

Produce

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# Annual Report & Accounts 2016

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"The work completed during 2016 has laid the foundations for an exceptional 2017; where the bird flies the nest and becomes a standalone cash generative entity"

Basil De Tent

"The person who is not hungry says the coconut has a hard shell"

# Snapshot

## Yanfolila Gold Project, Mali

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First gold pour  
targeted by end of 2017

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132,000oz in year 1 production  
at US\$620/oz cash cost

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60% IRR and US\$162m NPV

## Dugbe Gold Project, Liberia

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US\$186m NPV

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29% IRR

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20 year LoM

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125,000 oz Avg production per year

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At DFS stage

## Corporate

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US\$76m equity raised in 2016  
Snapshot corporate

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Largest mining fund raise on  
AIM in 4 years

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Shareholders include Gold Fields,  
Sprott, Capital, RCF & Odéy  
Fidelity and Majedie

## Proven Management

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Strong team with proven track  
record bringing mining projects  
into production

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Founded by Dan Betts in 2005

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Experience in Africa

## Quality Assets

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Two large-scale gold assets

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6.4 moz gold inventory

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2.2 moz Au Yanfolila project in Mali

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4.2 moz Au Dugbe project in Liberia

# Company Highlights

**US\$60<sub>m</sub>**

Debt Facility with Coris  
Bank International

**US\$76<sub>m</sub>**

Raised in equity in 2016

**US\$54<sub>m</sub>**

Cash in the bank  
at year end

## Cumulative Projects NPV Chart NPV (US\$M)

**US\$372<sub>m</sub>**

Total

1. Yanfolila and Gonka NPV is based on a US\$1,250 gold price assumption and Dugbe is based on a US\$1,300 gold price assumption.
2. Gonka and Dugbe are at Scoping Study level and there are no Reserves on either Project.

## Production

Bringing the fully funded Yanfolila Gold Project to low-cost production is the immediate priority

## Development

Dugbe and Yanfolila offer significant development upside

## Exposure

Assess strategic opportunities ahead of the next rising gold market

## Exploration

Maximise on new discovery opportunities across large land holding

# Chairman's Statement

I am pleased to report that Hummingbird Resources Plc ("Hummingbird" or "the Company") has followed the strong progress of 2015 with another year of significant and positive development in 2016.

Whilst the macro-economic and geo-political environment have become no clearer since I last wrote to you, at Hummingbird, the team has focused on delivery against the factors it has within its control – namely, ensuring that the project economics are robust, progressing the physical development of the Yanfolila Gold Project ("Yanfolila" or "Yanfolila Project") in Mali, ensuring that we have the financing available as and when required and ensuring that we have a suitably experienced and capable team to deliver our stated aim of "first gold" by end of 2017.

We completed our Definitive Feasibility Study ("DFS") in January 2016 and the Optimised Mine Plan in February 2016, which reinforced the promising economics of the project – an average 107,000 oz/ year of gold production, an internal rate of return ("IRR") of 60% (at US\$1250 oz gold price), and an all in sustaining cost ("AISC") of under US\$700 per oz. All of which were significant improvements on our previous expectations.

With the improvements in project economics and planning we set out to fully fund the project and this was achieved through new equity funding of US\$76m completed in 2016, followed by mandating Taurus to provide a US\$45m debt facility, plus an un-drawn US\$10m cost overrun facility in December 2016. Post the year end the Company replaced the Taurus Facility with Coris Bank International ("Coris").

We commenced building the project team in 2015 and the process continued in 2016 with the appointment of a construction team with a wealth of experience in both gold and Africa. Following this bolstering of the team, a crucial milestone during the period was the start of construction on site. Shareholders can follow its progress via the photos and videos on our website and I would encourage you all to have a look – seeing is believing! I am also pleased to report that we have managed construction on time and budget through the year and this has continued into 2017. In January we hosted the first visit to site for financial analysts and I was pleased to read their positive conclusions from their interactions with the team during the visit.

Our Sustainability (Corporate Social Responsibility ("CSR")) programme continued to make good progress during the year. We support local communities in both healthcare and education, with the aim of developing new skills that will create long term prosperity and employment.

We greatly value our close relationship with the Government of Mali ("GoM") and were delighted to conclude our shareholder agreement with them in February 2017. We are pleased to have the GoM and the local communities as partners with us at Yanfolila and we are determined to make a positive contribution to the economic and social development of our host country.

In Liberia, where we have our Dugbe Gold Project, we completed and announced

the positive results of a hydro power pre-feasibility study. The baseline monitoring continues on the project and the Company continues to evaluate the best ways to develop the asset into a mine. With a resource of 4.2Moz gold and a large exploration land package, it is a very exciting asset that will be a mine of the future.

Of course, shareholders will recognise that building a new mine is never a straightforward nor easy process. What defines a successful mining company is their alertness to emerging issues and the rapidity and effectiveness of their reaction. During my time as Chairman, I have been very impressed by the way in which the Hummingbird team work together to overcome the inevitable issues and problems as and when they arise. Whilst we make excellent progress on all fronts, it is good to see that the team is anything but complacent. As you will recognise, it is far too early to declare 'victory' in our plans for Yanfolila but I have every confidence in the people to whom we have entrusted successful completion. I would like to take this opportunity to thank all at Hummingbird and its partners for their work in 2016 and their commitment to "first gold" by end of 2017.

**Russell King**  
**Non-executive Chairman**

Yanfolila  
Economics

US\$162m  
NPV

60%  
IRR

An outstanding  
year for the  
development  
of Yanfolila

US\$695/oz  
AISC

709k oz  
@3.14g/t probable  
ore reserve

# CEO's Statement

## 2016 was a seminal year in the development of Hummingbird.

The year started with the release of the DFS on our Yanfolila Gold Project in Mali, and within nine short months construction began on site. The robust fundamentals demonstrated in the DFS marked the project out as a low-cost producer and these numbers have been well publicised. At a gold price of US\$1,250, the project shows an IRR of 60% and importantly shows free cash flow of approximately US\$70m in the first full year of production. Importantly, the project also shows excellent downside protection with a robust IRR of 42% at a US\$1,100 spot gold price.

As we went to press with last year's annual report, the critical objectives for Hummingbird were to fund the US\$88m capex and attract a high calibre team to develop the mine. I am pleased to be able to report that both of these objectives have been achieved. Furthermore, the development of the mine is still performing in line with both the aggressive budgets and timelines we set for ourselves. Set out below is a summary of the key achievements and developments of the last 12 months.

### Financing

In 2016, the Company successfully raised US\$76m of new equity which represented the largest placing for a junior gold company on the AIM market in four years. I would like to both welcome new shareholders and thank existing shareholders for their support through this process. The placing re-capitalised the Company allowing us to commit to an ambitious schedule targeting an initial gold pour within 14 months from pouring concrete.

We ordered the construction of the ball mill within days of completing the fundraising, which enabled us to steal a march on the critical path for the project and importantly it enabled us to re-negotiate the terms of our debt financing. The new equity vastly reduced the equity to debt ratio in the project to in the region of 60:40 and made for a far more desirable funding proposition for debt providers. Subsequently we agreed to re-mandate Taurus Funds Management Pty Limited from Australia with a reduced facility of US\$45m and a US\$10m over run facility with an extension of the bridge loan to US\$25m to maintain momentum.

As the market recently learnt, in a post balance sheet event we were excited to be able to have replaced the Taurus facility with a senior loan from an African Bank called Coris Bank International. Coris is a major player in the African market-place and has not only offered better rates with no royalty, but will also be an influential partner capable of helping Hummingbird grow and providing invaluable African support.

### Government Shareholder Agreement

On the subject of African support, we were delighted to complete the Shareholder Agreement for La Société des Mines de Komana (the company which holds the Yanfolila mining licence) with the GoM. As the first company in Mali to have completed this negotiation in the last three years, we look forward to working with the Government as our partners as we continue to develop and support the mining industry in Mali. In line with this Shareholder Agreement, the Government of Mali will hold, as anticipated, an overall 20% interest in Yanfolila, following its agreement to pay US\$11m to exercise their right to acquire

an additional 10% of equity on top of their 10% free carry. I believe this exemplifies the Government of Mali's commitment and support of Yanfolila, and its confidence in the economic potential of our mine.

### Team building

With the possible exception of the financing of the project, by far the most important development of the year has been assembling the team to build the mine. We have attracted what I believe is a world class team and this sets us up to do great things going forward. The core management team is illustrated on the following page, and in addition to these senior roles I am also delighted to have been able to welcome David Lunt to the Company's Technical Advisory Committee ("TAC"). David, in his senior management positions with MINPROC, has overseen the design and development of dozens of process plants for companies including BHP Billiton, Vale and Rio and he is an invaluable resource for our development team to use for support.

### Yanfolila Project Development: Budget

The DFS delivered a project budget, including working capital to a point of positive cash flow, of US\$88m. This was an ambitious and aggressive target and I am pleased to say that we are currently 63% committed on the capital items and we are still tracking under this budget.

In addition to this budget, the Company also has to finance corporate overheads, Liberian expenditure, exploration costs, financing costs and the repayment of the outstanding US\$15m Taurus bridge facility that was used for the DFS. The re-capitalisation of the Company through US\$76m of equity has



## ORGANISATIONAL CHART

ensured that the Company is fully funded for all corporate expenditure and obligations above and beyond the project budget. This is an important differential between Hummingbird and many other development companies.

Despite being in the enviable position of being fully funded and with all development to date being on budget and on schedule, we are not complacent. As the project continues to progress from the drawing offices of Johannesburg to construction in the field, we are aware that we still have significant construction challenges to overcome throughout the rainy season in Mali and that with nearly 450 people on site even small delays can cause significant cost over runs. That said, we believe that we are well prepared for this phase of work and that we have effectively now removed the risk of capital item blow outs from the project being so committed. The challenge is now delivery and as I write this I can assure you that each and every person involved in the project is engaged, enthused and committed to bringing Yanfolila into production as scheduled.

### Critical Path

By definition, something is always on the critical path. Traditionally in projects of this nature, the ball mill, being the longest lead item, drives the critical path. I am pleased to say that construction of our ball mill is complete and that as I write it has recently arrived into the port of Abidjan for transporting to site. As a result, various other elements of the project hit the critical path; be it the front-end crushing circuit construction; the development of the tailings storage facility; the supply of reagents or simply the erecting and electrification of the plant. The team maintains a laser focus on this critical path and is constantly challenging it. As a result, I am equally pleased to say

that the project is still tracking on schedule for first gold by the year end.

### Engineering & Design

Together with our Engineering, Procurement, Construction Management ("EPCM") contractor, SENET, we have now completed all the detailed design drawings for the project, and under the guidance and leadership of Wayne Galea, our VP of EPCM, I am pleased that we have been able to make savings and efficiencies in this area by cutting out unnecessary steel and complications in the design which were present in the original DFS design.

### Construction

Over recent months the project has moved from the drawing office into the field. The preparatory earthworks were completed early in 2016 with the concrete foundations then being poured. The carbon in leach tanks are now over 70% complete and the steelwork for the gold room and reagent area is being erected. The front-end crushing circuit has been fabricated and is in transit for assembly on site, and the conveyors and construction therefore is all on schedule. Once constructed, the plant will need to be electrified and we have recently signed a power contract with Aggreko to provide 'over the fence' power from a bank of diesel generators. Finally, we will move into the commissioning stages of the plant in Q4 2017 ahead of our targeted first gold pour by the end of the year.

### Mining

During the year, we awarded a mining contract to African Mining Services ("AMS") which itself is a subsidiary of Ausdrill, a major provider of mining services listed in Australia. The competitive tender process resulted in a price that is better than the number used in our DFS and due to the 'fixed and variable' nature of the contract we are hopeful of

further additional savings that we can make. The AMS team has mobilised to site in April 2017 and their first task is to help with the construction of the tailings storage facility. They will then move into pre-production pre-stripping and mining of the ore body in August to ensure we have ore on the ROM pad prior to commissioning. Over the life of the mine, this contract has a nominal value of over US\$200m and is the most significant contract we will sign during the Yanfolila mine development. I am thankful to both Darren Gibcus and John Meneghini (VP Mining) for their assistance in drafting and negotiating this complex and material agreement.

### Camp Services and Infrastructure

With a current project head count of 450, rising to nearly 800 at the peak during pre-production mining and then stabilising at around 750 during steady state production, the ancillary services in order to support this operation have been significant. The camp is being fully upgraded with catering facilities, ablutions, laundry, access road upgrades, air strip evaluations, security, communications, mechanical maintenance and recreational facilities having all been built under the guidance of Will Cook, VP Operations. Without this platform there is no way the development team would have been able to deliver the project so effectively to date. The camp is also serviced by an expert medical group called Critical Care International ("CCI") whose first-class doctors have not only kept our staff and our contractors safe, but have proved invaluable in the roll out of our community development and medical training programmes.

### Social, Health, Environment and Community ("SHEC")

Before any mine is built, the focus of considerable attention is the risks associated with the impact and effects on local populations. Typical concerns include

# CEO's Statement

continued

potential problems with land acquisitions and relocations, artisanal miners being removed and levels of local workforce employment. These are all valid questions and concerns, and far too often in the mining industry they are only paid lip service. They are, however, absolutely instrumental to the success of the operation. There is no doubt in my mind that working with the local populations and making them a part of the business and the journey is the only way for a mine to be truly successful and leave a positive legacy. As such, I am delighted that we acquired this project from Gold Fields, a company which had invested heavily in the areas of education, health awareness and alternative livelihoods. I am even more delighted that under the expert guidance of David Hebditch, our VP SHEC, we have significantly enhanced these initiatives; from market gardens, local clinics, schools, training programmes to alternative skills and livelihood training. Furthermore, our current local employment on site is 90%.

During the year, we have also successfully completed all land acquisition without dispute and we have seen the departure of all artisanal miners from Komana East pit (with Komana West scheduled for later this year).

Furthermore, to date, construction has proceeded with zero lost time injuries which is indicative of the fantastic safety culture David is developing under the guidance of Shaun Bunn.

## Geology

Our geology department, led by Murray Paterson, VP Geology, has been largely focused on reducing risk during mining. They have concentrated on mine planning in different scenarios and infill drilling ahead of mining. Yanfolila is a multi-pit mining operation with multiple ore types in each pit. The plant has been built to provide for maximum flexibility, with an ability to process all ore types and blends of material. The successful mining operation however will depend on a water tight communication between the mining department and the processing team so that the plant is operating at maximum efficiency for the ore that is being presented to the mill. The glue in this equation is the geology department and under Murray we have been building a comprehensive understanding of the different ore types and potential different operating scenarios (for example bad weather) to ensure that our flexible approach will keep the plant full and recoveries at the best possible levels.

Exploration has taken a back seat over the past year, for the reasons stated above. However, as we approach the commencement of production, we are starting to now evaluate exploration targets (both brown and green fields) to extend the mine life at Yanfolila. We are in an enviable position because we already have the resources to extend the mine life. It is simply a question of prioritising the best ounces to convert to reserves and bringing these reserves into the mine plan first to improve the economics. We are excited about our

various expansion and exploration initiatives and I look forward to updating the market about these programmes in due course.

## Contractors

Above all else, building a mine is a team game. With so many different partners and contractors on site we have adopted a very open and collegiate approach to working with our partners and we believe this is paying dividends in terms of delivery. SENET is our lead EPCM contractor, with Imagri providing the main construction and civil work on site. Aggreko is providing the long-term power contract with Zen Petroleum providing the fuel. I would like to take this opportunity to thank all of our operators for working so tirelessly to help deliver this ambitious plan for Hummingbird and its shareholders.

## Trading Performance, Share Price & Value

During the period Hummingbird's share price rose from 12.5p to 18p, and post period end achieved highs of up to 27p. We issued 236,288,781 new shares in return for US\$76m.

Based on this capital structure and looking forward to our first year of full scale production, this marks Hummingbird out as the standout gold development trading in the public markets. It is trading on 1.26 times projected free cash flow for the first full year of production against an industry average which can range anywhere from 15–25 times<sup>1</sup>. In the first full year of production cash flow per share will be 20p.

This assessment of Hummingbird's exceptional position in the market does not take our 4.2Moz Dugbe Gold Project in Liberia into account. Broker Cantor Fitzgerald has suggested that this project could offer significant further upside and add a further 14p in value<sup>2</sup>.

It is with this in mind that I firmly believe that Hummingbird is due a re-rating in the market as it evolves into a profitable mining company and delivers the significant free cash flow highlighted in our DFS.

## Liberia

In 2013 we completed a PEA which showed, at a US\$1,300/oz gold price, a post-tax IRR of 29% and NPV<sub>10</sub> of US\$186m for the Dugbe Gold Project in Liberia. Since this study, we have been looking at ways to optimise this project based on the volatile gold price environment. In Liberia, over 30% of our operating costs relate to the cost of generating our own power and we have been conducting extensive studies in this area of the business. In August 2016, we delivered a hydro-electric power pre-feasibility study in partnership with Knight Piésold and funded by IFC InfraVentures ("IFC"). The study showed that hydro was a viable potential solution to power the Dugbe Gold mine and ongoing baseline monitoring is continuing to allow the study to be taken to the next stage.

Renewed confidence in gold makes Dugbe a very exciting prospect with almost unlimited exploration upside. The tightening in the


gold market for miners in recent years has understandably meant that the spotlight has to be on the near-term cash flows, higher grade reserves and compelling cash margins demonstrated at Yanfolila; but the Dugbe Gold Project is a sleeping giant which we are very excited to continue progressing.

## Conclusion

I would like to echo Russell's comments and thank all of our hard-working employees and consultants who have made many personal sacrifices during the last year to get Hummingbird to where it is. Without their efforts our projects would not have been able to develop at the same pace or to the same quality as they have and, I would like to single out Shaun Bunn as our overall project lead for his relentless energy and drive across all areas of the development of Yanfolila.

The work completed during 2016 has laid the foundations for an exceptional 2017; where the bird flies the nest and becomes a standalone cash generative entity. It is the financial community that incubate the eggs of discovery and nurture them through the exhaustive stages of evaluation and development and so I also want to thank all of our shareholders (old and new) for their commitment, trust and patience. At Hummingbird we are excited to be on the verge of this new chapter. We not only have the skills, but we also have the energy to transform Yanfolila into a highly profitable new mine, and also maximise value from our other assets and to build a best in class gold mining company.

Dan Betts  
Chief Executive Officer



1. Bloomberg data; April 2017
2. Cantor Fitzgerald research; June 2016

We not only have the skills,  
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# Yanfolila Gold Project Mali

The Yanfolila Gold Project is currently under construction. Construction commenced in October 2016 and is due to be completed in Q4 2017 in advance of first gold pour in December 2017. In April 2017 the construction is nearly 60% complete and remains on budget and schedule.

## Construction Update

At the time of writing (April 2017) construction remained on plan and on budget with forecast first gold pour still due for December 2017. Pre-production mining is due to commence in Q3 2017 before commissioning of the processing plant in Q4 2017. The progress of the various sections of the project at the time of the writing is as follows:

### Construction Update

Area	Progress completed
Process Design	91%
Detailed Engineering	99%
Procurement and Delivery	61%
Construction	36%
Committed Capex	63%
Commissioning	0%
<b>Overall</b>	<b>59%</b>

The development of Yanfolila is constantly evolving and for updated progress Shareholders should go to our website [www.hummingbirdresources.co.uk](http://www.hummingbirdresources.co.uk) for recent press releases, photographs and videos.

## Technical Studies

On 29 February 2016, the Company announced the results of an updated Reserve statement and mine schedule for Yanfolila. The positive implications of this are highlighted in the following table.

### Technical Studies

Yanfolila Project	US\$1,100	US\$1,250	US\$1,400
Production Year 1	132,000oz	132,000oz	132,000oz
LoM Production/year	107,000oz	107,000oz	107,000oz
LoM Grade	2.95g/t	2.95g/t	2.95g/t
Annual Throughput	1.24Mtpa	1.24Mtpa	1.24Mtpa
CAPEX	US\$88m	US\$88m	US\$88m
Recovery	92.8%	92.8%	92.8%
All in Sustaining Costs (US\$/oz)	US\$686	US\$695	US\$701
LoM NPV (8%)	US\$109m	US\$162m	US\$216m
After tax IRR	42%	60%	77%

## Life of Mine DFS, January 2016

The DFS has been compiled by DRA Projects ("DRA") for the Yanfolila Gold Project. CSA Global ("CSA"), were responsible for the Mineral Resource and Ore Reserves reports. SENET, a highly credentialed EPCM provider with significant West African gold experience, completed the metallurgical testwork, process design and engineering, and capital and operating cost estimates for the processing plant and the associated plant infrastructure. Other key contributors were Schlumberger Water Services ("SWS"), who carried out detailed hydrology and hydrogeological studies, and Ausenco Engineering Canada ("Ausenco"), who completed the design and cost estimates for the Tailings Storage Facility ("TSF").

- Structural, Mechanical, Plate work and Piping ("SMPP") contract commenced in January 2017 with IMAGRI SARL under the supervision of SENET
- Ball Mill completed and due to arrive at Yanfolila in May 2017
- Fuel supply contract signed with Zen Petroleum Mali SA ("Zen"), a well-established West African fuel company
- Process plant foundations largely complete
- Carbon-in Leach ("CIL") tanks construction due for completion in May 2017
- Tailings Storage Facility ("TSF") construction commenced with Inter Mining Services ("IMS"), a Malian civil contractor
- AMS mobilising to site to assist with TSF construction ahead of pre-production mining
- Completion of initial phase of pre-production grade control drilling
- Exploration plan to increase mine life is being developed

The DFS LoM Plan will progressively mine five open pits, starting initially with Komana East ("KE") and Komana West ("KW"), and then progressing to Guirin West ("GW"), Sanioumale East ("SE") and Sanioumale West ("SW"). The Company is also considering developing the high grade Gonka Resource, initially as an open pit, then moving to an underground mine. The plant will have a throughput capacity of 1.24Mtpa. The ore is non-refractory and the simple process plant design utilises gravity and CIL for the processing and recovery of the gold. The plant design incorporates industry standard unit process operations, consisting of primary and secondary crushing, closed-circuit ball milling with gravity concentration, intensive leach of the gravity concentrate, carbon-in-leach of the gravity tailings, elution, electro-winning, and smelting to produce gold doré. Mining will be carried out by AMS who have significant West African experience.

2.2 Moz  
(@ 2.4 g/t)

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in Mali

Yanfolila Gold  
Project is fully  
permitted with a  
30 year mining  
licence and  
environmental  
permit granted

# Yanfolila Gold Project

## Mali continued

### Resources and Reserves

#### Probable Reserves\*

Pits	Tonnes	Contained Ounces (Au)	Grade (g/t)
Komana East	4,606,000	470,600	3.18
Komana West	2,433,000	239,200	3.06
<b>Total</b>	<b>7,039,000</b>	<b>709,800</b>	<b>3.14</b>

#### Total Mineral Inventory

	Tonnes	Ounces	Grade (g/t)
CSA JORC	18,645,000	1,587,600	2.64
GF 2012 SAMREC	3,520,000	224,400	1.98
GF 2013 DRS – internal de-risking study <sup>111</sup>	6,324,200	390,700	1.92
<b>Total</b>	<b>28,629,596</b>	<b>2,195,748</b>	<b>2.39</b>

\* Total project Reserves and mineral inventory. Hummingbird interest is 75%

<sup>111</sup> Non-JORC and non-SAMREC

resources compliant to JORC Code (2012 Edition).

For a detailed breakdown of the Yanfolila Gold Project Reserves and Resources please see the London Stock Exchange announcement made by the Company on 15 December 2015. A copy of the announcement can be found on the Company's website [www.hummingbirdresources.co.uk](http://www.hummingbirdresources.co.uk)

### Geology

The Yanfolila Gold Project is situated within one of several sub-basins along the eastern margin of the Greater Siguiri Basin ("GSB"). The GSB straddles the Mali-Guinea border and forms the western margin of the Birimian Volcano-Sedimentary Basin ("BVSB"). Combined with the Archaean Kenema-Man Domain ("west of the GSB") and the pan-African Benin-Nigeria Shield ("east of the BVSB") these form the West African Craton, one of the major gold producing regions and well-endowed gold rich provinces in the world.

The Yanfolila Belt, which hosts the Project, is orientated north-south and is located on the eastern margin of the GSB. The belt contains several sub-basins including the Komana Mafic Sub-Basin ("KMSB") and the Kabaya Sub-Basin ("KSB"). The KMSB has an abundance of mafic rock units, basalt and dolerite that have proven to be the preferred host to mineralisation and correspond to a broad gravity high.

The KMSB hosts the majority of the Yanfolila gold targets and deposits that have been currently defined. It has a stratigraphic sequence of basalt, polymictic conglomerate, feldspathic sandstone, silt-shale and a lithic-dominated greywacke. Porphyry, granodiorite and diorite intrusions crosscut the stratigraphy of the KMSB.

The Yanfolila Gold Project is made up of seven main deposits, five of which have been subjected to resource definition drilling, modelling and grade estimation and reported as containing mineral

### Mining Geotechnical

There are two distinct regimes at the Yanfolila Gold Project deposits: regolith soils and bedrock. The nature of the saprolites and saprocks of the regolith are substantially similar to many sites in the region. The recommended slopes in regolith materials are an average of 44 degrees from surface to a depth of 40m and 40 degrees below 40m.

The slope design angles recommended for the regolith assumes depressurisation of the pit walls in advance of mining by installing an array of dewatering wells around the pits.

In the fresh rocks below the regolith, the ground conditions appear reasonably competent with no major rock defects identified. The rocks are strong and the structures appear to be a conventional footwall / hanging wall relationship. The slope angle limitation on the hanging walls is largely dependent on practical and/or operational factors. The recommended designs for each of the two wall types for all the fresh rock sections of the pits is between 50–52 degrees.

The designs for both the regolith and the bedrock slopes, have case history support from operations in the region and are adopting similar slope angles, provided dewatering of the regolith is carried out

prior to mining and good wall control is maintained.

### Mining Method

The Yanfolila Gold Project consists of two main clusters of ore deposits: located in the south are the deposits of KE, KW, GW and Gonka ("GK"), and located in the north are SE and SW.

Mining operations will be carried out using conventional drill and blast and load and haul mining methods. Plant production during the mine life is currently planned for a period of seven years, mining some 8.8Mt of ore and 106.7Mt of waste. Waste rock will be re-located to designated waste rock facilities at each pit and will be progressively rehabilitated.

### Process Design

In developing the process flowsheet, trade-off studies were conducted to optimise unit process selection. Consultants were engaged to assist with the flowsheet development in the areas of their expertise. The trade-

off studies and simulations conducted included the following; comminution circuit design options, live stockpile versus bin for crushed ore storage, number of stages for CIL, elution circuit evaluation, detoxification mixer and sparger configuration and the introduction of a tailings thickener.

Based on the metallurgical test work results, trade-off studies and simulations from consultants, the design criteria of the Yanfolila process plant was developed, assuming treatment of up to 1.24 Mtpa on a blend of oxides and fresh, and up to 1.0 Mtpa when treating mainly fresh ore.

The Yanfolila process plant design utilises a CIL process for the processing and recovery of gold from oxide and a blend of oxide and fresh ore. The plant design incorporates industry standard unit process operations, consisting of primary and secondary crushing, closed-circuit ball milling with gravity concentration, intensive leach of the gravity concentrate, carbon-in-leach of the gravity tailings, elution, electrowinning and gold sludge smelting to produce doré.

A two stage crushing facility is installed to treat all ore types. In order to maintain mill throughput, a tertiary crushing facility will be added when the proportion of hard fresh ore increases. A 12-hour live stockpile ensures continuous and consistent feed to the mill.

Recovery of gold will be through a combination of gravimetric means and direct cyanidation. Gravity concentrate is treated through an intensive cyanidation process with the pregnant solution pumped to an independent gravity electrowinning circuit. The CIL circuit consists of seven tanks in series: one pre-leach tank and six CIL tanks.

#### **Permits**

Yanfolila Gold Project is fully permitted with a 30 year Mining Licence and Environmental Permit granted.

# 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 LoM of 125,000oz gold produced/year. This is Liberia's largest gold deposit and the Company strongly believes there is significant potential to grow these Resources further.

A Collaboration Agreement was signed on 7 April 2015 between Hummingbird, IFC and Aldwych International ("Aldwych"). In this agreement the IFC funded a c.US\$265,000 hydro-electric power ("HEP") pre-feasibility study ("PFS") which was conducted by Knight Piésold. The PFS evaluated the opportunity to build and run a 20-30MW HEP which would have the potential to make significant improvements to the operating costs of the Dugbe Gold Project. The study was positive and showed that HEP could offer a potentially cheaper and sustainable power solution. To read more about this study please refer to the News page of the Company website, [www.hummingbirdresources.co.uk](http://www.hummingbirdresources.co.uk).

#### Future Proposed Work Programme:

The work completed in producing the draft DFS has uncovered areas where further optimisation and development can be targeted to further improve the overall Dugbe economics. At the appropriate time the Company plans to implement further work on the Dugbe Gold Project to enhance the resource, mine plan, process flow sheet, recovery and operating costs that have been achieved. This work may include:

- Further conversion of Inferred to Indicated Resources at Tuzon through a short drilling programme;
- Confirming extensions at depth of the most significant part of the Tuzon ore-body through a short drilling programme;
- Carrying out further work at the highly prospective Sackor deposit, close

to Dugbe F, to develop an Indicated Resource on the back of a recent extensive re-logging exercise of core;

- Review the Dugbe F Inferred Resource (1.8Moz), and look to upgrade its classification to Indicated Resources;
- Review mine scheduling and waste dump philosophies to improve operating economics; and
- Optimise the process flow sheet through a short programme of further metallurgical test-work.

The Dugbe Gold Project PEA shows a 20 year mine life and we believe there are significant opportunities to increase the resource inventory to extend it even further. The Directors believe that the Dugbe Gold Project remains a significant asset.

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**MDA signed with the Government of Liberia for a 25 year term mining agreement**

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**Hydro-electric power pre-feasibility study completed**

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**Potential to significantly reduce Project opex through reduced power costs**

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**Large exploration upside**

---



4.2<sub>MOZ</sub>  
(@ 1.4 g/t)

---

in Liberia

The Dugbe Gold Project PEA shows a 20 year mine life and we believe there are significant opportunities to increase the resource inventory to extend it even further.

# Exploration

There is a large amount of under explored exploration ground and many exciting opportunities to be reviewed now that Hummingbird is active in Mali.

## Mali

Mali has significant potential for the discovery and development of economic gold deposits, as is underlined by its position as Africa's third largest gold producer. Gold Fields invested significant amounts of money in exploration and there are a number of drilled discoveries, as well as drill ready exploration targets. There is a large amount of under explored exploration ground and many exciting opportunities to be reviewed now that Hummingbird is active in the Country. We are looking forward to both further exploring our existing licence packages, and keeping an open view to augment existing ground where synergies exist.

The Company has reviewed all of its exploration potential on its mining permit and has created an outline plan to exploit that potential. Once Yanfolila is in production the Company is looking forward to entering into a more active exploration programme with the specific focus on achieving a 10+ year Reserve mine life in the short term. Currently our Resources have been converting to Reserves at around a 50% rate so the Company looks forward to doing further work on the 1+Moz of Resources not currently in Reserves as well as other discoveries at a pre Resource stage. There is a recently published Exploration Presentation which can be found on the Mali Exploration page of our website; [www.hummingbirdresources.co.uk](http://www.hummingbirdresources.co.uk).

The Company entered into an agreement with Kola Gold, a private gold exploration company, on the 29th June 2016 to amalgamate certain exploration assets into a new company called Cora Gold. The aim of the amalgamation was to create a larger exploration focussed company with a dedicated team aiming to discover and grow new deposits. Further to the proposed amalgamation on the 6th February 2017 it was announced that Cora Gold intended to complete a reverse take-over ("RTO") of Glenwick Plc, an AIM listed company. For further information on this transaction please go the website, [www.hummingbirdresources.co.uk](http://www.hummingbirdresources.co.uk).

## Liberia

Hummingbird has around 2,000km<sup>2</sup> of exploration ground in southeast Liberia. This offers a huge upside potential for future gold discoveries in a still largely unexplored, yet highly prospective, region of the Birimian gold province.

At the end of 2013 we published the results of the interpretation of the 17,000 line km airborne magnetics and radiometrics data collected earlier that year. The interpretation, conducted by Southern Geoscience in Australia, resulted in over 140 targets to be followed up with systematic exploration. A further, more detailed review of the interpreted anomalies and historic Hummingbird data has enabled us to define a plan for future exploration programmes, prioritising targets and activities based on two principal aims:

- identifying new resources as quickly as possible near to the existing Dugbe Gold Project with work starting proximal to the current deposits and progressing outwards; and
- the discovery of a new deposit.

Targets occurring in the closest proximity to the Dugbe Gold Project are structural, either on or parallel to the North-East striking Tuzon deposit, on structures intersecting the Dugbe Shear Zone from the West, or on the Dugbe Shear Zone itself. Prospect-scale mapping over the target areas, complete soil coverage and re-evaluation of all gold-in-soil data with follow-up trenching will identify drill targets.

Regional targets defined by the geophysics are either folds interacting with faults, intrusives or other folds, intersecting faults or interpreted dilation zones. Few are associated with artisanal activity. Follow-up exploration, particularly to those areas with the stream sediment anomalies, is to be conducted with reconnaissance mapping and soil geochemistry.

# Sustainability

### Overview

At Hummingbird we believe that it is our duty to work across all of our operations in the most socially and environmentally responsible way possible.

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

### Health and Safety

All accidents are preventable, and we aim to achieve Zero Harm with every employee, contractor and visitor returning home safely every day. Since the Yanfolila Gold Project entered the construction phase there have been no fatalities or Lost Time Injuries (LTI) with nearly 300,000 hours worked by the Company and its contractors.

Induction and training programmes are developed by the Company and its contractors to address specific workplace risks and hazards. All employees are required to undertake these programmes and regular refresher courses are being provided.

### Community Development

Hummingbird has developed and implemented a community development plan ("CDP") at each project site in partnership with local communities, government agencies and non-governmental partner organisations.

In Mali, the Project has continued to sponsor 18 teachers and nurses across the Yanfolila Gold Project area, facilitating access to important social services in one of Mali's poorest rural communes. The clinic on site has started an outreach programme working with health facilities and providers in the commune to improve standards of training, hygiene and service provision. Weekly training sessions held at the clinic serve to not only reinforce existing skills, but bring new knowledge and practices to these providers from CCI's UK registered Doctors. To date over 300 teaching hours have been given to local nurses and healthcare providers, and this programme will continue to grow in line with Project development.

Livelihood development continues to be a major pillar for the CDP. Work to expand the successful market garden projects has started, with three new two hectare gardens in development for three communities. Each of these gardens seeks to target 50 women beneficiaries, and monitoring data from existing gardens shows that these can be successful cash generating projects. Local procurement has improved during 2016 with links to local producers of fruit and vegetables, as well as meat and poultry products. In addition over US\$50,000 of local construction materials has been purchased in support of the civils work completed.

Investment in safe drinking water resources remains a key focus for many in Mali. The project is currently undertaking feasibility studies for a tapped water project to serve over 5,000 people. This project will use solar power to pump and distribute water to approximately 15 access points across the communities, as well as provide clean water to key areas such as existing schools and clinics. This initiative has the potential to deliver concrete returns to local communities and we look forward to implementing this in 2017.

### Local employment

Local employment presents a genuine opportunity for socio-economic development within our host communities, as well as helping to secure our 'social licence to operate'. The Company signed a "Protocole d'accord" with the local authorities formalising our commitment to maximise local employment. Current performance during the construction phase shows that we are performing well above commitments with a total of 450 employees and contractors working on the project of which 90% are Malian and 129 of them are from the local communities.

Working within a rural commune, the sourcing of skilled labour is difficult. However, through effective training and apprenticeship programmes local employees can learn transferable skills that will benefit them long after the project closes. To that end, training programmes will be a major focus for the project and its contractors as we move towards production later in 2017.

### Stakeholder Engagement

Maintaining strong community relations with the host communities in which the Company works remains a key pillar of the Company's Sustainability Strategy.

Stakeholder engagement plans, and associated grievance mechanisms have been developed and implemented in both Liberia and Mali.

The experienced community relations teams conduct regular planned meetings with key stakeholders and consultation committees at both project sites in Mali and Liberia. The key focus areas for engagement include local employment, community investment activities, artisanal and small-scale mining activities, land access and compensation and general project updates.

At both project sites there are strong levels of local support for Company activities based on mutual understanding and trust.

### Land acquisition

In Mali, a Land Acquisition and Compensation Plan has been completed by experienced national consultants ESDCO working closely with the Company's SHEC team and Group Environment and Social "E&S" advisor. Based on current project description there is no physical resettlement of houses required, although agricultural and forest land will be acquired for development activities. The process started in April 2015 and first phase payments were completed in October 2016. Two subsequent phases of compensation are planned in line with agricultural seasons and international best practice.

A total of 50 Project Affected Persons ("PAPs") were identified as farming around 130ha of land set to be impacted by phase 1 of Project development activities. The land acquisition and compensation plan was formally approved by Malian authorities and individual agreements between the Project and each PAP have been signed and notarised. In line with international best practice requirements and in addition to compensation, the Company and ESDCO have worked to identify replacement land and implement measures to improve productivity of farmers.

A monitoring and evaluation program has also been included to monitor effectiveness and inclusiveness.

# Board of Directors

## 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.

## 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.

## Stephen Alexander Betts

### Non-Executive Director

Stephen founded the Company 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.

## Russell King

### Chairman

Russell is currently the Senior Independent Non-Executive Director of Aggreko plc, the FTSE 100 temporary power generation company. Prior to this Russell served as Chief Strategy Officer at Anglo American where he had global responsibility for strategy, business development, government relations, safety and sustainable development. He was also a member of Anglo American's plc executive committee for eight years. Between 2010 and 2013 he was a senior advisor to RBC Capital Markets on Metals and Mining. Russell is also Senior Independent Director of Spectris plc and Interserve plc.

## Matthew Charles Idiens

### Non-Executive Director

Matthew founded Hummingbird in November 2005 and he has 20 years' experience in natural resource companies. He is a founder and Director of AIM quoted Rose Petroleum plc and also founder and director of Seamwell International Ltd, a private company developing underground coal gasification ("UCG") projects in China. From 1995 to 2001 he worked as an associate director at Laing and Cruickshank Investment Management, part of the Credit Lyonnais Group.

## Technical Advisory Committee

**David Almgren Pelham**  
Non-Executive Director  
(and member of TAC)

David is a mineral geologist with over 35 years global exploration experience. He has worked in over 40 countries in Africa, Europe, North and South America, the Middle East and Asia. He has been involved as Technical Director with new junior company start-ups and initiated numerous new exploration projects worldwide. He has worked in several West African countries, and oversaw the discovery and early evaluation of the +6 Moz Chirano Gold Mine in Ghana, as well as Hummingbird's 4.2 Moz Dugbe gold deposit in Liberia. He has been closely involved with a number of major discoveries of gold, copper-cobalt, coal, iron ore, chrome and uranium. Converted into in-situ gold-equivalent terms, these new discoveries add up to over 100 Moz of gold.

**Mark Calderwood**

**Technical Advisory Committee**

Mark was the CEO at Perseus Mining for over 10 years and successfully led the company from being an explorer into a 200,000oz/year gold producer in Ghana. Mark is a member of the Australian Institute of Mining and Metallurgy and has over 25 years of experience in the sector.

**Ian Cockerill**

**Technical Advisory Committee**

Ian is the former Non-executive chairman of Hummingbird. Ian was also formerly CEO of Gold Fields Limited and Anglo Coal Ltd. He is currently Non-executive director of Endeavour Mining, Chairman of Petmin Limited, Lead Independent director of Ivanhoe Mines, Chairman of the Leadership for Conservation in Africa and Non-executive director of Orica Limited.

**David Lunt**

**Technical Advisory Committee**

David is a metallurgist by training, formerly Technical Director with GRD Minproc and currently running Stirling Mineral Processing consulting group. David has spent his career focussing on the development and design of process plants and has extensive experience in African gold mines having worked on Tarkwa for Gold Fields amongst many others

# 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 2016.

## 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 losses or net assets of the Group in the year are listed in note 16 to the financial statements.

## Corporate Governance

The Company acknowledges the policies set out by the corporate governance regime of the United Kingdom. The Directors acknowledge the importance of the guidelines set out in the QCA Guidelines and therefore intend to comply with these so far as is appropriate having regard to the size and nature of the Company.

## Board

The Board currently comprises six 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.

## Audit Committee

The audit committee comprises Matthew Idiens (Chairman) and Stephen Betts. 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 balance sheet events

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

## Results and dividends

The results of the Group for the year ended 31 December 2016 are set out in the Consolidated Income Statement. The Directors do not recommend payment of a dividend for the year (2015: 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:

	Number of shares at 31 December 2016	Number of shares at 31 December 2015
RJ King	53,955	53,955
SA Betts (Note 1 & 2)	712,542	712,542
MC Idiens	2,741,607	2,741,607
DA Pelham	25,052	2,325
DE Betts (Note 2 & 3)	4,949,149	4,634,149
TR Hill (Note 4)	148,235	108,235
WBT Cook (Note 5)	—	287,150

Note 1 – 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.

Note 2 – 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.

Note 3 – 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.

Note 4 – 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.

Note 5 – On 30 September 2016, WBT Cook resigned as a director to become VP Operations, and focus on the delivery of the Yanfolila Gold Project.

The Directors' interests in the share options of the Company at 31 December 2016 were as follows:

	Options at 1 January 2016	Options granted during the year	Options of directors resigned during the year	Options lapsed during the year	Options at 31 December 2016	Exercise price <sup>Note 2</sup>	Date of grant	First date of exercise	Final date of exercise
RJ King	125,000	—	—	—	125,000	£0.01	17/11/2014	17/11/2015	17/11/2024
RJ King	125,000	—	—	—	125,000	£0.01	17/11/2014	17/11/2016	17/11/2024
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
MC Idiensi	450,000	—	—	—	450,000	£0.22	26/10/2010	24/12/2011	26/10/2020
MC Idiensi	33,000	—	—	—	33,000	£0.22	05/12/2013	01/06/2014	01/06/2024
MC Idiensi	33,000	—	—	—	33,000	£0.22	05/12/2013	01/06/2015	01/06/2025
DA Pelham	225,000	—	—	—	225,000	£0.22	26/10/2010	24/12/2011	26/10/2020
DA Pelham	65,000	—	—	—	65,000	£0.22	05/12/2013	01/06/2014	01/06/2024
DA Pelham	65,000	—	—	—	65,000	£0.22	05/12/2013	01/06/2015	01/06/2025
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	Note 1	Note 1
DE Betts	—	426,136	—	—	426,136	£0.01	30/09/2016	Note 3	—
DE Betts	—	426,136	—	—	426,136	£0.01	30/09/2016	Note 3	—
DE Betts	—	426,136	—	—	426,136	£0.01	30/09/2016	Note 3	—
DE Betts	—	426,137	—	—	426,137	£0.01	30/09/2016	Note 3	—
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	Note 1	Note 1
TR Hill	—	340,909	—	—	340,909	£0.01	30/09/2016	Note 3	—
TR Hill	—	340,909	—	—	340,909	£0.01	30/09/2016	Note 3	—
TR Hill	—	340,909	—	—	340,909	£0.01	30/09/2016	Note 3	—
TR Hill	—	340,909	—	—	340,909	£0.01	30/09/2016	Note 3	—
WBT Cook	675,000	—	(675,000)	—	—	£0.22	26/10/2010	24/12/2011	26/10/2020
WBT Cook	141,000	—	(141,000)	—	—	£0.22	05/12/2013	01/06/2014	01/06/2024
WBT Cook	141,000	—	(141,000)	—	—	£0.22	05/12/2013	01/06/2015	01/06/2025
WBT Cook	100,000	—	(100,000)	—	—	£0.22	05/12/2013	Note 1	Note 1
<b>Total</b>	<b>4,659,000</b>	<b>3,068,181</b>	<b>(1,057,000)</b>	<b>—</b>	<b>6,670,181</b>				

Note 1 – the first date of exercise is at any time on or after the grant of a Mineral Development Agreement to any group company by the Government of Liberia. The final exercise date is 10 years after the grant of a Mineral Development Agreement.

Note 2 – all share options (including the Long Term Incentive Plan) issued prior to 1 January 2016 (excluding share options issued to RJ King) were rebased to £0.22 (refer to note 25).

Note 3 – the exercise dates are dependent on meeting certain vesting criteria (refer note 25).

#### Directors' Remuneration

	Directors emoluments 2016 \$'000	Directors emoluments 2015 \$'000
RJ King	51	57
SA Betts	47	52
MC Idiensi	48	53
DA Pelham (Note 1 & 2)	44	49
DE Betts (Note 3)	688	355
TR Hill	491	316
WBT Cook (resigned as director 30 September 2016)	293	285
<b>Total Directors' remuneration</b>	<b>1,662</b>	<b>1,167</b>

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

Note 1 – in addition DA Pelham received geological consultancy fees in 2015 (see related party disclosure note 28).

Note 2 – 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.

Note 3 – DE Betts is entitled to a contingent deferred bonus as disclosed in note 25.



## 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 2016 were equivalent to 91 (2015: 55) days' purchases, based on the average daily amount invoiced by suppliers during the year. Trade payables of the Company at 31 December 2016 were equivalent to 118 (2015: 59) days' purchases, based on the average daily amount invoiced by suppliers during the year.

### CHARITABLE AND POLITICAL DONATIONS

The Company has made charitable donations of \$nil (2015: \$1,000) during the year. The Company has not made any payments to political parties during the year (2015: \$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 Report and note 27 to the Consolidated Financial Statements.

### 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.

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.

This Directors' Report has been approved by the Board and signed on its behalf by:

**DE Betts**  
Director

23 May 2017

Registered Office:

49-63 Spencer Street, Hockley, Birmingham, B18 6DE

Company registered in England and Wales 05467327

# 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 in the Strategic Review.

## **Principal risks and uncertainties**

The Group and Company are subject to various risks relating to political, social, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Company and the Group's business activities:

### **Construction risk**

The development of mining projects may be subject to unexpected problems and delays that could increase the development and operating costs of that project. There is no assurance that any mine can be developed within the expected budgets or timeframes, and statistically few projects in the industry are delivered on time or on budget. Should the Yanfolila Project be delayed or suffer cost increases this could require additional funding to be raised or render the project uneconomic.

### **Gold price risk**

As a junior mining company developing its first gold mine partially through debt funding, the Group is significantly exposed to the gold price.

Should the gold price fall significantly this will impact future reserves, profitability and could ultimately impact the ability to service the debt and meet operating costs.

### **Exploration and development risk**

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.

### **Political risk**

All of the Group's operational activities are located in Liberia and Mali and the Group is therefore dependent on the political and economic situation in Liberia, Mali and the wider African region. However, the Group aims to mitigate assessed risks by proactive and forward looking assessments and strategic planning and the development of contingency plans where higher risks are identified.

Mali is engaged in political recovery and stabilisation after a military coup in March 2012 and a French-led military intervention against the separatist Tuareg rebels in the north of Mali in January 2013. In general the security risk in Mali remains high and The United Nations peacekeeping mission in Mali, established in April 2013 and consisting of over 11,000 military and police, has helped maintain the security situation throughout the remainder of the country but the situation in the north of the country remains fragile. Talks between the government and separatist rebels aimed at bringing about peaceful resolution ended inconclusively in March 2015 and there has been an increase in violence in the region including some isolated incidents in the south of the country during 2015. The most serious incidents have been the terrorist attack on a restaurant in Bamako in March 2015 in which seven people were killed, including six expatriates, and an attack on the Radisson Blu hotel in Bamako on 20 November 2015 in which 19 people were killed. The Group maintains strict security procedures in order to mitigate the possible security risks to the Group's activities as far as is possible.

Liberia has not been affected by any security incidents during the past year. Nonetheless, attention is now turning to the third democratic presidential elections since the end of the civil unrest which are due to take place in October 2017.

The outbreak of the Ebola virus in Liberia during 2014 and 2015 had a large impact on the economy and the country in general. Many businesses were directly and indirectly affected by the epidemic but the country was formally free from Ebola on 14 January 2016. Mali has had two independent outbreaks of Ebola in October and November of 2014 and the government of Mali quickly conducted a successful tracing, quarantine and treatment program of all patients and possible contacts which resulted in the WHO declaring "all-clear" in January 2015. Nevertheless, the threat of Ebola re-emerging in the region remains possible but the Group maintains robust hygiene measures in order to mitigate and reduce any potential threat to the Group's operations.

### **Licensing and title risk**

The Group's exploration and development 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.

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.

## Strategic Report continued

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.

### Financing risk

The development of the Group's properties will depend on the Group's ability to obtain financing through the raising of equity capital, joint venture of projects, debt financing, farm outs or other means. There is no assurance that the Group will be successful in obtaining the required financing. If the Group is unable to obtain additional financing as needed, some interests may be relinquished and / or the scope of the operations reduced.

Details about the use of financial instruments by the Company and its subsidiaries as well as exposure to financial risks are given in note 27 to the financial statements.

### KEY PERFORMANCE INDICATORS

Given the stage of development of the Group's operations, the key performance indicators used by management for monitoring progress and strategic objectives for the business are set out below. These are discussed within the Strategic Review.

The Group made a loss after tax of \$8.4m compared to a loss of \$4.6m for the previous financial year. The increase is largely due to foreign exchange losses of \$3.2m (2015: \$228,000) which are allocated between administrative and finance expenses in the Consolidated Income Statement. The basic loss per share was 3.60 cents (2015: 4.64 cents).

As at 31 December 2016, the Group had net assets of \$136.4m (2015: \$73.6m), of which \$53.8m (2015: \$7.2m) was cash. The cash increase was due to the issue of new shares throughout the year, raising a total of \$76.0m before costs. Construction of the Yanfolila Project commenced with additions of \$13.1m to mine development assets, total expenditure to 31 December 2016 was \$50.7m (2015: \$37.6m).

	2016	2015
Mineral reserves	709,800oz	709,800oz
Mineral inventory	6,438,000oz	6,438,000oz
Mine development expenditure (cumulative) <sup>Note 1</sup>	\$50.7m	\$37.6m
Exploration & development expenditure (annual)	\$1.0m	\$11.1m
Cash balance	\$53.8m	\$7.2m
Share price	£0.1825	£0.125

Note 1: includes historic exploration spend on Yanfolila and capitalised interest.

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

DE Betts  
Director

23 May 2017

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 Report, 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 2016

## Opinion on the financial statements

We have audited the group and parent company financial statements ("the financial statements") on pages 29 to 61. 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 the parent's affairs as at 31 December 2016 and of the group's loss 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 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.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, based on the work undertaken in the course of our audit, 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

We have nothing to report in respect of the following matters where 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.

## Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

  
Michael Thornton (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

23 May 2017

# Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
<b>Continuing operations</b>			
Revenue		—	—
Share based payments	25	(505)	(436)
Other administrative expenses		(7,114)	(3,913)
<b>Administrative expenses</b>	6	(7,619)	(4,349)
Finance income	9	668	84
Finance expense	10	(1,491)	(244)
Share of joint venture loss	13	—	(54)
<b>Loss before tax</b>		(8,442)	(4,563)
Tax	11	—	—
<b>Loss for the year attributable to equity holders of the parent</b>		(8,442)	(4,563)
<b>Loss per ordinary share</b>			
Basic and diluted (\$ cents)	12	(3.60)	(4.64)

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 \$'000	2015 \$'000
<b>Loss for the year</b>	(8,442)	(4,563)
<b>Other comprehensive income</b>		
Exchange translation differences on foreign operations	—	—
<b>Total comprehensive loss for the year attributable to equity holders of the parent</b>	(8,442)	(4,563)

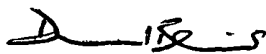
# Consolidated Balance Sheet

As at 31 December 2016

	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	14	63,137	62,089
Property, plant and equipment	15	51,091	38,106
Investment in joint venture	13	—	—
		<b>114,228</b>	<b>100,195</b>
<b>Current assets</b>			
Trade and other receivables	17	9,460	2,179
Cash and cash equivalents	17	53,839	7,220
		<b>63,299</b>	<b>9,399</b>
<b>Total assets</b>		<b>177,527</b>	<b>109,594</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	10,856	5,977
Other financial liabilities	22	15,510	15,000
Borrowings	18	14,751	14,965
<b>Total liabilities</b>		<b>41,117</b>	<b>35,942</b>
<b>Net assets</b>		<b>136,410</b>	<b>73,652</b>
<b>Equity</b>			
Share capital	23	5,156	1,723
Share premium		148,516	81,428
Retained earnings		(17,262)	(9,499)
<b>Equity attributable to equity holders of the parent</b>		<b>136,410</b>	<b>73,652</b>

The financial statements of Hummingbird Resources Plc were approved by the Board of Directors and authorised for issue on 23 May 2017. 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 2016

	Notes	2016 \$'000	2015 \$'000
<b>Net cash outflow from operating activities</b>	<b>26</b>	<b>(6,371)</b>	<b>(4,639)</b>
<b>Investing activities</b>			
Purchases of intangible exploration and evaluation assets		(973)	(3,761)
Purchases of mine development assets		(9,610)	(6,651)
Purchases of property, plant and equipment		(108)	(78)
Interest received		160	38
<b>Net cash used in investing activities</b>		<b>(10,531)</b>	<b>(10,452)</b>
<b>Financing activities</b>			
Net proceeds from issue of shares		66,315	10,139
Loan interest paid		(1,303)	(1,070)
Financial liabilities issued net of issue costs		—	4,950
<b>Net cash from financing activities</b>		<b>65,012</b>	<b>14,019</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>48,110</b>	<b>(1,072)</b>
Effect of foreign exchange rate changes		(1,491)	(244)
<b>Cash and cash equivalents at beginning of year</b>		<b>7,220</b>	<b>8,536</b>
<b>Cash and cash equivalents at end of year</b>		<b>53,839</b>	<b>7,220</b>



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Total \$'000
<b>As at 31 December 2014</b>	<b>1,385</b>	<b>71,627</b>	<b>(5,136)</b>	<b>67,876</b>
Comprehensive loss for the year:				
Loss for the year	—	—	(4,563)	(4,563)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>(4,563)</b>	<b>(4,563)</b>
Transactions with owners in their capacity as owners				
Issue of shares net of costs	338	9,801	—	10,139
<b>Total transactions with owners in their capacity as owners</b>	<b>338</b>	<b>9,801</b>	<b>—</b>	<b>10,139</b>
Share based payments	—	—	200	200
<b>As at 31 December 2015</b>	<b>1,723</b>	<b>81,428</b>	<b>(9,499)</b>	<b>73,652</b>
Comprehensive loss for the year:				
Loss for the year	—	—	(8,442)	(8,442)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>(8,442)</b>	<b>(8,442)</b>
Transactions with owners in their capacity as owners				
Issue of shares net of costs	3,433	67,088	—	70,521
<b>Total transactions with owners in their capacity as owners</b>	<b>3,433</b>	<b>67,088</b>	<b>—</b>	<b>70,521</b>
Share based payments	—	—	679	679
<b>As at 31 December 2016</b>	<b>5,156</b>	<b>148,516</b>	<b>(17,262)</b>	<b>136,410</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 1 General information

Hummingbird Resources Plc, is incorporated in England and Wales under the Companies Act. The address of the registered office is 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 and development of mineral projects, principally gold, focused exclusively 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 2015.

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). The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group.

IAS 7	(effective 1 January 2017)	Disclosure initiative
IAS 12	(effective 1 January 2017)	Recognition of deferred tax assets for unrealised losses
IFRS 2	(effective 1 January 2018)	Classification and measurement of share-based payment transactions
IFRS 9	(effective 1 January 2018)	Financial Instruments
IFRS 15	(effective 1 January 2018)	Revenue from contracts with customers
IFRS 16	(effective 1 January 2019)	Leases
IFRS10 & IAS 28	(effective 1 January 2019)	Sale or contribution of assets between an investor and its associates or joint venture

## 3 Significant accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 ("\$"). The financial statements are presented in thousands of United States dollars ("'\$000"). For reference the year-end exchange rate from Sterling to \$ was \$1.23016 (2015: \$1.4802).

### Going concern

The development of the Group's projects through to production and revenue generation is dependent on the Group's ability to obtain financing through the raising of equity capital, debt financing and other means.

As detailed in note 30 on 11 April 2017 the Company's subsidiary Société Des Mines De Komana SA entered into a loan agreement with Coris Bank International for CFA 37 billion (approximately \$60m) to fund the development of the Yanfolila Project.

Having prepared forecasts and budgets based on current expected levels of expenditure and financing the Directors believe that the Coris loan together with existing funding is sufficient to develop the Yanfolila Project and that future revenues are sufficient to support commercial operation for the life of the mine. Accordingly, the Directors have prepared the financial statements on a going concern basis.

### 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 2016. 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 of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring 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 subsidiaries 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## Joint ventures

Where the Group holds an interest in a jointly controlled entity, it accounts for its interest using the equity method. Under the equity method, the investment in the jointly controlled entity is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of recognition.

Where the Group contributes or sells assets to a joint venture in exchange for an equity interest in the jointly controlled entity, the Group recognises in profit and loss for the period the proportion of the gain or loss attributable to the equity interests of the other ventures.

## Leasing

Rentals payable by the Group under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

## Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars ("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 income statement 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 balance sheet 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 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

## 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 balance sheet 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 income statement as they are incurred.

## Exploration and evaluation costs

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 income statement. 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 income statement as additional depreciation and amortisation, and separately disclosed.

The Group considers there to be two cost pools, the whole of Liberia and Mali to be one cost pool each and therefore aggregates all Liberian and Malian assets for the purposes of determining whether impairment of E&E assets has occurred.

#### **Property, plant and equipment**

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

With the exception of mine development assets, depreciation and amortisation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Development assets – vehicles	10% – 33.3% per annum
Development assets – other	10% – 33.3% per annum
Other	10% – 33.3% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Mine Development assets include appropriate exploration and evaluation costs transferred on development of an exploration property. Mine Development costs are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, at least at every balance sheet date. Mine Development costs are not depreciated during the development phase until the property is considered capable of operating in a manner intended by management when it commences commercial production. Upon commencement of commercial production a Mine Development asset is transferred to a Mining property and is depreciated on a unit-of-production method.

#### **Impairment of property, plant and equipment**

At each balance sheet 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 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

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.

## Financial instruments

### Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### Derecognition of financial assets and financial liabilities

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.

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.

### Rehabilitation

Provisions are made for the estimated rehabilitation costs relating to areas disturbed during exploration activities up to reporting date but not yet rehabilitated. Changes in estimate are dealt with on a prospective basis as they arise.

### Warrants

Due to the exercise price of the warrants being in a different currency to the functional currency to the Group, 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. On commencement of commercial production, once the Group is only 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

As per IAS 39 Financial Instruments, loans are measured at amortised cost determined 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 balance sheet date with any changes in fair value being recognised in the income statement.

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 consider there to be only one operating segment during the year, the exploration and development of mineral resources, and two geographical segments, being Liberia and Mali.

#### **Business combinations**

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, 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 income statement 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 and key sources of estimation uncertainty**

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

Determining whether an 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 and a suitable discount rate in order to calculate present value.

##### **Recoverability of mine development assets**

Determination as to whether, and by how much, an asset or cash generating unit is impaired involves management estimates on highly uncertain matters such as future commodity prices, expected production and sales volumes, estimates of future operating expenses, life of mine and applicable discount rates.

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

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## 5 Segmental analysis

### Income statement for the year ending 31 December 2016

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Segment result before and after allocation of central costs	(432)	(62)	(7,125)	(7,619)
Finance income	67	—	601	668
Finance expense	—	—	(1,491)	(1,491)
<b>Loss before tax</b>	<b>(365)</b>	<b>(62)</b>	<b>(8,015)</b>	<b>(8,442)</b>
Tax	—	—	—	—
<b>Loss after tax</b>	<b>(365)</b>	<b>(62)</b>	<b>(8,015)</b>	<b>(8,442)</b>
<i>Other charges</i>				
Depreciation charged to the income statement	—	—	(8)	(8)
Share based payments charged to the income statement	—	—	(505)	(505)

### Balance Sheet at 31 December 2016

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Segment assets	62,980	60,631	53,916	177,527
Segment liabilities	(19,965)	(15,129)	(6,023)	(41,117)
<b>Segment net assets</b>	<b>43,015</b>	<b>45,502</b>	<b>47,893</b>	<b>136,410</b>

### Income statement for the year ending 31 December 2015

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Segment result before and after allocation of central costs	(488)	(22)	(3,839)	(4,349)
Finance income	12	1	71	84
Finance expense	(52)	—	(192)	(244)
Share of joint venture loss	—	—	(54)	(54)
<b>Loss before tax</b>	<b>(528)</b>	<b>(21)</b>	<b>(4,014)</b>	<b>(4,563)</b>
Tax	—	—	—	—
<b>Loss after tax</b>	<b>(528)</b>	<b>(21)</b>	<b>(4,014)</b>	<b>(4,563)</b>
<i>Other charges</i>				
Depreciation charged to the income statement	—	—	(21)	(21)
Share based payments charged to the income statement	—	—	(436)	(436)

### Balance Sheet at 31 December 2015

	Mali \$'000	Liberia \$'000	Corporate \$'000	Total \$'000
Segment assets	42,743	60,098	6,753	109,594
Segment liabilities	(19,445)	(15,052)	(1,445)	(35,942)
<b>Segment net assets</b>	<b>23,298</b>	<b>45,046</b>	<b>5,308</b>	<b>73,652</b>

## 6 Administrative expenses by nature

	\$'000	\$'000
Other income	(47)	(62)
Depreciation of property, plant and equipment (note 15)	8	21
Staff costs excluding share based payments and employers NI accrual on share options	3,145	2,082
Net foreign exchange losses/(gains)	1,668	(16)
Audit fees (note 7 including fees paid to subsidiary auditors)	68	57
Non-audit fees payable to associates of the Company's auditor (note 7)	8	26
Communications and IT	91	148
Insurance	162	138
Marketing	222	206
Charitable donations	—	1
Rent under operating leases	98	88
Office expenses	175	176
Professional and consultancy	1,187	787
Travel and accommodation	281	251
Bank charges	16	23
Share based payments	505	436
Charge/(release) of employers NI accrual on share options	32	(13)
	<b>7,619</b>	<b>4,349</b>

## 7 Auditor's remuneration

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

	2016 \$'000	2015 \$'000
<b>Audit fees</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	41	51
Fees payable to the Company's auditors for the audit of certain subsidiaries	9	—
<b>Total audit fees</b>	<b>50</b>	<b>51</b>
<b>Non-audit fees payable to associates of the Company's auditor</b>		
Taxation services	8	26
<b>Total non-audit fees</b>	<b>8</b>	<b>26</b>



# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## 8 Staff costs

The average monthly number of employees and Directors was:

	2016 Number	2015 Number
Directors	7	7
Other employees	40	78
	47	85

	2016 \$'000	2015 \$'000
Their aggregate remuneration comprised:		
Wages and salaries	3,723	3,345
Social security costs	479	400
Pension	92	93
Share based payments	833	448
Provision/ (release of provision) for potential social security costs related to share based payments	200	(13)
	5,327	4,273

Within wages and salaries, \$1,696,000 (2015: \$1,093,000) relates to remuneration payable to Directors, included within share based payments is \$153,000 (2015: \$258,000) accrued under cash-settled share based payment scheme payable to Directors, and within pension is \$75,000 (2015: \$74,000) relating to pension contributions in respect of Directors.

The total remuneration of the highest paid director is \$688,000 (2015: \$355,000) comprising \$657,000 (2015: \$327,000) in relation to wages and salaries and pension contributions of \$31,000 (2015: \$28,000). In addition, an amount of \$153,000 (2015: \$248,000) is accrued under the cash-settled share based payment scheme.

The number of directors to whom benefits are accruing under defined contribution pension schemes is 2 (2015: 3).

Included within staff costs is \$428,000 (2015: \$1,166,000) capitalised to intangible exploration and evaluation assets and \$1,217,000 (2015: \$1,072,000) capitalised in to Mine Development assets.

## 9 Finance income

	2016 \$'000	2015 \$'000
Interest on bank deposits	209	34
Gain on revaluation of warrants (note 24)	459	50
	668	84

## 10 Finance expense

	2016 \$'000	2015 \$'000
Foreign exchange loss	1,491	244
	1,491	244

The foreign exchange loss arose on non-functional currency bank deposits.

## 11 Tax

The taxation charge for the period can be reconciled to the loss per the income statement as follows:

	2016 \$'000	2015 \$'000
Loss before tax	(8,442)	(4,563)
Tax credit at the rate of tax 20% (2015: 20.25%)	(1,688)	(923)
Tax effect of non-deductible expenses	3	2
Items not subject to tax	(36)	112
Deferred tax asset not recognised	1,721	809
Tax expense for the year	—	—

In the UK, the main rate of corporation tax for the year was 20% (2015: 20.25%).

## 12 Loss per ordinary share

Basic loss per ordinary share is calculated by dividing the net 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 loss per share is based on the following data:

	2016 \$'000	2015 \$'000
<b>Losses</b>		
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent	(8,442)	(4,563)
<b>Number of shares</b>	2016 Number	2015 Number
Weighted average number of ordinary shares for the purposes of basic loss per share	234,603,288	98,306,165
<b>Loss per ordinary share</b>	2016 \$ cents	2015 \$ cents
Basic and diluted	(3.60)	(4.64)

At the balance sheet date there were 23,446,146 (2015: 7,315,158) 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. At 31 December 2016 the potential ordinary shares are anti-dilutive and therefore there is no difference between basic and diluted loss per share.

## 13 Joint venture

Iron Bird Resources Inc ("Iron Bird") is a joint venture on an equal 50% basis between the Group and Petmin Limited ("Petmin"). Iron Bird previously held the Mount Ginka licence and conducted exploration of iron ore in northern Liberia. Petmin Limited has been listed on the JSE since 1986.

### Investment in joint venture:

	\$'000
Investment in joint venture as at 31 December 2014	54
Share of joint venture results for the period from 1 January 2015 to 31 December 2015	(54)
Investment in joint venture as at 31 December 2015	—
Share of joint venture results for the period from 1 January 2016 to 31 December 2016	—
Investment in joint venture as at 31 December 2016	—

The Group's interest in the joint venture as at 31 December 2016 is set out below:

	\$'000
Share of:	
Non-current assets	—
Current assets	—
Current liabilities	—
Net assets	—

The joint venture had no revenue in the period.

Both Petmin and the Company have the option to contribute equally to future fundraisings.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## 14 Intangible exploration and evaluation assets

	Liberia \$'000	Mali \$'000	Total \$'000
<b>Cost</b>			
<b>At 31 December 2014</b>	<b>59,172</b>	<b>27,655</b>	<b>86,827</b>
Additions for the year	730	10,412	11,142
Transfer to Mine Development assets (note 15)	—	(35,880)	(35,880)
<b>At 31 December 2015</b>	<b>59,902</b>	<b>2,187</b>	<b>62,089</b>
Additions for the year	635	413	1,048
<b>At 31 December 2016</b>	<b>60,537</b>	<b>2,600</b>	<b>63,137</b>

Additions to intangible exploration and evaluation assets during the year include \$49,000 (2015: \$281,000) of capitalised depreciation of property, plant and equipment used in exploration and evaluation activities.

The intangible exploration and evaluation assets in respect of Liberia principally relate to the Dugbe Gold Project. The Group has signed a Mineral Development Agreement with the Government of Liberia and once ratified by parliament, the Government will be granted a 10% carried interest in Hummingbird Resources (Liberia) Inc, the company owning the Dugbe Gold Project.

The exploration licences in Mali provide the Government with the right to a 10% carried interest and the right to buy a further 10% share in any mining company set-up to hold exploitation licences granted in respect of these exploration licences.

## 15 Property, plant and equipment

	Development assets \$'000	assets – vehicles \$'000	Development assets – other \$'000	Other \$'000	Total \$'000
<b>Cost</b>					
<b>At 31 December 2014</b>	<b>—</b>	<b>2,323</b>	<b>2,271</b>	<b>1,078</b>	<b>5,672</b>
Transfer of intangible E&E assets	35,880	—	—	—	35,880
Additions	1,701	—	57	22	1,780
Disposals	—	—	—	(1)	(1)
<b>At 31 December 2015</b>	<b>37,581</b>	<b>2,323</b>	<b>2,328</b>	<b>1,099</b>	<b>43,331</b>
Additions	13,104	110	—	3	13,217
Disposals	—	(138)	(91)	—	(229)
<b>At 31 December 2016</b>	<b>50,685</b>	<b>2,295</b>	<b>2,237</b>	<b>1,102</b>	<b>56,319</b>
<b>Accumulated depreciation</b>					
<b>At 31 December 2014</b>	<b>—</b>	<b>2,135</b>	<b>1,822</b>	<b>966</b>	<b>4,923</b>
Charge for the year	—	84	143	75	302
Disposals	—	—	—	—	—
<b>At 31 December 2015</b>	<b>—</b>	<b>2,219</b>	<b>1,965</b>	<b>1,041</b>	<b>5,225</b>
Charge for the year	—	71	120	29	220
Disposals	—	(138)	(79)	—	(217)
<b>At 31 December 2016</b>	<b>—</b>	<b>2,152</b>	<b>2,006</b>	<b>1,070</b>	<b>5,228</b>
<b>Carrying amount</b>					
<b>At 31 December 2016</b>	<b>50,685</b>	<b>143</b>	<b>231</b>	<b>32</b>	<b>51,091</b>
<b>At 31 December 2015</b>	<b>37,581</b>	<b>104</b>	<b>363</b>	<b>58</b>	<b>38,106</b>

Of the property, plant and equipment depreciation charged in the year, \$49,000 (2015: \$281,000) was capitalised into intangible exploration and evaluation assets, and \$163,000 (2015: \$nil) was capitalised into mine development assets, with the balance being charged to the income statement.

The additions to Mine Development assets include capitalised borrowing costs of \$2,129,000 for the year ended 31 December 2016 (2015: \$1,713,000).

As disclosed in note 30 'Events after the reporting date', the Group has entered into a shareholders' agreement with the Government of Mali in respect of Société des Mines de Komana SA ("SMK"), the company owning the Yanfolila Project. This Agreement confirms the Government's participation in the share capital of SMK.

## 16 Subsidiaries

The Company had investments in the following subsidiary undertakings as at 31 December 2016:

Name	Country of incorporation and operation	Proportion of voting interest %	Activity
<b>Directly held</b>			
Trochilidae Resources Limited	Isle of Man	100	Intermediate holding & service company
Hummingbird Resources (Liberia) Inc.	Liberia	100	Exploration & development
Afro Minerals Inc.	Liberia	80	Dormant
Golden Grebe Mining Limited	United Kingdom	100	Intermediate holding company
<b>Indirectly held</b>			
Deveton Mining Company	Liberia	80	Dormant
Sinoe Exploration Limited	Liberia	90	Exploration
Hummingbird Security Limited	Liberia	100	Security
Glencar Mining Plc	Ireland	100	Intermediate holding company
Centrebond Agency Limited	Cyprus	100	Intermediate holding company
Glencar International (BVI) Limited	British Virgin Islands	100	Intermediate holding company
Glencar Mali SARL	Mali	95	Exploration
Sankarani Resources SARL	Mali	95	Exploration
Hummingbird Exploration Mali SARL	Mali	100	Exploration
Société des Mines de Komana SA	Mali	100	Development
Yanfolila Mining Limited	Isle of Man	100	Intermediate holding company
Yanfolila Finance Limited	Isle of Man	100	Finance company
Yanfolila Holdings Limited	Isle of Man	100	Intermediate holding company

## 17 Current assets

### Trade and other receivables

	2016 \$'000	2015 \$'000
Other receivables	5,594	600
VAT recoverable	666	122
Prepayments and accrued income	3,200	1,457
	<b>9,460</b>	<b>2,179</b>

The Directors consider that the carrying amount of the other receivables approximates their fair value and none of which are past due.

### Cash and cash equivalents

Cash and cash equivalents as at 31 December 2016 of \$53,839,000 (2015: \$7,220,000) comprise cash held by the Group. The Directors consider that the carrying amount of these assets approximates their fair value.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## 18 Current borrowings

	\$'000
<b>At 1 January 2016</b>	<b>14,965</b>
Received during the year	—
New issue costs incurred and capitalised in the year	(783)
Issue costs amortised in the year	569
<b>Total borrowing at 31 December 2016</b>	<b>14,751</b>
Payable within one year included under current liabilities	14,751
Payable after one year included under non-current liabilities	—

The Group through its wholly owned subsidiary, Trochilidae Resources Limited ("Trochilidae"), on 11 August 2014 entered into a Bridge Loan Agreement with Taurus Mining Finance Fund LP ("Taurus"). On 15 August 2014 Trochilidae drew down the full \$10m available under the Bridge Loan Agreement. On 1 September 2015 the group extended the Bridge Loan Agreement by a further \$5m to a total of \$15m.

Amounts borrowed under the Bridge Loan Agreement bear interest at 9% per annum (payable semi-annually) and originally fell due for repayment in February 2016. During 2016 the repayment date was extended and on 5 December 2016 Taurus agreed an extension on the bridge facility to 8 April 2017. Additionally, on 5 December 2016 Taurus agreed to increase the Bridge Loan Agreement to a total of \$25m and the additional funds were drawn down in February 2017.

As per IAS 39 financial instruments the loans have been measured at amortised cost. During the year to 31 December 2016 total issue costs incurred in the year of \$783,000 have been offset against the loan and \$569,000 (2015: \$172,000) of issue costs were amortised to mine development assets. During the year to 31 December 2016 \$1,380,000 (2015: \$1,070,000) of loan interest costs were charged to mine development assets.

Security for the Bridge loan was granted to Taurus over the present and future inter group debt between Trochilidae, and Société des Mines de Komana SA ("SMK") as well as the shares of Glencar Mining plc. Additionally the Company provided a guarantee to Taurus regarding the obligations of Trochilidae in respect of this agreement.

## 19 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 2016, the Group had unrecognised deferred tax assets of \$5,761,000 (2015: \$4,039,000) in respect of UK and Liberian 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.

## 20 Trade and other payables

	2016 \$'000	2015 \$'000
Trade payables	3,566	1,074
Other taxes and social security	2,841	1,888
VAT payable	465	64
Accruals	3,372	2,347
Other payables	612	604
	<b>10,856</b>	<b>5,977</b>

The average credit period taken for trade purchases is 91 days (2015: 55 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 \$ 284,000 (2015: \$nil) being an apportionment of the cash award in respect of Hummingbird incentive plan – performance orientated ("HIPPO") (note 25).

## 21 Operating lease commitments

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

	2016 \$'000	2015 \$'000
Within one year	131	69
In the second to fifth years inclusive	58	169
After five years	—	17
	189	255

Operating lease payments represent rentals payable by the Group for properties located in Liberia, Mali, and the head office in the UK.

## 22 Other financial liabilities

	2016 \$'000	2015 \$'000
Royalty liability	15,000	15,000
Warrant liability (see notes 9 and 24)	510	—
	15,510	15,000

### 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 the Dugbe 1 Project.

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 due at 31 December 2016.

During the year the advances were converted into a 2% net smelter return royalty from any sales of product mined within a 20km radius of Dugbe F. 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.

Issue costs of \$292,000 have been capitalised within intangible exploration and evaluation assets.

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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## 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

	2016		2015	
	Number	\$'000	Number	\$'000
Issued and fully paid				
Ordinary shares of £0.01 each	343,241,250	5,156	106,952,469	1,723

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

	Ordinary Shares of £0.01 Number
<b>At 1 December 2015</b>	<b>84,843,267</b>
Issue of shares (a) – Tranche 1	9,934,206
Issue of shares (b) – Warrants	53,784
Issue of shares (c)	12,121,212
<b>At 31 December 2015</b>	<b>106,952,469</b>
Issue of shares (d)	225,188,781
Issue of shares (e)	11,100,000
<b>At 31 December 2016</b>	<b>343,241,250</b>

#### (a) Issue of shares

On 20 March 2015, the Company announced details of a funding package for the Yanfolila Project in Mali. The funding package consisted of two tranches of a placing of units. Each placing unit consists of one new ordinary share of £0.01 each a half of one warrant to subscribe for a new ordinary share ("placing units"). The placing units were priced at £0.30 per share. Each warrant granted the holder the right to subscribe for one new ordinary share at £0.33 at any time during the 6 month period from the date of issue. Additionally, an open offer was provided to eligible shareholders to subscribe for placing units on the basis of 1 new ordinary share for every 12.64 existing ordinary shares held on 19 March 2015.

#### Tranche 1 funding

On 25 March 2015 3,638,292 placing units were issued, including 3,638,292 ordinary shares and 1,819,146 warrants.

#### Tranche 2 funding

On 16 April 2015 4,963,498 placing units were issued, including 4,963,498 ordinary shares and 2,481,749 warrants.

#### Open offer

On 16 April 2015 1,332,416 placing units were issued, including 1,322,416 ordinary shares and 661,208 warrants.

In total from tranches 1 and 2 and the open offer 9,934,206 ordinary shares and 4,967,103 warrants have been issued. The gross proceeds of the placing units were \$4,420,000.

#### (b) Issue of shares – Warrants

As part of the funding described in (a) above, each warrant granted the holder the right to subscribe for one new ordinary share at £0.33 at any time during the 6 month period from the date of issue. Of the 4,967,103 warrants issued a total of 53,784 warrants were exercised for 53,784 ordinary shares raising a total net proceeds of \$27,000. During the prior year 4,913,319 warrants lapsed.

#### (c) Issue of shares

On 30 June 2015 12,121,212 shares were issued at a price of £0.33 in return for £4,500,000 (\$6,290,000) before costs.

#### (d) Issue of shares

On 21 June 2016 225,188,781 shares were issued at a price of £0.22 in return for £49,542,000 (\$72,370,000) before costs.

#### (e) Issue of shares

On 15 August 2016 11,100,000 shares were issued at a price of £0.26 in return for £2,886,000 (\$3,727,000) before costs.

On 29 February 2012 the Group entered into a conditional agreement to acquire the 20% interest in its Joe Village licence, which it did not previously own, for 103,255 ordinary shares in the Company. At 31 December 2016 the acquisition had not yet completed and the shares had not been issued.

The total number of outstanding warrants and share options are:

	2016 Number	2015 Number
<b>Warrants</b>	<b>9,899,505</b>	<b>1,612,903</b>
<b>Share options</b>	<b>13,443,386</b>	<b>5,599,000</b>
<b>Total</b>	<b>23,342,891</b>	<b>7,211,903</b>

#### 24 Warrants issued

a) On 21 June 2016 the Company granted 8,286,602 warrants as part of the fundraising described in note 23(d):

<b>Total number of warrants granted</b>	<b>8,286,602</b>
<b>Exercise price of the warrants</b>	<b>£0.22</b>
<b>Final exercise date:</b>	<b>31/12/2019</b>

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 31 December 2016:

	31 Dec 2016	21 Jun 2016
<b>Share price</b>	<b>£0.1825</b>	<b>£0.2225</b>
<b>Expected dividend yield</b>	<b>Nil</b>	<b>Nil</b>
<b>Expected volatility</b>	<b>47.5%</b>	<b>49.00%</b>
<b>Expected life</b>	<b>3 years</b>	<b>3.5 Years</b>
<b>Risk free interest rate</b>	<b>0.164%</b>	<b>0.87%</b>

The gain arising on the change in value of the warrants between 21 June 2016 and 31 December 2016 is disclosed in note 9.

b) On 12 December 2012 the Company granted 1,612,903 warrants to the IFC as part of its subscription:

<b>Total number of warrants granted</b>	<b>1,612,903</b>
<b>Exercise price of the warrants</b>	<b>£1.4415</b>
<b>Final exercise date:</b>	<b>12/12/2017</b>

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 12 December 2012 and to fair value the warrants at 31 December 2016:

	31 Dec 2016	31 Dec 2015
<b>Share price</b>	<b>£0.1825</b>	<b>£0.125</b>
<b>Expected dividend yield</b>	<b>—</b>	<b>Nil</b>
<b>Expected volatility</b>	<b>47.5%</b>	<b>47.00%</b>
<b>Expected life</b>	<b>1 year</b>	<b>2 Years</b>
<b>Risk free interest rate</b>	<b>0.164%</b>	<b>1.34%</b>

The gain arising on the change in value of the warrants between 31 December 2015 and 31 December 2016 is disclosed in note 9.

c) As described in note 23 during 2015 4,967,103 warrants were issued, a total of 53,784 warrants were exercised for 53,784 ordinary shares raising a total net proceeds of \$27,000, with the remaining warrants lapsing during 2015.



# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

## 25 Share based payments

	2016 \$'000	2015 \$'000
Share based payment charge for equity settled share based payments granted 17 November 2014	34	90
Share based payment charge for equity settled share based payments granted 5 December 2013	104	110
Share based payment charge for equity settled share based payments granted 26 October 2010	214	—
Share based payment charge for cash settled share based payments granted 2 July 2014	153	248
Share based payment charge for equity settled share based payments granted 30 September 2016	327	—
<b>Total share based payment charge</b>	<b>832</b>	<b>448</b>

Included within share based payments for the year is \$327,000 (2015: \$12,000) capitalised to mine development assets.

	2016 Number	Granted Number	Lapsed Number	2015 Number
Share options granted 17 November 2014	250,000	—	—	250,000
Share options granted 5 December 2013	2,144,000	—	(110,000)	2,254,000
Share options granted 26 October 2010	3,095,000	—	—	3,095,000
Share option granted 30 September 2016	7,954,386	7,954,386	—	—
<b>Total number of share options</b>	<b>13,443,386</b>	<b>7,954,386</b>	<b>(110,000)</b>	<b>5,599,000</b>
<b>Weighted average exercise price</b>	<b>£0.09</b>	<b>£0.01</b>	<b>£0.41</b>	<b>£0.43</b>

On 17 November 2014 the Company granted 250,000 share options to the Non-Executive Chairman Russell King.

Total number of share options granted	250,000
Exercise price of the options	\$0.015 (£0.01)
Exercise period:	
Tranche 1 – 17 November 2014 and 18 November 2024	125,000
Tranche 2 – 17 November 2014 and 18 November 2024	125,000
Number of share options lapsed during the current period	—
Number of share options outstanding as at 31 Dec 2015	250,000

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 on the 17 November 2014:

Share price at the date of grant	\$0.55 (£0.355)
Expected dividend yield	Nil
Expected volatility	49.94%
Expected life	5 years
Risk free interest rate	1.40%

### Repricing of historic share options

On 21 June 2016, all existing share based incentive schemes including the long term incentive plan (excluding share options issued to RJ King) were rebased to £0.22, so as to align management with shareholders as the Company moves into construction following the recapitalisation (see note 23(d)).

The effect of the repricing was an additional charge to the income statement of \$104,000 in respect of share options issued on 5 December 2013 and \$214,000 in respect of share options issued on 26 October 2010.

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 all options that were rebased to £0.22:

Share price at the date of grant	£0.224
Expected dividend yield	Nil
Expected volatility	49.00%
Expected life	3 years
Risk free interest rate	0.87%

#### Share based payment charge for cash settled share based payments granted 2 July 2014

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 contingent 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 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 £0.56 and \$1,774,000 respectively, which is spread over the vesting period of 2 years and re-measured at each balance sheet date using the share price on that date (share price as at 31 December 2016: £0.1825 (2015: £0.125)).

The amounts recognised in the income statement for year is as follows:

	Initial charge \$'000	Revaluation \$'000	Total \$'000
Amounts in respect of the year ended 31 December 2015	1,330	(1,082)	248
Amounts in respect of the year ended 31 December 2016	443	(290)	153

#### 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. As detailed above, the LTIP was rebased on 21 June 2016 as part of the fundraise to recapitalise the Company (see note 23(d)).

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 2016 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.

#### Hummingbird incentive plan – performance orientated

In recognition of the critical importance of delivering the Yanfolila Mine on time and on budget and to retain and incentivise key team members, and to align management and shareholders, the Company has granted options to certain group employees and directors of the Company under the rules of HIPPO.

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

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

On 30 September 2016 the Company granted 7,954,386 share options to certain Directors and Group employees, representing 2.3% of the issued share capital at 31 December 2016. Additionally, cash awards were granted with a total value of \$2,045,000 based on a 95% probability of meeting the vesting criteria.

	Share award	Cash award (\$'000)
<b>Total award granted</b>	<b>7,954,386</b>	<b>2,045</b>
Exercise price of the options	£0.01	—
Fair value of the options at the date of grant	£0.24	—
Exercise period:		
25% – from the first gold pour at the Yanfolila Gold Mine		
25% – from the passing of the Company's completion tests in respect of the Yanfolila Gold Mine	1,988,597	511
25% – 12 months from first gold pour at the Yanfolila Gold Mine <sup>Note 1</sup>	1,988,597	511
25% – 24 months from first gold pour at the Yanfolila Gold Mine <sup>Note 1</sup>	1,988,595	511
Number of share options lapsed during the current period	—	—
Number of share options outstanding as at 31 December 2016	7,954,386	—

Note 1 these are conditional of all completion tests being passed.

Note 2 the company has the option to defer the first tranche until sufficient funds are available or settle in shares. Additionally, the cash awards can be increased or decreased by 25% depending on performance against timetable and budget. If the first gold pour is either 3 months behind target completion date or the costs to the first gold pour are more than \$8,000,000 over budget, the options will be forfeited.

The fair value of the cash award has been capitalised to mine development assets on a straight-line basis over the vesting period of the award. During the year \$283,000 (2015: \$nil) was capitalised to mine development assets.

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 on 30 September 2016:

Share price at the date of grant	£0.249
Expected dividend yield	Nil
Expected volatility	47.78%
Expected life	3 years
Risk free interest rate	0.164%
Multiplied by the probability of meeting the vesting conditions at date of grant	95%

The absolute dilution limit relating to awards under employee share incentive schemes is 20%.

## 26 Notes to the statement of cash flows

	2016 \$'000	2015 \$'000
<b>Loss before tax</b>	<b>(8,442)</b>	<b>(4,563)</b>
Adjustments for:		
Depreciation of property, plant and equipment	8	21
Share based payments	505	436
Finance income	(668)	(84)
Finance expense	1,491	244
Share of joint venture loss	—	54
<b>Operating cash flows before movements in working capital</b>	<b>(7,106)</b>	<b>(3,892)</b>
Increase in receivables	(329)	(861)
Increase in payables	1,064	114
<b>Net cash outflow from operating activities</b>	<b>(6,371)</b>	<b>(4,639)</b>

Cash and cash equivalents (which are presented as a single class of assets on the balance sheet) 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, share premium 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.

### Principal financial instruments

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

Categories of financial instruments	Loans and receivables		Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss	
	2016	2015	2016	2015	2016	2015
<b>Financial assets</b>						
Cash and cash equivalents	53,839	7,220	—	—	—	—
Other receivables	5,594	600	—	—	—	—
	59,433	7,820	—	—	—	—
<b>Financial liabilities</b>						
Borrowings (note 18)	—	—	14,751	14,965	—	—
Trade payables (note 20)	—	—	3,566	1,074	—	—
Other payables (note 20)	—	—	612	604	—	—
Accruals	—	—	2,906	2,019	—	—
Royalty liability (see note 22)	—	—	15,000	15,000	—	—
Warrant liability <sup>1</sup> (see note 24)	—	—	—	—	510	—
	—	—	36,835	33,662	510	—

<sup>1</sup> The fair value of the warrant liability (see 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. Where inputs can be observed from market data without undue cost and effort, the observed input has been used. Otherwise, management determines a reasonable estimate for the input.

### 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 deposits. The Group seeks to deposit funds with reputable financial institutions until such time as it is required.

The Group does not have any significant credit risk exposure on trade and other receivables.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

### 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 18.

### 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.

### Foreign exchange risk and foreign currency risk management

The Group is exposed to foreign exchange risk through certain of its 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, Sterling, South African Rand, West Africa CFA Franc and the Euro, 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 and Company's foreign currency denominated financial assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Euros ("€")	1,192	72	8,419	366
Sterling ("GBP")	421	530	13,437	3,344
Canadian Dollars ("CAD")	25	10	401	50
South African Rand ("ZAR")	—	72	7,052	353
Australian Dollars ("AUD")	56	73	571	100
West African CFA Franc ("FCFA")	917	547	1,273	179

### Foreign currency sensitivity analysis

The Group is exposed primarily to movements in the \$ against the GBP, € and ZAR. Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between the \$ and each of these currencies. The analysis is based on a weakening and strengthening of these key currencies by 10% against the \$ in which the Group has assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A positive number below indicates an increase in profit where each of the key currencies strengthen against the \$. For a 10% weakening of the key currencies against the \$, there would be an equal and opposite impact on the profit, and the balance below would be negative.

The following table details the Group's sensitivity to a 10% strengthening in various currencies against the \$.

	2016 \$'000	2015 \$'000
Increase in income statement and net assets – GBP	1,311	283
Increase in income statement and net assets – EUR	728	29
Increase in income statement and net assets – ZAR	705	23

## 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 \$85,000 (2015: \$69,000) under a contract for the provision of staff, office equipment and premises. \$34,000 was accrued outstanding between the parties as at 31 December 2016 (2015: \$nil). The amounts outstanding are unsecured and will be 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 that company.

### Joint venture with Petmin Limited (Iron Bird Resources Inc)

Petmin Limited is a related party of the Group because Petmin Limited is a joint venture partner in Iron Bird Resources Inc (note 13). During the year the Group received management fees of \$nil (2015: \$62,000) from Iron Bird Resources Inc.

### Transactions with D Pelham

David Pelham is a related party as he is a Non-Executive Director during the current year. During the year D Pelham received geological consultancy fees of \$nil (2015: \$9,000).

### 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.

	2016 \$'000	2015 \$'000
Short-term employee benefits	1,696	1,093
Social security cost	223	138
Pension	75	74
Share based payment charge	617	422
Provision/ (reduction in provision) for potential social security costs on share options	118	(6)
	2,729	1,721

## 29 Commitments

As at 31 December 2016 the Group had commitments of \$25,340,087 (2015: \$Nil) in respect of the Yanfolila Project.

## 30 Events after the reporting date

### Increase Taurus debt facility

On 5 December 2016 Taurus agreed to increase the existing bridge loan in place between Trochilidae Resources Limited and Taurus Funds Management Pty Limited to \$25m. These additional funds were fully drawn down in February 2017. On 10 April 2017 the bridge loan was repaid.

### HIPPO – options lapsed

Since the year end 181,818 share options that were granted on 30 September 2016 have lapsed.

### Shareholder agreement with Government of Mali

On 2 February 2017 the Group signed a shareholder agreement with the Government of Mali in respect of Société des Mines de Komana SA ("SMK"), the company holding the Komana Mining Permit which contains the Yanfolila Gold Project. The agreement confirms the terms of the Government of Mali's participation in SMK and enables the Group to proceed with the process of issuing the Government of Mali 10% free carried shares in SMK, which are non dilutable and carry the right to a priority dividend. The agreement also provides for the Government of Mali to acquire an additional 10% of SMK for a consideration of CFA6,624,516,660 (approximately \$11 million). The first instalment of CFA600,000,000 (\$1 million) payable by the Government of Mali will be satisfied in settlement of an equivalent sum owed by SMK to the Malian Government in respect of historical costs.

### Debt facility with Coris Bank International

On 11 April 2017 the Company's subsidiary Société Des Mines De Komana SA entered into a loan agreement with Coris Bank International for CFA 37 billion (approximately \$60m) on a four-year term at a fixed interest rate of nine percent with a 12-month deferral of capital payment. Interest will be payable during the 12-month deferral period.

### Share purchase agreement Cora Gold Limited

On 11 April 2017 the Company entered into an agreement to sell its interests in Sankarani Resources SARL and Hummingbird Exploration Mali SARL to Cora Gold Limited, in exchange for 50% of the issued share capital of Cora Gold Limited.

# Company Balance Sheet

As at 31 December 2016

	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	35	53,924	38,114
Property, plant and equipment	36	12	17
Receivables from subsidiaries	37	35,208	32,690
		89,144	70,821
<b>Current assets</b>			
Trade and other receivables	38	9,369	1,527
Cash and cash equivalents	38	48,223	6,170
		57,592	7,697
<b>Total assets</b>		<b>146,736</b>	<b>78,518</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	39	5,513	1,487
Other financial liabilities	39	510	—
<b>Total liabilities</b>		<b>6,023</b>	<b>1,487</b>
<b>Net assets</b>		<b>140,713</b>	<b>77,031</b>
<b>Equity</b>			
Share capital	40	5,156	1,723
Share premium		148,516	81,428
Retained earnings		(12,959)	(6,120)
<b>Total equity</b>		<b>140,713</b>	<b>77,031</b>

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2017.

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 2016

	Notes	2016 \$'000	2015 \$'000
<b>Net cash outflow from operating activities</b>	<b>41</b>	<b>(8,188)</b>	<b>(3,108)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(3)	(18)
Investment in subsidiaries		(15,000)	(4,013)
Decrease/(increase) in amounts lent to subsidiaries		492	(1,003)
Interest received		95	24
<b>Net cash used in investing activities</b>		<b>(14,416)</b>	<b>(5,010)</b>
<b>Financing activities</b>			
Net proceeds from issue of shares		66,315	10,139
Interest paid		(130)	—
<b>Net cash from financing activities</b>		<b>66,185</b>	<b>10,139</b>
<b>Net decrease in cash and cash equivalents</b>		<b>43,581</b>	<b>2,021</b>
Effect of foreign exchange rate changes		(1,528)	(194)
<b>Cash and cash equivalents at beginning of year</b>		<b>6,170</b>	<b>4,343</b>
<b>Cash and cash equivalents at end of year</b>		<b>48,223</b>	<b>6,170</b>



# Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Total \$'000
<b>As at 31 December 2014</b>	<b>1,385</b>	<b>71,627</b>	<b>(2,808)</b>	<b>70,204</b>
Comprehensive loss for the year:				
Loss for the year	—	—	(3,512)	(3,512)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>(3,512)</b>	<b>(3,512)</b>
Transactions with owners in their capacity as owners:				
Issue of shares	338	9,801	—	10,139
<b>Total transactions with owners in their capacity as owners</b>	<b>338</b>	<b>9,801</b>	<b>—</b>	<b>10,139</b>
Share based payments	—	—	200	200
<b>As at 31 December 2015</b>	<b>1,723</b>	<b>81,428</b>	<b>(6,120)</b>	<b>77,031</b>
Comprehensive loss for year:				
Loss for year	—	—	(7,518)	(7,518)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>(7,518)</b>	<b>(7,518)</b>
Transactions with owners in their capacity as owners:				
Issue of shares net of costs	3,433	67,088	—	70,521
<b>Total transactions with owners in their capacity as owners</b>	<b>3,433</b>	<b>67,088</b>	<b>—</b>	<b>70,521</b>
Share based payments	—	—	679	679
<b>As at 31 December 2016</b>	<b>5,156</b>	<b>148,516</b>	<b>(12,959)</b>	<b>140,713</b>

# Notes to the Company Financial Statements

For the year ended 31 December 2016

## 31 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.

As permitted by section 408 of the Act, the Company has elected not to present its income statement for the year. Hummingbird Resources Plc reported a loss for the year ended 31 December 2016 of \$7,518,000 (2015: \$3,512,000).

## Investments

Fixed asset investments, 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.

## 32 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 and amounts due from subsidiaries

Where the majority of the assets of subsidiary undertakings are exploration and evaluation assets, determining whether an investment in and loan to 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 Company was less than the carrying value of the Company's net assets as at 31 December 2016, an impairment review was carried out in respect of the carrying values of the investment in subsidiaries and the amounts due from subsidiaries as stated in the Company Balance Sheet. As part of the impairment review of the carrying value of the Groups exploration and evaluation assets the Directors considered that there was no impairment as at 31 December 2016.

## 33 Auditor's Remuneration

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

## 34 Staff costs

The average monthly number of employees (including Directors) was:

	2016 Number	2015 Number
Directors	7	7
Other employees	7	8
	14	15
	\$'000	\$'000
Their aggregate remuneration comprised:		
Wages and salaries	2,880	1,733
Social security costs	363	212
Pension	92	93
Share based payments	832	436
Provision/ (release of provision) for potential social security costs related to share based payments	200	(6)
	4,368	2,468

Within wages and salaries, \$1,587,000 (2015: \$1,089,000) relates to remuneration paid to Directors, included within share based payments is \$153,000 (2015: \$258,000) accrued under cash-settled share based payment scheme payable to Directors, and within pension is \$75,000 (2015: \$74,000) relating to pension contributions in respect of Directors.

The total remuneration of the highest paid director is \$688,000 (2015: \$355,000) comprising \$657,000 (2015: \$327,000) in relation to wages and salaries and pension contributions of \$30,000 (2015: \$28,000). In addition, an amount of \$153,000 (2015: \$248,000) is accrued under the cash-settled share based payment scheme.

## Notes to the Company Financial Statements continued

For the year ended 31 December 2016

The number of directors to whom benefits are accruing under defined contribution pension schemes is 2 (2015: 3).

Key management remuneration is disclosed in note 28 to the consolidated financial statements.

### 35 Investments

	Investment in subsidiaries 2016 \$'000	Investment in subsidiaries 2015 \$'000
Cost at the beginning of the year	38,114	34,101
Additions	15,810	4,013
At Total	53,924	38,114

The Company's subsidiaries are disclosed in note 16 to the consolidated financial statements. The additions in the year include \$810,000 in respect of HIPPO incentive scheme that have not been recharged to subsidiaries.

Hummingbird Resources Plc subscribed for additional nil par value shares in its wholly owned subsidiary Trochilidae Resources Limited for a value of \$15,000,000 (2015: \$4,000,000).

### 36 Property, plant & equipment

	Development assets - other \$'000	Other \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2015	59	338	397
Additions	—	18	18
At 1 January 2016	59	356	415
Additions	—	3	3
At 31 December 2016	59	359	418
<b>Accumulated depreciation</b>			
At 1 January 2015	56	321	377
Charge for the year	3	18	21
At 1 January 2016	59	339	398
Charge for the year	—	8	8
At 31 December 2016	59	347	406
<b>Carrying amount</b>			
At 31 December 2016	—	12	12
At 31 December 2015	—	17	17

### 37 Receivables from subsidiaries

At the balance sheet date amounts receivable from the subsidiaries were \$35,208,000 (2015: \$32,690,000). These amounts are repayable on demand however these are not expected to be repaid within one year and no interest is currently charged. The carrying amount of these assets approximates their fair value.

### 38 Current Assets

#### Trade and other receivables

	2016 \$'000	2015 \$'000
Other receivables	5,526	358
Prepayments and accrued income	446	500
Trade receivables – intercompany	3,397	669
	9,369	1,527

There are no past due or impaired receivables.

#### Cash and cash equivalents

Cash and cash equivalents as at 31 December 2016 of \$48,223,000 (31 December 2015: \$6,170,000) 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.

### 39 Current Liabilities

#### Trade and other payables

	2016 \$'000	2015 \$'000
Trade payables	1,686	351
Other taxes and social security	70	66
VAT	465	65
Accruals	2,917	630
Other payables	375	375
	5,513	1,487

The average credit period taken for trade purchases is 118 days (2015: 59 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

#### Other financial liabilities

The Company's other financial liabilities are included within note 22 of the consolidated financial statements.

#### Amounts due to joint venture

Amounts due by the Company to the joint venture are disclosed in note 13 of the consolidated financial statements.

#### Operating lease commitments

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

	2016 \$'000	2015 \$'000
Within one year	89	27

Operating lease payments represent rentals payable by the Company for the UK head office.

### 40 Share Capital

The movements on this item are disclosed in note 23 to the consolidated financial statements.

### 41 Share based payments

The Company's share based payments information is disclosed in note 25 to the consolidated financial statements.

# Notes to the Company Financial Statements continued

For the year ended 31 December 2016

## 42 Notes to the statement of cash flows

	2016 \$'000	2015 \$'000
<b>Loss before tax</b>	<b>(7,513)</b>	<b>(3,503)</b>
Adjustments for:		
Depreciation of property, plant and equipment	8	21
Share based payments	505	436
Finance income	(603)	(71)
Finance expense	1,658	194
<b>Operating cash flows before movements in working capital</b>	<b>(5,945)</b>	<b>(2,923)</b>
Increase in receivables	(2,621)	(236)
Increase in payables	378	51
<b>Net cash outflow from operating activities</b>	<b>(8,188)</b>	<b>(3,108)</b>

## 43 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	Loans and receivables		Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss	
	2016	2015	2016	2015	2016	2015
<b>Financial assets</b>						
Cash and cash equivalents	48,223	6,170	—	—	—	—
Other receivables	5,526	358	—	—	—	—
Intercompany trade receivables	3,397	669	—	—	—	—
Loans due from subsidiaries	35,208	32,690	—	—	—	—
	<b>92,354</b>	<b>39,887</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial liabilities</b>						
Trade payables	—	—	1,686	351	—	—
Other payables	—	—	375	375	—	—
Accruals	—	—	2,452	336	—	—
Warrant liability <sup>1</sup>	—	—	—	—	510	—
	<b>—</b>	<b>—</b>	<b>4,513</b>	<b>1,062</b>	<b>510</b>	<b>—</b>

<sup>1</sup> The fair value of the warrant liability (see 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. Where inputs can be observed from market data without undue cost and effort, the observed input has been used. Otherwise, management determines a reasonable estimate for the input.

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 the balances receivable from its subsidiaries (see note 37).

### Foreign currency exposure and sensitivity analysis

The Company's exposure to foreign currency exposure and sensitivity to exchange rates is the same as the Group's (see note 27).

#### 44 Related Parties

##### Amounts due from subsidiaries

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 detailed below:

	2016 \$'000	2015 \$'000
Hummingbird Resources (Liberia) Inc.	33,231	32,690
Trochilidae Resources Limited	1,977	—

These amounts are repayable on demand and no interest is currently charged.

The Company's transactions with other related parties and remuneration of key management personnel are disclosed in note 28 to the consolidated financial statements.

#### 45 Events after the balance sheet date

Events after the balance sheet date are disclosed in note 29 to the Consolidated Financial Statements.



