency and reduce volumes

In 2019 Hummingbird invested in management of the TSF water balance through increased pumping, improved water recovery rates and the commissioning of mechanical evaporation capacity as well as completion of the Phase 2 downstream raise. A second mechanical evaporator will be commissioned in H2 2020.

## Greenhouse gas emissions and climate change

We continue to quantify our carbon emissions and have recently undertaken a review of the climate change related risks associated with our operations in Mali.

On site power generation as well as fuel consumption from mining fleet represent the vast majority of our Greenhouse Gas (“GHG”) emissions. In 2019 29,963.63 MWh of power was generated from diesel generators, operated by Aggreko, with an average achieved fuel efficiency of 253.2 l/MWh. A total of 17,864,861 litres of diesel was consumed by the contract mining fleet and other vehicles.

Our calculated GHG emissions for 2019 were: 68,702 tonnes of carbon dioxide equivalent (tCO2e). This equates to a carbon efficiency of 0.59 tCO2e per ounce of gold produced and is in line with our figures for 2018. The increased gold production in 2019 was offset by higher power consumption associated with processing harder ores as well as increased mining fleet.

## Mali Operations - GHG Emissions

GHG Emissions 2019 tCO2e	
Scope 1	68,681
Scope 2	21.3

In 2019, our total energy spend in Mali (electricity and fuel) was US\$8.3 million, equivalent to approximately US\$72/oz produced, comprising c.8% of our operating costs. No grid power is available at Yanfolila, and Hummingbird continues to investigate opportunities for efficiency improvements and reducing our carbon emissions including assessing options for the use of renewable energy.

Assessment of our operations with regard to climate change related risks primarily focuses on our core operations, but also pays attention to the supply chain as well as the wider regulatory and institutional framework.

We continue to quantify our carbon emissions and have recently undertaken a review of the climate change related risks associated with our operations in Mali.



We invested in management of the TSF water balance through increased pumping and improved water recovery rates.



Commissioning of mechanical evaporation plays an important part in our water management policy.

Yanfolila's geographic location in Southwest Mali means that by most predictions, the biophysical exposure of effects of climate change are likely to be relatively low (especially compared to Northern Mali). It is also unclear how rainfall will be affected, with large model uncertainties. However, the socio-economic sensitivity is high and the adaptive capacity by the local population is very low. This is primarily driven by low education levels, poor access to social services, food insecurity and poverty<sup>1</sup>. The effects of climate change have already been cited as inflaming conflict across the Sahel (including Mali)<sup>1</sup> and the effect this may have on national security will continue to be carefully monitored.

Nationally, Mali has prepared a climate action plan that commits to an average reduction in GHG emissions of 27% by 2030 compared to Business-as-Usual, including a reduction of 29% from agriculture, 31% from the energy sector, and 21% from forestry and land-use. There is a commitment to adaptation with priority placed on the development of a green and climate smart economy.

#### Land disturbance and rehabilitation

The Company continues to implement strict controls on land disturbance in order to minimise this wherever possible. In 2019 3.5 hectares of land were disturbed for extension of the ROM pad. In 2020 the Company will commence with progressive rehabilitation as per the environmental permit requirements of afforestation with an internal target of 20 hectares afforestation in first year of the programme.

In 2019 we updated the Yanfolila Closure Plan and cost estimate as part of the year end process. Further details can be found in the note 18 to the financial statements.

#### Biodiversity and protected areas

Biodiversity studies for Yanfolila indicated that no significant adverse impacts would be expected to occur and that standard mitigation measures would be suitable. Hummingbird recognises the Project location in close proximity to the Sankarani River and the Sankarani-Fie RAMSAR site across the international border with Guinea and manages its impacts accordingly.

**There is a commitment to adaption with priority placed on the development of a green and climate smart economy.**

#### Environmental incidents

We are pleased to report a 27% reduction in environmental incidents compared to last year. Two moderate incidents occurred including one livestock fatality due to a road traffic incident and one spillage from the TSF pipeline due to an act of vandalism.

<sup>1</sup> As per IFC Performance Standard 6



We carefully monitor the effects of global issues such as climate change, rainfall and seasonal shifts to gauge the impact on the communities in which we operate.



## Operational Review continued

Category	Number
Extreme	0
Major	0
High	0
Moderate	2
Minor	22

### Waste and resources use

In 2019 our Mali operations produced a total of 22,990,275 tonnes of mine waste, of which 5% was tailings.

We make use of numerous inputs into mineral processing, including reagents and other consumables. In 2019 we generated a calculated 72 tonnes of packaging waste from mineral processing, of which over 80% was recycled. The remaining waste is managed on site by the environment team and disposed of following internationally accepted practices.

We employ a locally owned contractor to collect waste materials from across the site and transport it to our waste facility where it is then sorted for recycling, reuse, or disposal accordingly. This provides an important job generation opportunity for members of the local communities, whilst ensuring we have full visibility of our waste production and management.

### ESIA and permitting

The environment team is integrated into the development of the rolling, five-year LoM plan by assisting with assessment of impact for internal governance, as well as ensuring all existing permitting conditions are met.

As we look to explore and develop new deposits across the licence area, ESIA activities will be undertaken to ensure that environmental permits are updated in line with Malian regulations. The current environmental permit for Yanfolila covers open pit mining from Komana East, Komana West, Gonka, Sanioumale West and Kabaya South.

### Social Responsibility

Through our continued engagement and enhanced impact mitigation measures we saw a reduction in grievances and there were no recorded community incidents. We successfully undertook a major training exercise for national security forces assigned to the mine and local security personnel to improve our implementation of the Voluntary Principles on Security and Human Rights, whilst our livelihood restoration programmes and community investment projects continue to be implemented in partnership with local communities.

### Engagement with local stakeholders

We regularly engage with our stakeholders to ensure timely and accurate information is presented, and to receive valuable feedback on how we are doing. Engagement happens at all levels from national government through to local communities. We have set up several committees at the local level to assist in this process, specifically around local sustainable development and local hiring.

The local sustainable development committee is comprised of both government and community representatives, and meets monthly to identify, assess, and review development initiatives. Our team also undertakes extensive engagement with technical departments across government, as well as mass 'town hall' community meetings to inform and update them on project news.

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**The Company continues to implement strict controls on land disturbance in order to minimise these wherever possible.**

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A tremendously successful example of our livelihood restoration initiatives is making soap to sell at the market and back to the mine.

## Grievance Mechanism

For 2019 we recorded two grievances down significantly from 2018 where we recorded 19. These grievances have been resolved. Both related to dust levels, and during the year we continued to strengthen and expand our dust management programmes.

**During the year we continued to strengthen and expanded our dust management programmes.**

We continue to monitor conditions closely and implement dust suppression measures including increasing the number of water trucks working in the local community roads.

## Artisanal and small-scale mining ("ASM")

Although illegal, on average 2,300 people (men, women and children) are regularly engaged in ASM activities across the 250 square kilometre property. Of these over 75% are active on sites outside of the current Life of Mine plan and the population is largely from local communities and the numbers steady, however, the presence of people from neighbouring countries is noted both within the permit and in the broader region. Our monitoring programme includes a weekly audit of all the main orpillage sites and allows us to track trends and changes in processing practices. The results of this monitoring programme are communicated to local stakeholders and authorities.

Our activities have already directly impacted ASM activities and will continue to do so as we develop new open pits and associated infrastructure across the permit area. Cognisant of the challenges associated with successful livelihood restoration for those displaced from ASM, we embarked on a renewed and ambitious artisanal mining strategy in 2019 that centred on formalising ASM activities in certain areas within the permit.

Based on internal criteria, an area was identified as hosting mineralisation suitable for ASM, with significant resources to support a medium to long term project, but that would not otherwise be a focus for Hummingbird activities.

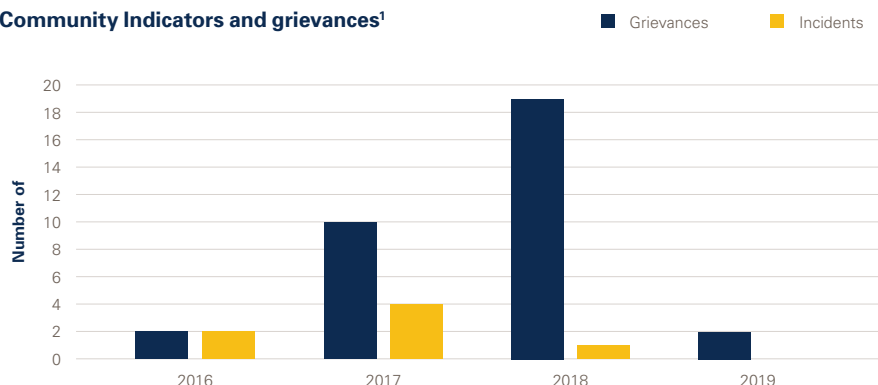


Our engagement with stakeholders is at all levels from local government to local communities. Shown here is one of our Youth Training Programmes.

**The development of Yanfolila has required land compensation to be undertaken for 48 farmers across the area.**

Initial consultation with local stakeholders, including the Ministry of Mines, was very positive. We have commenced with further stakeholder engagement and the identification of potential partner civil society organisations to assist with implementation and realising our vision. We believe that this project has the potential to provide a template for genuine industry leading practices.

## Community Indicators and grievances<sup>1</sup>



<sup>1</sup> Grievances (after ICMM 2019) Grievances are issues between a company and an affected stakeholder that should be received and resolved through the formal grievance mechanism. One of the overarching aims of operational-level grievance mechanisms is to avoid minor issues escalating into more serious issues or conflicts. As such, it is important to maintain a relatively low threshold for grievances. (ICMM. 2019)



## Operational Review continued

### Livelihood restoration

The development of Yanfolila has required land compensation to be undertaken for 48 farmers across the area. In total 147 hectares of land has been compensated for in line with Malian regulations at a total cost of US\$586,000. In addition to these national requirements, we have committed, in line with international good practice, to ensuring farmers are able to identify replacement land and that this land can be made productive. The compensation packages have included allowance for clearing and preparation of replacement land as well as provision of seed and fertiliser packages.

We have also been mindful of the impact that the project has on livelihoods, either through land compensation or access to artisanal mining deposits. Many of the impacts from our projects include a gender aspect (notably regarding ASM where the majority of participants are women who use ASM as a key source of cash income). To that end a programme of livelihood-based activities has been supported since 2016, focussing on women and providing opportunities for cash generation. This has included market gardening projects, soap manufacturing, chicken breeding, and livestock improvement projects. We are pleased to see the fruits of the projects emerging with for example, over US\$30,000 of income accruing to the chicken projects last year.

In 2019 a budget of US\$180,000 was put directly towards local economic development and food security. This included four new market gardens (7 hectares) for 350 women; renovation and upgrade work to four market gardens previously supported; construction of a building for the local soap factory; donation of rice mills to two communities; construction and opening of a new micro-finance office (Nyesigoso).

### Security and human rights

We have carried out a third-party review of security practices and management plans including an assessment of our alignment with the Voluntary Principles on Security and Human Rights ("VPSHR").

Training on the VPSHRs has been given to all national security forces including military and gendarmes in 2019. A total of 744 persons (allowing for regular rotations) were trained. Our own security contractor was also trained with all 146 guards completing the training successfully. Refresher training is provided regularly, and due to the rotational nature of National Guard and Gendarme deployment, is an on-going activity throughout the year.

In the second half of 2019 we encountered increasing incursions into operational areas (including waste rock dumps and marginal ore stockpiles) by artisanal miners. Improved fencing and

continued engagement has since seen a dramatic reduction in such incursions.

### Community investment

In collaboration with our host communities, government agencies and non-governmental partner organisations, we continue to implement a comprehensive community development plan. This is in addition to our mitigation measures that focus on livelihood restoration.

In 2019 a total of US\$180,000 was spent on the three focus areas of health, education, and WASH. Projects are identified and prioritised based on local needs and requests, through the multi-stakeholder local sustainable development committee.

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**Our own security contractor was also trained with 146 guards completing the training successfully.**

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### Community investment focus areas for 2019

Focus Area	Project	Beneficiaries
WASH	Three new water supply systems including borehole, pump, solar system, water storage and delivery system throughout the village	Villages of Bougoudale, Kona and Kabaya for a total of c. 16,500 people
	Construction of 22 latrines	Village of Bandjigoufara for over 1,000 people
Education	Three-month traineeship programme in vocational skills	12 youths from local communities
	Sponsorship of teachers' salaries	11 teachers across three communes
Community Health	Donation of medical equipment	Village of Kabaya health centre and surrounding communities in Djallon Fouta commune for over 10,000 people
	Training of healthcare workers	80 healthcare workers

## Operational Review

# Implementing a comprehensive community development plan



Many of our projects focus on longer-term benefits for communities' future generations. Teacher sponsorship and Youth Vocational Training programmes are just two examples.

# Financial Review

## Basis of preparation

The Group's financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Boards ("IASB") and as adopted by the EU. The Group's adoption of new and revised standards, significant accounting policies, and critical accounting judgments are disclosed in the notes to consolidated financial statements. The functional currency of the Group is United States Dollar ("\$"). The financial information below is presented in thousands of United States dollars ("'\$000").

## Consolidated statement of comprehensive income

An unabridged analysis of the consolidated statement of comprehensive income for the year ended 31 December 2019 is shown below.

	2019 \$'000	2018 \$'000
<b>Continuing operations</b>		
<b>Revenue</b>	<b>156,874</b>	<b>116,539</b>
Production costs	(86,298)	(88,157)
Amortisation and depreciation - owned assets	(27,944)	(19,881)
Amortisation and depreciation - right of use assets	(10,839)	—
Royalties and taxes	(5,726)	(3,942)
<b>Cost of sales</b>	<b>(130,807)</b>	<b>(111,980)</b>
<b>Gross profit</b>	<b>26,067</b>	<b>4,559</b>
Share based payments	(753)	338
Other administrative expenses	(12,056)	(9,834)
<b>Operating profit/(loss)</b>	<b>13,258</b>	<b>(4,937)</b>
Finance income	2,241	4,797
Finance expense	(8,278)	(9,119)
Share of associate loss	(262)	(235)
Share of joint venture loss	(4)	(2)
Impairment of associate	—	(2,044)
Reversals in impairment of financial assets	23	88
Gain/(loss) on financial assets measured at fair value	2,218	(198)
<b>Profit/(loss) before tax</b>	<b>9,396</b>	<b>(11,650)</b>
Tax	(1,551)	(1,163)
<b>Profit/(loss) for the year</b>	<b>7,845</b>	<b>(12,813)</b>

Principal items of income and expense are explained as follows:

## Revenue

Total Group sales was \$156.9 million (2018: \$116.5 million).

The Group's Malian subsidiary sold 112,686 ounces of gold dore generating revenue of \$155.1 million (2018: 91,546 ounces for \$116.3 million), a 33% increase. Average realised prices for gold dore was \$1,377 per ounce (2018: \$1,271 per ounce). The gold dore is sold at a discount to the refined gold price which approximates to the refining and transport costs that are borne by the customer.

The Group also sold gold grain and investment gold coins worth \$1.8 million (2018: \$0.2 million) as part our SMO Gold initiative.

The Company remains committed to operating as an unhedged gold producer. However, as a single asset producer a significant fall in the gold price could materially impact the Group's ability to service debt and meet operating costs. Accordingly, the Group has taken the opportunity to invest in low cost put options to partially insure against the risk of falling gold prices without capping the exposure to the upside.

## Cost of sales

Cost of sales of \$130.8 million (2018: \$112.0 million) primarily relate to the following cost elements:

- Mining costs of \$51.7 million (2018: \$59.3 million), represents both owner and contract mining costs. African Mining Services (a part of the Perenti Group), are the mining contractor who perform the full mining scope from mining, production drilling and blasting, to ore haulage for processing. Their contract is based on a fixed and variable rate with allowances for inflationary rise and fall adjustments. 2019 costs exclude 'lease' cost for the mining equipment of approximately \$11.6 million now treated as lease payments under IFRS 16.



- Processing costs of \$20.6 million (2018: \$19.9 million), represents costs incurred at the processing plant. Major cost categories include power, plant maintenance and chemical reagents costs.
- Inventory adjustments, credit to income statement of \$5.7 million (2018: credit to income statement of \$4.5 million). This represent the valuation of both gold on hand, stockpiles and gold in process at end of year. There was more gold on hand at 31 December 2019 due to timing of the shipments at year end as well higher ore stockpile quantities. Included in inventory adjustments is \$nil (2018: charge of \$4.9 million) to carry inventory at lower of cost and net realisable value.
- Support costs of \$17.9 million (2018: \$12.3 million), represents costs incurred in supporting the core mining and processing areas. Included in this are labour, insurance, finance and administration (excluding corporate head office costs), community affairs, security and human resources. Also included in support costs is a cost of \$0.8 million relating to gold put options costs.
- Amortisation and depreciation on owned assets of \$27.9 million (2018: \$19.9 million). Amortisation and depreciation costs are for most, based on a unit of production method, in line with ounces produced. The increase year on year reflects higher ounces produced as well as larger depreciable base.
- Amortisation and depreciation on right of use assets of \$10.8 million (2018: nil). This represents depreciation and amortisation of leased assets following the adoption of IFRS 16, "Leases", on 1 January 2019. This mainly represents depreciation on assets leased under the mining contract and the power generators in Mali, as well as offices in the corporate office.
- Royalties and other taxes of \$5.7 million (2018: \$3.9 million), primarily representing amounts payable to the Government of Mali.
- Gold grain and investment gold coins cost of sales of \$1.7 million representing the cost of purchasing, transporting gold grain and minting investment gold coins.

#### Other administrative expenses

Other administrative costs of \$12 million (2018: \$9.8 million), represents mainly support costs including staff costs and professional fees, as well as business development costs. Included within administration expenses is a one-off amount of \$2.5 million being the settlement agreed with Taurus Funds Management Pty Ltd. Legal fees of \$0.7 million were also incurred in relation to this case. Excluding these costs, other administrative expenses have fallen by \$1.0 million.

#### Finance income and expenses

Finance income of \$2.2 million (2018: \$4.8 million), represents interest on deposits and receivables, foreign exchange gains and fair value adjustments on warrants.

Finance expenses of \$8.3 million (2018: \$9.1 million), represents interest and amortised costs on borrowings, foreign exchange losses, and unwinding of present value discounts on provisions.

#### Gain on financial assets carried at fair value through profit

The Group recognised a gain of \$2.2 million during the year from assets at fair value through profit or loss. This gain was mainly made up of gains of \$2.3 million from Bunker Hill investment due to increase in share price over the year offset by a very small loss on the investment in Cora.

#### Taxation

The taxation of the Group's operations in Mali are aligned to the mining convention (Mining Code of Mali 1999) under which tax is charged at an amount not less than 1% of turnover and not more than 30% of taxable profits.

## Financial Review continued

### Statement of Financial Position

An abridged analysis of the statement of financial position for the year ended 31 December 2019 is shown below:

	2019 \$'000	2018 \$'000
Non-current assets	223,017	211,540
Current assets	29,639	27,123
Cash and cash equivalents	8,529	21,530
<b>Total assets</b>	<b>261,185</b>	<b>260,193</b>
Non-current liabilities	18,540	13,541
Non-current borrowings	10,148	40,819
Current liabilities	63,742	55,106
Current borrowings	29,852	20,112
<b>Total liabilities</b>	<b>122,282</b>	<b>129,578</b>
<b>Net assets</b>	<b>138,903</b>	<b>130,615</b>
Equity attributable to equity holders of the parent	135,253	129,388
Non-controlling interest	3,650	1,227
<b>Total equity</b>	<b>138,903</b>	<b>130,615</b>

Principal movements in assets and liabilities are explained as follows:

#### Total assets

As at 31 December 2019, the Group's assets totaled \$261.2 million, an increase of \$1 million on the prior year. Total assets comprise: Non-current assets; including investments, exploration and evaluation assets, property plant and equipment, and Current assets; including cash and cash equivalents, inventories, trade and other receivables.

- **Non-current assets** – Increased by \$11.5 million during the year, as a result of both additions and offset by depreciation and amortisation charges. Included within non-current assets are leased assets capitalised under IFRS 16, Leases. This standard requires that all qualifying leased assets are recognised on the balance sheet as right of use assets. Property, plant, and equipment additions included \$10 million spend on the Second Ball Mill, \$2 million on dewatering bores, \$2 million on increasing the capacity of the tailings storage facility and \$1 million mine rehabilitation costs. Also included in current non-current assets is the \$2.1 million Bunker Hill convertible loan which was reclassified to investments in the current year. Other additions during the year included exploration and evaluation expenditure of \$4.7 million, including costs related to the MDA in Liberia which was passed into law in April 2019. Depreciation and amortisation charges on property, plant of equipment was \$28 million and depreciation on right of use asset of \$11 million.
- **Current assets** – Increased by \$2.5 million during the year, as a result of increase to inventory of \$4.3 million offset by a decrease in trade and other receivables of \$1.8 million. Increase to inventory consisted of \$8.4 million increase due to increased tonnage of stockpile ore at end of year, offset by \$4.5 million decrease in gold in circuit at end of each respective year. There was also a reclassification of the \$2.1 million Bunker Hill convertible loan from current assets into non-current assets in the current year.
- **Cash and cash equivalents** – As at 31 December 2019 the Group held cash and cash equivalents of \$8.5 million, of which \$4.1 million is restricted in accordance with the Group's borrowing obligations (2018: \$21.5 million, of which \$4.2 million was restricted). See analysis of consolidated statement of cashflow.

#### Total liabilities

As at 31 December 2019, the Group's liabilities totaled \$122.3 million, a decrease of \$7.3 million on the prior year. Total liabilities movements impacted by:

- **Current liabilities** – Increased by \$8.6 million during the year, as a result of \$8.9 million liability related to the adoption of IFRS 16, "Leases" on 1 January 2019. This balance represents the short-term position of the lease liabilities for the right of use assets. This increase was offset by a \$0.3 million decrease in trade and other payables.
- **Non-current liabilities** – Increased by \$5.0 million during the year, as a result of \$3.7 million liability related to the adoption of IFRS 16, "Leases" on 1 January 2019 plus a \$1.3 million increase in the rehabilitation provision representing the present value of estimated future rehabilitation costs relating to mine sites (note 18).
- **Borrowings** – Borrowings (including capitalised issue costs) decreased by \$21 million during the year. The decrease is the net result of a \$21 million paydown of the existing Senior Loan Facility and Ball Mill Facility plus foreign exchange movements.



**Consolidated statement of cash flows**

An unabridged analysis of the consolidated statement of cash flows for the year ended 31 December 2019 is shown below.

	2019 \$'000	2018 \$'000
<b>Net cash inflow from operating activities</b>	<b>44,724</b>	<b>18,134</b>
<b>Investing activities</b>		
Purchases of intangible exploration and evaluation assets	(3,836)	(5,922)
Purchases of property, plant and equipment	(15,471)	(20,070)
Purchase of shares in other companies	(402)	(105)
Loans provided net of issue costs	—	(2,000)
Interest received	65	181
<b>Net cash used in investing activities</b>	<b>(19,644)</b>	<b>(27,916)</b>
<b>Financing activities</b>		
Exercise of options	30	36
Lease principal and interest payments	(11,871)	—
Loan interest paid	(4,280)	(5,871)
Loans repaid	(20,809)	(10,911)
Commission and other fees paid	(844)	—
Loans received net of issue costs	—	9,168
<b>Net cash used in financing activities</b>	<b>(37,774)</b>	<b>(7,578)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,694)</b>	<b>(17,360)</b>
Effect of foreign exchange rate changes	(307)	(1,730)
<b>Cash and cash equivalents at beginning of year</b>	<b>21,530</b>	<b>40,620</b>
<b>Cash and cash equivalents at end of year</b>	<b>8,529</b>	<b>21,530</b>

**Net cash generated by operating activities**

During the year ended 31 December 2019, the Group generated \$44.7 million cash inflow from operating activities, a \$26.5 million increase from 2018. Net cash flow from operations was higher largely as a result of higher sales during the year. 2019 cash flows from operating activities exclude 'lease' cost for the mining equipment and generators of approximately \$11.9 million now treated as lease payments under IFRS 16 and now reflected under financing activities.

**Net cash used in investing activities**

During the year ended 31 December 2019, the Group reported a \$19.6 million cash outflow from investing activities (2018: \$27.9 million cash outflow), \$15.5 million on property plant and equipment, mainly on second ball mill and \$3.8 million exploration and evaluation assets, largely in Liberia following the signing of the Mineral Development Agreement ("MDA") with the Liberia Government.

**Net cash used in financing activities**

During the year ended 31 December 2019, the Group reported a \$37.8 million cash outflows from financing activities (2018: \$7.6 million cash outflow), of which \$25.9 million was scheduled debt, fees and interest repayments on borrowings. A total of \$11.9 million was spent on lease payments.

## Financial Review *continued*

Future obligations and their maturities stated at their gross, contractual and undiscounted amounts, are shown below:

At 31 December 2019	Less than one year \$'000	Between one and five years \$'000	Over five years \$'000	Total \$'000
Trade and other payables (note 21)	39,809	—	—	39,809
Other financial liabilities (note 22)	15,000	—	—	15,000
Lease liabilities (note 19)	8,933	3,661	—	12,594
Borrowings (note 17)	29,852	10,148	—	40,000
	93,594	13,809	—	107,403
Other commitments (note 29)	2,286	—	—	2,286
	95,880	13,809	—	109,689

At 31 December 2018	Less than one year \$'000	Between one and five years \$'000	Over five years \$'000	Total \$'000
Trade and other payables (note 21)	39,787	—	—	39,787
Other financial liabilities (note 22)	15,319	—	—	15,319
Borrowings (note 17)	20,112	40,819	—	60,931
	75,218	40,819	—	116,037
Operating lease commitments (note 19)	1,901	5,898	—	7,799
Other commitments (note 29)	14,666	—	—	14,666
	91,785	46,717	—	138,502

### Non-GAAP Financial Performance Measures

The performance of the Group against its strategy and objectives is linked to the remuneration of the executives, as the annual bonus plan performance targets are aligned to the Group's Key Performance Indicators ("KPIs") and strategic priorities.

We use the following non-GAAP financial performance measures in assessing performance.

- EBITDA and adjusted EBITDA
- Cash costs per ounce; and
- All-in sustaining costs per ounce ("AISC").

### EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") is a factor of volumes, prices and cost of production. This is a measure of the underlying profitability of the Group, widely used in the mining sector. Adjusted EBITDA removes the effect of impairment charges, foreign currency translation gains/losses and other non-recurring expense adjustments but including IFRS 16 lease payments.



**Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA**

	2019 \$'000	2018 \$'000
Net profit/(loss) before tax	9,396	(11,650)
Less: Finance income	(2,241)	(4,797)
Add: Finance costs	8,278	9,119
Add: Depreciation and amortisation	39,095	20,006
<b>EBITDA</b>	<b>54,528</b>	<b>12,678</b>
IFRS 16 lease interest and principal payments	(11,871)	—
Share based payments	850	(338)
Taurus settlement plus legal fees <sup>1</sup>	2,500	—
Taurus case legal fees <sup>1</sup>	723	—
Other taxes	1,718	—
Share of associate loss	62	235
Share of joint venture loss	4	2
Impairment of associate	—	2,044
Reversals in impairment of financial assets	(23)	(88)
(Gains)/losses on financial assets measured at fair value	(2,218)	198
<b>Adjusted EBITDA</b>	<b>46,273</b>	<b>14,731</b>

1 — One-off amount of \$2.5 million, being the settlement agreed with Taurus Funds Management Pty Ltd. Legal fees of \$0.7 million were also incurred in relation to this claim. The Group regard these amounts as exceptional and therefore they have been adjusted in getting to the Adjusted EBITDA figure.

**Cash cost performance**

Cash costs per ounce and all-in sustaining costs per ounce are non-GAAP financial measures which are calculated based on the definition published by the World Gold Council ("WGC"), a market development organisation for the gold industry. Management uses these measures to monitor the performance of our gold mining operations and their ability to generate positive cash flow.

Cash costs are calculated as direct mine operating costs (including mine based general and administration costs but excluding depreciation and amortisation) divided by ounces of gold sold.

All-in sustaining cash cost is calculated as cash cost above plus sustaining capital expenditures divided by ounces of gold sold.

Our use of cash costs and all-in sustaining cash costs are intended to assist analysts, investors and other stakeholders to understand the costs associated with producing gold better as well as assessing our operating performance and our ability to generate free cash flow from current operations.

**Reconciliation of Cost of Sales to Cash Costs, All-in Sustaining Costs including on a per ounce basis**

	2019 \$'000	2018 \$'000
Cost of sales applicable to mining operations	129,059	111,609
Administration expenses related to mining operations	2,643	2,410
Depreciation and amortisation related to mining operations	(38,783)	(19,882)
Lease charges under IFRS 16 relating to mining operations	11,617	—
Corporate recharges applicable to mining operations eliminated on consolidation	1,543	665
<b>Cash cost</b>	<b>106,079</b>	<b>94,802</b>
Mine sustaining capital expenditures	5,012	4,712
<b>All-in sustaining cash cost</b>	<b>111,091</b>	<b>99,514</b>
<b>Ounces sold</b>	<b>112,686</b>	<b>91,546</b>
<b>Cash cost per ounce</b>	<b>941</b>	<b>1,036</b>
<b>All-in sustaining cash cost per ounce</b>	<b>986</b>	<b>1,087</b>

## Financial Review *continued*

Cash costs were adversely impacted mainly due to the lower production in Q1 2019 during the pit wall remediation and as a result of encountering greater ASM depletion than anticipated in the geological models.

The above AISC can be reconciled to the AISC announced in our Q4 operational update on 14 January 2020 as follows:

	\$'000	\$/ounce sold
AISC as previously announced		976
<i>Adjustment for:</i>		
Impact of 30% salary increase <sup>1</sup>	1,163	10
Updated All-in sustaining cash cost (as above)		986

1 — The Government of Mali endorsed a 30% salary increase across the board for all workers in 2020, with the cost being backdated to 1 January 2019. The cost impact relates to SMK's own salary increases together with certain contractor pass-through costs, primarily the mining contractor.



# Strategic Report

The purpose of this report is to show how the Group assesses and manages risk and uncertainty and adopts appropriate policies and targets. Further details of the Group's business and expected future developments are also set out elsewhere (the Chairman's Statement, CEO's Statement, How We Operate, Operational Review and Financial Review form part of this Strategic Review in order to achieve compliance with provision of the Companies Act 2006).

## PRINCIPAL RISKS AND UNCERTAINTIES

The nature of the Group's activities and the locations in which it operates mean that it is generally exposed to significant and uncertain risk factors, some of which are beyond its control. The ability to deliver the Group's objectives and vision depends on an ability to understand and appropriately respond. The table below, while not exhaustive, sets out the principal risk factors and uncertainties which may impact the Group's future performance, and its strategy for managing them.

Risk	Mitigation/Comment
<b>Asset portfolio</b>	
The Group's revenue is primarily derived from the Yanfolila Gold Mine in Mali. Reliance on a single asset requires continual focus on efficient management of operations and risks.	The Group continually reviews and implements targeted projects seeking to enhance the reliability, effectiveness and long-term profitability of the Yanfolila Gold Mine.
Should cash flows from the Group's sole producing asset be impacted adversely from an unexpected event, the Group may need to raise additional funding. Should additional funding be required, then as noted in note 3, there is a risk that the Group may not be able to obtain it in the necessary timeframe.	The Group is assessing a range of internal and external growth opportunities to build on its existing asset portfolio as well as ensuring that efficient production from Yanfolila is maintained. For example, exploration activities are ongoing in Mali and Liberia, where the Group has recently been granted a 25-year, renewable Mineral Development Agreement with the Government of Liberia, encompassing the Dugbe Project.
<b>Changes to commodity prices, cash flow and credit risk</b>	
As a junior mining company operating its first gold mine, the Group's financial performance is significantly exposed to the price of gold. Should the gold price fall significantly this will impact future reserves, profitability and could ultimately impact the Group's ability to service debt and meet operating costs.	The Group monitors its exposure to commodity price fluctuations and foreign exchange rate fluctuations as part of financial and treasury planning.
Financial performance may also be impacted through foreign exchange movements, rises in fuel prices or where there is an inability to secure adequate funding.	The Board reviews these risks regularly (including at the quarterly Board meetings) and considers whether any additional actions are appropriate, taking into account forecasts and expectations of stakeholders.
	The Company from time to time purchases low cost put options as partial insurance against a significant drop in the gold price in the short term.
<b>Mining risk</b>	
The Group's financial performance is largely dependent on the efficient operation of the Yanfolila Gold Mine in Mali. This requires effective management of the mining contractor, strip ratios, mining techniques, dewatering, infrastructure and pit slopes in ensuring cost effectiveness and timely delivery of material at sufficient quantity and grade for processing.	The Group continuously reviews its mining methods and, together with the mining contractor, assesses performances against targets on a regular basis.
Any significant delays in delivering the planned ore volumes or additional costs of mining, ore losses and additional dilution could lead to the project requiring additional working capital or becoming uneconomic.	

# Strategic Report continued

Risk	Mitigation/Comment
<b>Geological risk</b>  <p>The Groups cashflows and profitability is dependent on achieving the predicted grades and tonnages of ore forecast in the mine plans. The mine plans are based on geological models, supported by resource and reserve estimates. Resources and reserves are estimated based on assumed continuity between points of observation where data samples have been gathered. Until material is mined and processed, there is a risk that the grades and tonnages of ore may be materially different to that estimated.</p>	<p>Geological models are subject to internal and external reviews before being classified as resources and reserves or being used to support mine plans. Additionally, as further information becomes available, including through mining, geological models are updated accordingly.</p>
<b>Fraud, error and corruption</b>  <p>The Group is aware of the risk of internal fraud, error and corruption activities, and the various ways that such risk may transpire. There is also awareness that the risk is increased where there are differences in financial processes, language or culture between stakeholders.</p>	<p>The Group has internal controls in place with the objective of mitigating the risk of fraud, corruption and error to the business.</p>
<b>Operational performance and reporting</b>  <p>As a listed company, the Group acknowledges the importance of communicating actual and forecast operational performance on a timely basis.</p>	<p>The Group's focus on a culture of sustainability, good governance and disclosure is aimed to provide up-to-date information on activities impacting shareholders and other key stakeholders.</p>
<b>Social licence to operate</b>  <p>The Group's ability to develop and operate its projects is dependent on the support of its host communities.</p> <p>Overall relations with the host communities have been positive, however there is a risk that if the relationships deteriorate then the ability of the Group to operate could be temporarily or permanently adversely impacted.</p>	<p>The Group is proactive in its social engagement and places a high importance on its relationship with the host communities as key stakeholders.</p>
<b>Safety</b>  <p>The mining workplace environment is subject to a number of hazards, including the risk of serious injury or fatality while working on site. The physical remoteness of sites also increases the risk of commuting to site and the availability of medical assistance in the event of an incident. The Group is also aware of the risk of an outbreak of a serious illness amongst the workforce and the associated potential for large-scale disruption to operations as a consequence.</p>	<p>The Group employs a wide range of safety management systems with the objective of ensuring the safety of the team. The Group provides training and supervision on safety management, which the intention of promoting and embedding safe operating practices.</p>
<b>Security and conflict risk</b>  <p>The Group is exposed to the external physical security risks presented by artisanal mining activities, territorial conflicts and/or terrorist actions which could impact our people, our operations and our broader supply chain.</p>	<p>The Group employs a range of measures to mitigate the risk of harm to our people and operations. Country and regional information is continuously monitored to assess the risk of terrorism and security plans are in place to mitigate identified risks.</p>

Risk	Mitigation/Comment
<p><b>Geopolitical, legal, and regulatory risks</b></p> <p>The Group's exploration, development and exploitation activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. Such licences and permits are as a practical matter subject to the discretion of the applicable Government or Government office. The Group must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted. The interpretations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Group's results of operations and financial condition. Whilst the Group continually seeks to do everything within its control to ensure that the terms of each licence are met and adhered to, third parties may seek to exploit any technical breaches in licence terms for their own benefit.</p> <p>There is a risk that negotiations with a Government in relation to the grant, renewal or extension of a licence, or Mineral Development Agreement ("MDA"), may not result in the grant, renewal or extension taking effect prior to the expiry of the previous licence period, and there can be no assurance of the terms of any extension, renewal or grant.</p> <p>Additionally, whilst the Group has diligently investigated title to its licences and, to the best of its knowledge, title is in good standing, this should not be construed as a guarantee of title. If a title defect does exist it is possible that the Group may lose all or part of its interest in the relevant properties.</p> <p>Changes to existing applicable laws and regulations, more stringent interpretations of existing laws or inconsistent interpretation or application of existing laws by relevant authorities have the potential to adversely impact the Group's business activities.</p> <p>The Group's operational and exploration activities are subject to extensive regulation in the relevant jurisdictions.</p>	<p>The Group monitors legal and geopolitical risks as a key part of its overall assessment process when considering changes to operations or pursuing new growth opportunities.</p> <p>The Group actively engages with Governments and policy makers at the most senior levels to discuss regulatory developments that are applicable to the Group's business activities.</p>
<p><b>Exploration and development risk</b></p> <p>There is no assurance that the Group's exploration and development activities will be successful, and statistically few properties that are explored are ultimately developed into profitable producing mines.</p>	<p>The Group aims to conduct exploration on a systematic basis focusing on opportunities to increase long term shareholder value within available budgets.</p> <p>Where funding is limited the Group will consider farmouts and joint ventures such as with Cora Gold in 2017.</p>



# Strategic Report continued

Risk	Mitigation/Comment
<b>Corona virus 2019 – COVID-19</b>	
<p>On March 11, 2020, the World Health Organization (“WHO”) declared the outbreak of the coronavirus (COVID-19) a pandemic.</p> <p>COVID-19 presents a set of dynamic challenges. These risks primarily involve potential disruptions to logistical movement, both into and out of our operational areas, of people, goods, supplies, spares, reagents and the export of gold which may impact our ability to operate. Currently many countries have imposed restrictions on travel of people and goods.</p> <p>Whilst the Company believe it still has the necessary supplies to last for the immediate short term, there remains some uncertainties into how long this pandemic will last and ultimately this may result in the Company being forced to close its production facilities due to lack of spares and reagents.</p> <p>Further there are restrictions on the ability to ship gold. Whilst alternative arrangements have been made for the short term these measures may prove difficult should the pandemic not be contained in the next coming months.</p> <p>To date there has not been any material disruptions to production due to COVID-19, however there are cost pressures already being felt as result of measures being taken to help mitigate this pandemic.</p> <p>Therefore, there is a risk that challenges being placed on the business, and the wider economy will impact the Group’s ability to operate, which will ultimately impact its cash flows.</p>	<p>The Group has put in place plans and procedures to meet the Groups’ primary objective of ensuring business continuity for the long-term benefit of all our stakeholders, as well as minimise any risk that may contribute to the virus spreading. These include:</p> <ul style="list-style-type: none"> <li>• Organising short term alternative shipping arrangements – both gold exports as well as consumables and supplies to help manage the logistics challenges.</li> <li>• Focusing on maintaining stockpiles and inventories that could be utilised should logistics or mining be disrupted.</li> <li>• Restrictions on travel, providing up-to-date resources to all employees and guidance on working remotely where required. These have been put in place across the entire Group, with special focus on the Yanfolila Mine, in order to protect, support and secure the operating environment and local communities, and protect the health, safety and fitness-to-work of our workforce.</li> </ul>

## Section 172 Statement

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

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

The Board has always recognised the relationships with key stakeholders are central to the long-term success of the business and therefore seeks active engagement with all stakeholder groups, to understand and respect their views, in particular of those with the local communities in which it operates, its host governments, employees and suppliers.

Details of the Board’s decisions in 2019 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout the Strategic Report, Sustainability, Directors’ and Corporate Governance reports.

This Strategic Review has been approved by the Board and signed on its behalf by:

DE Betts  
Director

02 June 2020

# Corporate Governance

## Corporate Governance

The Board of Hummingbird Resources PLC (the 'Company') has adopted the QCA Corporate Governance Code 2018 (the 'QCA Code') and believe the application of the QCA Code supports the Company in pursuing medium to long-term value for shareholders, without stifling the entrepreneurial spirits and creativity. The Board believes that it applies the ten principles of the QCA Code but recognises the need to continue to review and develop governance practices and structures, to ensure they are in line with the growth and strategic plan of the Company.

## Strategy and Business Model

The Company currently has two core gold projects, the Yanfolila Gold Mine in Mali and the Dugbe Gold Project in Liberia.

The Strategic Review on pages 33 to 36 provides details the Company's strategy, as well as key risks and mitigation actions.

## Understanding and meeting shareholder needs and expectations

The Company endeavours to communicate with shareholders on a regular basis to understand and meet their needs and expectations.

Shareholders are encouraged to engage with the Company throughout the year through RNS announcements, direct communication, conference calls, website content, corporate presentations together with national and international medias including social media.

Additionally, shareholders are typically invited to the AGM where they are given opportunities to ask questions.

Contact details are provided within every Company announcement and are available on the Company's website.

## Wider stakeholder needs and social responsibilities

In accordance with Section 172 of the UK Companies Act 2006, the Board has a duty to promote the success of the Company for the benefit of its members as a whole. In doing so, it must have regard (amongst other matters) including the interest of the Company's employees, the need to foster the company's business relationship with suppliers, customers and others, and the impact of the Company's operations on the community and environment.

The Board has always recognised the relationships with key stakeholders are central to the long-term success of the business and therefore seeks active engagement with all stakeholder groups, to understand and respect their views, in particular of those with the local communities in which it operates, its host governments, employees and suppliers.

Details of the Board's decisions in 2019 to promote long-term success, and how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout the Operational Review, Strategic Review and Directors reports.

The Responsible Mining page on the Company's website provides details regarding the Company's commitment to creating value for all stakeholders and building a lasting legacy for the communities living within its licence areas.

## Effective Risk Management Throughout the Organisation

The Company has four committees to assist in its continuous assessment and management of potential risks to the Company, both from a corporate and project perspective:

- The Audit Committee
- The Remuneration Committee
- The Technical Advisory Committee
- The Environment, Social and Governance ("ESG") Committee

The Audit and Remuneration Committees aim to meet a minimum of four times a year; whilst the Technical Advisory and ESG Committees typically meets once a month.

The Board receives and reviews reports on Company's principle risks on a regular basis, including Political, Financial, Mining and Technical risks. Control mechanisms have been put in place for the purpose of monitoring and mitigating these risks.

## A balanced and well-functioning Board led by the Chairman

The Board consists of the Non-Executive Chairman, Chief Executive Officer, the Finance Director and five Non-Executive Directors (including the Chairman). All Non-Executive Directors are considered to be independent, and the Board believes to be an appropriate composition, given the size and nature of the business.

Biographies of all Directors are included on pages 44 to 45.

The Board endeavours to meet on a quarterly basis and holds additional meetings either in person or by conference calls to review and, if necessary, make plans to improve Company performance.

## Corporate Governance continued

The table below shows the number of meetings of Board and committees during the year to 31 December 2019:

Director	Board of Directors	Audit Committee	Remuneration Committee**	Technical Advisory Committee ("TAC")
Russell King	6/6	—	—	—
Dan Betts *	6/6	—	—	—
Thomas Hill *	6/6	—	—	—
Stephen Betts	6/6	—	—	—
David Straker-Smith	5/6***	6/6	1/1	—
Attie Roux	6/6	—	—	12/12
Ernie Nutter	6/6	6/6	1/1	12/12

\* The CEO and CFO were invited to attend TAC Meetings. The CFO was invited to attend Audit Committee and Remuneration Committee meetings.

\*\* The Remuneration Committee was constituted at a full meeting of the board of directors on 24th July 2019 and held its first quarterly meeting on 24th October 2019.

\*\*\* David Straker-Smith unable to attend due to a late change of time.

### Experience, skills and capabilities of the Board

The Board is satisfied that the current Directors have a breadth of experience, skills and capabilities relevant to the Company's evolving activities.

All Directors retire at intervals in accordance with the Company's Articles of Association, and if appropriate offer themselves for election by the shareholders.

The Directors have gained their skillsets and knowledge through experience in gold exploration, development and production, as well as in wider business sectors; their skillsets and knowledge are kept up to date by the Company's advisory teams, involvement and participation in industry conferences, and through their own continuing professional development.

The Company Secretary ensures the Board is informed of its legal responsibilities, and the Company is compliant with applicable regulatory requirements and legislation. The Board also has access to advice from external bodies such as the Company's nominated advisor, auditors and lawyers.

### Board Evaluation

The Board reviews its performance quarterly, seeking to identify opportunities for improvement with the overriding objective of maximising long-term shareholder value.

### Corporate Culture

A key part of the Board's function is to ensure that there are sound ethical values and behaviours upheld throughout the organisation.

The Company strives to drive environmental and community projects which will leave the environments where we work a better place for the long term. The Company aims to build a legacy of improvement in the education, health, standard of living and environment in the places where it has been and wants to be known for always dealing in an honest and respectful manner at all times.

People are central in the Company's long-term success, and therefore the Company encourages opportunities for people to develop their skills to the best they can, to learn, to grow and above all, to challenge.

Honesty and trust are paramount values throughout the business.

### Division of Responsibilities

The Chairman and Chief Executive have separate, clearly defined roles. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company and the Chief Executive is responsible for implementing the Group's strategy and for its operational performance.



### Governance Structure and Processes

The Chairman is responsible for the Company's adherence to an appropriate corporate governance structure. Detailed roles and responsibilities of the Directors can be found on pages 37 and 39.

The Board is supported in its decision making by four committees. Each committee has Terms and Reference setting out its duties, authorities and reporting responsibilities.

#### Audit Committee

The Audit Committee oversees and reviews the Company's financial reporting and internal control processes, its relationship with external auditors and the conduct of the audit process together with its process for ensuring compliance with laws, regulations and corporate governance. The Company's external auditors are invited to attend the meetings of the Committee on a regular basis. The Audit Committee comprises David Straker-Smith (Chairman) and Ernie Nutter.

#### Remuneration Committee

The Remuneration Committee is responsible for determining the framework and policy for the remuneration of the Company's Chairman and the executive directors including pension rights and compensation payments. The Committee is also responsible for making recommendations as to the level and structure of remuneration for senior management. The Remuneration Committee comprises David Straker-Smith (Chairman) and Ernie Nutter.

#### Technical Advisory Committee ("TAC")

The Technical Advisory Committee acts as an independent body of experts for the Company in order to establish formal and transparent arrangements to assist the Company in assessing and guiding technical and operational performance. The TAC comprises Attie Roux (Chairman), Ernie Nutter, and John Meneghini.

#### ESG Committee

The ESG Committee acts as an independent body of experts to establish formal and transparent arrangements for considering how the Board should assist the Company to implement Group policies and manage risks relating to occupational and community health and safety, environmental performance and compliance, social performance, stakeholder relations and political risk. The ESG Committee also provides advice and guidance on relevant aspects of the licence to operate including strategies on security, procurement, tax and human resources. The ESG Committee comprises Edward Bickham (Chairman) and Kate Harcourt.

Further details regarding the roles and responsibilities of these committees can be found on the Company's website.

The Company has adopted, and will maintain, governance structures and processes that are fit for purpose. This governance structure may evolve over time in parallel with the development of the Company and therefore any fluctuation in its objectives, strategy and business model.

#### Communication with Shareholders and other relevant stakeholders

The Company seeks to engage regularly with shareholders, including through post-RNS announcements, conference calls and the AGM. The Company welcomes engagement with shareholders throughout the year either in person, by telephone or by email. A range of corporate information, including all Company announcements, historical annual reports and other governance-related material, is also available to shareholders, investors and the public on the Company's website.

This Corporate Governance Report has been approved by the Board and signed on its behalf by:

Russell King

**Non-Executive Chairman**

02 June 2020

# Audit Committee Report

Dear Shareholder,

I am pleased to present you the Audit Committee Report for the financial year ended 31 December 2019.

## Composition

The Audit Committee consists of two Non-Executive Directors. Ernie Nutter and myself. The Board consider that the Committee as a whole has competence relevant to the sector in which the Company operates.

The Audit Committee held 6 meetings in 2019 and all members attended.

## Responsibility

Detailed duties and responsibilities of the Committee are set out in its Terms of Reference, which was approved by the Board of Directors. The primary function of the Committee is to assist the Board of Directors of the Company in fulfilling its responsibilities with regard to financial reporting, external and internal audit, risk management and controls and to oversee various policies including whistleblowing, anti-corruption and bribery.

In the past financial year, the Committee reviewed and approved the interim and year-end financial results. The Committee met with the auditors to review and approve their audit plan, received their findings and monitored the integrity of the financial statements of the Company.

## External Audit

The Audit Committee reviewed and recommend to the Board the appointment and remuneration of the Company's external auditor, and is satisfied that the current auditor, RSM UK Audit LLP maintains its objectivity and independence in carrying out audit work.

Accordingly, the Committee recommended to the Board that RSM UK Audit LLP be re-appointed for the next financial year.

## Significant issues related to the financial statements

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the financial statements. The review included consideration of the following:

### Going concern

As set out in note 3, the annual financial statements have been prepared on a going concern basis. In making an assessment on going concern, the Group has prepared cash flow forecasts based on estimates of key variables including production, gold price, operating costs and capital expenditure through to December 2021 that supports the conclusion of the Directors that there is sufficient funding available to meet the Group's anticipated cash flow requirements to this date. These cashflow forecasts are subject to a number of risks and uncertainties, in particular the ability of the Group to achieve the planned levels of production. The Committee reviewed and challenged the key assumptions used by management in its going concern assessment, as well as the scenarios applied and risks considered, including the risks associated with COVID-19. Various scenarios were considered for COVID-19 including where there is partial closure or full closure of the Yanfolila Mine for a short period.

Based on its review, the Committee has reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future and hence the Committee considers that the application of the going concern basis for the preparation of the Financial Statements is appropriate. However, the unknown potential future impact of COVID-19, at date of signing of these financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

### Exploration and evaluation (E&E) assets

As a result of a deficit arising between the Group's market value (capitalisation) against book value (net assets) at 31 December 2019, the Group conducted an assessment of impairment over E&E assets. As set out in note 4, in respect of E&E assets, the Group considers there to be two cost pools, being the whole of Liberia and whole of Mali, and therefore aggregates assets in respect of each for the purposes of determining whether impairment of E&E assets has occurred. Having considered the recoverable amount of the Liberian cash generating unit ("CGU"), with reference to the 2013 Preliminary Economic Assessment ('PEA') for the Group's Dugbe Gold Project in Liberia, no impairment loss was recognised for the year ended 31 December 2019. Having considered the recoverable amount of the Malian CGU, with reference to the Group's latest budget and life of mine ("LOM") plan for the Group's Yanfolila Gold Mine in Mali, no impairment loss was recognised for the year ended 31 December 2019. There is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets.

Having considered the above, the Committee found the Group's assessment of impairment in respect of E&E assets to be appropriate.

### Property, plant and equipment

As a result of a deficit arising between the Group's market value (capitalisation) against book value (net assets) at 31 December 2019, the Group conducted an assessment of impairment over property, plant and equipment. As set out in note 4, determination as to whether, and by how much, an asset or cash generating unit ("CGU") is impaired involves management estimates on highly uncertain matters such as; gold price, discount rates used in determining the estimated discounted cash flows of CGU, foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources that may be included in the determination of fair value less cost to dispose ("fair value").

The principal CGU, to which mine property, plant and equipment relates is the Group's Yanfolila Gold Mine in Mali (operating segment). In determining the recoverable amount of CGU at 31 December 2019, future cash flows were discounted using rates based on the Group's estimated weighted average cost of capital. Operating and capital cost assumptions are based on the Group's latest budget and life of mine ("LOM") plan.

The table below summarises the key assumptions used in the carrying value assessments:

Gold price (\$ per ounce):	2019: \$1,350 2018: \$1,250	Commodity price and foreign exchange rates were estimated with reference to external market forecasts. The rates applied to the valuation had regard to observable market data.
Discount rate % (post tax)	2019: 19.6% 2018: 18.5%	In determining the fair value of CGU, the future cash flows were discounted using rates based on the Group's estimated real weighted average cost of capital, with an additional premium applied having regard to the geographic location of the CGU and Company size.
Operating and capital costs:	LOM operating and capital cost assumptions are based on the Group's latest budget and life of mine plan.	

Based on the recoverable amount of the CGU, no impairment loss was recognised for the year ended 31 December 2019. There is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets.

Having considered the above, the Committee found the Group's assessment of impairment in respect of property, plant and equipment to be appropriate.

#### Other receivables

As set out in note 4, included in other receivables is an amount of CFA 6,624,517,000, \$10,317,000 (2018: \$10,768,000), due from the Government of Mali, arising on 2 February 2017 when the Government of Mali exercised its right to acquire an additional 10% of Société des Mines de Komana SA (taking its total interest in Société des Mines de Komana SA to 20%). The Group remains in discussions with the Government of Mali as to the timing and mechanism of payment of this consideration. The relevant shares will not be issued until the payment mechanism has been agreed.

The Group considers the receivable to be 'credit-impaired' as it remains unpaid more than 1 year since the Government of Mali exercised its right. The Group has reassessed the recoverability of the balance having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivable, together with movements in exchange rates. This assessment resulted in small reversal of the lifetime expected credit loss of \$23,000 as at 31 December 2019. This takes the net lifetime expected credit loss for the full balance to \$1,792,000 as at 31 December 2019. The allowance for lifetime expected credit losses assessment requires a significant degree of estimation and judgement.

Having considered the above, the Committee found the Group's assessment of impairment (on application of IFRS 9 'Financial Instruments') in respect of the receivable due from the Government of Mali to be appropriate.

#### Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2029. The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (2%) and changes in discount rates (2%). These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Having considered the above, the Committee found the Group's estimate and assumptions therein to be appropriate.

#### Looking forward

In the coming financial year, in addition to ongoing duties, the Committee will review the cost and benefit of increased internal control and internal audit capability and will make recommendations to the Board accordingly.

#### Approval

This Audit Committee Report has been approved by the Committee and signed on its behalf by:

David Straker-Smith  
**Chair of the Audit Committee**

02 June 2020



# Remuneration Report

Dear Shareholder,

The Board formally constituted a Remuneration Committee in 2019 and this is my first report to you as Chair of the Committee.

## Aims of the Remuneration Committee

Our overall aim is to determine the framework and policy for the remuneration of the Company's employees including the Company's Chairman and the executive directors. We aim to align remuneration with delivery of long-term value for our shareholders and stakeholders.

The Company aims to offer competitive salary packages that attract, retain and motivate highly skilled individuals and align remuneration packages with performance related metrics.

The Remuneration Committee consists of myself as the Chairman and Ernie Nutter.

The Remuneration Committee met once in 2019 and all committee members attended the meeting. The Chief Executive Officer and Chief Financial Officer are invited to attend meetings of the Committee, but no Director is involved in any decisions relating to their own remuneration. None of the Committee members have any personal financial interest, conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business.

## Key responsibilities

The terms of reference of the Remuneration Committee are set out below.

- Determine and agree with the Board the Company's overall remuneration principles and policy for the chairman and the executive directors as well as considering policies for the rest of the employees below the board and executive team.
- Prepare annual remuneration report to shareholders to show how the policy has been implemented.
- Approve the principles, objectives and headline targets for any performance-related bonus or incentive schemes.
- Review and approve any termination payment for executives and senior management such that these are appropriate for both the individual and the Company.

## Performance for the year

The Group delivered a positive operational performance in the year despite a number of challenges it encountered, with key objectives such as production and safety targets being met (see pages 8 to 25 of the Operational Review for details). The Company continued to repay its debt in line with the debt agreements which significantly deleveraged the Company with forecast positive net cash expected by end of 2020.

For 2019, the Company established the annual HIPPO incentive plan which was linked to three key performance areas, production, cost and individual performances. The conditions for the HIPPO incentive plan were partially met and as a result the Remuneration Committee approved awards to Executive Directors and certain senior management of approximately 1/3 of the eligible amounts, consisting of cash and equity awards vesting in 3 tranches over the period to 31 December 2021 dependent on continued employment with the Company. The remaining 2/3 lapsed in line with the plan rules.

### Directors' remuneration

Basic salary and benefits for Executive Directors are reviewed on an annual basis and any changes made to the structure of these are based on a combination of individual performance and market conditions. Bonus awards are assessed on overall business and individual performance. Executive Directors and senior management remuneration packages are heavily linked to performance criteria to incentivise daily conduct in alignment with the best interests of our shareholders.

	31 December 2019				31 December 2018			
	Base Salary \$'000	Other benefits/ committee fees \$'000	Deferred construction bonus paid <sup>4</sup> \$'000	Total \$'000	Base Salary \$'000	Other benefits/ committee fees \$'000	Deferred construction bonus paid <sup>4</sup> \$'000	Total \$'000
DE Betts <sup>1</sup>	473	29	240	742	445	41	125	611
TR Hill	298	29	192	519	298	31	100	429
SA Betts	64	8	—	72	65	—	—	65
RJ King	91	10	—	101	88	—	—	88
RD Striker-Smith	64	10	—	74	55	13	—	68
GE Nutter <sup>1</sup>	64	40	—	104	48	21	—	69
AA Roux <sup>1</sup>	64	40	—	104	48	48	—	94
MC Idiens <sup>2</sup>	—	—	—	—	31	—	—	31
DA Pelham <sup>2 &amp; 3</sup>	—	—	—	—	30	—	—	30
	1,118	166	432	1,716	1,108	154	225	1,485

In addition to the amounts above, the Directors are accruing potential benefits under incentive schemes as set out in note 25.

1 — GE Nutter and AA Roux were appointed as Directors 30 April 2018.

2 — MC Idiens and DA Pelham resigned as Directors on 26 June 2018.

3 — DA Pelham is entitled to a discovery bonus based on \$0.10 cents per proved/probable resource ounce in respect of the Group's Dugbe Shear Zone licences in Liberia.

4 — Represents the vested cash portion of the HIPPO 2016 performance plan, the plan set up to incentivise management on construction and successful commissioning of the Yanfolila Mine in December 2017. Further details on the performance plans and related vesting conditions are disclosed in note 25.

### Looking ahead

The Committee remains focused on ensuring that employees and executives continue to be incentivised in line with the delivery of long-term shareholder value and will seek to ensure that the remuneration structure in place reflects and incentivises the Company's culture of employee-shareholder alignment.

Following the year end the Committee reviewed and approved recommended to the Board of approval the Company's proposed incentive plan for 2020, ("HIPPO 2020"), which was formalised and announced on 27 February 2020. The HIPPO 2020 incentive scheme is aligned to the Company's key objectives in 2020, namely delivering on the mine plan and the deleveraging strategy.

The Board, led by the Remuneration Committee and external remuneration advisers, is in the process of reviewing the appropriate balance of future short and long-term incentives and retention structures for Directors and key employees considering the Company's potential development paths. Further updates will be made on conclusions of this exercise as and when appropriate.

David Straker-Smith

**Chair of the Remuneration Committee**

02 June 2020

## Board of Directors



**RUSSELL KING**  
**Non-Executive Chairman**

Russell is a Non-Executive Director of Ricardo plc and an Independent Non-Executive of BDO LLP, and until April 2020, was also a Senior Independent Director of Spectris plc. Between 2010 and 2013 he was a Senior Advisor to RBC Capital Markets on Metals and Mining. Prior to this, Russell served as Chief Strategy Officer at Anglo American plc where he had global responsibility for strategy, business development, government relations, safety and sustainable development. He was also a member of Anglo American's executive committee for eight years. Additionally, Russell was Senior Independent Non-Executive Director of Aggreko plc, the FTSE 100 temporary power company, from February 2007 to April 2017.



**DANIEL EDWARD BETTS**  
**Chief Executive Officer**

Daniel founded Hummingbird in November 2005 and has run the Company since its inception. After graduating from Nottingham University, he worked for Accenture Management Consultants until he joined the Betts family business in 2000. Founded in 1760, the family business is the oldest privately-owned gold bullion smelters and refiners in the country, and it has a long history of trading across the world and dealing in all areas of the precious metal industry. Whilst working for the Betts family business Daniel established a number of natural resource-based businesses in Uganda, Namibia, Sierra Leone, Mauritania and Peru, before starting Hummingbird in 2005.



**THOMAS HILL**  
**Finance Director & Company Secretary**

Thomas joined the Company as Chief Financial Officer in September 2010 and was appointed as Finance Director in July 2012. Prior to this Thomas was a senior manager within BDO LLP's natural resources department, where he worked extensively with quoted mining and exploration companies and was involved with numerous flotations and other corporate transactions. He has a metallurgy, economics and management degree from Trinity College, Oxford and qualified as a chartered accountant with BDO LLP in 2001.





### **STEPHEN ALEXANDER BETTS**

#### **Non-Executive Director**

Stephen co-founded Hummingbird Resources in November 2005. He has over 40 years' experience in trading with gold and related businesses in developing countries, having established several businesses in West Africa during his career. He is the Chairman of the Stephen Betts group of companies. The family business has over 250 years' history in smelting, refining and bullion dealing.



### **DAVID STRAKER-SMITH**

#### **Non-Executive Director**

David Straker-Smith is a Director of CrossBorder Capital Ltd, which he joined in April 1999. CrossBorder Capital is a London-based investment research and advisory firm regulated by the FCA. Previously, he worked at ING Barings Securities Ltd from 1996 to 1999, where he was Head of Equity Sales for Eastern Europe, and at Gerrard & National Holdings plc from 1980 until 1995, a firm which operated as a discount house, futures broker, money broker, stockbroker and fund manager. During his time at Gerrard & National Holdings plc, he became a main Board Director and active Fund Manager. He is a Director of New Vision Management Limited, a Dublin regulated management company, and a Director of Nomad Energy UK Limited. David serves as Chairman of the Audit and Remuneration Committees.



### **ATTIE ROUX**

#### **Non-Executive Director**

Adriaan (Attie) Roux is a Metallurgical Engineer with over 40 years' Operational, Technical and Executive Management experience in the Mining Industry. Attie was previously the COO of Endeavour Mining where he was instrumental in its development and growth. He has been internal director in a number of Companies such as AngloGold Ashanti and Endeavour. He is a Registered Professional with the SA Council for Natural Scientific Professions. Attie also serves as Chairman of the Technical Advisory Committee.



### **ERNIE NUTTER**

#### **Non-Executive Director**

Ernie is a highly regarded mining analyst, formerly with one of the world's largest money managers, Capital Group, from 2004 until his retirement in 2017. Prior to this, he spent over 13 years with the Royal Bank of Canada where he was Managing Director of RBC Capital Markets, Director of RBC's Global Mining Research team and former Chairman of RBC Dominion Securities' (now RBC Capital Markets) Strategic Planning Committee. Ernie holds a Bachelor of Science degree in Geology from Dalhousie University and sits on the Audit, Remuneration and Technical Advisory Committees.

# Directors' Report

The Directors present their report on the affairs of the Group, together with the financial statements and Auditor's Report for the year ended 31 December 2019.

## Principal activities

The Group's principal activity is the exploration, evaluation and development of mineral projects, principally gold, focused in West Africa.

The subsidiary and associated undertakings principally affecting the profit or net assets of the Group in the year are listed in note 15 to the financial statements.

## Corporate Governance

The Group has adopted the Quoted Companies Alliance (QCA) Code as set out in the United Kingdom. Further details are set out on pages 37 to 39 and the Group's website.

## Board

The Board currently comprises seven members, two of whom are executive. The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings, and all Directors have access to the advice and service of the Company Secretary. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and they will voluntarily submit to re-election at intervals of three years.

## Section 172 Statement

The Directors continue to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefits of the members as a whole.

Details of the Board's decisions in 2019 (and subsequently) to promote long-term success, how it engaged with stakeholders and considered their interests when making those decisions, can be found throughout the Strategic Report, Sustainability, Directors' and Corporate Governance reports.

The decisions made by the Board in the year included the discussions and approval of strategy, budgets, mine plans the 5 year rolling mine plan, incentives schemes, settlement of the Taurus legal case, exploration programmes, inauguration of the Remuneration Committee together with setting its terms of reference.

In reviewing decisions, the Board considers the potential impact these might have on its stakeholders (employees, unions, local communities, government, regulators, contractors & suppliers, shareholders and customers) and the environment.

## Audit Committee

The audit committee comprises David Straker-Smith (Chairman) and Ernie Nutter. The audit committee is responsible for reviewing a wide range of financial matters including the annual and interim reports, the Company's internal control and risk management system. The audit committee's responsibilities include meeting with the Company's auditor and agreeing the scope of their audit.

## Post reporting date events

The impact of COVID-19 is considered to represent a non-adjusting post balance sheet event as at 31 December 2019. For further information on the potential future impact of COVID-19, refer to the Chief Executive and Chairman's statements within the Strategic Report.

Events after the reporting date have been disclosed in note 30 to the financial statements.

## Strategic Review

The Strategic Review is shown on pages 33 to 36.

## Results and dividends

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income. The Directors do not recommend payment of a dividend for the year (2018: \$Nil).

### Directors and directors' interests

The Directors of the Company during the year and their beneficial interests in the ordinary shares of the Company for the year were as follows:

	Appointment date	Resignation date	Number of shares at 31 December 2019	Number of shares at 31 December 2018
DE Betts <sup>1 &amp; 2</sup>	30 October 2005		4,949,149	4,949,149
TR Hill <sup>3</sup>	17 July 2012		148,235	148,235
SA Betts <sup>1 &amp; 4</sup>	28 April 2006		712,542	712,542
RJ King	17 November 2014		303,955	303,955
RD Straker-Smith	24 May 2017		—	—
AA Roux	30 April 2018		—	—
GE Nutter	30 April 2018		—	—

1 — The 292,000 shares held by Stephen Betts & Sons Limited and 180,000 shares held by Stephen Betts & Sons Limited (Self Administered) Pension Scheme are included in both SA Betts and DE Betts.

2 — DE Betts's interest consists of 4,477,149 shares held by DE Betts, 292,000 shares held by Stephen Betts & Sons Limited, and 180,000 shares held by the Stephen Betts & Sons Limited (Self Administered) Pension Scheme.

3 — TR Hill's interest includes contracts for difference over 5,000 ordinary shares, 58,684 ordinary shares which are held in his pension, and 23,933 ordinary shares which are owned by his wife.

4 — SA Betts's interests consist of 148,042 shares held by SA Betts, 92,500 shares held by Caroline Betts, 292,000 shares held by Stephen Betts & Sons Limited, and 180,000 shares held by the Stephen Betts & Sons Limited (Self Administered) Pension Scheme.

The Directors' interests in the share options of the Company at 31 December 2019 were as follows:

	Options at 1 Jan 2019	Granted	Exercised	Lapsed	Options at 31 Dec 2019	Exercise price	Date of grant	First date of exercise	Final date of exercise
DE Betts	1,125,000	—	—	—	1,125,000	£0.22	26/10/2010	24/12/2011	26/10/2020
DE Betts	217,000	—	—	—	217,000	£0.22	05/12/2013	01/06/2014	01/06/2024
DE Betts	217,000	—	—	—	217,000	£0.22	05/12/2013	01/06/2015	01/06/2025
DE Betts	150,000	—	—	—	150,000	£0.22	05/12/2013	10/04/2019	10/04/2029
DE Betts	426,136	—	—	—	426,136	£0.01	30/09/2016	19/12/2017	19/12/2022
DE Betts	426,136	—	—	—	426,136	£0.01	30/09/2016	30/06/2018	30/06/2023
DE Betts	426,136	—	—	—	426,136	£0.01	30/09/2016	19/12/2018	19/12/2023
DE Betts	426,137	—	—	—	426,137	£0.01	30/09/2016	19/12/2019	19/12/2024
DE Betts	683,594	—	—	—	683,594	£0.01	30/04/2018	27/02/2020	27/02/2025
DE Betts	341,797	—	—	—	341,797	£0.01	30/04/2018	31/12/2020	31/12/2025
DE Betts	341,797	—	—	—	341,797	£0.01	30/04/2018	31/12/2021	31/12/2026
TR Hill	67,500	—	—	—	67,500	£0.22	26/10/2010	24/12/2011	26/10/2020
TR Hill	100,500	—	—	—	100,500	£0.22	05/12/2013	01/06/2014	01/06/2024
TR Hill	100,500	—	—	—	100,500	£0.22	05/12/2013	01/06/2015	01/06/2025
TR Hill	100,000	—	—	—	100,000	£0.22	05/12/2013	10/04/2019	10/04/2029
TR Hill	340,909	—	—	—	340,909	£0.01	30/09/2016	19/12/2017	19/12/2022
TR Hill	340,909	—	—	—	340,909	£0.01	30/09/2016	30/06/2018	30/06/2023
TR Hill	340,909	—	—	—	340,909	£0.01	30/09/2016	19/12/2018	19/12/2023
TR Hill	340,909	—	—	—	340,909	£0.01	30/09/2016	19/12/2019	19/12/2024
TR Hill	439,844	—	—	—	439,844	£0.01	30/04/2018	27/02/2020	27/02/2025
TR Hill	219,922	—	—	—	219,922	£0.01	30/04/2018	31/12/2020	31/12/2025
TR Hill	219,922	—	—	—	219,922	£0.01	30/04/2018	31/12/2021	31/12/2026
SA Betts	337,500	—	—	—	337,500	£0.22	26/10/2010	24/12/2011	26/10/2020
SA Betts	33,000	—	—	—	33,000	£0.22	05/12/2013	01/06/2014	01/06/2024
SA Betts	33,000	—	—	—	33,000	£0.22	05/12/2013	01/06/2015	01/06/2025
Total	7,796,057	—	—	—	7,796,057				

## Directors' Report **continued**

### **Directors' indemnities**

The Company has obtained third party indemnity provisions for the benefit of its Directors and Officers.

### **Supplier payment policy**

It is the Group's policy to make payments, where possible, to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. Trade payables of the Group at 31 December 2019 were equivalent to 46 (2018: 56) days' purchases, based on the average daily amount invoiced by suppliers during the year. Trade payables of the Company at 31 December 2019 were equivalent to 70 (2018: 63) days' purchases, based on the average daily amount invoiced by suppliers during the year.

### **Charitable and political donations**

During the year the Company made charitable donations of \$nil to the Pygmy Hippo Foundation (2018: \$38,000). As disclosed in note 28 to the Consolidated Financial Statements, Pygmy Hippo Foundation is a related party of the Group because Daniel Betts and Thomas Hill are Directors of the Pygmy Hippo Foundation.

The Company did not make any payments to political parties during the year (2018: \$Nil).

### **Financial risk management**

The Group is exposed to a variety of financial risks including currency risk, credit risk and liquidity risk. Some of the objectives and policies applied by management to mitigate these risks are outlined in both the Strategic Review and note 27 to the Consolidated Financial Statements.

### **Future developments**

Details of future developments are set out in the CEO's Statement and Chairman's Statement.

### **Statement as to disclosure of information to the auditor**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of sections 418 of the Companies Act 2006.

### **Auditor**

RSM UK Audit LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

The Strategic Review and Directors' Report have been approved by the Board and signed on its behalf by:

**DE Betts**  
**Director**

02 June 2020

Registered Office:  
49-63 Spencer Street, Hockley, Birmingham, B18 6DE  
Company registered in England and Wales 05467327



# Directors' Responsibilities Statement

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 for that period.

In preparing the Group and Company 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 they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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 the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Hummingbird Resources PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report to Members of Hummingbird Resources PLC

For the year ended 31 December 2019

## AUDITORS REPORT

### Opinion

We have audited the financial statements of Hummingbird Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of cashflows, the company statement of changes in equity, 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 parent 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 of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty related to going concern

We draw attention to notes 3 and 30 in the financial statements, which indicates that the group and company will need additional funding should the Covid-19 pandemic have a significant impact on gold production, resulting from an extended period of partial or full shut-down. As stated in these notes, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Summary of our audit approach

<b>Key audit matters</b>	<b>Group</b> <ul style="list-style-type: none"> <li>• Potential impairment of mine development asset</li> </ul> <b>Parent Company</b> <ul style="list-style-type: none"> <li>• There are no key audit matters in relation to the parent company</li> </ul>
<b>Materiality</b>	<b>Group</b> <ul style="list-style-type: none"> <li>• Overall materiality: \$829,000</li> <li>• Performance materiality: \$622,000</li> </ul> <b>Parent Company</b> <ul style="list-style-type: none"> <li>• Overall materiality: \$298,000</li> <li>• Performance materiality: \$223,000</li> </ul>
<b>Scope</b>	<ul style="list-style-type: none"> <li>• Our audit procedures covered 100% of revenue, total assets and profit before tax.</li> </ul>

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group 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 group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

*Potential impairment of the mine development asset*

<b>Key audit matter description</b>	<p>As disclosed in notes 4 and 14, the Yanfolila mine cash generating unit (CGU) includes substantial property, plant and equipment with a carrying value of \$129.7m as at 31 December 2019. At the same point, the Group had a market capitalisation of \$99.2m, giving an indicator of impairment. Any recorded impairment charge would most likely have a material impact on the financial statements and we therefore considered this matter to be one of the matters of most significance in the current year.</p> <p>Impairment testing requires management to compare the carrying amount of the CGUs attributable assets and liabilities with the higher of fair value less costs to sell and value in use. Where the carrying amount is higher than fair value or value in use then an impairment charge arises. Impairment testing involves a significant degree of judgement because management's determination of value in use is based on a number of assumptions including an assessment of future performance and the selection of an appropriate discount rate.</p>
<b>How the matter was addressed in the audit</b>	<p>Management provided us with an impairment model for the Yanfolila CGU as detailed in note 4 that showed no impairment provision was necessary. We performed audit work on this model by:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness and application of the model used including consideration of the assumptions made about the discount rate and the expected future trading performance,</li> <li>Performing sensitivity analysis to stress test the headroom (which included a range of gold selling prices and increasing the WACC).</li> </ul> <p>We discussed the forecasts, discount rate and sensitivity analysis with management and challenged key assumptions, requesting evidence where available to support management's conclusions.</p>
<b>Key observations</b>	In H1 of 2020, the gold price has been significantly higher than the base price used in the model.

**Our application of materiality**

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	<b>Group</b>	<b>Parent company</b>
<b>Overall materiality</b>	\$829,000	\$298,000
<b>Basis for determining overall materiality</b>	8.1% of result before tax	0.2% of net assets
<b>Rationale for benchmark applied</b>	<p>Investors are interested in the return on their investment, especially in relation to potential future dividends and therefore results of the year drive share price and the Group's ability to pay dividends.</p> <p>We have applied a sliding scale of percentages to tranches of profit before tax, with 8.1% being the weighted average overall.</p>	The parent is a holding company for the group with the key balances being the investment in group companies and the intercompany receivables.
<b>Performance materiality</b>	\$622,000	\$223,000
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of \$41,400 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of \$14,900 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

# Independent Auditor's Report to Members of Hummingbird Resources PLC **continued**

For the year ended 31 December 2019

## **An overview of the scope of our audit**

The group consists of three components, being Mali, Liberia and Corporate. Their locations and operations are set out below:

- Mali – Located in Mali and contains the Group's mining operations and some Exploration and Evaluation assets.
- Liberia – Located in Liberia and contains the majority of the Group's Exploration and Evaluation assets.
- Corporate – Located in the United Kingdom and contains the head office operations.

Full scope audits were performed on all three components and therefore 100% coverage of revenue, total assets and profit before tax was achieved.

## **Other information**

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

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 49 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### 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.

### Paul Watts (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

02 June 2020

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
<b>Continuing operations</b>			
Revenue		156,874	116,539
Production costs		(86,298)	(88,157)
Amortisation and depreciation		(38,783)	(19,881)
Royalties and taxes		(5,726)	(3,942)
<b>Cost of sales</b>		<b>(130,807)</b>	<b>(111,980)</b>
<b>Gross profit</b>		<b>26,067</b>	<b>4,559</b>
Share based payments	25	(753)	338
Other administrative expenses	6	(12,056)	(9,834)
<b>Operating profit/(loss)</b>		<b>13,258</b>	<b>(4,937)</b>
Finance income	9	2,241	4,797
Finance expense	9	(8,278)	(9,119)
Share of associate loss	12	(62)	(235)
Share of joint venture loss	12	(4)	(2)
Reversal of impairment/ (impairment of associate)	12	—	(2,044)
Reversals in impairment of financial assets	16	23	88
Gains/(losses) on financial assets measured at fair value	12	2,218	(198)
<b>Profit/(loss) before tax</b>		<b>9,396</b>	<b>(11,650)</b>
Tax	10	(1,551)	(1,163)
<b>Profit/(loss) for the year</b>		<b>7,845</b>	<b>(12,813)</b>
<b>Attributable to:</b>			
Equity holders of the parent		5,422	(10,250)
Non-controlling interests		2,423	(2,563)
<b>Profit/(loss) for the year</b>		<b>7,845</b>	<b>(12,813)</b>
<b>Earnings per share (attributable to equity holders of the parent)</b>			
Basic (\$ cents)	11	1.53	(2.93)
Diluted (\$ cents)	11	1.50	(2.93)

# Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	13	73,859	69,171
Intangible assets software	13	284	118
Property, plant and equipment	14	129,732	140,723
Right of use assets	19	12,940	—
Investments in associates and joint ventures	12	99	1,528
Financial assets at fair value through profit or loss	12	6,103	—
		<b>223,017</b>	<b>211,540</b>
<b>Current assets</b>			
Inventory	16	18,082	13,807
Trade and other receivables	16	11,557	13,316
Unrestricted cash and cash equivalents	16	4,398	17,320
Restricted cash and cash equivalents	16	4,131	4,210
		<b>38,168</b>	<b>48,653</b>
<b>Total assets</b>		<b>261,185</b>	<b>260,193</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	17	10,148	40,819
Lease liabilities	19	3,661	—
Provisions	18	14,879	13,541
		<b>28,688</b>	<b>54,360</b>
<b>Current liabilities</b>			
Trade and other payables	21	39,809	39,787
Lease liabilities	19	8,933	—
Other financial liabilities	22	15,000	15,319
Borrowings	17	29,852	20,112
		<b>93,594</b>	<b>75,218</b>
<b>Total liabilities</b>		<b>122,282</b>	<b>129,578</b>
<b>Net assets</b>		<b>138,903</b>	<b>130,615</b>
<b>Equity</b>			
Share capital	23	5,301	5,271
Retained earnings		129,952	124,117
<b>Equity attributable to equity holders of the parent</b>		<b>135,253</b>	<b>129,388</b>
Non-controlling interest		3,650	1,227
<b>Total equity</b>		<b>138,903</b>	<b>130,615</b>

The financial statements of Hummingbird Resources PLC were approved by the Board of Directors and authorised for issue on 02 June 2020. They were signed on its behalf by:

**DE Betts**  
**Director**

Company number 05467327

The notes to the consolidated financial statements form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
<b>Net cash inflow from operating activities</b>	26	<b>44,724</b>	18,134
<b>Investing activities</b>			
Purchases of intangible exploration and evaluation assets		(3,836)	(5,922)
Purchases of property, plant and equipment		(15,471)	(20,070)
Purchase of shares in other companies		(402)	(105)
Loans provided net of issue costs		—	(2,000)
Interest received		65	181
<b>Net cash used in investing activities</b>		<b>(19,644)</b>	(27,916)
<b>Financing activities</b>			
Exercise of share options		30	36
Lease payments		(11,871)	—
Loan interest paid		(4,280)	(5,871)
Loans repaid		(20,809)	(10,911)
Commissions and other fees paid		(844)	—
Loans received net of issue costs		—	9,168
<b>Net cash used in financing activities</b>		<b>(37,774)</b>	(7,578)
<b>Net decrease in cash and cash equivalents</b>		<b>(12,694)</b>	(17,360)
Effect of foreign exchange rate changes		(307)	(1,730)
<b>Cash and cash equivalents at beginning of year</b>		<b>21,530</b>	40,620
<b>Cash and cash equivalents at end of year</b>		<b>8,529</b>	21,530



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity attributable to the parent \$'000	Non-controlling interest \$'000	Total \$'000
<b>As at 31 December 2017</b>	<b>5,176</b>	<b>148,930</b>	<b>2,000</b>	<b>(15,500)</b>	<b>140,606</b>	<b>4,171</b>	<b>144,777</b>
Aggregate adjustments on adoption of IFRS 9	—	—	—	(1,522)	(1,522)	(381)	(1,903)
<b>Balance at 1 January 2018 as restated</b>	<b>5,176</b>	<b>148,930</b>	<b>2,000</b>	<b>(17,022)</b>	<b>139,084</b>	<b>3,790</b>	<b>142,874</b>
Comprehensive loss for the year:							
Loss for the year	—	—	—	(10,250)	(10,250)	(2,563)	(12,813)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(10,250)</b>	<b>(10,250)</b>	<b>(2,563)</b>	<b>(12,813)</b>
Transactions with owners in their capacity as owners:							
Acquisition of minority interests (note 23)	84	1,916	(2,000)	—	—	—	—
Exercise of warrants	11	25	—	—	36	—	36
<b>Total transactions with owners in their capacity as owners</b>	<b>95</b>	<b>1,941</b>	<b>(2,000)</b>	<b>—</b>	<b>36</b>	<b>—</b>	<b>36</b>
Share based payments	—	—	—	518	518	—	518
Cancellation of share premium <sup>1</sup>	—	(150,871)	—	150,871	—	—	—
<b>As at 31 December 2018</b>	<b>5,271</b>	<b>—</b>	<b>—</b>	<b>124,117</b>	<b>129,388</b>	<b>1,227</b>	<b>130,615</b>
Comprehensive loss for the year:							
Loss for the year	—	—	—	5,422	5,422	2,423	7,845
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,422</b>	<b>5,422</b>	<b>2,423</b>	<b>7,845</b>
Share based payments	30	—	—	422	452	—	452
Other	—	—	—	(9)	(9)	—	(9)
<b>As at 31 December 2019</b>	<b>5,301</b>	<b>—</b>	<b>—</b>	<b>129,952</b>	<b>135,253</b>	<b>3,650</b>	<b>138,903</b>

1 — On 25 September 2018 the Company received court approval for the cancellation of the Company's share premium. The cancellation had the effect of creating distributable reserves.

## Share capital

The share capital comprises the issued ordinary shares of the Company at par value.

## Share premium

The share premium comprises the excess value recognised from the issue of ordinary shares for consideration above par value.

## Other Reserves

Other reserves comprise of shares that are awaiting to be issued in connection with the purchase of minority interest.

## Retained earnings

Retained earnings comprise distributable reserves.

## Non-controlling interest

The non-controlling interest relates to the 20% stake the Government of Mali has in Société des Mines De Komana SA ("SMK") which owns and operates the Yanfolila Mine.

# Notes to the Consolidated Financial Statements

For the year ended 31st December 2019

## 1. GENERAL INFORMATION

Hummingbird Resources PLC is a public limited company with securities traded on the AIM market of the London Stock Exchange. It is incorporated and domiciled in the United Kingdom and has a registered office at 49-63 Spencer Street, Hockley, Birmingham, West Midlands, B18 6DE.

The nature of the Group's operations and its principal activities are the exploration, evaluation, development, and operating of mineral projects, principally gold, focused currently in West Africa.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

The financial statements have been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2018. With the exception of IFRS 16 'Leases' (outlined below), the following standards have been adopted in the year with no material impact on the financial statements of the Company or the Group.

IFRS 16	(effective 1 January 2019)	Leases
IFRIC 23	(effective 1 January 2019)	Uncertainty over Income Tax Treatments
IAS 28	(effective 1 January 2019)	Sale or contribution of assets between an investor and its associates or joint venture

The following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been endorsed by the EU).

IFRS 17	(effective 1 January 2021)	Insurance contracts
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### Initial application of IFRS 16 'Leases' (IFRS 16)

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The Group adopted IFRS 16, 'Leases' retrospectively from 1 January 2019 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases for mining equipment, power generators and other assets that were previously classified as normal operating costs. Further lease liabilities were recognised for office space which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019 of between 9 - 10%.

At date of adoption on 1 January 2019, the financial impact of applying IFRS 16 is set out below:

	Right of use assets \$'000	Lease liability \$'000	Net assets impact \$'000
Adoption of IFRS 16 – Leases	24,959	(24,959)	—
Recognition of assets and liabilities at 1 January 2019 under IFRS 16	24,959	(24,959)	—

The associated right-of-use assets were measured at the amount equal to the lease liability therefore there was no adjustment to retained earnings on adoption.

The above lease liability at 1 January 2019 was determined as follows:

	Total \$'000
Operating lease commitments disclosed at 31 December 2018	7,799
Discounted using lessee's incremental borrowing rate at date of initial adoption	7,381
Less: Short-term or low value leases recognised on a straight-line basis as expense	(229)
Add: New leases identified as part of IFRS 16 adoption <sup>1</sup>	17,807
Lease liability recognised at 1 January 2019	24,959

<sup>1</sup> — These were primarily mining contractor equipment fleet, laboratory equipment and camp kitchen equipment that were previously recognised as a normal operating expense but qualifies as leases under IFRS 16.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 for the first time:

- Judgement as to whether any previous leases under IAS 17, are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for low value operating leases as well as operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- Using management judgement in determining the lease term where the contract contains options to extend or terminate the lease.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies adopted are set out below.

The functional currency of all companies in the Group is United States Dollar ("USD"). The financial statements are presented in thousands of United States dollars ("USD'000"). For reference the year-end exchange rate from Sterling to \$ was \$1.3185 (2018: \$1.2690).

#### Going concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Finance Review on pages 26 to 32. At 31 December 2019, the Group had cash and cash equivalents of \$8.5 million and total borrowings of \$40 million. Details on the Group's borrowings are set out in note 17 to the financial statements.

The Group has prepared cash flow forecasts based on estimates of key variables including production, gold price, operating costs, capital expenditure through to December 2021 that supports the conclusion of the Directors that they expect sufficient funding to be available to meet the Group's anticipated cash flow requirements to this date.

These cashflow forecasts are subject to a number of risks and uncertainties, in particular the ability of the Group to achieve the planned levels of production. The Board reviewed and challenged the key assumptions used by management in its going concern assessment, as well as the scenarios applied and risks considered, including the risks associated with COVID-19. Various scenarios were considered for COVID-19 including where there is partial closure or full closure of the Yanfolila Mine for a short period.

These cashflow forecasts are subject to a number of risks and uncertainties, in particular the ability of the Group to achieve the planned levels of production.

The Board also considered sensitivities to those cash flow scenarios (including where production is lower than forecast due to COVID-19) which in some cases would require additional funding. Should this situation arise, the Directors believe that they have a number of options available to them, such as deferring certain expenditures and/or obtaining additional funding, which would allow the Group to meet its cash flow requirements through this period, however there remains a risk that should the COVID-19 pandemic persist for a longer time, the Group may not be able to obtain any required funding in the necessary timeframe.

Based on its review, the Board has a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future and hence the Board considers that the application of the going concern basis for the preparation of the

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

Financial Statements was appropriate. However, the unknown potential future impact of COVID-19, at date of signing of these financial statements, indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to achieve the required levels of production and associated cashflows, defer expenditures or obtain additional funding such that the going concern basis of preparation was no longer appropriate, adjustment would be required including the reduction of balance sheet asset values to their recoverable amounts and to provide for future liabilities should they arise.

## **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2019. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling parties' interests in the subsidiary's equity are allocated against the interest of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

## **Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights, or where the Group can exercise other forms of influence. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

## **Joint ventures**

Joint ventures are entities or arrangements where the Group has joint control. Investments in joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost.

## **Equity method**

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 12.

## **Changes in ownership interests**

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## **Leasing**

### **The Group as a lessee**

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'.



To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### **Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is initially measured at the present value of the unpaid lease payments at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The lease liability is measured at amortised cost using the effective interest method. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is subsequently remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

#### **Short-term leases and low-value assets**

The Group has elected to account for short-term leases of 12 months or less and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **Lease under IAS 17**

Prior to 1 January 2019, the Group classified rentals payable as operating leases and these were not recognised in the Group's financial position. Payments made under operating leases were charged to income on a straight-line basis over the term of the relevant lease.

Right of use assets are depreciated at the lower of lease term and useful life.

#### **Foreign currencies**

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars ("\$"), which is the functional currency of all of the entities in the Group, and the presentation currency for the consolidated financial statements.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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 Group's 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. Such assets and liabilities are not recognised if the temporary difference arises

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For the year ended 31st December 2019

from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Revenue

The consolidated entity recognises revenue as follows:

### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

### Sale of gold

Revenue from gold sales is recognised when the customer has accepted delivery of the goods. Amounts disclosed as revenue are net of sales returns and trade discounts. Consideration is paid by the customer once the customer has accepted delivery.

The Company remains committed to operating as an unhedged gold producer. However, as a single asset producer a significant fall in the gold price could materially impact the Group's ability to service debt and meet operating costs. Accordingly, where necessary the Group invests in low cost put options to insure against the risk of falling gold prices without capping the exposure to the upside. At 31 December 2019, the Group carried put options over 60,000 ounces at a gold price of \$1,350 an ounce. The cost of these put options was \$438,000 and their fair value at 31 December 2019 was \$99,000.

### Intangible exploration and evaluation assets

The Group applies the full cost method of accounting for exploration and evaluation ("E&E") costs, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources. Under the full cost method of accounting, costs of exploring for and evaluating mineral resources are accumulated by reference to appropriate cost centres being the appropriate licence area but are tested for impairment on a cost pool basis as described below.

E&E assets comprise costs of (i) E&E activities that are ongoing at the reporting date, pending determination of whether or not commercial reserves exist and (ii) costs of E&E that, whilst representing part of the E&E activities associated with adding to the commercial reserves of an established cost pool, did not result in the discovery of commercial reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the statement of comprehensive income as they are incurred.

### Exploration and evaluation costs

Once the legal rights are obtained to explore all costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Such costs include directly attributable overheads, including the depreciation of property plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the E&E phases.

### Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E assets are assessed for impairment on a cost pool basis as set out below and any impairment loss is recognised in the statement of comprehensive income. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as mine development assets.

### Impairment of E&E assets

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 Exploration for and Evaluation of Mineral Resources and include the point at which a determination is made as to whether or not commercial reserves exist.

Where there are indications of impairment, the E&E assets concerned are tested for impairment. Where the E&E assets concerned fall within the scope of an established full cost pool, the E&E assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash-generating unit.

The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Where the E&E assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full.

Any impairment loss is recognised in the statement of comprehensive income as additional depreciation and amortisation, and separately disclosed.

The Group considers there to be two cost pools, being the whole of Liberia and whole of Mali, and therefore aggregates assets in respect of each for the purposes of determining whether impairment of E&E assets has occurred.

### Intangible assets software

Intangible software assets are carried at cost less accumulated amortisation. Amortisation of the software to the statement of comprehensive income will be completed in line with the useful life of the software. However, where the software assets relate to mine development assets, amortisation to mine development assets will occur and follow the amortisation of mine development as shown below.

### Property, plant and equipment

Property, plant and equipment ("PP&E") are carried at cost less accumulated depreciation and any recognised impairment loss.

Property, plant and equipment are depreciated using the units of production method based on ounces produced, or the straight-line method over the estimated useful lives of the related assets using the following rates:

Mine development assets	units of production method
Mine closure assets	units of production method
Plant & equipment	units of production method
Infrastructure	10% - 33.3% per annum
Mobile & other equipment	10% - 33.3% per annum
Other	10% - 33.3% per annum

Under the units of production (UOP) method, estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine development assets and plant. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mining interest at which the asset is located. The Group has adopted the total output method (i.e. ounces produced) as a basis for determining the UOP. Changes are accounted for prospectively.

Upon disposal or abandonment, the carrying amounts of property, plant and equipment and accumulated depreciation and depletion are removed from the accounts and any associated gains or losses are recorded in the statement of comprehensive income.

Amounts incurred on assets under construction are capitalised until the asset becomes available for its intended use, at which time depreciation commences on the assets over its useful life. Repairs and maintenance of plant and equipment are expensed as incurred. Costs incurred to enhance the service potential of plant and equipment are capitalised and depreciated over the remaining useful life of the improved asset.

### Impairment of property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **Borrowing costs**

Borrowing costs are capitalised when they are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale. Borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, or if construction is interrupted for an extended period. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **Inventory**

Inventory consists of finished goods, work-in-process, stockpiled ore and consumables. Finished goods, work-in-process, and stockpiled ore are valued at the lower of average production costs and net realisable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses, depreciation and depletion of mining interests. Consumables are valued at the lower of average cost and net realisable value. Cost includes acquisition, freight and other directly attributable costs.

Net realisable value is calculated as the estimated sale price (based on prevailing market rates) less estimated future production costs to convert the inventories into saleable form. When inventories have been written down to net realisable value, a new assessment of net realisable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed.

## **Financial instruments**

### **Recognition of financial assets and financial liabilities**

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **Fair value measurement hierarchy**

The classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the input used in making the fair value measurement.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.



**(a) Financial assets****Classification of financial assets**

All recognised financial assets are measured subsequently at either amortised cost or fair value, depending on the classification of the financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not hold any financial assets that meet conditions for subsequent recognition at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

**Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost through other profit or loss. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

**(b) Financial liabilities****Classification of financial liabilities**

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. The Group's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

The Group's financial liabilities measured at amortised cost comprise loans and other borrowings, lease obligations and other payables and accruals.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

**Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost less any provision for impairment.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

**Trade and other payables**

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

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resource will result and that outflow can be reliably measured.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## Rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the mining production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

## Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the Group. An example is litigation against the Group when it is uncertain whether the Group has committed an act of wrongdoing and when it is not probable that settlement will be needed.

Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable. Contingent liabilities do not include provisions for which it is certain that the Group has a present obligation that is more likely than not to lead to an outflow of cash or other economic resources, even though the amount or timing is uncertain.

Unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes to the financial statements.

## Warrants

Due to the exercise price of the warrants being in a different currency to the functional currency to the Company, at each reporting date the warrants are valued at the fair value with changes of fair value recognised in the profit and loss as they arise. Fair value is measured using the Black-Scholes model.

## Other financial liabilities (accounting for royalty financing)

In order to determine the appropriate accounting treatment for the royalty financing which is described in note 22, assessment is required of whether the substance of the arrangements constituted a financial liability, prior to commercial production. The Group can be required to deliver cash to the provider in certain circumstances which are not all within the Group's control, then this is considered by the Group to represent a financial liability. The Group has chosen not to designate this as "a fair value through profit or loss" financial liability and therefore it is recognised at amortised cost. Following commencement of commercial production, the Group is obliged to pay a percentage of its revenue, then this is considered to have extinguished the financial liability, and this is recognised as a part disposal of the relevant asset.

## Borrowings

The Group records and measures borrowings at amortised cost, using the effective interest rate method.

## Equity

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

## Share-based payments

The Group has applied IFRS 2 Share based Payment for all share-based payments.

The Group has used shares, share options and other share-based payments as consideration for goods and services received from suppliers and employees.

Share based payments to employees and others providing similar services are measured at fair value at the date of grant. The fair value determined at the grant date of an equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares (or other instruments) that will eventually vest. For equity settled

share-based payments the corresponding amount is credited to retained earnings. For cash settled share-based payments the corresponding amount is recognised as a liability and remeasured at each reporting date with any changes in fair value being recognised in the statement of comprehensive income.

Equity-settled share based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably or excess fair value of the identifiable goods or services received, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value determined at the grant date of such an equity-settled share-based instrument is expensed since the shares vest immediately. Where the services are related to the issue of shares, the fair values of these services are offset against share premium.

Fair value of share options are measured using the Black-Scholes model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decision, has been identified as the Board of Directors.

The Board of Directors considers there to be only one operating segment during the year, the exploration, development and exploitation of mineral resources, and three geographical segments, being Liberia, Mali and United Kingdom.

### Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date, which is the date when control passes to the Company. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date on which control was obtained. Any difference arising between the fair value and tax base of the acquiree's assets and liabilities that give rise to a taxable deductible difference results in recognition of deferred tax liability. No deferred tax liability is recognised on goodwill.

## 4. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the 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 the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

### Recoverability of exploration and evaluation assets

Determination as to whether an exploration and evaluation (E&E) asset is impaired requires an assessment of whether there are any indicators of impairment, including by reference to specific impairment indicators prescribed in IFRS 6 Exploration for and Evaluation of Mineral Resources. As E&E assets are assessed for impairment on a cost pool basis, the existence and quantum of any impairment is dependent on the choice of basis of cost pools. If there is any indication of potential impairment, an impairment test is required based on value in use of the asset. This assessment involves judgement as to: (i) the likely future commerciality of each cost pool of assets; (ii) when such commerciality should be determined; and (iii) the potential future revenues and the value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit ("CGU") and a suitable discount rate in order to calculate present value.

The Group considers there to be two cost pools, being the whole of Liberia and whole of Mali, and therefore aggregates assets in respect of each for the purposes of determining whether impairment of E&E assets has occurred.

#### Liberia

Having considered the recoverable amount of the Liberian CGU, with reference to the 2013 Preliminary Economic Assessment ('PEA') for the Group's Dugbe Gold Project in Liberia, no impairment loss was recognised for the year ended 31 December 2019.

#### Mali

Having considered the recoverable amount of the Malian CGU, with reference to the Group's latest budget and life of mine plan for the Group's Yanfolila Gold Mine in Mali (noted below), no impairment loss was recognised for the year ended 31 December 2019.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

There is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets.

## Recoverability of mine property, plant and equipment

Determination as to whether, and by how much, an asset or cash generating unit ("CGU") is impaired involves management estimates on highly uncertain matters such as; gold price, discount rates used in determining the estimated discounted cash flows of CGU, foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources that may be included in the determination of fair value less cost to dispose ("fair value"), future technological changes which could impact the cost of mining, and future legal changes (including changes to environmental restoration obligations). The costs to dispose are estimated by management based on prevailing market conditions.

When applicable, fair value is estimated based on discounted cash flows using latest budgets, based on CGU life of mine ("LOM") plans. Consideration is also given to analysts valuations, and the market value of the Company's securities. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy (in accordance with International Financial Reporting Standards).

The principal CGU, to which mine property, plant and equipment relates is the Group's Yanfolila Gold Mine in Mali (operating segment). In determining the recoverable amount of CGU at 31 December 2019, future cash flows were discounted using rates based on the Group's estimated weighted average cost of capital. When it is considered appropriate to do so, an additional premium is applied with regard to the geographic location and nature of the CGU. LOM operating and capital cost assumptions are based on the Group's latest budget and LOM plan.

The table below summarises the key assumptions used in the carrying value assessments:

Gold price (\$ per ounce):	2019: \$1,350 2018: \$1,250	Commodity price and foreign exchange rates were estimated with reference to external market forecasts. The rates applied to the valuation had regard to observable market data.
Discount rate % (post tax)	2019: 19.6% 2018: 18.5%	In determining the fair value of CGU, the future cash flows were discounted using rates based on the Group's estimated real weighted average cost of capital, with an additional premium applied having regard to the geographic location of the CGU and Company size.
Operating and capital costs:	Life-of-mine operating and capital cost assumptions are based on the Group's latest budget and life of mine plan.	

Having considered the recoverable amount of the CGU, no impairment loss was recognised for the year ended 31 December 2019. As always, there is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets.

## Recoverability of other receivables and impairment of financial assets Government of Mali

Included in other receivables is an amount of CFA 6,624,517,000 \$10,317,000 (2018: \$10,768,000), due from the Government of Mali, arising on 2 February 2017 when the Government of Mali exercised its right to acquire an additional 10% of Société des Mines de Komana SA (taking its total interest in Société des Mines de Komana SA to 20%). The Group remains in discussions with the Government of Mali as to the timing and mechanism of payment of this consideration. The relevant shares will not be issued until the payment mechanism has been agreed.

The Group considers the receivable to be 'credit-impaired' as it remains unpaid more than 1 year since the Government of Mali exercised its right. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivable, the Group recognised a lifetime expected credit gain of \$23,000 as at 31 December 2019 (2018: loss of \$1,815,000). The net cumulating lifetime expected credit loss for the balance is \$1,792,000 at 31 December 2019. The allowance for lifetime expected credit losses assessment requires a significant degree of estimation and judgement.

## Deferred tax assets

In assessing the probability of realising potential deferred tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Group's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognised. At the



end of each reporting period, the Group reassesses unrecognised and recognised income tax assets, and there is the possibility that a change in circumstances may impact on the recoverability of the relevant deferred tax asset.

#### Rehabilitation provision

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (2%) and changes in discount rates (2%). These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

## 5. SEGMENTAL ANALYSIS

### Statement of comprehensive income Year ended 31 December 2019

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Revenue	155,065	—	1,809	156,874
Cost of sales	(129,059)	—	(1,748)	(130,807)
<b>Gross profit</b>	<b>26,006</b>	<b>—</b>	<b>61</b>	<b>26,067</b>
Share based payments	—	—	(753)	(753)
Other administrative expenses	(2,643)	(44)	(9,369)	(12,056)
<b>Operating profit/(loss)</b>	<b>23,363</b>	<b>(44)</b>	<b>(10,061)</b>	<b>13,258</b>
Finance income	2,001	—	240	2,241
Finance expense	(8,208)	—	(70)	(8,278)
Share of associate loss	—	—	(62)	(62)
Share of joint venture loss	—	—	(4)	(4)
Reversal of impairment of financial assets	23	—	—	23
Gain on financial assets measured at fair value	—	—	2,218	2,218
<b>Profit/(loss) before tax</b>	<b>17,179</b>	<b>(44)</b>	<b>(7,739)</b>	<b>9,396</b>
Tax	(1,551)	—	—	(1,551)
<b>Profit/(loss) after tax</b>	<b>15,628</b>	<b>(44)</b>	<b>(7,739)</b>	<b>7,845</b>

### Statement of financial position Year ended 31 December 2019

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Segment assets	184,274	64,883	12,028	261,185
Segment liabilities	(100,421)	(16,045)	(5,816)	(122,282)
<b>Segment net assets</b>	<b>83,853</b>	<b>48,838</b>	<b>6,212</b>	<b>138,903</b>

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## Statement of comprehensive income Year ended 31 December 2018

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Revenue	116,310	—	229	116,539
Cost of sales	(111,609)	—	(371)	(111,980)
<b>Gross profit</b>	<b>4,701</b>	<b>—</b>	<b>(142)</b>	<b>4,559</b>
Share based payments	—	—	338	338
Other administrative expenses	(2,410)	(24)	(7,400)	(9,834)
<b>Operating loss</b>	<b>2,291</b>	<b>(24)</b>	<b>(7,204)</b>	<b>(4,937)</b>
Finance income	3,583	—	1,214	4,797
Finance expense	(8,588)	(1)	(530)	(9,119)
Share of associate loss	—	—	(235)	(235)
Share of joint venture loss	—	—	(2)	(2)
Impairment of associate	—	—	(2,044)	(2,044)
Reversals in impairment of financial assets	88	—	—	88
Loss on financial assets measured at fair value	—	—	(198)	(198)
<b>Loss before tax</b>	<b>(2,626)</b>	<b>(25)</b>	<b>(8,999)</b>	<b>(11,650)</b>
Tax	(1,163)	—	—	(1,163)
<b>Loss after tax</b>	<b>(3,789)</b>	<b>(25)</b>	<b>(8,999)</b>	<b>(12,813)</b>

## Statement of financial position Year ended 31 December 2018

	\$'000	\$'000	\$'000	\$'000
Segment assets	187,909	61,866	10,418	260,193
Segment liabilities	(109,270)	(15,272)	(5,036)	(129,578)
<b>Segment net assets</b>	<b>78,639</b>	<b>46,594</b>	<b>5,382</b>	<b>130,615</b>

## Non-current assets for the year ending 31 December 2019

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Intangible exploration and evaluation assets	9,061	64,798	—	73,859
Intangible assets software	284	—	—	284
Property, plant and equipment	129,564	—	168	129,732
Right of use assets	12,638	—	302	12,940
Investment in joint ventures	—	—	99	99
Financial assets at fair value through profit and loss	—	—	6,103	6,103
<b>Segment non-current assets</b>	<b>151,547</b>	<b>64,798</b>	<b>6,672</b>	<b>223,017</b>

## Non-current assets for the year ending 31 December 2018

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Intangible exploration and evaluation assets	7,396	61,775	—	69,171
Intangible assets software	118	—	—	118
Property, plant and equipment	140,438	—	285	140,723
Investment in associates	—	—	1,425	1,425
Investment in joint ventures	—	—	103	103
<b>Segment non-current assets</b>	<b>147,952</b>	<b>61,775</b>	<b>1,813</b>	<b>211,540</b>

## Geographic information

During the year the Group had one operating segment, based in Mali. Revenues in connection with the operating segment totalled \$155,065,000 (2018: \$116,310,000) and were derived from a single external customer. The Group is not economically dependent on the customer, as gold can be sold through numerous commodity market traders worldwide.

Additionally, during the year sales of Single Mine Origin ("SMO") gold and gold investment coins (via its UK head office) generated revenues of \$1,809,000 (2018: \$229,000), and all were derived from a single related customer (note 28).

Revenues from customers are based on the locations of the customers.

	Location	2019 \$'000	2018 \$'000
Dore	Puerto Rico	155,065	116,310
SMO gold and gold investment coins	UK	1,809	229
Total revenue from customers		156,874	116,539

## 6. ADMINISTRATIVE EXPENSES BY NATURE

	2019 \$'000	2018 \$'000
Other income	(34)	(203)
Audit fees, including fees paid to subsidiary auditors (note 7)	157	145
Non-audit fees, including fees paid to subsidiary advisors (note 7)	19	18
Bank charges	33	25
Communications and IT	157	176
Charitable donations	—	38
Depreciation of property, plant and equipment (note 14)	312	124
Insurance	288	208
Marketing	511	656
Office expenses	133	344
Taurus settlement	2,500	—
Other taxes	621	520
Professional and consultancy	2,136	2,946
Rent under operating leases	188	145
Staff costs excluding share-based payments and employers NI accrual on share options	3,871	3,661
Travel and accommodation	465	528
Share based payments	753	(338)
Charge/(release) of employers NI accrual on share options	97	(152)
Net foreign exchange losses	602	655
	12,809	9,496

## 7. AUDITOR'S REMUNERATION

Amounts payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services:

	2019 \$'000	2018 \$'000
<b>Audit fees</b>		
Fees payable to the Company's auditor for the audit of the annual accounts	116	108
Fees payable to the Company's auditors for the audit of certain subsidiaries	9	6
Total audit fees	125	114
<b>Non-audit fees payable to associates of the Company's auditor</b>		
Taxation compliance	8	8
Taxation advice	1	6
<b>Total non-audit fees</b>	9	14

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## 8. STAFF COSTS

The average monthly number of employees and directors was:

	2019 Number	2018 Number
Directors	7	7
Other employees	258	230
	<b>265</b>	<b>237</b>

	2019 \$'000	2018 \$'000
Their aggregate remuneration comprised:		
Wages and salaries	10,381	8,773
Social security costs	1,744	1,560
Pensions	82	115
Charge/(release)for share based payments	753	(32)
Charge/(release)for potential social security costs related to share based payments	97	(106)
	<b>13,057</b>	<b>10,310</b>

Within wages and salaries, \$1,403,000 (2018: \$1,403,000) relates to remuneration payable to directors, included within share based payments is a net charge of \$259,000 (2018: net release from accruals of \$338,000) under cash-settled share based payment scheme payable to directors, and within pensions is \$34,000 (2018: \$68,000) relating to pension contributions in respect of directors.

The total remuneration of the highest paid director is \$742,000 (2018: \$486,000) comprising \$724,000 (2018: \$447,000) in relation to wages and salaries (including vested performance bonuses paid) and pension contributions of \$18,000 (2018: \$39,000).

The number of directors to whom benefits are accruing under defined contribution pension schemes is 2 (2018: 2).

Included within staff costs is \$1,232,000 (2018: \$839,000) capitalised to intangible exploration and evaluation assets and \$396,000 (2018: \$930,000) capitalised into Mine development assets.

## 9. FINANCE INCOME AND EXPENSE

### Finance income

	2019 \$'000	2018 \$'000
Interest on bank deposits	271	250
Foreign exchange gain	1,651	3,498
Gain on revaluation of warrants (note 24)	319	1,049
	<b>2,241</b>	<b>4,797</b>

### Finance expense

	2019 \$'000	2018 \$'000
Interest on borrowings	5,406	6,370
Amortisation of borrowing costs (note 17)	962	913
Unwinding of discount on rehabilitation provision	845	312
Foreign exchange loss	1,065	1,524
	<b>8,278</b>	<b>9,119</b>

Foreign exchange gains and losses arose on non-functional currency bank deposits and foreign currency loans.



## 10. TAX

The taxation charge for the period can be reconciled to the profit/(loss) per the statement of comprehensive income as follows:

	2019 \$'000	2018 \$'000
<b>Profit/(loss) before tax</b>	<b>9,396</b>	<b>(11,650)</b>
Tax expense/ (credit) at the rate of tax 30.00% (2018: 30.00%)	<b>2,819</b>	<b>(3,495)</b>
Tax effect of non-deductible expenses	<b>515</b>	<b>11</b>
Origination and reversal of temporary differences	<b>(7,570)</b>	<b>(6,167)</b>
Deferred tax asset not recognised	<b>4,236</b>	<b>9,651</b>
Minimum tax pursuant to mining convention	<b>1,551</b>	<b>1,163</b>
<b>Tax expense for the year</b>	<b>1,551</b>	<b>1,163</b>

The Group's primary tax rate is aligned with its operations in Mali of 30% (2018: 30%). The taxation of the Group's operations in Mali are aligned to the mining convention (Mining Code of Mali 1999) under which tax is charged at an amount not less than 1% (2018: 1%) of turnover and not more than 30% of taxable profits.

## 11. PROFIT/(LOSS) PER ORDINARY SHARE

Basic profit/(loss) per ordinary share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

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

	2019 \$'000	2018 \$'000
<b>Profit/(losses)</b>		
Profit/(loss) for the purposes of basic profit/(loss) per share being net profit/(loss) attributable to equity holders of the parent	<b>5,422</b>	<b>(10,250)</b>

	2019 Number	2018 Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic profit/(loss) per share	<b>353,815,287</b>	<b>349,510,437</b>
Adjustments for share options and warrants	<b>8,347,731</b>	<b>5,081,354</b>
Weighted average number of ordinary shares for the purposes of diluted profit/(loss) per share	<b>362,163,018</b>	<b>354,591,791</b>

	2019 \$ cents	2018 \$ cents
<b>Profit/(loss) per ordinary share</b>		
Basic	<b>1.53</b>	<b>(2.93)</b>
Diluted	<b>1.50</b>	<b>(2.93)</b>

At the reporting date there were 15,549,307 (2018: 25,029,585) potentially dilutive ordinary shares. Potentially dilutive ordinary shares include share options issued to employees and directors, warrants issued and the conditional acquisition of the 20% interest in the Joe Village licence, which the Group did not previously own as described in note 23. For the year ended 31 December 2018, because there is a reduction in loss per share resulting from the assumption that the share options and warrants are exercised, the latter are anti-dilutive and are ignored in the computation of diluted loss earnings per share and therefore there is no difference between basic and diluted loss per share.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## 12. INVESTMENTS

### Name of entity

Name of entity	Place of business/country of incorporation	% of ownership interest		Nature of relationship	Measurement method
		2019 %	2018 \$		
Cora Gold Limited	British Virgin Islands	18%	28.18%	Investment <sup>1</sup>	Fair value through profit or loss <sup>4</sup>
Betts Investments Limited*	United Kingdom	19.36%	19.36%	Joint venture <sup>2</sup>	Equity method
Bunker Hill Mining Corporation	Canada	5.46%	—	Investment <sup>3</sup>	Fair value through profit or loss

1 — Cora Gold Limited ("Cora") is incorporated and domiciled in the British Virgin Islands with securities traded on the AIM market of the London Stock Exchange. The principal activity of Cora and its subsidiaries is the exploration and development of mineral projects, with a primary focus in West Africa.

2 — Betts Investments Limited ("BIL") has been established for the marketing of gold together with other precious metals investment products, and the development of the Single Mine Origin business.

3 — Bunker Hill Mining Corporation ("Bunker Hill") is listed on the Canadian Securities Exchange. The principal activity of Bunker Hill is exploration and development of the zinc mine.

4 — The Group's holding in Cora was diluted during the year and as result Cora has ceased to be an associate. It is now carried as an investment at fair value through profit or loss.

\*Private entity – no quoted price available.

### Investments:

Investments as at 31 December 2019 totalled \$6,202,000 (2018: \$1,528,000).

	2019 \$'000	2018 \$'000
Investment in associates and joint ventures (a)	99	1,528
Financial assets at fair value through profit and loss (b)	6,103	—
	6,202	1,528

### (a) Investment in associates and joint ventures:

	Cora Gold Limited		Betts Investments Limited	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Investments:</b>				
Opening carrying value	1,425	3,704	103	—
Acquisition at cost	—	—	—	105
Share of loss	(62)	(235)	(4)	(2)
Provision for impairment	—	(2,044)	—	—
Reclassification <sup>1</sup>	—	—	—	—
<b>Closing carrying value</b>	<b>—</b>	<b>1,425</b>	<b>99</b>	<b>103</b>

1 — The Group's holding in Cora was reduced during the year and as a result Cora ceased to be an associate. It is now carried as an investment at fair value through profit or loss. Refer to section b below for full disclosures.

Summarised financial statement information (100% share) of joint ventures, based on their financial statements, and a reconciliation with the carrying amount of the investment in the Group's consolidated financial statements, are set out below:

### Summarised statement of comprehensive income:

	Betts Investments Limited	
	2019 \$'000	2018 \$'000
Loss before income tax	(18)	(11)
Income tax expense	—	—
<b>Loss for the year</b>	<b>(18)</b>	<b>(11)</b>
Group's % ownership	19.36%	19.36%
<b>Group's share of loss</b>	<b>(4)</b>	<b>(2)</b>

**Summarised statement of financial position:**

	Betts Investments Limited	
	2019 \$'000	2018 \$'000
Non-current assets	42	13
Current assets	23	72
Current liabilities	(1)	(1)
<b>Net assets</b>	<b>64</b>	<b>84</b>
Group's % ownership	19.36%	19.36%
<b>Group's share of net assets</b>	<b>12</b>	<b>16</b>

**Reconciliation to carrying amounts:**

	Betts Investments Limited	
	2019 \$'000	2018 \$'000
Group's share of net assets (as shown above)	12	16
Goodwill	87	87
<b>Closing carrying value</b>	<b>99</b>	<b>103</b>

**Betts Investments Limited ("BIL")**

On 23 May 2018 the Group entered into a joint venture agreement ("JV Agreement") with Stephen Betts and Sons Limited ("SBS") and Betts Investments Limited ("BIL"). Daniel Betts and Stephen Betts who are both directors of the Company, are also directors of and shareholders in SBS.

Under the JV Agreement, the Group invested \$105,000 (£75,000) for a 19.36% interest in BIL, with the option to increase its stake to 49% for a further investment of £75,000. The Group has agreed to sell Hummingbird gold investment coins to SBS to fulfil orders placed by customers via BIL. Additionally, the Group will provide marketing support and treasury services to BIL. SBS shall be responsible for the fulfilment of all orders of gold and other precious metals investment products and BIL will receive a commission equal to 50% of the gross margin on all sales of gold and other precious metals investment products.

**(b) Financial assets at fair value through profit and loss:****Bunker Hill Corporation:**

	Cora Gold		Bunker Hill — shares and Warrants <sup>1</sup>		Bunker Hill — convertible loan <sup>1</sup>		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Reclassification	1,363	—	—	—	1,903	—	3,266	—
Additions	402	—	—	—	—	—	402	—
Conversion of loans	—	—	100	—	(100)	—	217	—
Accrued interest	—	—	—	—	217	—	217	—
(Loss)/gains through profit or loss	(34)	—	2,197	—	55	—	2,218	—
<b>Closing carrying value</b>	<b>1,731</b>	<b>—</b>	<b>2,297</b>	<b>—</b>	<b>2,075</b>	<b>—</b>	<b>6,103</b>	<b>—</b>

1 — Warrants are valued using the Black Scholes model.

**Cora Gold Limited ("Cora")**

On 11 April 2017 the Group entered into a sale and purchase agreement to sell two exploration companies containing exploration permits, Hummingbird Exploration Mali SARL ("HEM") and Sankarani Resources Mali SARL ("SKR"), to Cora Gold Limited ("Cora") in exchange for a 50% shareholding in Cora.

On 27 September 2019 the Group subscribed for an additional 4,730,000 ordinary shares at 7 pence a share as part of an equity raise by Cora Gold. Additionally, the Group has a warrant to subscribe for a further 4,730,000 shares at a price of 10 pence per share, exercisable 12 months from date of admission of the 2019 placing, which at 31 December 2019, had an immaterial value of \$22,000 which has not been recognised.

Following the reduction in shareholding during the year, the investment in Cora Gold is now held as an investment at fair value through profit or loss. Up until 30 June 2019, this investment was accounted for as an associate.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

The investment in Cora Gold has been deemed to be a level 1 asset under the fair value hierarchy. This instrument has been valued using publicly quoted share price. The Group recognised a fair value loss of \$34,000 (2018: impairment charge of \$2,044,000).

## **Bunker Hill Mining Corporation – shares, warrants and convertible loans**

The Company entered into an arm's length convertible loan arrangement, with Bunker Hill Mining Corp ("Bunker Hill"), a Canadian listed exploration and development company, advancing \$1,500,000 and \$500,000 on 18 June 2018 and 9 August 2018 respectively. The loan is repayable by June 2020 and attracts interest of 10% p.a. calculated daily from date of advance until repayment or conversion. The loans and accrued interest can be converted to common shares at CAD\$8.50 and CAD\$4.50 per share, respectively. This loan was classified as other receivables at 31 December 2018 but has been reclassified to investments as at 31 December 2019 for better presentation. Refer to note 16 for further details.

On 21 June 2019, the Group converted \$100,000 of the loan due from Bunker Hill for 2,660,000 Bunker Hill shares at a cost of CAD\$0.05 per share at time of conversion. As part of this investment the Group also has option to acquire an additional 2,660,000 shares at a cost of CAD\$0.25 per share within 24 months from the conversion date. The investment is carried at fair value through profit and loss.

The shares in Bunker Hill have been deemed to be a level 1 asset under the fair value hierarchy. This instrument has been valued using publicly quoted share price. The Group regards the warrants and the convertible loans to be level 2 asset under the fair value hierarchy. These have been valued using a combination of quoted prices as well as calculations under the Black Scholes model.

## **13. INTANGIBLE ASSETS**

### **(a) Intangible exploration and evaluation assets**

	Liberia \$'000	Mali \$'000	Total \$'000
<b>Cost</b>			
<b>At 31 December 2017</b>	<b>61,004</b>	<b>2,245</b>	<b>63,249</b>
Additions for the year	771	5,151	5,922
<b>At 31 December 2018</b>	<b>61,775</b>	<b>7,396</b>	<b>69,171</b>
Additions for the year	3,023	1,665	4,688
<b>At 31 December 2019</b>	<b>64,798</b>	<b>9,061</b>	<b>73,859</b>

Exploration in Liberia is undertaken by Hummingbird Resources (Liberia) Inc, a wholly owned subsidiary. The intangible exploration and evaluation assets in respect of Liberia principally relate to the Dugbe Gold Project ("Dugbe"). As announced on 1 May 2019 (note 30), the Group signed a 25-year renewable Mineral Development Agreement ("MDA") with the Government of Liberia ("GoL"), covering a land package of approximately 2,000km<sup>2</sup>, which includes the Group's 4.2Moz Dugbe Project. In accordance with the MDA, the GoL will be granted a 10% free carried shareholding in Hummingbird Resources (Liberia) Inc.

Intangible exploration and evaluation assets in respect of Mali principally relate to the Yanfolila Gold Project. Exploration licences in Mali provide the Government with the right to a 10% free carried interest and the right to buy a further 10% interest.



**(b) Intangible software assets**

	Total \$'000
<b>Cost</b>	
<b>At 31 December 2017</b>	<b>185</b>
Disposals	(9)
<b>At 31 December 2018</b>	<b>176</b>
Additions	—
Reclassification from PPE	227
<b>At 31 December 2019</b>	<b>402</b>
<b>Accumulated amortisation</b>	
<b>At 31 December 2017</b>	<b>22</b>
Charge for the year	36
<b>At 31 December 2018</b>	<b>58</b>
Charge for the year	60
<b>At 31 December 2019</b>	<b>118</b>
Carrying amount	
<b>At 31 December 2018</b>	<b>118</b>
<b>At 31 December 2019</b>	<b>284</b>

Intangible software assets include software purchased for the operations of the mine.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## 14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property. The net book value of property plant and equipment is summarised as follows:

	2019 \$'000	2018 \$'000
Right-of-use assets (note 19)	12,940	—
Property, plant and equipment – owned	129,732	140,723
	142,672	140,723

### (a) Property, plant and equipment - owned

	Mine Development \$'000	Mine Closure \$'000	Plant & Equipment \$'000	Infrastructure \$'000	Mobile & Other Equipment \$'000	Assets Under Construction \$'000	Other \$'000	Total PPE \$'000
<b>Cost</b>								
<b>At 31 December 2017</b>	<b>88,620</b>	<b>—</b>	<b>776</b>	<b>943</b>	<b>2,522</b>	<b>41,662</b>	<b>801</b>	<b>135,324</b>
Additions	1,945	13,229	—	—	—	18,941	114	34,229
Transfers of finished PPE	2,948	—	33,373	16,566	59	(52,937)	—	9
Transfers to inventory	(3,500)	—	—	—	—	—	—	(3,500)
<b>At 31 December 2018</b>	<b>90,013</b>	<b>13,229</b>	<b>34,149</b>	<b>17,509</b>	<b>2,581</b>	<b>7,666</b>	<b>915</b>	<b>166,062</b>
Additions	2,436	1,018	10,150	1,833	—	1,799	23	17,259
Transfers of finished PPE	336	—	2,229	4,826	—	(7,391)	—	—
Reclassification to intangibles	—	—	—	—	—	(227)	—	(227)
Disposals	—	—	—	—	—	—	(5)	(5)
<b>At 31 December 2019</b>	<b>92,785</b>	<b>14,247</b>	<b>46,528</b>	<b>24,168</b>	<b>2,581</b>	<b>1,847</b>	<b>933</b>	<b>183,089</b>
<b>Accumulated depreciation</b>								
<b>At 31 December 2017</b>	<b>1,060</b>	<b>—</b>	<b>693</b>	<b>781</b>	<b>2,330</b>	<b>—</b>	<b>505</b>	<b>5,369</b>
Charge for the year	12,089	1,801	3,921	1,977	58	—	124	19,970
<b>At 31 December 2018</b>	<b>13,149</b>	<b>1,801</b>	<b>4,614</b>	<b>2,758</b>	<b>2,388</b>	<b>—</b>	<b>629</b>	<b>25,339</b>
Charge for the year	16,061	2,243	6,476	3,045	57	—	141	28,023
Disposals	—	—	—	—	—	—	(5)	(5)
<b>At 31 December 2019</b>	<b>29,210</b>	<b>4,044</b>	<b>11,090</b>	<b>5,803</b>	<b>2,445</b>	<b>—</b>	<b>765</b>	<b>53,357</b>
<b>Carrying amount</b>								
<b>At 31 December 2018</b>	<b>76,864</b>	<b>11,428</b>	<b>29,535</b>	<b>14,751</b>	<b>193</b>	<b>7,666</b>	<b>286</b>	<b>140,723</b>
<b>At 31 December 2019</b>	<b>63,575</b>	<b>10,203</b>	<b>35,438</b>	<b>18,365</b>	<b>136</b>	<b>1,847</b>	<b>168</b>	<b>129,732</b>

In respect of the year ended 31 December 2019, additions to property, plant and equipment include capitalised borrowing costs of \$734,000, being \$572,000 of loan interest and \$162,000 of amortised borrowing costs (note 17).

## 15. SUBSIDIARIES

The Company had investments in the following subsidiary undertakings as at 31 December 2019:

Name	Country of incorporation and operation	Proportion of voting interest %	Activity
<b>Directly held</b>			
Trochilidae Resources Limited Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB	Isle of Man	100	Intermediate holding & service company
Hummingbird Resources (Liberia) Inc. Hummingbird House, Sophie Area, Congo Town, Monrovia, Liberia	Liberia	100	Exploration & development
Afro Minerals Inc. Hummingbird House, Sophie Area, Congo Town, Monrovia, Liberia	Liberia	80	Dormant
Golden Grebe Mining Limited 46-63 Spencer Street, Hockley, Birmingham, England BD18 6DE, UK	United Kingdom	100	Intermediate holding company
Eagle Mining Limited 46-63 Spencer Street, Hockley, Birmingham, England BD18 6DE, UK	United Kingdom	100	Dormant
<b>Indirectly held</b>			
Deveton Mining Company Hummingbird House, Sophie Area, Congo Town, Monrovia, Liberia	Liberia	80	Dormant
Sinoe Exploration Limited Warren & Carrey Street Intersection, Congo Town, Monrovia, Liberia	Liberia	90	Dormant
Hummingbird Security Limited Hummingbird House, Sophie Area, Congo Town, Monrovia, Liberia	Liberia	100	Security
Intervest Inc Hummingbird House, Sophie Area, Congo Town, Monrovia, Liberia	Liberia	100	Dormant
Bentley International Trading Corporation Hummingbird House, Sophie Area, Congo Town, Monrovia, Liberia	Liberia	100	Dormant
Glencar Mining PLC 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	Ireland	100	Intermediate holding company
Centrebind Agency Limited 17 GR.Xenopolou, 3106 Limasol, Cyprus	Cyprus	100	Intermediate holding company
Glencar International (BVI) Limited Craigmuirr Chambers, Road Town, Tortola, BVI	British Virgin Islands	100	Intermediate holding company
Glencar Mali SARL Sebenikoro Villa Fatoumata Bangoura Cissoko, Lot B11 Commune iv, Bamako, Mali	Mali	100	Exploration
Société des Mines de Komana SA 1 Sebenikoro Villa Fatoumata Bangoura Cissoko, Lot B11 Commune iv, Bamako, Mali	Mali	80	Mining
Sunangel Resources Limited Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB	Isle of Man	100	Intermediate holding company
Sunangel Resources SARL 09 BP 399 Ouagadougou 09, Burkina Faso	Burkina Faso	100	Exploration
Yanfolila Mining Limited Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB	Isle of Man	100	Intermediate holding company
Yanfolila Finance Limited Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB	Isle of Man	100	Finance company
Yanfolila Holdings Limited Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB	Isle of Man	100	Intermediate holding company

1 — On 2 February 2017 the Government of Mali exercised its right to participate in the Yanfolila project by acquiring in the subsidiary;

i) a 10% free carried interest (pursuant to the applicable mining law); and

ii) a 10% additional interest (for agreed consideration). The Group remains in discussions with the Government of Mali as to the timing and mechanism of payment for the additional interest. The relevant shares will not be issued until the payment mechanism has been agreed.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

The Government of Mali's participation interest is considered a non-controlling interest, being a change in the ownership of a subsidiary that does not result in a change in control.

Additionally, as at 31 December 2019 the Group had a 18% (2018: 28.18%) investment in Cora Gold Limited, 19.36% (2018: 19.36%) investment in Betts Investments Limited and an a 5.46% investment in Bunker Hill Mining Corporation (note 12).

## Non-controlling interests

Société des Mines de Komana SA in which the NCI is 20% (refer above).

Movement in NCI during the year are as follows:

	\$'000
<b>At 31 December 2017</b>	<b>4,171</b>
Loss attributable to NCI (on adoption of IFRS 9)	(381)
Loss attributable to NCI	(2,563)
<b>At 31 December 2018</b>	<b>1,227</b>
Profit attributable to NCI	2,423
<b>31 December 2019</b>	<b>3,650</b>

Summarised financial information of the subsidiary adjusted for Group accounting policies, prior to elimination of intra-group items is set out below:

	2019 \$'000	2018 \$'000
Non-current assets	190,230	188,263
Current assets	32,590	33,400
Current liabilities	(32,463)	(32,532)
Non-current liabilities	(67,185)	(74,472)
	123,172	114,659

	2019 \$'000	2018 \$'000
Profit/(loss) after tax	12,117	(2,365)
	12,117	(2,365)

## 16. CURRENT ASSETS

### Inventory

	2019 \$'000	2018 \$'000
Finished gold	4,548	4,565
Gold in process	1,207	5,655
Stockpiled ore	10,149	1,779
Consumables	2,178	1,808
	18,082	13,807

At 31 December 2019, inventory included a provision of \$nil (2018: \$4,916,000) to adjust finished gold and gold in process inventory to net realisable value, being a provision of \$nil (2018: \$676,000) and \$nil (2018: \$4,240,000) respectively.

Cost of inventories of \$111,835,000 (2018: \$73,862,000) were recognised within costs of sales during the year.

**Trade and other receivables**

	2019 \$'000	2018 \$'000
Other receivables	11,522	13,347
Less: Allowance for expected credit losses	(1,792)	(2,013)
Net other receivables	9,730	11,334
Prepayments and accrued income	1,011	1,298
VAT recoverable	816	684
	11,557	13,316

**Government of Mali**

Included in other receivables is an amount of CFA 6,624,517,000, \$10,318,000 (2018: \$10,768,000), due from the Government of Mali, arising on 2 February 2017 when the Government of Mali exercised its right to acquire an additional 10% of Société des Mines de Komana SA (taking its total interest in Société des Mines de Komana SA to 20%). The Group remains in discussions with the Government of Mali as to the timing and mechanism of payment of this consideration. The relevant shares will not be issued until the payment mechanism has been agreed.

Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivable, the Group recognised a lifetime expected credit reversal of \$23,000 (2018: loss of \$1,815,000). The net cumulating lifetime expected credit loss for the balance is \$1,792,000 at 31 December 2019. The allowance for lifetime expected credit losses assessment requires a significant degree of estimation and judgement.

Refer to note 27 for a reconciliation of lifetime expected credit losses.

**Bunker Hill Mining Corporation**

The Company entered into an arm's length convertible loan arrangement, with Bunker Hill Mining Corp ("Bunker Hill"), a Canadian listed exploration and development company, advancing \$1,500,000 and \$500,000 on 18 June 2018 and 9 August 2018 respectively. The loan is repayable by June 2020 and attracts interest of 10% p.a. calculated daily from date of advance until repayment or conversion. This loan was classified as other receivables at 31 December 2018 but has been reclassified to investments at 31 December 2019 for presentation purposes. See note 12 for further details.

**Cash and cash equivalents**

Cash and cash equivalents as at 31 December 2019 of \$4,398,000 (2018: \$17,320,000) comprise cash held by the Group.

**Restricted cash and cash equivalents**

Restricted cash and cash equivalents of \$4,131,000 (2018: \$4,210,000), is cash held in an escrow account as part of the security for the Coris Bank loan (note 17).

**Net debt reconciliation**

	At 1 January 2019 \$'000	Adoption of IFRS 16 \$'000	Cash flow \$'000	Foreign exchange movement \$'000	Amortisation of issue costs/ other \$'000	At 31 December 2019 \$'000
Unrestricted cash	17,320	—	(11,858)	(1,064)	—	4,398
Restricted cash	4,210	—	—	(79)	—	4,131
<b>Total cash &amp; cash equivalents</b>	<b>21,530</b>	<b>—</b>	<b>(11,858)</b>	<b>(1,143)</b>	<b>—</b>	<b>8,529</b>
Borrowings (note 17)	(60,931)	—	20,809	1,246	(1,124)	(40,000)
Lease liabilities (note 19)	—	(24,959)	11,871	—	494	(12,594)
<b>Net debt</b>	<b>(39,401)</b>	<b>(24,959)</b>	<b>20,822</b>	<b>103</b>	<b>(630)</b>	<b>(40,065)</b>

	At 1 January 2018 \$'000	Cash flow \$'000	Foreign Exchange Movement \$'000	Amortisation of issue costs \$'000	At 31 December 2018 \$'000
Unrestricted cash	36,210	(17,360)	(1,530)	—	17,320
Restricted cash	4,410	—	(200)	—	4,210
<b>Total cash &amp; cash equivalents</b>	<b>40,620</b>	<b>(17,360)</b>	<b>(1,730)</b>	<b>—</b>	<b>21,530</b>
Borrowings (note 17)	(64,650)	1,742	2,889	(912)	(60,931)
<b>Net debt</b>	<b>(24,030)</b>	<b>(15,618)</b>	<b>1,159</b>	<b>(912)</b>	<b>(39,401)</b>



# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## 17. BORROWINGS

	Coris Senior Loan Facility \$'000	Coris Second Ball Mill Facility \$'000	Total Borrowings \$'000
<b>At 1 January 2019</b>	<b>51,763</b>	<b>9,168</b>	<b>60,931</b>
Issue costs capitalised in the year	—	162	162
Issue costs amortised in the year	912	50	962
Interest capitalised during the year	—	572	572
Interest charged during the year	3,994	286	4,280
Principal & interest repayments during the year	(24,069)	(1,597)	(25,661)
Foreign exchange gain during the year	(1,055)	(191)	(1,246)
<b>Total borrowings at 31 December 2019</b>	<b>31,550</b>	<b>8,450</b>	<b>40,000</b>
<b>Analysed as:</b>			
<b>Current</b>	<b>21,402</b>	<b>8,450</b>	<b>29,852</b>
<b>Non-current</b>	<b>10,148</b>	<b>—</b>	<b>10,148</b>

### Coris Senior Loan Facility

On 11 April 2017, the Group's subsidiary, Société des Mines de Komana SA ("SMK") entered into a senior secured term debt facility with Coris Bank International ("Coris") for CFA 37,000,000,000 (approximately \$60,000,000). On 10 April 2017 SMK drew down the CFA 15,500,000,000 (approximately \$25,000,000) and on 4 July 2017 drew down the remaining CFA 21,500,000,000 (approximately \$35,000,000). The debt facility has the following key terms:

- A 4 year term.
- Interest at 9% per annum (payable monthly).
- Principal deferral period of 12 months from first draw down, payable monthly thereon.

### Coris Second Ball Mill Facility

On 26 November 2018, following approval for the construction of the Second Ball Mill at the Yanfolila Mine, the Group's subsidiary, SMK, entered into a senior secured term debt facility with Coris for CFA 5,500,000,000 (approximately \$9,600,000). On 28 December 2018 SMK drew down the balance of the facility. The debt facility has the following key terms:

- A 2 year term.
- Interest at 9% per annum (payable monthly).
- Principal deferral period of 12 months from first draw down, payable monthly thereon.

### Coris Overdraft Facility

On 26 November 2018, the Group's subsidiary, SMK entered into an overdraft facility with Coris for CFA 5,500,000,000 (approximately \$9,400,000 at 31 December 2019 exchange rate), to provide additional working capital flexibility. This facility was renewed on 19 December 2019. The Coris Overdraft Facility carries an interest rate of 9% per annum and remains available twelve months from date of renewal. This facility was undrawn as at 31 December 2019.

Security for the borrowings was granted to Coris over the assets of SMK, a parent company guarantee and restricted cash held in an escrow account (note 16).

The Group records and measures borrowings at amortised cost, using the effective interest rate method.

## 18. PROVISIONS

### (a) Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2029. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices, which are inherently uncertain.

	Rehabilitation provision \$'000
<b>At 1 January 2018</b>	—
Arising during the year	13,229
Unwinding of discount	312
<b>At 31 December 2018</b>	<b>13,541</b>
Arising during the year	740
Remeasurement	278
Unwinding of discount	320
<b>At 31 December 2019</b>	<b>14,879</b>
Analysed as:	
Current	—
Non-current	14,879
<b>At 31 December 2019</b>	<b>14,879</b>

## 19. LEASES

The Group leases mining equipment, power plant generators and office space with terms of two to five years. Lease payments represent rentals payable by the Group for the Yanfolila Gold Mine power plant generators, fixed mining equipment in addition to lease costs for properties located in Liberia, Mali, and the head office in the UK. The Group has elected not to recognise right of use assets for lease of low value and/or short-term leases.

### (a) Right of use assets

Information about leased assets for which the Group is a lessee is presented below:

	Plant & Equipment \$'000	Offices \$'000	Total \$'000
<b>Cost</b>			
Initial adoption of IFRS 16, at 1 January 2019	24,482	477	24,959
Remeasurements	(1,005)	(2)	(1,007)
<b>At 31 December 2019</b>	<b>23,477</b>	<b>475</b>	<b>23,952</b>
<b>Depreciation</b>			
<b>At 1 January 2019</b>	—	—	—
Charge for the year	10,839	173	11,012
<b>At 31 December 2019</b>	<b>10,839</b>	<b>173</b>	<b>11,012</b>
<b>NBV at 31 December 2019</b>	<b>12,638</b>	<b>302</b>	<b>12,940</b>

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## (b) Lease liabilities

### Maturity analysis

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 \$'000	2018 \$'000
Within one year	8,970	1,901
In the second to fifth years inclusive	4,970	5,898
Greater than five years	—	—
Total undiscounted lease liabilities at 31 December	13,940	7,799

Lease liabilities included in the statement of financial position at 31 December 2019 were:

	Lease liability \$'000
<b>At 31 December 2018</b>	—
At adoption of IFRS 16	24,959
Remeasurement	(1,007)
Lease liability and lease interest paid during the year	(11,871)
Interest expenses on lease liabilities	513
<b>At 31 December 2019</b>	<b>12,594</b>
Analysed as:	
Current	8,933
Non-current	3,661
<b>At 31 December 2019</b>	<b>12,594</b>

Amounts recognised in statement of comprehensive income includes depreciation on right of use assets of \$11 million and \$513,000 interest expense on lease liabilities. Low value and short-term lease charges of \$16,000 were also charged into the income statement during the year. A further \$62,000 was capitalised into exploration and evaluation assets in respect of Liberian based short term leases.

Total of \$11,871,000 was paid during the year in respect of lease principal and interest, and this is reflected in statement of cash flows under financing activities.

## 20. DEFERRED TAX

Differences between IFRS and statutory tax rules give rise to temporary differences between the carrying values of certain assets and liabilities for financial reporting purposes and for income tax purposes.

At 31 December 2019, the Group had unrecognised deferred tax assets of \$19,386,000 (2018: \$15,776,000) in respect of UK and Malian tax losses. No deferred tax asset has been recognised in respect of these amounts as the recovery is dependent on the future profitability, the timing and the certainty of which cannot reasonably be foreseen.

The table below sets out the maximum deferred tax assets and liabilities that could be recognised by the Group at 31 December 2019. The liability of \$12,461,000 (2018: \$5,832,000) in respect of accelerated tax depreciation is fully offset against tax losses at the Mali corporate tax rate of an equal amount. The resulting net deferred tax balance of \$Nil is therefore omitted on the face of the Group's statement of financial position.

	UK Corporate Tax Rate		Mali Corporate Tax Rate <sup>1</sup>		
	Deferred tax assets \$'000	Deferred tax liability \$'000	Deferred tax assets \$'000	Deferred tax liability \$'000	Net deferred tax assets \$'000
At 31 December 2017	6,554	—	—	—	6,554
Revisions on earlier taxes rates	(85)	—	—	—	(85)
Tax losses during the year	596	—	14,543	—	15,139
Accelerated tax depreciation	—	—	—	(5,832)	(5,832)
<b>At 31 December 2018</b>	<b>7,065</b>	<b>—</b>	<b>14,543</b>	<b>(5,832)</b>	<b>15,776</b>
Tax losses during the year	1,081	—	9,158	—	10,239
Accelerated tax depreciation	—	—	—	(6,629)	(6,629)
<b>At 31 December 2019</b>	<b>8,146</b>	<b>—</b>	<b>23,701</b>	<b>(12,461)</b>	<b>19,386</b>

	2019 \$'000	2018 \$'000
Revisions on earlier taxes rates	—	(85)
Tax losses during the year	10,239	15,139
Accelerated tax depreciation	(6,629)	(5,832)
Effect of different tax rates	626	429
<b>Deferred tax assets not recognised (note 10)</b>	<b>4,236</b>	<b>9,651</b>

1 — The taxation of the Group's operations in Mali are aligned to the mining convention (Mining Code of Mali 1999) under which tax is charged at an amount not less than 1% of turnover and not more than 30% of taxable profits.

## 21. TRADE AND OTHER PAYABLES

	2019 \$'000	2018 \$'000
Trade payables	15,809	20,084
Other taxes and social security	6,125	5,496
VAT payable	354	93
Accruals	16,611	13,060
Other payables	910	1,054
	<b>39,809</b>	<b>39,787</b>

The average credit period taken for trade purchases is 46 days (2018: 56 days). Where possible the Group seeks to settle agreed payables within the contractual timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Included within accruals is an amount of \$28,000 (2018: \$910,000) being an apportionment of the cash award in respect of Hummingbird Incentive Plan – Performance Orientated ("HIPPO 2016") (note 25). The pension creditor at 31 December 2019 was \$nil (2018: \$10,000).

Also included within accruals is an amount of \$1,250,000 being 50% of the \$2,500,000 settlement agreed with Taurus Funds Management Pty Ltd ("Taurus"). This amount was paid prior to 31 March 2020 in line with the settlement agreement. As previously announced Taurus had brought a claim of \$10 million.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## 22. OTHER FINANCIAL LIABILITIES

	2019 \$'000	2018 \$'000
Royalty liability	15,000	15,000
Warrant liability (notes 9 and 24)	—	319
	15,000	15,319

### Royalty liability

On 17 December 2012 the Group entered into a royalty financing arrangement with APG AUS No 5 Pty Limited (a wholly owned subsidiary of Anglo Pacific Group PLC "APG") in relation to Dugbe. Under the terms of the agreement APG agreed to advance \$15m in three equal tranches subject to the satisfaction of certain criteria. The first tranche of \$5m was received on 14 March 2013 and the second tranche of \$5m was received on 10 April 2013, the third tranche of \$5m was received on 13 March 2014 giving a total of \$15m.

During that same year the advances were converted into a 2% net smelter return royalty from any sales of product mined within a 20km radius of Dugbe. After an initial grace period of six months following the commencement of commercial production, in the event that quarterly sales of gold produced are less than 50,000 oz, additional quarterly payments will be required until such time as the cumulative royalty paid is \$15m (the maximum total payment in any such quarter is equivalent to the royalty that would have arisen on sales of 50,000 oz of gold). Following this period the royalty is 2% except where both the average gold price is above \$1,800 and sales of gold are less than 50,000 oz, in which case it increases to 2.5% in respect of that quarter.

The amount advanced of \$15m is repayable in certain limited circumstances, such as a change in control, and therefore is treated as a financial liability. The amounts advanced are secured by legal charges over the assets of Hummingbird Resources (Liberia) Inc and Sinoe Exploration Limited, and a legal charge over the shares of Hummingbird Resources (Liberia) Inc, Sinoe Exploration Limited and Golden Grebe Mining Limited. Additionally, the Company has provided a guarantee to APG regarding the obligations of its subsidiaries in respect of this arrangement.

## 23. SHARE CAPITAL

### Authorised share capital

As permitted by the Companies Act 2006, the Company does not have an authorised share capital.

### Issued equity share capital

	2019		2018	
	Number	\$'000	Number	\$'000
<b>Issued and fully paid</b>				
Ordinary shares of £0.01 each	354,155,878	5,301	351,826,899	5,271

The Company has one class of Ordinary shares which carry no right to fixed income.

	Number of Ordinary Shares of £0.01
<b>At 1 January 2018</b>	<b>344,741,250</b>
Issue of shares – exercise of warrants <sup>1</sup>	6,197,353
Issue of shares – exercise of options <sup>2</sup>	888,296
<b>At 31 December 2018</b>	<b>351,826,899</b>
Issue of shares – exercise of options <sup>3</sup>	2,328,979
<b>At 31 December 2019</b>	<b>354,155,878</b>

1 — On 13 June 2017 the Company took up the option with La Petite Mine D'Or ("LPMDO") to acquire its 5% interest in the Yanfolila project for \$1,000,000. The Group also acquired the 1% royalty over the Yanfolila mine from LPMDO for consideration of \$1,000,000. The total consideration of \$2,000,000 was paid through issuing 6,197,353 ordinary shares in the Company on 30 April 2018.

2 — On 9 August 2018, 888,296 options were exercised in the Company. Of the 888,296 options exercised, 90,000 were exercised at a price of £0.22 in return for £20,000 (\$26,000) and 798,296 exercised at a price of £0.01 in return for £8,000 (\$10,000).

3 — On 24 February 2019, 1,861,302 options were exercised in the Company. A further 467,677 options were exercised on 11 November 2019. All options were exercised at £0.01 per share return for £23,000 (\$30,000).



The total number of outstanding warrants and share options are:

	Number
<b>Warrants</b>	
As at 31 December 2018	6,786,602
<b>Lapsed</b>	<b>(6,786,602)</b>
<b>As at 31 December 2019</b>	<b>—</b>
<b>Share options</b>	
As at 31 December 2018	18,530,352
Issued	751,427
Exercised	(2,328,979)
Lapsed	(1,506,750)
<b>As at 31 December 2019</b>	<b>15,446,050</b>
<b>Total</b>	<b>15,446,050</b>

#### 24. WARRANTS ISSUED

On 21 June 2016 the Company granted 8,286,602 warrants as part of a fundraising:

Number of warrants granted	402,966	7,883,636
Exercise price of the warrants	£0.22	£0.22
Fair value of the warrants at the dates of grant	\$0.117 (£0.08)	\$0.117 (£0.08)
Final exercise date	21/06/2019	31/12/2019
Number of warrants exercised in prior period (note 24)	—	(1,500,000)
Number of warrants lapsed in the period (note 24)	(402,966)	(6,383,636)
Number of share options outstanding as at 31 Dec 2019	—	—

The fair value of the warrants granted was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the warrants were granted. The expected volatility was determined based on the volatility of the Company's own historic volatility from listing on AIM.

The table below lists the principal assumptions and inputs to the model used to fair value the warrants granted on the 21 June 2016 and to fair value the warrants at reporting date:

	31 Dec 2018	Date of grant
Share price	\$0.273 (£0.215)	\$0.325 (£0.222)
Expected dividend yield	Nil	Nil
Expected volatility	45.98%	49.00%
Expected life	1	3.5 Years
Risk free interest rate	0.757%	0.87%
Resultant fair value	\$0.048 (£0.038)	\$0.117 (£0.08)

All the warrants lapsed during the year and any gains or losses reversed. A gain of \$1,049,000 was recognised in prior year as shown in note 9.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## 25. SHARE BASED PAYMENTS

The following table outlines movement in share options granted and outstanding:

### Share options

	2018 Number	Granted Number	Exercised Number	Lapsed Number	2019 Number
Granted 26/10/2010	3,095,000	—	—	(135,000)	2,960,000
Granted 5/12/2013	1,924,000	—	—	(20,000)	1,904,000
Granted 30/09/2016	7,386,204	—	(2,238,070)	—	5,148,134
Granted 26/09/2017	201,704	—	(90,909)	—	110,795
Granted 30/04/2018	5,923,444	—	—	(1,220,315)	4,703,129
Granted 24/01/2019	—	751,427	—	(131,435)	619,992
<b>Total number of share options</b>	<b>18,530,352</b>	<b>751,427</b>	<b>(2,328,979)</b>	<b>(1,506,750)</b>	<b>15,446,050</b>
<b>Weighted average exercise price</b>	<b>£0.07</b>	<b>£0.01</b>	<b>£0.01</b>	<b>£0.03</b>	<b>£0.08</b>

Of the total number of share options outstanding at 31 December 2019, 10,122,929 (2018: 10,572,857) had vested and were exercisable.

The weighted average fair value of share options granted during the year was \$0.298 (£0.229) (2018: \$0.434, (£0.315)).

The weighted average share price (at the date of exercise) of share options exercised during the year was \$0.3 (£0.231) (2018: \$0.363 (£0.282)).

The exercise price of share options outstanding at 31 December 2019 ranged between £0.01 and £0.22 (2018: £0.01 and £0.22) and their weighted average contractual life was 6 years (2018: 7 years).

The following table outlines share based payment charges:

	2018 \$'000	2018 \$'000
Charge for equity settled share-based payments (HIPPO 2016) *	371	518
Charge for equity settled share-based payments (HIPPO 2018)	740	—
Charge/(release) for cash settled share-based payments (CEO Deferred bonus)	13	(338)
<b>Total share-based payment charges</b>	<b>1,124</b>	<b>180</b>
<b>Total share-based payment charges recognised in profit and loss</b>	<b>753</b>	<b>(338)</b>

\* Included within share-based payments for the year is \$371,000 (2018: \$518,000) capitalised to mine development assets.

### Hummingbird incentive plan – performance orientated (“HIPPO 2016”)

In recognition of the critical importance of delivering the Yanfolila Mine (“the Mine”) on time, on budget, to retain and incentivise key team members, and to align management and shareholders, the Company granted options to certain group employees and directors of the Company under the rules of HIPPO, subject to a maximum dilution limit of 20% of issued share capital. On 30 September 2016 and 26 September 2017, the Company granted 7,954,386 and 727,272 share options respectively. Additionally, cash awards were granted with a total value of \$2,450,000 based on a 95% probability of meeting the vesting criteria.

	Share award	Cash award (\$'000)
Total award granted	8,681,658	2,450
Exercise price of the options	£0.01	—
Fair value of the options at the dates of grant		
30 Sep 2016	\$0.312 (£0.24)	—
26 Sep 2017	\$0.446 (£0.33)	—
Vesting:		
25% – from the first gold pour at the Mine <sup>1</sup>	2,170,415	*
25% – from the passing of completion tests in respect of the Mine <sup>2</sup>	2,170,415	*
25% – 12 months from first gold pour at the Mine <sup>3</sup>	2,170,414	*
25% – 24 months from first gold pour at the Mine <sup>4</sup>	2,170,414	*
Number of shares options exercised or lapsed in prior periods	(1,093,750)	—
Number of share options exercised or lapsed during the current period	(2,328,979)	—
<b>Number of share options outstanding as at 31 December 2019</b>	<b>5,258,929</b>	<b>—</b>

\* Proportionally in line with vesting conditions and prevailing exchange rates at the date of payment.

1 — First gold was successfully poured on 17 December 2017, upon which options vested. Cash award paid in December 2017.

2 — Completion tests successfully met in June 2018, upon which options vested. Cash award paid July 2018.

3 — Options vested 17 December 2018. Cash award paid January 2019.

4 — Options vested 19 December 2019. Cash award paid December 2019.

The fair value of both the equity settled share award and cash award was capitalised to mine development assets on a straight-line basis over the vesting period of the award.

The fair value of equity-settled share options granted was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on the volatility of similar quoted companies as well as the Company's own historic volatility from listing on AIM. The table below lists the principal assumptions and inputs to the model used:

	Date of grant	
	26 Sep 2017	30 Sep 2016
Share price	\$0.459 (£0.340)	\$0.324 (£0.249)
Expected dividend yield	Nil	Nil
Expected volatility	46.52%	47.78%
Expected life	2 years	3 years
Risk free interest rate	0.447%	0.164%
Resultant fair value	\$0.446 (£0.33)	\$0.312 (£0.24)
Multiplied by the probability of meeting the vesting conditions at date of grant	95%	95%

#### Hummingbird incentive plan – performance orientated ("HIPPO 2018")

The Company announced on 30 April 2018 that it had implemented the Hummingbird Incentive Plan – Performance Orientated 2018 ("HIPPO 2018") incentive scheme to retain and incentivise key team members to deliver efficient production from Yanfolila in its first year of operations. The initial grant was for 6,157,819 share options. Additionally, cash awards were granted with a total value of \$2,010,000 based on an 80%, 75% and 50% probabilities (respectively) of meeting the vesting criteria. As a result of operational challenges during 2018, no options vested during the performance period 1 April 2018 to 31 December 2018.

In recognition of the critical importance of the recovery plan announced on 29 November 2018 and to retain and incentivise key team members, on 24 January 2019 the Company amended the targets for the HIPPO 2018 incentive scheme to align these with the Company's key objectives for 2019, without any increase to dilution.

As the core team is developed, further awards may be made under HIPPO 2018 subject to a maximum dilution limit from HIPPO 2018 of 5% of the issued share capital from time to time.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

The below reflect HIPPO 2018 as at 31 December 2019:

	Share award	Cash award (\$'000)*
Total award granted 30 April 2018 – original grant	6,157,819	2,010
Black scholes revaluation change	—	(507)
Lapsed as part of amendment	(234,375)	(231)
Reissued as part of amendment	751,427	9
Total HIPPO 2018 awards granted – as amended	6,674,871	1,281
Lapsed during year	(1,351,750)	(771)
Number of share options outstanding as at 31 December 2019	5,323,121	510
Exercise price of the options – amended	\$0.013 (£0.010)	—
Fair value of the options at the date of grant -amended	\$0.298 (£0.229)	—

\* Proportionally in line with vesting conditions and prevailing exchange rates at the date of payment.  
Performance period 1 January 2019 to 31 December 2019.

The Company has the option to defer payment of cash awards until sufficient funds are available or settle in shares.

The fair value of equity-settled share options granted was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on the volatility of similar quoted companies as well as the Company's own historic volatility from listing on AIM. The table below lists the principal assumptions and inputs to the model used for options granted:

	Date of grant
Share price at the date of amended grant	\$0.311 (£0.239)
Expected dividend yield	Nil
Expected volatility	45.89%
Expected life	4.0 years
Risk free interest rate	0.819%
Resultant fair value	\$0.298 (£0.229)
Multiplied by the probability of meeting the vesting conditions at date of grant of 80%, 75% and 50% (respectively).	

## CEO Deferred bonus

On 1 June 2014, contingent on the successful acquisition by the Company (or a subsidiary of the Company) of the Yanfolila Project the Company awarded the Chief Executive Officer a deferred bonus in the form of a cash settled share based payment equivalent to the cash value on the date of payment of 1,785,714 shares (subject to a maximum share price of £2.016). This bonus is deferred and except in the event of a change of control, only becomes payable after a vesting period of 2 years and at the earlier of the Chief Executive Officer ceasing to be a director of the Company or 10 years.

The Yanfolila Project was acquired on 2 July 2014 and accordingly this cash settled share-based payment was granted on that date. The share price and resultant fair value of this cash settled share based payment was estimated as at the date of grant as \$0.99 (£0.58) and \$1,774,000 (£1,036,000) respectively, which was spread over the vesting period of 2 years and is re-measured at each reporting date using the share price on that date. The share price as at 31 December 2019 was \$0.28 (£0.2125) (2018: \$0.273, £0.215).

As a result of movement in the share price and changes in foreign exchange rates, the deferred bonus liability was increased by \$13,000 (2018: reduced by \$338,000 as a result of strengthening in share price).

## Long term incentive plan ("LTIP")

On 1 July 2014 the shareholders approved the adoption of a LTIP for the purpose of retaining and motivating the executive directors to deliver the proposed new strategy. The LTIP was rebased on 21 June 2016 as part of the fundraise to recapitalise the Company.

Participants in the LTIP are limited to selected executive directors ("executives") except in exceptional circumstances. Allocations of the LTIP are proposed by the Principal Director (currently the CEO) and ratified by the board. As at 31 December 2019 no allocation had been proposed. The LTIP will issue shares to the participants for adding material long term shareholder value and therefore align the interest of the executives with the shareholders by providing a strong incentive for the executives to drive shareholder value. The value that may be delivered to executives and the dilution of shareholders are commensurate with levels applying in schemes implemented by industry comparators.

Under the LTIP, shares may be distributed to participants depending upon the value that has been added to shareholders over the vesting period. No value will accrue to the LTIP if the growth in shareholder value is less than 50% of the market capitalisation of Hummingbird on 21 June 2016. If the growth in shareholder value is over 50%, a proportion of value added to shareholders will accrue to the LTIP, increasing progressively, starting at 5% of the value added to shareholders up to a maximum of 15% of the value added to shareholders above 150%. Shares with a value equal to the value accrued in the LTIP will be issued on vesting or the value can be settled in cash at the Company's option. There is also the flexibility to allow early payments under the LTIP where assets or companies are disposed of and value has been added exceeding 50% on the same principles.

## 26. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	2019 \$'000	2018 \$'000
<b>Profit/(loss) before tax</b>		<b>9,396</b>	<b>(11,650)</b>
Adjustments for:			
Amortisation and depreciation	14 & 13	28,083	20,006
Amortisation and depreciation – right of use assets	19	11,012	—
Share based payments	25	850	(338)
Finance income	9	(2,241)	(4,797)
Finance expense	9	8,278	9,119
Share of associate loss	12	62	235
Share of joint venture loss	12	4	2
Impairment of associate	12	—	2,044
Reversals in impairment of financial assets	16	(23)	(88)
(Gain)/losses on financial assets measured at fair value	16	(2,218)	198
Operating cash flows before movements in working capital		53,203	14,731
Increase in inventory		(4,275)	(8,915)
(Increase)/decrease in receivables		(121)	1,624
(Decrease)/ increase in payables		(2,438)	10,694
		46,369	18,134
<b>Taxation paid</b>		<b>(1,645)</b>	<b>—</b>
<b>Net cash inflow from operating activities</b>		<b>44,724</b>	<b>18,134</b>

Cash and cash equivalents (which are presented as a single class of assets on the statement of financial position) comprise cash in hand, cash at bank and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets is approximately equal to their fair value.

## 27. FINANCIAL INSTRUMENTS

In common with all other businesses, the Group and Company are exposed to risks that arise from its use of financial instruments. This note describes the Group's and Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Capital

The Company and Group define capital as share capital, unissued share capital, share premium, other reserves and retained earnings. In managing its capital, the Group's primary objective is to provide a return to its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long term operational and strategic objectives.

### Externally imposed capital requirements

The Group is not subject to externally imposed capital requirements.

### 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 3 to the Consolidated Financial Statements.



# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## Principal financial instruments

The principal financial instruments used by the Group from which financial risk arises are as follows:

### Categories of financial instruments

	Financial assets measured at amortised cost		Financial assets measured at fair value through profit or loss		Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Financial assets</b>								
Cash and cash equivalents (note 16)	8,529	21,530	—	—	—	—	—	—
Investments (note 12)	—	—	6,103	—	—	—	—	—
Other receivables (note 16)	9,730	9,431	—	1,903	—	—	—	—
	18,259	30,961	6,103	1,903	—	—	—	—
<b>Financial liabilities</b>								
Borrowings (note 17)	—	—	—	—	40,000	60,931	—	—
Lease liabilities (note 19)	—	—	—	—	12,594	—	—	—
Trade payables (note 21)	—	—	—	—	15,809	20,084	—	—
Other payables (note 21)	—	—	—	—	910	1,054	—	—
Accruals (note 21)	—	—	—	—	16,611	13,060	—	—
Royalty liability (note 22)	—	—	—	—	15,000	15,000	—	—
Warrant liability (note 22)	—	—	—	—	—	—	—	319
	—	—	—	—	100,924	110,129	—	319

## General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. Whilst retaining ultimate responsibility for these, the Board has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Group's finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies set.

The overall objective of the Board is to set policies that seek to reduce risk as far as practical without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's investment in cash, trade and other receivables.

In respect of investments in cash, the Group seeks to deposit funds with reputable financial institutions until such time as it is required.

### Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss model are trade and other receivables.

The Group's credit risk on the trade receivables is concentrated with its primary customer, a global physical precious metals merchant with a strong credit rating. The historical level of customer defaults is nil. As a result, the credit risk associated with trade receivables at December 31, 2019 is considered negligible.

The Group's credit risk on other receivables include amounts receivable from the Government of Mali. Having completed a recoverability assessment on other receivables in accordance with IFRS 9, the Group revaluated the expected credit loss allowance 31 December 2019 (note 16).

The Group's credit risk management practices and how they relate to the recognition and measurement of expected credit losses is set out below.

### Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is more than 75 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

**Determination of credit-impaired financial assets**

The Group considers financial assets to be 'credit-impaired' when the following events, have occurred:

- default or late payments;
- significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- observations of default or breach of contract; and
- it becoming probable that the counterparty will enter bankruptcy or liquidation.

Where a significant increase in credit risk is identified, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

**Write-off policy**

Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

**Lifetime expected credit losses**

A reconciliation of the lifetime expected credit losses at 1 January 2019 and 31 December 2019 in accordance with IFRS 9, is set out below.

	Other receivables Government of Mali \$'000
<b>As at 1 January 2018 (under IAS 39)</b>	—
Restated through opening retained earnings	1,903
Decrease during the year	(88)
<b>As at 31 December 2018 (under IFRS 9)</b>	<b>1,815</b>
Decrease during the year	(23)
<b>As at 31 December 2019</b>	<b>1,792</b>

**Liquidity risk**

Liquidity risk arises from the Group and Company's management of working capital and the amount of funding committed to its work programmes. It is the risk that the Group or Company will encounter difficulty in meeting its financial obligations as they fall due.

The Group and Company's policy is to ensure that sufficient funds will be available to allow it to meet its liabilities as they fall due. To achieve this, the Board receives cash flow projections as well as information regarding available cash balances on a regular basis. The Board will not commit to material expenditures prior to being satisfied that sufficient funding is available. The Group's borrowings including maturity dates are detailed in note 17.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. The Group's interest-bearing financial liabilities are at a fixed rate of interest.

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

## Foreign exchange risk and foreign currency risk management

The Group is exposed to foreign exchange risk through certain costs being denominated in currencies other than the functional currency, and from holding non-functional currency cash balances.

Although the Group has no formal policy in respect of foreign exchange risk, as the majority of the Group's forecast expenditures are in United States Dollars, Australian Dollars, the Euro, Sterling, South African Rand, and West Africa CFA Franc, the Group holds the majority of its funds in these currencies. Currency exposures are monitored on a monthly basis.

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

	Liabilities		Assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Australian Dollars ("AUD")	—	91	79	166
Canadian Dollars ("CAD")	—	26	77	57
Euros ("EUR")	31	17	763	2,673
Sterling ("GBP")	5,412	3,653	1,461	2,179
South African Rand ("ZAR")	46	1,224	—	763
West African CFA Franc ("FCFA")	52,746	79,966	14,778	22,466

Foreign currency sensitivity analysis

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily to movements in the \$ against the EUR, GBP, ZAR and FCFA. The Group ensures it places any excess liquidity in stable currencies to reduce its exposure to foreign currency risks. Foreign exchange differences on retranslation of monetary assets and liabilities are recorded in the income statement.

At 31 December, if the \$ had weakened/strengthened by 10% against the EUR, GBP, ZAR and FCFA, with all other variables held constant, the impact on profit before tax on the non-\$ denominated financial assets and liabilities would have been as follows. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year timeframe. A positive amount in the table reflects a potential net increase in the profit before tax:

	2019 \$'000	2018 \$'000
Increase in comprehensive income and net assets - EUR	73	266
Decrease in comprehensive income and net assets - GBP	(395)	(147)
Decrease in comprehensive income and net assets - ZAR	(12)	(46)
Decrease in comprehensive income and net assets – FCFA	(3,797)	(5,750)

## 28. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### Transactions with Stephen Betts & Sons Limited

During the year Stephen Betts & Sons Limited charged the Company \$68,000 (2018: \$116,000) under a contract for the provision of staff, office equipment and warehouse space. There were \$19,000 accrued outstanding charges between the parties as at 31 December 2019 (2018: \$Nil). Amounts outstanding are unsecured and have been settled in cash.

Additionally, during the year the Company sold Stephen Betts & Sons Limited \$1,774,000 (2018: \$209,000) in gold grain and investment gold coins at a premium to the spot gold price. There was \$171,000 accrued outstanding sales between the parties as at 31 December 2019 (2018: \$1,000). Amounts outstanding are unsecured and have been settled in cash.

Stephen Betts & Sons Limited is a related party of the Group because Stephen Betts and Daniel Betts are shareholders and Directors of the ultimate parent company.

### Transactions with Pygmy Hippo Foundation

During the year the Company made charitable, arms-length donations of \$nil to the Pygmy Hippo Foundation during the year (2018: \$38,000). Pygmy Hippo Foundation is a related party of the Group because Daniel Betts and Thomas Hill are Directors of the Pygmy Hippo Foundation.

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2019 \$'000	2018 \$'000
Short-term employee benefits	1,403	1,403
Social security cost	153	151
Pensions	34	68
Share based payment charge/(release)	259	(254)
Increase/(reduction) in provision for potential social security costs on share options	52	(77)
	1,901	1,291

## 29. COMMITMENTS

As at 31 December 2019 the Group had commitments of \$2,286,000 (2018: \$14,666,000) in respect of the Yanfolila Project.

## 30. EVENTS AFTER THE REPORTING DATE

### Hummingbird incentive plan – performance orientated (“HIPPO 2020”)

The Company announced on 27 February 2020 that it had, consistent with prior years, initiated the HIPPO 2020 incentive scheme to retain and incentivise key team members to deliver on the Company’s strategy.

The options under HIPPO 2020 have been granted over ordinary shares in the Company of £0.01 each (“Shares”) and have an exercise price of £0.01 per Share. Subject to the performance criteria being met for each respective tranche and continuous employment with positive performance, under normal circumstances, the RSUs shall vest 50% by 31 March 2021, 25% by 31 December 2021 and 25% by 31 December 2022. These are allocated as follows:

#### a) Production Tranche:

- 1/9 of the RSUs will vest if 120,000 (or more) ounces of gold are poured between 1 January 2020 and 31 December 2020.
- A further 1/9 of the RSUs will vest if 125,000 (or more) ounces of gold are poured between 1 January 2020 and 31 December 2020.
- A further 1/9 of the RSUs will vest if 130,000 (or more) ounces of gold are poured between 1 January 2020 and 31 December 2020.

#### b) Cost and Cashflow Tranche:

- 1/6 of the RSUs will vest if the Yanfolila AISC (as announced by the Company), as normalised for a US\$0.70 / litre fuel price and a US\$1,350 gold price, is equal to or lower than US\$850 per ounce sold;
- 1/6 of the RSUs will vest if the Company is in a net cash position by 31 December 2020.

#### c) Performance Tranche:

- up to 1/3 of the RSUs may vest based on participant performance against individually set KPIs and the Company’s overall ESG and safety performance, at the Board’s discretion, following the recommendation of the Remuneration Committee.

Once vested, any RSUs may be exercised during a set exercise period determined by the Company and notified to the option holders. This is intended to be a minimum of a one-week period per year when the Company is in an “open period” under MAR. Unvested RSUs will normally lapse on cessation of employment for any reason. The RSUs holders will retain vested RSUs following cessation of employment and will have two years from the date of cessation of employment to exercise, after which the option shall lapse.

The performance period runs from 1 January 2020 to 31 December 2020.

### Hummingbird incentive plan – performance orientated (“HIPPO 2018”)

As announced on 27 February 2020, the following Restricted Share Units (“RSUs”) will vest in line with achieved performance criteria following approval by the Remuneration Committee.

- 50% or 619,907 RSUs vested on 27 February 2020
- 25% or 309,954 RSUs will vest on 31 December 2020
- 25% or 309,954 RSUs will vest on 31 December 2021

# Notes to the Consolidated Financial Statements continued

For the year ended 31st December 2019

Once vested, any RSUs may be exercised during a set exercise period determined by the Company and notified to the option holders. All the unvested RSUs have lapsed in line with the plan rules.

## **Cora Gold Limited ("Cora")**

On 18 March 2020 Cora issued 60,838,603 new ordinary shares of no-par value, as a part of a planned fundraising. Following the placement the Group's shareholding in Cora was diluted from 18.00% to 12.25%. The Group remains a substantial shareholder in Cora and will continue to work closely with Cora in its metallurgical test work programme which is exploring the amenability of oxide ore at Cora's Sanankoro Gold Project to be concentrated for commercial trucking to Hummingbird's Yanfolila Gold Mine.

## **Bunker Hill Mining Corporation**

On 26 February 2020, the Group acquired a further 1,392,857 shares in the company for a total consideration of \$600,000 at a price of \$0.43 (CAD\$0.56) a share, split as conversion of loan of \$300,000 due from Bunker Hill as well as cash investment of \$300,000. Following this, the Group holds 4,052,857 Common Shares, equating to an interest in Bunker Hill of 5.8 per cent.

## **Betts Investments Limited ("BIL")**

In April 2020, due to the increased global demand for physical product, the Group exercised its option to invest a further \$93,000 (£75,000) in BIL. This investment increases the Group's stake to 49%.

## **COVID-19**

The impact of COVID-19 is considered to represent a non-adjusting post balance sheet event as at 31 December 2019. For further information on the potential future impact of COVID-19, refer to the Chief Executive's statement within the Strategic Report.



# Company Statement of Financial Position

As at 31 December 2019

	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	36	87,848	57,786
Financial assets at fair value through profit or loss	36	4,991	—
Property, plant and equipment	37	168	285
Right of use assets	41	302	—
Receivables from subsidiaries	38	36,740	71,330
		130,049	129,401
<b>Current assets</b>			
Inventory	39	2,242	3,998
Trade and other receivables	39	3,724	4,529
Cash and cash equivalents	39	1,108	1,630
		7,074	10,157
<b>Total assets</b>		137,123	139,558
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	41	103	—
		103	—
<b>Current liabilities</b>			
Trade and other payables	40	6,680	4,852
Lease liabilities	41	186	—
Other financial liabilities	40	—	319
		6,866	5,171
<b>Total liabilities</b>		6,969	5,171
<b>Net assets</b>		130,154	134,387
<b>Equity</b>			
Share capital	42	5,301	5,271
Retained earnings		124,853	129,116
<b>Total equity</b>		130,154	134,387

As permitted by section 408 of the Act, the Company has elected not to present its statement of comprehensive income for the year. Hummingbird Resources PLC reported a loss for the year ended 31 December 2019 of \$4,685,000. The financial statements were approved by the Board of Directors and authorised for issue on 02 June 2020.

They were signed on its behalf by:

**DE Betts**  
**Director**

The notes to the Company financial statements form part of these financial statements.

# Company Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
<b>Net cash outflow from operating activities</b>	<b>44</b>	<b>(4,821)</b>	<b>(7,775)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(22)	(114)
Increase in investment in subsidiaries		—	(513)
Decrease in amounts lent to subsidiaries		4,845	1,168
Purchase of shares in other companies		(402)	(105)
Loans provided net of issue costs		—	(2,000)
Interest received		65	94
<b>Net cash generated by/ (used in) investing activities</b>		<b>4,486</b>	<b>(1,470)</b>
<b>Financing activities</b>			
Exercise of share options		30	36
Lease liability payments		(193)	—
<b>Net cash (used in)/ from financing activities</b>		<b>(163)</b>	<b>36</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(498)</b>	<b>(9,209)</b>
Effect of foreign exchange rate changes		(24)	(344)
<b>Cash and cash equivalents at beginning of year</b>		<b>1,630</b>	<b>11,183</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,108</b>	<b>1,630</b>

# Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
<b>As at 31 December 2017</b>	<b>5,176</b>	<b>148,930</b>	<b>2,000</b>	<b>(15,609)</b>	<b>140,497</b>
Aggregate adjustments on adoption of IFRS 9	—	—	—	(1,233)	(1,233)
<b>Balance at 1 January 2018 as restated</b>	<b>5,176</b>	<b>148,930</b>	<b>2,000</b>	<b>(16,842)</b>	<b>139,264</b>
Comprehensive loss for year:					
Loss for year	—	—	—	(5,431)	(5,431)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5,431)</b>	<b>(5,431)</b>
Transactions with owners in their capacity as owners:					
Shares to be issued	84	1,916	(2,000)	—	—
Exercise of warrants	11	25	—	—	36
<b>Total transactions with owners in their capacity as owners</b>	<b>95</b>	<b>1,941</b>	<b>(2,000)</b>	<b>—</b>	<b>36</b>
Share based payments	—	—	—	518	518
Cancellation of share premium <sup>1</sup>	—	(150,871)	—	150,871	—
<b>As at 31 December 2018</b>	<b>5,271</b>	<b>—</b>	<b>—</b>	<b>129,116</b>	<b>134,387</b>
Comprehensive loss for year:					
Loss for year	—	—	—	(4,685)	(4,685)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,685)</b>	<b>(4,685)</b>
Share based payments	30	—	—	422	452
<b>As at 31 December 2019</b>	<b>5,301</b>	<b>—</b>	<b>—</b>	<b>124,853</b>	<b>130,154</b>

1 — On 25 September 2018 the Company received court approval for the cancellation of the Company's share premium. The cancellation has the effect of creating distributable reserves.

## Share capital

The share capital comprises the issued ordinary shares of the Company at par value.

## Share premium

The share premium comprises the excess value recognised from the issue of ordinary shares for consideration above par value.

## Retained earnings

Retained earnings comprise distributable reserves.

## Other Reserves

Other reserves comprise of shares that are awaiting to be issued in connection with the purchase of minority interest.

# Notes to the Company Financial Statements

For the year ended 31 December 2019

## 31. ADOPTION OF NEW AND REVISED STANDARDS

### Initial application of IFRS 16 'Leases' (IFRS 16)

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The Company adopted IFRS 16, 'Leases' retrospectively from 1 January 2019 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to office space which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019 of 10%.

At date of adoption on 1 January 2019, the financial impact of applying IFRS 16 is set out below:

	Right of use assets \$'000	Lease liability \$'000	Net assets impact \$'000
Adoption of IFRS 16 – Leases	477	(477)	—
<b>Recognition of assets and liabilities at 1 January 2019 under IFRS 16</b>	<b>477</b>	<b>(477)</b>	<b>—</b>

All the Company's leases were previously classified as operating leases under IAS 17.

The associated right-of-use assets were measured at the amount equal to the lease liability therefore there was no adjustment to retained earnings on adoption.

The above lease liability at 1 January 2019 was determined as follows:

	Total \$'000
Operating lease commitments disclosed at 31 December 2018	532
<b>Discounted using lessee's incremental borrowing rate at date of initial adoption</b>	<b>477</b>
<b>Lease liability recognised at 1 January 2019</b>	<b>477</b>

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following when applying IFRS 16 for the first time:

- Judgement as to whether any previous leases under IAS 17, are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for low value operating leases as well as operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using management judgement in determining the lease term where the contract contains options to extend or terminate the lease.

## 32. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006 (the "Act"). As permitted by the Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

### Investments

Fixed asset investments, except those carried at fair value through profit or loss, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

## 33. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company's financial statements, and in particular its investments in and receivables from subsidiaries, are affected by the critical accounting judgements and key sources of estimation uncertainty in respect of the recoverability of exploration and evaluation assets which are described in note 4 to the consolidated financial statements.

### Recoverability of investment in subsidiaries

Where the majority of the assets of subsidiary undertakings are exploration and evaluation assets and mine development assets, determining whether an investment in a subsidiary is impaired requires an assessment of whether there are any indicators of impairment of these underlying exploration and evaluation assets. If there is any indication of potential impairment, an impairment test is required based on value in use of the asset. This assessment involves judgement as to: (i) the likely future commerciality of each cost pool of assets; (ii) when such commerciality should be determined, and (iii) the potential future revenues and value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

As the market capitalisation of the Group was less than the carrying value of the Company's net assets as at 31 December 2019, an impairment review was carried out in respect of the carrying values of the investment in subsidiaries as stated in the Company Statement of Financial Position. As part of the impairment review of the carrying value of the Group's mine development assets and exploration and evaluation assets the Directors considered that there was no impairment as at 31 December 2019.

### Recoverability of receivables from subsidiaries and impairment of financial assets

Receivables from subsidiaries represent trading balances and interest free amounts advanced to Group companies with no fixed repayment dates, being amounts due from; Hummingbird Resources (Liberia) Inc, focused on supporting the Group's Liberia exploration interests; and Trochilidae Resources Limited, focused on supporting the Group's wider business, including its Mali operations. In accordance with IFRS 9 'Financial Instruments', where the counterparty would not be able to repay the loan if demanded at the reporting date, the Company has made an assessment of expected credit losses.

Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, the Company recognised a lifetime expected credit reversal of \$626,000 (2018: loss of \$1,129,900). The allowance for lifetime expected credit losses assessment requires a significant degree of estimation and judgement.

## 34. AUDITOR'S REMUNERATION

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

## 35. STAFF COSTS

The average monthly number of employees (including directors) was:

	2019 Number	2018 Number
Directors	7	7
Other employees	11	11
	18	18
	\$'000	\$'000
Their aggregate remuneration comprised:		
Wages and salaries	2,696	3,018
Social security costs	353	331
Pensions	82	115
Charge/(release) for share based payments	696	(32)
Charge/(release) for potential social security costs related to share based payments	97	(106)
	3,924	3,326

Within wages and salaries, \$1,403,000 (2018: \$1,403,000) relates to remuneration payable to directors, included within share based payments is a net charge of \$259,000 (2018: net release from accruals \$338,000) under cash-settled share based payment scheme payable to directors, and within pensions is \$34,000 (2018: \$68,000) relating to pension contributions in respect of directors.

The total remuneration of the highest paid director is \$742,000 (2018: \$486,000) comprising \$724,000 (2018: \$447,000) in relation to wages and salaries including bonuses paid and pension contributions of \$18,000 (2018: \$39,000).

The number of directors to whom benefits are accruing under defined contribution pension schemes is 2 (2018: 2).

Key management remuneration is disclosed in note 28 to the consolidated financial statements.



# Notes to the Company Financial Statements continued

For the year ended 31 December 2019

## 36. INVESTMENTS

### (a) Investments and investments in joint ventures and subsidiaries:

	\$'000
<b>Investments – Cora Gold</b>	
At 31 December 2017	771
Provision for impairment	(495)
At 31 December 2018	276
Reclassification to assets held at fair value through profit or loss	(276)
<b>At 31 December 2019</b>	—
<b>Investments in joint ventures</b>	
At 31 December 2018	105
Additions	—
<b>At 31 December 2019</b>	105
<b>Investment in subsidiaries<sup>1</sup></b>	
At 31 December 2017	56,633
Additions	772
At 31 December 2018	57,405
Additions	30,338
<b>At 31 December 2019</b>	87,743
<b>Total investments</b>	
<b>At 31 December 2018</b>	57,786
<b>At 31 December 2019</b>	87,848

#### 1 — Investment in Subsidiaries

The Company's subsidiaries are disclosed in note 15 to the consolidated financial statements. The additions in the year include \$338,000 (2018: \$772,000) in respect of HIPPO 2016 incentive scheme that have not been recharged to subsidiaries as well as \$30,000, 000 recapitalisation of a receivable from a subsidiary.

### (b) Financial assets at fair value through profit or loss:

	Cora Gold		Bunker Hill – shares and Warrants <sup>1</sup>		Bunker Hill – convertible loan		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Reclassification	276	—	—	—	1,903	—	2,179	—
Additions	402	—	—	—	—	—	402	—
Conversion of loans	—	—	100	—	(100)	—	—	—
Accrued interest	—	—	—	—	217	—	217	—
(Loss)/gains through profit or loss	(59)	—	2,197	—	55	—	2,193	—
<b>Closing carrying value</b>	<b>619</b>	<b>—</b>	<b>2,297</b>	<b>—</b>	<b>2,075</b>	<b>—</b>	<b>4,991</b>	<b>—</b>

1 — Warrants are valued using the Black Scholes model.

#### Investments – Cora Gold Limited ("Cora")

On 27 September 2019 the Company subscribed for an additional 4,730,000 ordinary shares at 7 pence a share as part of an equity raise by Cora Gold. Additionally, the Company has a warrant to subscribe for a further 4,730,000 shares at a price of 10 pence per share, exercisable 12 months from date of admission of the 2019 placing, which at 21 December 2019, had an immaterial value of \$22,000 which has not been recognised.

The investment in Cora Gold has been deemed to be a level 1 asset under the fair value hierarchy. This instrument has been valued using publicly quoted share price. The Company recognised a fair value loss of \$59,000 (2018: impairment charge of \$495,000).

#### Bunker Hill Mining Corporation – shares, warrants and convertible loans

The Company entered into an arm's length convertible loan arrangement, with Bunker Hill Mining Corp ("Bunker Hill"), a Canadian listed exploration and development company, advancing \$1,500,000 and \$500,000 on 18 June 2018 and 9 August 2018 respectively. The loan is repayable by June 2020 and attracts interest of 10% p.a. calculated daily from date of advance until repayment or conversion. The loans and accrued interest can be converted to common shares at CAD\$8.50 and CAD\$4.50 per share, respectively. This loan was classified as other receivables at 31 December 2018 but has been reclassified to investments as at 31 December 2019 for better presentation.

On 21 June 2019, the Company converted \$100,000 of the loan due from Bunker Hill for 2,660,000 Bunker Hill shares at a cost of CAD\$0.05 per share at time of conversion. As part of this investment the Company also has option to acquire an additional 2,660,000 shares at a cost of CAD\$0.25 per share within 24 months from the conversion date. The investment is carried at fair value through profit.

The shares in Bunker Hill have been deemed to be a level 1 asset under the fair value hierarchy. This instrument has been valued using publicly quoted share price. The Company regards the warrants and the convertible loans to be level 2 asset under the fair value hierarchy. These have been valued using a combination of quoted prices calculations under the Black Scholes model.

### 37. PROPERTY, PLANT & EQUIPMENT

	Owed \$'000
<b>Cost</b>	
<b>At 31 December 2017</b>	<b>670</b>
Additions	114
<b>At 31 December 2018</b>	<b>784</b>
Additions	22
<b>At 31 December 2019</b>	<b>806</b>
<b>Accumulated depreciation</b>	
<b>At 1 January 2018</b>	<b>374</b>
Charge for the year	125
<b>At 31 December 2018</b>	<b>499</b>
Charge for the year	139
<b>At 31 December 2019</b>	<b>638</b>
<b>Carrying amount</b>	
<b>At 31 December 2018</b>	<b>285</b>
<b>At 31 December 2019</b>	<b>168</b>

### 38. RECEIVABLES FROM SUBSIDIARIES

	2019 \$'000	2018 \$'000
Receivables from subsidiaries	37,243	72,459
Less: Cumulative allowance for expected credit losses	(503)	(1,129)
	36,740	71,330

Receivables from subsidiaries represent deferred trading balances and amounts advanced to Group companies, in the interest of supporting long term growth, and are therefore shown within non-current assets. These include amounts due from; Hummingbird Resources (Liberia) Inc, focused on supporting the Group's Liberia exploration interests; and Trochilidae Resources Limited, focused on supporting the Group's wider business, including its Mali operations. Receivables from subsidiaries are interest free and repayable on demand. In accordance with IFRS 9 'Financial Instruments', where the counterparty would not be able to repay the loan if demanded at the reporting date, the Company has made an assessment of expected credit losses.

Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, the Company recognised a lifetime expected credit reversal of \$626,000 (2018: loss of \$1,129,900). The net cumulating lifetime expected credit loss for the balance is \$503,000 at 31 December 2019. The allowance for lifetime expected credit losses assessment requires a significant degree of estimation and judgement. Refer to note 46 for a reconciliation of lifetime expected credit losses.

The Directors consider that the carrying amount of the receivables from subsidiaries approximates their fair value.

### 39. CURRENT ASSETS

#### Inventory

	2019 \$'000	2018 \$'000
Finished gold	2,242	3,998
	2,242	3,998

# Notes to the Company Financial Statements continued

For the year ended 31 December 2019

At 31 December 2019, inventory included a provision of \$nil to adjust finished gold to net realisable value (2018: \$105,000).

Finished gold consist of Single Mine Origin ('SMO') gold coins and gold grain, originating from the Yanfolila Gold Mine in Mali. Further details are set out on the Group's website.

## Trade and other receivables

	2019 \$'000	2018 \$'000
Other receivables	486	2,386
Prepayments and accrued income	568	392
Trade receivables - intercompany	2,670	1,751
	<b>3,724</b>	<b>4,529</b>

## Bunker Hill Mining Corporation

The Company entered into an arm's length convertible loan arrangement, with Bunker Hill Mining Corp ("Bunker Hill"), a Canadian listed exploration and development company, advancing \$1,500,000 and \$500,000 on 18 June 2018 and 9 August 2018 respectively. The loan is repayable by June 2020 and attracts interest of 10% p.a. calculated daily from date of advance until repayment or conversion. This loan was classified as other receivables at 31 December 2018 but has been reclassified to investments as at 31 December 2019 for better presentation.

## Cash and cash equivalents

Cash and cash equivalents as at 31 December 2019 of \$1,108,000 (31 December 2018: \$1,630,000) comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

The Company's principal financial assets are bank balances and cash and receivables from related parties, none of which are past due. The Directors consider that the carrying amount of receivables from related parties approximates their fair value.

## 40. CURRENT LIABILITIES

### Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables	1,454	2,105
Other taxes and social security	432	98
VAT	47	94
Accruals	3,018	1,975
Other payables	445	446
Trade payables - Intercompany	1,284	134
	<b>6,680</b>	<b>4,852</b>

The average credit period taken for trade purchases is 70 days (2018: 63 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

**41. LEASES**

The Company leases office space with terms of up to five years. Lease payments represent rentals payable by the Company for those office spaces in the UK. The Company has elected not to recognise right of use assets for lease of low value and/or short-term leases.

**(a) Right of use assets**

Information about leased assets for which the Company is a lessee is presented below:

	Offices \$'000
<b>Cost</b>	
<b>Initial adoption of IFRS 16, at 1 January 2019</b>	477
Remeasurements	(2)
<b>At 31 December 2019</b>	475
<b>Depreciation</b>	
<b>At 1 January 2019</b>	—
Charge for the year	173
<b>At 31 December 2019</b>	173
<b>NBV at 31 December 2019</b>	302

**(b) Lease liabilities****Maturity analysis**

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 \$'000	2018 \$'000
Within one year	186	239
In the second to fifth years inclusive	123	293
Greater than five years	—	—
<b>Total undiscounted lease liabilities at 31 December</b>	<b>309</b>	<b>532</b>

Lease liabilities included in the statement of financial position at 31 December 2019 were:

	Lease liability \$'000
<b>At 31 December 2018</b>	—
At adoption of IFRS 16	477
Remeasurement	(2)
Lease liability and interest paid during the year	(193)
Interest expense on lease liabilities	7
<b>At 31 December 2019</b>	<b>289</b>
Analysed as:	
Current	186
Non-current	103
<b>At 31 December 2019</b>	<b>289</b>

Amounts recognised in statement of comprehensive income includes depreciation on right of use assets of \$173,000 and \$7,000 interest expense on lease liabilities. A total of \$193,000 of lease principal and lease interest were also paid during the year and disclosed within financing activities on the statement of cash flows.

# Notes to the Company Financial Statements continued

For the year ended 31 December 2019

## 42. SHARE CAPITAL

The movements on this item are disclosed in note 23 to the consolidated financial statements.

## 43. SHARE BASED PAYMENTS

The Company's share-based payments information is disclosed in note 25 to the consolidated financial statements.

## 44. NOTES TO THE STATEMENT OF CASH FLOWS

	2019 \$'000	2018 \$'000
<b>Loss before tax</b>	<b>(4,685)</b>	<b>(5,431)</b>
Adjustments for:		
Amortisation and depreciation	312	125
Share based payments	793	(338)
Finance income	(246)	(1,214)
Finance expense	86	530
Impairment of investments	—	495
Impairment of financial assets	—	33
Reversals in impairment of financial assets	(626)	(137)
(Gain)/losses on financial assets measured at fair value	(2,193)	198
<b>Operating cash flows before movements in working capital</b>	<b>(6,559)</b>	<b>(5,739)</b>
Decrease/(increase) in inventories	1,756	(3,998)
(Increase)/decrease in receivables	(1,097)	2,310
Increase/(decrease) in payables	1,079	(348)
<b>Net cash outflow from operating activities</b>	<b>(4,821)</b>	<b>(7,775)</b>



#### 45. FINANCIAL INSTRUMENTS

The Company's strategy and financial risk management objectives are described in note 27.

##### Principal financial instruments

The principal financial instruments used by the Company from which risk arises are as follows:

Categories of financial instruments	Financial assets measured at amortised cost		Financial assets measured at fair value through profit or loss		Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Financial assets</b>								
Cash and cash equivalents	1,108	1,630	—	—	—	—	—	—
Other receivables	486	483	—	1,903	—	—	—	—
Investments	—	—	4,991	—	—	—	—	—
Intercompany trade receivables	2,670	1,751	—	—	—	—	—	—
Loans due from subsidiaries	36,740	71,330	—	—	—	—	—	—
	41,004	75,194	4,991	1,903	—	—	—	—
<b>Financial liabilities</b>								
Trade payables	—	—	—	—	1,454	2,104	—	—
Other payables	—	—	—	—	445	446	—	—
Accruals	—	—	—	—	3,018	1,975	—	—
Intercompany trade payables	—	—	—	—	1,284	134	—	—
Lease liabilities	—	—	—	—	289	—	—	—
Warrant liability <sup>1</sup>	—	—	—	—	—	—	—	319
	—	—	—	—	6,490	4,659	—	319

1 — The fair value of the warrant liability (note 24) has been determined using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data, and is therefore a level 3 financial instrument. All the warranties expired at the end of 31 December 2019.

The risks that the Company is subject to in addition to the Group risks described in note 27 are set out below:

##### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. In addition to the risks described in note 27, which affect the Group, the Company is also subject to credit risk on receivables from subsidiaries.

# Notes to the Company Financial Statements continued

For the year ended 31 December 2019

## Lifetime expected credit losses

A reconciliation of the lifetime expected credit losses at 31 December 2019 in accordance with IFRS 9, is set out below.

	Receivables from subsidiaries		
	Hummingbird Resources (Liberia) Inc \$'000	Trochilidae Resources Limited \$'000	Total \$'000
<b>As at 1 January 2018 (under IAS 39)</b>	—	—	—
Restated through opening retained earnings	724	509	1,233
<b>Opening allowance for expected credit losses</b>	<b>724</b>	<b>509</b>	<b>1,233</b>
Increase / (decrease) during the year	33	(137)	(104)
<b>As at 31 December 2018 (under IFRS 9)</b>	<b>757</b>	<b>372</b>	<b>1,129</b>
Decrease during the year	(254)	(372)	(626)
<b>As at 31 December 2019 (under IFRS 9)</b>	<b>503</b>	<b>—</b>	<b>503</b>

The Company applied IFRS 9 'Financial Instruments' for the first time on 1 January 2018. As a result of the adoption, the cumulative catch-up approach has been applied. Any adjustments arising on transition to IFRS 9 were recognised in opening retained earnings.

## Foreign currency exposure and sensitivity analysis

The Company is exposed to foreign exchange risk through certain costs being denominated in currencies other than the functional currency, and from holding non-functional currency cash balances.

The carrying amounts of the Company's foreign currency denominated financial assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Australian Dollars ("AUD")	20	85	—	—
Canadian Dollars ("CAD")	—	26	74	56
Euros ("EUR")	—	1	378	—
Sterling ("GBP")	5,396	3,312	925	633
South African Rand ("ZAR")	16	1,150	—	687

## Foreign currency sensitivity analysis

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily to movements in the \$ against the EUR, GBP and ZAR. The Company ensures it places any excess liquidity in stable currencies to reduce its exposure to foreign currency risks. Foreign exchange differences on retranslation of monetary assets and liabilities are recorded in the income statement.

At 31 December, if the \$ had weakened/strengthened by 10% against the EUR, GBP and ZAR, with all other variables held constant, the impact on profit before tax on the non-\$ denominated financial assets and liabilities would have been as follows. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year timeframe. A positive amount in the table reflects a potential net increase in the profit before tax:

	2019 \$'000	2018 \$'000
Decrease in comprehensive income and net assets - AUD	(2)	(8)
Increase in comprehensive income and net assets - CAD	8	3
Increase in comprehensive income and net assets - EUR	38	—
(Decrease)/increase in comprehensive income and net assets - GBP	(447)	(268)
Decrease in comprehensive income and net assets - ZAR	(2)	(46)

**46. RELATED PARTIES**

The Company has entered into a number of unsecured related party transactions with its subsidiary undertakings. The most significant transactions carried out between the Company and its subsidiary undertakings are mainly for short and long-term financing. Amounts owed from these entities are interest free and repayable on demand. The following amounts were outstanding at the reporting date:

As at 31 December 2018	Hummingbird Resources (Liberia) Inc \$'000	Trochilidae Resources Limited \$'000	Société des Mines de Komana SA \$'000	Total \$'000
Trade receivables - Intercompany	347	1,404	—	1,751
Loans due from related parties	34,138	37,192	—	71,330
<b>Total related party receivables</b>	<b>34,485</b>	<b>38,596</b>	<b>—</b>	<b>73,081</b>
Trade payables - Intercompany	—	134	—	134
<b>Total related party payables</b>	<b>—</b>	<b>134</b>	<b>—</b>	<b>134</b>

As at 31 December 2019	Hummingbird Resources (Liberia) Inc \$'000	Trochilidae Resources Limited \$'000	Société des Mines de Komana SA \$'000	Total \$'000
Trade receivables - Intercompany	379	2,291	—	2,670
Loans due from related parties	36,740	—	—	36,740
<b>Total related party receivables</b>	<b>37,119</b>	<b>2,291</b>	<b>—</b>	<b>39,410</b>
Trade payables - Intercompany	—	1,284	—	1,284
<b>Total related party payables</b>	<b>—</b>	<b>1,284</b>	<b>—</b>	<b>1,284</b>

During the year, the Company entered into the following related party transactions with its subsidiary undertakings:

Year ended 31 December 2018	Hummingbird Resources (Liberia) Inc \$'000	Trochilidae Resources Limited \$'000	Société des Mines de Komana SA \$'000	Total \$'000
Management fees	90	2,159	—	2,249
Recharge of technical fees	—	3,508	—	3,508
<b>Total sales with related parties</b>	<b>90</b>	<b>5,897</b>	<b>—</b>	<b>5,987</b>

Year ended 31 December 2019	Hummingbird Resources (Liberia) Inc \$'000	Trochilidae Resources Limited \$'000	Société des Mines de Komana SA \$'000	Total \$'000
Management fees	90	3,701	—	3,791
Recharge of technical fees	—	3,588	—	3,588
<b>Total sales with related parties</b>	<b>90</b>	<b>7,289</b>	<b>—</b>	<b>7,379</b>

The Company's transactions with other related parties and remuneration of key management personnel are disclosed in note 28 to the consolidated financial statements.

**47. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date are disclosed in note 30 to the Consolidated Financial Statements.

## Company Information & Advisers

### Company Secretary

Thomas Hill

### Registered Office & Head Office

49-63 Spencer Street, Hockley,  
Birmingham, West Midlands, B18 6DE,  
United Kingdom

### Company number

05467327

### Nominated Adviser & Broker

#### **Strand Hanson Limited**

26 Mount Row  
London, W1K 3SQ, United Kingdom

### Auditors

#### **RSM UK Audit LLP**

25 Farringdon Street,  
London, EC4A 4AB, United Kingdom

### Solicitors to the Company (UK Law)

#### **Gowlings WLG (UK) LLP**

4 More London Riverside  
London, SE1 2AU, United Kingdom

### Registrars

#### **Link Asset Services**

6th Floor, 65 Gresham Street  
London, EC2V 7NQ, United Kingdom

### Bank

#### **Barclays Bank**

1 Churchill Place, Canary Wharf  
London, E14 5HP, United Kingdom

"It is not the strongest who survive, or  
even the most intelligent – but those  
fastest to embrace change" - **Basil de Tent**



