Registration number 05875525 (England and Wales)

NORTH RIVER RESOURCES PLC

GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

North River
RESOURCES

CONTENTS

DIRECTORS, SECRETARY AND ADVISORS

DIRECTORS:	James Beams	*(Non-Executive Chairman)*
	Mark Sawyer	*(Non–Executive Director)*
	Kenneth Sangster	*(Non–Executive Director)*
	Ricardo De Armas Paredes	*(Non–Executive Director)*
	Daniel SaintDon	*(Non-Executive Director)*
SECRETARY:	Ben Harber	
COUNTRY OF INCORPORATION:	England and Wales	
REGISTERED NUMBER:	05875525	
REGISTERED OFFICE:	6th Floor, 60 Gracechurch Street London, EC3V 0HR	
GROUP AUDITORS:	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London, E1W 1YW	

Business and operations review

The year ended 31 December 2018 marked a turning point for North River. On 20 February 2018, North River announced a proposed gross US$21.6m ($21.46m net of legal fees) capital raising by way of a new share issue to private equity group Castlelake and working capital loans from both Castlelake and existing shareholder Greenstone Resources. Shareholders approved the resolutions to support the capital raising at a General Meeting on 8 March 2018. The Board approved completion of the financing and proceeding into project construction on 23 March 2018. Greenstone Resources and Castlelake now each hold a 44.11% interest in the Company.

Construction of the Namib Project commenced in late March 2018 with the signing of the Engineering, Procurement and Construction (EPC) contract with Bond Equipment for the construction of the mines process plant. Underground mining activities commenced in May 2018 with the rehabilitation and enlargement of the historic early stage development of the North Mine. By January 2019, ore was being mined and a surface stockpile being built up. The commissioning of the process plant commenced in April 2019, a little later than scheduled with first zinc concentrate produced the following month, and despite a number of throughput and recovery ramp-up issues still being addressed, commercial production is targeted for the third quarter of 2019.

The Namib Lead & Zinc Project

Overview

The Namib Project entails the re-opening of a previously producing underground mine, and the construction of a new processing plant. Located 20km inland from the central, coastal town of Swakopmund in Namibia, the project benefits from being well located, with excellent surrounding infrastructure. Namibia has a well-established mining industry and good access to local mining suppliers and support services.

Mineral licences

The mining licence (ML 185, valid until February 2026) for the Namib Project was granted in May 2017 by the Ministry of Mines and Energy. Namib Lead & Zinc Mining (Pty) Ltd a 90% held subsidiary also holds two exploration licences around the mining area, both of which were renewed for 2-year periods in 2019; EPL 2902 valid until February 2021 and EPL 5075 valid until May 2021.

The Company has set up two trusts, the "Namib Lead & Zinc Mine Community Empowerment Trust" and "The NLZM Employee Benefit Trust", each holding a 5% interest in Namibian company Namib Lead & Zinc Mining, to meet the Ministry's requirement for Namibian participation in the Project to benefit previously disadvantaged employees of the Company, and communities in need.

The two Trusts were certified by the Namibian Master of the High Court and the shares representing 5% ownership for each Trust were issued on 22 November 2017. North River Resources holds the 90% balance of shares.

Geology

The Namib Project is hosted within the thinly interbedded clastics and carbonates of the Arises Marble unit of the Karibib Formation of the Swakop Group, which in the vicinity of the mine displays complex folding and deformation. The mineralised massive "Mine Marble" unit within the Karibib Formation is a weakly banded and coarse-grained marble.

Structurally, mineralisation occurs in NE-SW striking tabular lodes that occur in the axial zone and limbs of a ductile SW-plunging anticlinal fold closure. The lodes have similar orientation around the fold closure and are therefore not folded. They are stratabound within the host mine marble unit but are very oblique to this enclosing envelope. As a result, the lodes typically have short strike lengths but much greater down-plunge continuity. Lodes do occur which are elongated along the mine marble strike, but this is less common.

The lodes within the deposit are assigned to four zones relative to their position in the fold closure, the North, South, N20 and Junction.

Mineral Resources

Following the grant of the mining licence in May 2017, results of the technical studies and resource drilling programmes carried out in 2015 and 2016 were incorporated into an optimisation of the project for development. The updated feasibility study results announced in October 2017 included updated Mineral Resource and Ore Reserve Statements and optimisations to both the mine development plan and processing plant design.

In-situ Classified Mineral Resource Estimate for the Mine, as at August 2017.

Mineral Resource Estimate of NLZM, August 2017

Classification	Area	Mass (t)	Density (t/m^3)	Zinc (%)	Lead (%)	Silver (g/t)
Indicated	North	522,700	3.53	7.3	2.5	53
	South	187,600	3.49	6.4	2.2	43
Inferred	North	193,300	3.40	5.7	1.1	29
	South	215,500	3.48	6.2	2.6	47
Total		**1,119,100**	**3.49**	**6.6**	**2.3**	**46**

Tonnages have been rounded to the nearest 100t to reflect that this is an estimate. Apparent differences may occur due to rounding. Resources are reported inclusive of Reserves.

In 2008 Kalahari Minerals Plc, embarked on a drilling program on the tailings, which included 178 RC holes. All holes were drilled vertical targeting to the bottom of the tailings. Snowden Mining Industry Consultants Ltd. ("Snowden") undertook an independent Resource Estimate, reported in 2013.

Tailings Mineral Resource Estimate of NLZM, November 2013 (Snowden)

Classification	Volume (m^3)	Mass (t)	Density (t/m^3)	Zinc (%)	Lead (%)	Silver (ppm)	Iron (%)
Measured	130,000	260,000	2.1	2.2	0.3	7.5	20.1
Indicated	170,000	350,000	2.1	2.1	0.3	7.7	19.5
Total	**300,000**	**610,000**	**2.1**	**2.1**	**0.3**	**7.6**	**19.8**

No cut-off was applied.

Mining Ore and Reserves

The mine design in the updated feasibility study focuses early mining in the North mine, with the unmined portions of the South mine only being mined later in the life of the mine. The Company continued to review and optimise the mining layout during the year, making the following changes:

- Sub-level open stopping was changed to longhole stopping. Instead of main levels developed at 30m level with sublevels in between, the mine will now be developed using longhole open stopping with 15m vertical level intervals. Footwall haulages are minimised with most of the development located in the orebody plane (ore drives). This significantly reduced the amount of waste mining and allowing for quicker access to orebodies. The ore reserves are not affected by the change in layout.
- The ramp location was relocated for optimum access to each level and to focus on the primary orebodies.

The mine production rate was fixed at 10,000 tonnes per month of ore, resulting in an initial mine life of eight years. The capital and operating cost estimates were updated to reflect the new mine design and production rate. A JORC 2012 compliant Ore Reserve has been declared based on the work completed in this revised mine plan. The Ore Reserves are tabled below.

Ore Reserve Estimate of NLZM, October 2017

Classification	Mass (t)	Lead (%)	Zinc (%)	Silver (g/t)	Combined Pb (t)	Contained Zn (t)	Contained Ag (oz)
Proven	-	-	-	-	-	-	-
Probable	611,000	2.3	6.6	48.5	14,000	40,000	952,000
Total	**611,000**	**2.3**	**6.6**	**48.5**	**14,000**	**40,000**	**952,000**

The mining inventory by resource class is shown below. Although Inferred Mineral Resources are included in the life of mine design, they are not included in the Ore Reserve statement above nor are they required to demonstrate the economic viability of the project. The conversion of Inferred Mineral Resources to Indicated Resources, resulting from continuous infill drilling following the primary development, will form part of ongoing operational practice. As such, the Company has included some inferred resources into the life of the mine plan. A mine life of eight years is planned from the current resource base.

Further exploration on each development level represents upside potential in ore reserves, within the envelope of the current North and South orebodies.

Mining Inventory by Resource Categorisation, October 2017

Classification	Mass (t)	Lead (%)	Zinc (%)	Silver (g/t)	Combined Pb (t)	Contained Zn (t)	Contained Ag (oz)
Indicated	611,000	2.35	6.66	49.1	14,400	40,700	965,000
Inferred	274,000	2.38	6.23	40.5	6,500	17,100	357,000
Total Inventory	**885,000**	**2.36**	**6.53**	**46.5**	**20,900**	**57,800**	**1,322,000**

Processing

The plant circuit is a conventional crushing, grinding, flotation operation, for a lead/zinc orebody. Bond Equipment (from South Africa) was the preferred supplier of plant equipment and construction and was contracted on an EPC basis in March 2018.

Ore from the run-of-mine pad will be fed by front end loader to a bin, vibrating feeder and grizzly, which feeds a jaw crusher. The crushing plant is a two-stage unit with intermediate screening and the ability to reject coarse, potentially waste, material. An impact crusher was chosen as the second stage to take advantage of the high reduction ratio to provide suitable feed stock for the small-scale ball mill. Impact breakage suits grain boundary cleavage and avoids 'squashing' softer minerals like galena. Surge storage will be handled via a fine ore bin and overflow stockpile.

The flotation circuit provides flexibility to deal with both elevated head grades and circuit modifications. The circuit was designed to maximise the use of gravity, reducing the need for pumps and increasing the ability of the plant to deal with variability. The lead roughers and lead cleaner capacity are able to cope with elevated head grades. The lead rougher tails form the feed to the zinc conditioner. The zinc roughing cells are conservative to allow for easy reconfiguration should a larger scavenging duty be required which will build up a recirculating load and thereby reduce the actual residence time. The zinc cleaner circuit incorporates a re-grind facility to complete the effective liberation of the available sphalerite particles.

An opportunity was taken to modify the original design of laying out the flotation circuit in a terraced format, into a large steel, multi-level structure. This new layout will have significant benefits when in operations but resulted in a small delay in the delivery of this portion of the plant as the logistics around the installation of this structure and plant equipment also took a little longer than originally planned.

The final concentrates are fed onto horizontal belt filters, which also allows considerable air-drying time. The lead concentrate will be packaged into bulk bags to minimise any open piles and either load a container on site or transport the bags to Walvis Bay to load the containers. The zinc concentrate will be directly loaded onto trucks or bulk loaded into plastic lined containers on site.

A tailings thickener reduces water consumption. The tailings dam is already in place with starter walls and a penstock. A large internal paddock was established to compartmentalise the initial tailing in order to maximise the water return capabilities. This paddock has sufficient capacity for the first year's production.

Project construction has been managed by a small company owners' team taking direct responsibility for up-front development of the underground mine and site infrastructure, while construction of the processing plant was being carried out by South African engineering company, Bond Equipment.

Project construction

The EPC contract for the construction of the process plant was signed with Bond Equipment on 22 March 2018 and construction commenced in April 2018, including on all support infrastructure. Rehabilitation of the old mine excavations commenced with the first blast in the North Mine portal on 30 May 2018.

Mining development

Historic mining focused on the South and Junction areas of the orebody, with only a small amount of early stage development carried out on North 1 Level before the mine closed in 1991. The Company's current mine plan is based on accessing the shallow orebodies of the North Mine region initially for the first few years, before progressing back to the deeper South area.

The old North 1 Level development has been utilised to access the first orebodies before then progressing to deeper levels. The old workings have been made larger to accommodate the new mechanised equipment. All rehabilitation work was completed in March 2019 and the main ramp reached 2 Level at the end of May 2019.

The first 1 Level orebody was developed between January and March 2019, delivering the first fresh ore to surface. The stoping of this orebody started in the first week of April 2019 and was mined out during May 2019. By August 2019, the second orebody was being mined and three others were in development on 1 and 2 Levels. Simultaneously, the Main Ramp development was progressing to 3 Level.

Ongoing exploration activities in the mine have identified extensions to known orebodies near surface. These are still being evaluated but provide an indication that additional resource potential exists within the currently planned mining areas. Exploration activities will be ongoing during the life of mine.

Mining equipment & infrastructure

New underground mining equipment, including an LHD (load-haul-dump), haul truck and a utility vehicle were delivered in August 2018 and a second haul truck was delivered in August 2019.
A longhole drill machine was delivered in early October 2018, primarily for stope drilling but also to be used for drilling ventilation raises and for resource definition drilling within known mineralized zones.

Process plant

All plant equipment procurement and fabrication conducted by Bond was done at their premises in South Africa. Trial assemble of virtually all areas of the plant was carried out at the Bond factory before being stripped down and transported to the mine site for reassembly on the prepared foundations. Work started with the comminution section of the plant and by the end of 2018, the crushing and milling circuits, with associated MCC and control room, had been constructed. The owner's team had also completed the construction of all other foundations for the remainder of the process plant still to be delivered in early 2019. Construction and assembly of the flotation, filtration and tailings thickener were then completed in March 2019, followed by commissioning and hand-over of the plant to the owner's team at the end of April 2019.

A site laboratory has been established to process samples from the process plant and the mining operations. Exploration samples are also being analysed. A small laboratory scale flotation tank is being established in order to evaluate process options and understand variations in performance and material types.

Infrastructure

The mine receives water from the national bulk water supplier, NamWater. A new 8km long pipeline was installed connecting NamWater's main distribution line to the mine site. The line has a supply capacity of more than 300m^3 daily.

Power is partly supplied from the national grid via the regional distributor, ErongoRed (Erongo Regional Electricity Distributor Company). NLZM entered into a power supply agreement in September 2018 for 1.6MVA. The project included putting all necessary power supply infrastructure in place, including the upgrade and replacement of an existing line used by the previous operator until the early 1990s.

With a limit to the power currently available on the grid, the underground mining operations are being powered by generator.

Construction status

Construction continued through the first quarter of 2019 to complete the installation of the flotation plant, concentrate filtration area and tailings handling. Commissioning of the front end of the plant commenced in February 2019, with the rest of the plant starting in early April 2019. Commissioning was initially slow due to several issues on the plant but following implementation of a number of operational improvements good progress is now being made towards full and sustainable production levels. First shipment of concentrate took place in August 2019.

The project is about 5 months behind the original schedule, partly due to adopted changes to the plant layout and design and partly the result of longer than expected construction and commissioning. EPC costs remain as contracted. The mine is now in ramp-up mode expected to reach steady state operations in Q3 2019 at 10 000t per month.

Corporate and financial review

Namib Project financing and approval

On 20 February 2018, North River announced a capital raising for the construction of the Namib Lead and Zinc Mine by way of a new share issue and working capital loan arrangement.
Following shareholder approval at the General Meeting of 8 March 2018, the Board approved:

(i) the completion of a US$21.6m fundraising for the construction of the Namib Lead & Zinc Mine and associated corporate costs to see the Company through commissioning and into early production,
(ii) the appointment of Ricardo De Armas Paredes and Brent De Jong as non-executive directors. Mark Thompson resigned from his office of director of the Company with effect from completion of the fundraising,
(iii) and various documents and actions required in connection with the above.

An aggregate consideration of US$6,764,621 was raised before fees and expenses by allotting and issuing 24,010,037 CL Ventures Subscription Shares to CL Ventures Lux S.a.r.l. ("Castlelake") at a subscription price of US$0.2817 per share. As a condition to completion of this subscription of shares the pre-existing Greenstone Convertible Loan was converted into 4,034,537 New Greenstone Shares. As a result, Castlelake and Greenstone Resources each now hold 24,010,037 shares in North River, representing an interest of 44.11% each in the Company. On completion of the share subscription, working capital loan advances were made to the Company by Greenstone Resources and Castlelake for US$6,300,000 and US$8,395,379 respectively. These funds were drawn down immediately and are repayable in full on the third anniversary of the drawdown.

In March 2018, the Company applied the amounts received from the above capital raising transactions and granted a shareholder loan of US$19,500,000 to its subsidiary Namib Lead and Zinc Mining (Pty) Ltd to fund the operation of the Namib Lead and Zinc Mine project.

Board of directors

On completion of the financing on 23 March 2018 and mentioned above, Mark Thompson resigned as an independent non-executive director, and Ricardo De Armas Paredes and Brent De Jong were appointed non-executive directors on behalf of Castlelake.

In March 2019, Mr Brent De Jong resigned from the Board and the Company announced the appointment of Mr Daniel SaintDon as a non-executive director on behalf of Castlelake.

In May 2019, Mr Paul Lombard, appointed as CFO of the Group in February 2018, stepped down from his role. In August 2019, Andre Nel was appointed as the new CFO of the Group. Andre brings more than 25 years experience in the mining and manufacturing industries, in Africa and Europe, including with De Beers, Anglo American, Norilsk Nickel & Barloworld Equipment.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

In August 2019, Mr Dag Kullman stepped down as Managing Director through the construction phase and was replaced by Mr Martin Tjipita who will now take the company into full operations. Martin has 28 years of experience in mining operations and utilities at various levels of which 12 years where at senior leadership roles in Namibia. He worked for Rio Tinto, Namdeb, Paladin Energy, NamPower, NamWater and recently for Imerys Gecko joint venture.

Financial review and future activities

The Group is reporting a loss before taxation for the year of £2,098,096 (2017: loss of £1,099,482).

This loss includes administrative expenses of £627,407 (2017: £465,397) which consisted largely of an unrealised foreign exchange loss and exploration and evaluation costs of £126,103 (2017: £674,623). The reduction of exploration and evaluation costs in comparison to 2017 is due to commencement of project construction in April 2018. From this date, all expenses incurred in developing the plant, including borrowing costs from the working capital loan facilities, were capitalised in the statement of financial position as assets under construction, totalling £7,481,132 as at 31 December 2018.

The Group's cash position as at 31 December 2018 was £6,013,671 (2017: £391,948).

In December 2017 the Company secured a US$900,000 convertible loan facility from Greenstone Resources, which was fully drawn down by March 2018. This facility was converted in full to shares subsequent to the shareholder approval of the new fundraising proposal in March 2018 and converted in line with the agreement between Greenstone Resources LP and the Company. This created an additional 4,034,537 new Ordinary Shares issued in the Company to Greenstone Resources.

On 8 March 2018 shareholders approved the fundraising proposal for the allotment of new share capital to Castlelake. On the same date, working capital loan facilities to the Company from Greenstone Resources and Castlelake in the amounts mentioned earlier in this report, were also approved.

Following first sale of concentrate in August 2019, improving operating performance and plant ramping up to full design capacity, we are expecting to start generating positive operating cash flows in the fourth quarter of 2019. The slower project ramp up has placed stress on the Company's cash position, which has been alleviated to date by deferring the interest payments on the shareholder loans from Greenstone Resources and Castlelake. Management is also looking at options to raise contingency working capital in the event further delays to the ramp-up are experienced.

James Beams
Chairman
9 September 2019

The Directors of the Company and its subsidiary undertakings (which together comprise 'the Group') present their Strategic Report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND STRATEGY

The principal activity of the Company is that of a holding company for its subsidiaries. The principal activity of the Group is the identification, acquisition, exploration and development of mineral projects with a principal focus on base metals particularly zinc and lead.

The North River Group is engaged in the exploration and development of mineral resources. The Group's activities are focussed in Namibia and its main project is the Namib Lead & Zinc Mine.

In March 2018 the Group completed a capital raising to fund development of the project. In April 2019 the Company entered the commissioning phase on the process plant, with the first Zinc concentrate produced in May. An offtake agreement for the Lead and Zinc concentrates produced in 2019 was finalised with Concord Resources Limited.

The objective is to take the Company into profitable and cash generative operations which in turn will fund the Group's further exploration and expansion plans.

Further discussions on the Group's activities during the year and future outlook are included in the Chairman's Statement.

On 29 January 2018 ownership of the Murrupula exploration licence in Mozambique was successfully transferred to joint venture partner Baobab, in exchange for a royalty on future revenues deriving from the licence.

FINANCIAL RESULTS

The Group is reporting a gross operating loss of £760,103 (2017: £1,140,020) for the year ended 31 December 2018. This loss is in line with the Directors' expectations following lower exploration and evaluation expenditure as a result of commencement of project construction in April 2018. From this date, all expenditure related to developing the Namib Lead Zinc project was capitalised as assets under construction in the statement of financial position.

The Group generated a loss before tax of £2,098,096 (2017: £1,099,482) following the weakening of Pound Sterling (GBP) against US dollar (US$) during the year. This led to the recognition of a £1,178,345 loss as a result of largely unrealised foreign exchange movement in the US Dollar loans payable to Greenstone and Castlelake.

The Group's primary activity has been to define an optimised project for development at Namib. Following Board approval in March 2018 to proceed into construction, the company expects to bring the mine into production within one year. The first sales revenues occurred in August 2019.

Cash balances at the year-end were at £6,013,671 (2017: £391,948).

Due to the early stage of development of the Group, it is not meaningful to consider a further review of key financial performance indicators.

ORGANISATION OVERVIEW

The Group's Board is based in the UK and the USA, reflecting the location of the two main shareholders, and the full management team is located in Namibia. The corporate structure of the Group reflects the history as a UK public company with a focus on exploration and project development in Namibia.

The Board of Directors comprises the Non-Executive Chairman, two Non-Executive Directors appointed by Greenstone Resources and two Non-Executive Directors appointed by Castlelake.

The Group is currently in the commissioning phase of the Namib Lead Zinc project, and expenditure is tightly controlled against a Board approved capital cost and schedule.

PRINCIPAL RISKS AND UNCERTAINTIES

Mining and exploration have inherent risks and the main risks to which the Group could be exposed are identified as follows:

Exploration Risk
The Company's business includes mineral exploration and evaluation which are speculative activities and there is no certainty that the Group will be successful in the definition of new or additional economic mineral deposits, or that it will successfully proceed into development of any such additional mineral deposits.

Resource Risk
All mineral deposits have risks associated with their defined grade and continuity. Mineral Reserves and Resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and metal price assumptions.

Construction Risk
Delays in construction and commissioning of the Namib project would result in delays to the Group meeting future production targets.

Commodity Price Risk
Lower metal prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity. The Group has no metal price hedging in place.

Mining and Processing Technical Risk
Notwithstanding the completion of detailed metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, groundwater conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable.

Licences Risk
Exploration and mining licences are issued by government and though the Group ensures that the applications and renewals are applied for in a timely manner and that all conditions have been met, there is a risk that licences will not be granted or renewed.

Environmental Risk
Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

Financing & Liquidity Risk Liquidity
The risk that the Company will not be able to raise working capital for its ongoing activities. The Group's goal is to finance its exploration and evaluation activities from future operating cash flows but until that point is reached the Company is reliant on raising working capital from equity or debt markets. There is no certainty such funds will be available when needed.

Political Risk
All countries carry political risk that can lead to interruption of activity. Even traditionally stable countries can, for example, have enhanced environmental and social permitting risks, risks of strikes, changes to taxation and changes to regulatory and legislative environments, including indigenisation policies, while other jurisdictions might have higher risks in areas such as changes to the legal framework, civil unrest or government expropriation of assets.

The New Equitable Economic Empowerment Framework (NEEEF) Legislation proposed by the Namibian Government, could, if enacted into law, have material consequences on the operations of the Group. The final terms and conditions have not yet been confirmed and there is a risk that such legislation could have a significant impact on the development of the Group's projects in the country.

Currency risk
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group presents its consolidated financial statements in GBP and has subsidiaries with functional currencies in Namibian dollar. Consequently, the Group is exposed to currency risk on future revenue, purchases and borrowings that are denominated in a currency other than the functional currency of the entity. The currencies in which these transactions are denominated are primarily US dollar, Namibia dollar and GBP.

Group will utilise its US dollar debt repayments as a hedge of future US dollar in order to hedge foreign currency risk.

Financial Instruments and financial risk management
Details of risks associated with the Group's Financial Instruments and financial risk management disclosures are given in Note 23 to the financial statements.

Internal Controls and Risk Management
The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system of internal controls and risk management is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, and all borrowing decisions.

By order of the Board

James Beams
Chairman
9 September 2019

The Directors present their report, together with the audited financial statements for North River Resources plc ('North River' or 'the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 December 2018. The Company is registered in England and Wales, having been incorporated on 13 July 2006 under the Companies Act with registration number 05875525 as a public company limited by shares.

Directors
The following Directors held office during the year and remain in office as at the date of this report unless stated otherwise:

James Beams	
Ken Sangster	
Mark Sawyer	
Ricardo De Armas Paredes	(appointed 23 March 2018)
Brent De Jong	(appointed 23 March 2018 and resigned 19 March 2019)
Mark Thompson	(resigned 23 March 2018)
Daniel SaintDon	(appointed 19 March 2019)

Subsequent events
The Group continues with construction of the Namib Project in Namibia into 2019. In April 2019, the Group entered the commissioning phase on the process plant, with the first Zinc concentrate produce in May.

Further, an offtake agreement for the Lead and Zinc concentrates produced in 2019 was finalised with Concord Resources Limited.

At the close of 2018, previous underground development had been rehabilitated and additional development had accessed planned Reserve blocks. The mine has since opened these reserves to produce an ore stockpile of 8,000 tonnes on surface to be processed in the new plant. Ore production continues at a planned rate.

Going concern
During the year ended 31 December 2018 the Group made a loss before tax of £2,098,096 (2017: £1,099,482). At the year-end date the Group had net assets of £3,042,635 (2017: net assets of £1,212,812) of which £6,013,671 (2017: £391,948) is cash at bank. The operations of the Group are currently being financed by funds raised from private and public shareholders.

As set out in Note 6, the application for the Namib Lead Zinc Licence, ML 185, (submitted in April 2014) was received from the Republic of Namibia Ministry of Mines and Energy on 29 May 2017. This has allowed the Group to proceed with the next stage of the construction and development programme allowing the Company to seek additional investment to support the capital requirements of the Namib Project.

On 8 March 2018 shareholders approved the fundraising proposal for the allotment of new share capital via 24,010,037 new Ordinary Shares issued to Castlelake, raising an aggregate of US$6,764,621. Additionally, two working capital loans were advanced simultaneously to the Company by Greenstone Resources and Castlelake for US$6,300,000 and US$8,395,379 respectively. This raised total aggregate additional funds of US$21,460,000 net of legal fees.

At 31 July 2019 the Group had £1,511,262 (US$1,838,406) cash balances.

First production at Namib was achieved in May 2019, with a ramp-up to design capacity and positive free cash flows a little slower than planned, and now expected during the third fourth quarter 2019. Interest repayments on the two working capital loans with Greenstone resources and Castlelake, scheduled to commence in April 2019, have been capitalised to date, pending the operation achieving commercial levels of production. First revenue from sale of concentrate was received in early September and operating performance continues to improve.

Management has reviewed the forecast cash flows for 12 months from the date of the approval of the annual report and financial statements and are confident that the Group will continue to meet its significant obligations through the remaining commissioning phase. Working capital facilities are in place to cover any further delay in the ramp up to positive cash generating levels of production. Therefore, Management believe that the Group has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. However, in the event of significant delays or cost overruns occurring in the commissioning or delays in achieving commercial production revenue, the company may need to raise further working capital funds.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 Parent Company, and the profit and loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and accounting estimates that are reasonable and prudent;
c) state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 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 Company's website.

Statement of disclosure to the auditors
So far as all the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors
In accordance with Section 485 of the Companies Act 2006, a resolution proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to determine their remuneration will be put to the Annual General Meeting.

By order of the Board

James Beams
Chairman
9 September 2019

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NORTH RIVER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion
We have audited the financial statements of North River Resources plc for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2018 and of the Group and Parent company's loss respectively and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter –Going concern
In forming our opinion on the financial statements, which are not qualified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern. The group incurred a loss of £2.1m during the year ended 31 December 2018 and is still incurring losses. Along with similar sized exploration and mining companies, the Company raises finance for its exploration, appraisal and development activities in discreet tranches.

During the year, the Company provided financial support to its subsidiaries as they move to the operational mining stage of their project. Due to operational delays, whilst the project in Namibia is moving forward, commercial production was to commence in the second quarter of 2019. First revenue from sale of concentrate was received in early September 2019.

The year also saw the weakening of the Pound Sterling against the US Dollar and this has resulted in further losses for the Group. There currently are no future plans for additional fund raising to be undertaken. The directors believe that the Group will have adequate working capital to operate on a commercial basis. However, in the event of significant delays or cost overruns occurring or delays in achieving positive free cash flows, the Company may need to raise further working capital funds.

The financial statements do not include the adjustments that would result (such as an impairment of assets) if the Group and Company were unable to continue as a going concern.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NORTH RIVER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2018

Use of our report
This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 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.

Colin Wright (Senior Statutory Auditor)
For and on behalf of
UHY Hacker Young
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

9 September 2019

NORTH RIVER RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Continuing operations			
Exploration and evaluation expenditure		(126,103)	(674,623)
Administrative expenses		(634,000)	(465,397)
GROUP OPERATING LOSS	2	(760,103)	(1,140,020)
Finance income	3	22,200	3,403
Finance costs	3	(37,662)	(3,915)
Loss on disposal of associate	10	(113,182)	-
Other gains and losses	4	(1,209,349)	41,050
LOSS BEFORE TAX		(2,098,096)	(1,099,482)
Taxation	5	-	-
LOSS FOR THE YEAR		(2,098,096)	(1,099,482)
OTHER COMPREHENSIVE INCOME / (LOSS):			
Currency translation adjustment		(1,430,807)	130
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,528,903)	(1,099,352)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		(3,179,508)	(1,089,812)
Non-controlling interest		(349,395)	(9,540)
		(3,528,903)	(1,099,352)

The results for 2018 and 2017 relate entirely to continuing operations. The loss for the current and prior years and the total comprehensive loss for the current and the prior years are wholly attributable to equity holders of the parent company.

NORTH RIVER RESOURCES PLC

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	Group 31-Dec-18 £	Company 31-Dec-18 £	Group 31-Dec-17 £	Company 31-Dec-17 £
ASSETS					
NON-CURRENT ASSETS					
Goodwill	6	1,036,052	-	1,036,052	-
Intangible assets	7	75,888	66,000	56,821	66,000
Plant and equipment	8	846,713	-	24,441	-
Assets under construction	8	7,481,132	-	-	-
Investment in joint venture	9	-	-	-	-
Investment in associated company	10	-	-	113,182	56,591
Investments in subsidiaries	11	-	473,009	-	473,009
Loans due from subsidiaries	12	-	21,997,861	-	8,325,094
		9,439,785	22,536,870	1,230,496	8,920,694
CURRENT ASSETS					
Trade and other receivables	13	756,387	26,223	78,555	24,943
Cash and cash equivalents	14	6,013,671	1,247,574	391,948	341,136
Inventories	15	21,255	-	-	-
Short term loans due from subsidiaries	12	-	2,365,969	-	-
		6,791,313	3,639,766	470,503	366,079
TOTAL ASSETS		16,231,098	26,176,636	1,700,999	9,286,773
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	212,720	37,213	139,510	90,158
Short term provisions	17	55,471	-	-	-
Short term borrowings	18	1,617,030	1,617,030	-	-
		1,885,221	1,654,243	139,510	90,158
NON-CURRENT LIABILITIES					
Convertible loan notes	19	-	-	348,677	348,677
Long term borrowings	18	11,303,242	11,303,242	-	-
TOTAL LIABILITIES		13,188,463	12,957,485	488,187	438,835
NET ASSETS		3,042,635	13,219,151	1,212,812	8,847,938
EQUITY					
Share capital	20	4,489,465	4,489,465	4,433,376	4,433,376
Share premium		30,594,021	30,594,021	25,291,384	25,291,384
Convertible loan note reserve	19	-	-	28,846	28,846
Currency translation reserve		(1,671,284)	-	(240,477)	-
Non-controlling interest		(358,935)	-	(9,540)	-
Retained losses		(30,010,632)	(21,864,335)	(28,290,777)	(20,905,668)
TOTAL EQUITY		3,042,635	13,219,151	1,212,812	8,847,938

These financial statements were approved by the Board of Directors on 9 September 2019 and signed on its behalf by:

James Beams
Chairman
Company Registration Number: 05875525

NORTH RIVER RESOURCES PLC

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

GROUP

	Share capital	Share premium	Retained losses	Convertible loan note reserve	Currency translation reserve	Total	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2017	4,433,376	25,291,384	(27,200,835)	-	(240,607)	2,283,318	-	2,283,318
Loss for the year	-	-	(1,089,942)	-	-	(1,089,942)	(9,540)	(1,099,482)
Other comprehensive income:								
Currency translation movement	-	-	-	-	130	130	-	130
Total comprehensive loss	-	-	(1,089,942)	-	130	(1,089,812)	(9,540)	(1,099,352)
Transactions with shareholders:								
Issued convertible loan note equity	-	-	-	28,846	-	28,846	-	28,846
At 31 December 2017	4,433,376	25,291,384	(28,290,777)	28,846	(240,477)	1,222,352	(9,540)	1,212,812
Loss for the year	-	-	(1,748,701)	-	-	(1,748,701)	(349,395)	(2,098,096)
Other comprehensive income:								
Currency translation movement	-	-	-	-	(1,430,807)	(1,430,807)	-	(1,430,807)
Total comprehensive loss	-	-	(1,748,701)	-	(1,430,807)	(3,179,508)	(349,395)	(3,528,903)
Issue of share capital	48,020	4,763,218	-	-	-	4,811,238	-	4,811,238
Conversion of convertible loan	8,069	539,419	28,846	(28,846)	-	547,488	-	547,488
								-
At 31 December 2018	4,489,465	30,594,021	(30,010,632)	-	(1,671,284)	3,401,570	(358,935)	3,042,635

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY

	Share capital	Share premium	Retained losses	Convertible loan note reserve	Total equity
	£	£	£	£	£
At 1 January 2017	4,433,376	25,291,384	(20,768,941)	-	8,955,819
Loss for the year	-	-	(136,727)	-	(136,727)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	(136,727)	-	(136,727)
Transactions with shareholders	-	-	-	-	-
Issued convertible loan note equity	-	-	-	28,846	28,846
At 31 December 2017	4,433,376	25,291,384	(20,905,668)	28,846	8,847,938
Profit for the year	-	-	(987,513)	-	(987,513)
Other comprehensive income	-	-	-	-	-
Total comprehensive profit	-	-	(987,513)	-	(987,513)
Issue of share capital	48,020	4,763,218	-	-	4,811,238
Convertible loan note - extinguished	8,069	539,419	28,846	(28,846)	547,488
At 31 December 2018	4,489,465	30,594,021	(21,864,335)	-	13,219,151

NORTH RIVER RESOURCES PLC

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group 31-Dec-18 £	Company 31-Dec-18 £	Group 31-Dec-17 £	Company 31-Dec-17 £
Cash flows from operating activities					
Group operating (loss) / profit		(2,098,096)	(987,514)	(1,099,482)	(136,727)
Adjustments for non-cash items:					
Depreciation and amortisation charges	7&8	32,458	-	57,310	118
Allowance for expected credit losses	12	-	1,427,548	-	-
Finance income	3	(22,200)	(1,755,488)	-	-
Effective interest charge of CLN	19	37,662	37,663	3,915	3,915
Interest on borrowings	18	-	1,290,021	-	-
Loss on sale of subsidiary / associate	10	113,182	56,590	-	-
Other non cash items		55,473	-	-	-
		(1,881,521)	68,821	(1,038,257)	(132,694)
Movements in working capital:					
(Increase) / decrease in receivables		(677,832)	(1,280)	93,479	7,501
(Increase) / decrease in inventories		(21,255)	-	-	-
Increase / (decrease) in payables		73,210	(52,945)	(47,078)	(56,781)
Net cash (used in) / from operating activities		(2,507,398)	14,596	(991,856)	(181,974)
Investing activities					
Loans to subsidiaries	12	-	(14,050,119)	-	(791,747)
Purchase of intangible assets	7	(21,631)	-	(400)	-
Purchase of plant and equipment	8	(7,043,278)	-	(148)	-
Shares in Namib Lead and Zinc Mining (Pty) Ltd		-	-	-	(18)
Net cash used in investing activities		(7,064,909)	(14,050,119)	(548)	(791,765)
Financing activities					
Proceeds from issue of share capital	20	4,811,238	4,811,238	-	-
Share issue costs	20	(92,627)	(92,627)	-	-
Proceeds of convertible loan notes	19	274,643	274,643	373,608	373,608
Proceeds from working capital facility - Greenstone	18	4,480,797	4,480,797	-	-
Proceeds from working capital facility - Castlelake	18	5,971,109	5,971,109	-	-
Finance income		22,200	22,200	-	-
Net cash from financing activities		15,467,360	15,467,360	373,608	373,608
Increase/(decrease) in cash and cash equivalents		5,895,053	1,431,837	(618,796)	(600,131)
Cash and cash equivalents at beginning of year		391,948	341,136	1,010,614	941,267
Exchange differences		(273,330)	(525,399)	130	-
Cash and cash equivalents at end of year		6,013,671	1,247,574	391,948	341,136

Cash and cash equivalents comprise cash on hand and bank balances.

1 ACCOUNTING POLICIES

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated. North River Resources Plc is incorporated in England and Wales, with registration number 05875525 and registered office address, 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

1.1 Basis of preparation

The financial statements are prepared in accordance with the historical cost convention and in accordance with the International Financial Reporting Standards, as adopted by the European Union ("IFRS"), including IFRS 6 'Exploration for and Evaluation of Mineral Resources', and in accordance with the provisions of the Companies Act 2006. The parent Company's financial statements have also been prepared in accordance with IFRS and Companies Act 2006.

The Group and Company financial statements are presented in GBP.

In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent company has not presented a Statement of Comprehensive Income. The Parent Company's loss for the year ended 31 December 2018 was £987,513 (2017: loss of £136,727).

Non-controlling interests in the net assets of NLZM, a consolidated subsidiary of North River Resources Plc are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of the subsidiary attributable to the non-controlling interests are allocated and recognised as such within equity.

1.2 Going concern

During the year ended 31 December 2018 the Group made a loss before tax of £2,098,096 (2017: £1,099,482). At the year-end date the Group had net assets of £3,042,635 (2017: net assets of £1,212,812) of which £6,013,671 (2017: £391,948) is cash at bank. The operations of the Group are currently being financed by funds raised from private and public shareholders.

As set out in Note 6, the application for the Namib Lead Zinc Licence, ML 185, (submitted in April 2014) was received from the Republic of Namibia Ministry of Mines and Energy on 29 May 2017. This has allowed the Group to proceed with the next stage of the construction and development programme allowing the Company to seek additional investment to support the capital requirements of the Namib Project.

On 8 March 2018 shareholders approved the fundraising proposal for the allotment of new share capital via 24,010,037 new Ordinary Shares issued to Castlelake, raising an aggregate of US$6,764,621. Additionally, two working capital loans were advanced simultaneously to the Company by Greenstone Resources and Castlelake for US$6,300,000 and US$8,395,379 respectively. This raised total aggregate additional funds of US$21,460,000 net of legal fees.

At 31 July 2019 the Group had £1,511,262 (US$1,838,406) cash balances.

First production at Namib was achieved in May 2019, with a ramp-up to design capacity and positive free cash flows expected during the fourth quarter 2019.

Management has reviewed the forecast cash flows for 12 months from the date of the approval of the annual report and financial statements and are confident that the Group will continue to meet its significant obligations through the remaining commissioning phase. Working capital facilities are in place to cover any further delay in the ramp up to positive cash generating levels of production. Therefore, Management believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. However, in the event of significant delays or cost overruns occurring in the commissioning or delays in achieving commercial production revenue, the company may need to raise further working capital funds.

1.3 Basis of consolidation
The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method") which includes the results of the subsidiaries from their date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

1.4 Goodwill
Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertakings and the aggregate fair value of their separable identifiable assets acquired and liabilities assumed. Goodwill is capitalised as an intangible asset and in accordance with IAS 36 'Impairments of Assets' is not amortised but tested for impairment annually and when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. For impairment testing purposes goodwill is allocated to cash-generating units (CGUs). If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit or loss on sale.

1.5 Impairment of assets
Where appropriate the Group reviews the carrying amounts of its goodwill, plant and equipment, intangible assets and investments 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The 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 the current market assessments of the time value of money and the risks specific to the asset. 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 (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

1.6 Plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, using the straight-line method, on the following basis:

Mine development costs	Life of mine production (8 years)
Mobile mining machinery	Life of mine production (8 years)
Processing plant	Life of mine production (8 years)
Plant and machinery	4 years
Motor vehicles	4 years
Fixtures, fittings and equipment	4 years
Computers and software	3 years

1.7 Exploration and evaluation expenditure
Exploration and evaluation expenditure comprise costs that are directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling various studies (order of magnitude, pre-feasibility and feasibility).

1.7 Exploration and evaluation expenditure (continued)

Exploration expenditure relates to the initial search for deposits with economic potential. Expenditure on exploration activity undertaken by the Group is not capitalised.

Evaluation expenditure relates to a detailed assessment of deposits or other projects (including smelter and refinery projects) that have been identified as having economic potential. Capitalisation of evaluation expenditure commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, that is the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group. The Group's view is that a high degree of confidence is greater than "more likely than not" (that is, greater than 50% certainty) and less than "virtually certain" (that is, less than 90% certainty).

Assessing whether there is a high degree of confidence that the Group will ultimately determine that an evaluation project is commercially viable requires judgment and consideration of all relevant factors such as the nature and objective of the project; the project's current stage; project timeline; current estimates of the project's net present value, including sensitivity analysis for the key assumptions; and the main risks of the project.

1.8 Assets under construction (development phase)

The cost of a self-constructed asset is determined using the same principles as for an acquired asset:

- The purchase price; and
- Any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manger intended by management;

The elements of costs described as above are incorporated in the cost of a self-constructed asset. Accordingly, costs that are directly attributable to the asset are also capitalised these include Direct material and labour cost and other unavoidable costs that would have been avoided if the asset had not been constructed.

1.9 Cessation of capitalisation

Recognition of costs in the carrying amount of an asset of property, plant and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When there is delay in achieving final physical completion of an asset, costs arising during the period of delay are likely to fall into the category of abnormal costs and so are expensed as incurred.

1.10 Borrowing costs

Interest and other costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in line with IAS 23 Borrowing Costs. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

1.11 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable from the sale of goods and services from the Group's ordinary business activities. Revenue is stated net of discounts, sales and other taxes. There was no revenue received in the current or prior year.

1.12 Interest income and expense

Interest income and expense are reported on an accrual basis.

1.13 Expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

1.14 Investments in subsidiaries

The Parent Company's investments in subsidiary companies are stated at cost less provision for impairment in the Parent Company's Statement of Financial Position.

1.15 Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses. The Parent Company's investments in associated companies are stated at cost less provision for impairment in the Parent Company's Statement of Financial Position.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investors' share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

1.16 Interests in joint ventures

The Group had an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture company using the equity method.

Under the equity method, the investment in the venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture company. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture company is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the venture and its carrying value, then recognises the loss as 'Impairment of investment in joint venture" in the income statement.

Upon loss of significant influence over the venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

1.17 Foreign currency translation

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in GBP ("£"), which is the functional and presentational currency of the Parent Company and the presentational currency of the Group.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Financial Position date and the gains or losses on translation are included in the Statement of Comprehensive Income, with the exception of loans that are designated as part of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the original transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.17 Foreign currency translation (continued)

The assets and liabilities of foreign operations are translated into GBP at the rate of exchange ruling at the Statement of Financial Position date. Income and expenses are translated at weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income.

1.18 Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

No deferred tax assets are recognised in the financial statements.

1.19 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.20 Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivable. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for the impairment of receivables are included in the Statement of Comprehensive Income.

1.21 Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1.22 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the increase of new shares are shown in equity as a deduction from the proceeds.

1.23 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.23 Financial instruments (continued)
Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

The Group does not have any financial assets measured at fair value through other comprehensive income and has not made any irrevocable election/designation of financial assets to be valued at neither fair value to other comprehensive income nor fair value to profit and loss.

Amortised cost and effective interest method
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid and received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with an original maturity of three months or less.

Impairment of financial assets
Expected Credit Losses ('ECL') are recognised for trade receivables and loans to subsidiary undertakings (company only accounts) and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12- month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

As permitted by IFRS 9, the Group applies the "simplified approach" to trade receivable balances and the "general approach" to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception, as described above. The ECL reviews include assumptions about the risk of default and expected loss rates.

1.23 Financial instruments (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 amounts 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest method or at Fair Value Through Profit and Loss ('FVTPL').

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

1.23 Financial instruments (continued)
Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'fair value gain and losses' or 'other gains and losses' line item in profit or loss.

The Group does not hold any financial liabilities subsequently measured at FVTPL.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) Held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the exiting lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder. The number of shares to be issued does not vary with changes in fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to their initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

1.24 Share-based payments

The Parent Company has granted equity settled options in the past. The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they were granted and is recognised as an expense over the vesting period, which ends on the date the employee becomes fully entitled to the award. Fair value is determined by using the Black-Scholes option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

At each Statement of Financial Position before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous Statement of Financial Position date is recognised in the Statement of Comprehensive Income, with a corresponding entry in equity. When the exercise period for an option expires, the amount that has been charged through the Statement of Comprehensive Income is transferred from the share-based payments reserve to retained losses.

1.25 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates, which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the Group's financial condition, changes in financial condition or financial performance.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), 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 financial statements.

Mining Activities

The Company is required to use judgment when designating the nature of mining activities as exploration, evaluation, development or production, and when determining whether the initial costs of these activities are capitalised.

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12 month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Ore reserve and mineral resource estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Group's reported financial position and results by affecting the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill due to changes in estimated future cash flows.

1.25 Critical accounting judgements and key sources of estimation uncertainty (continued)

The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Management will form a view of forecast sales prices based on current and long-term historical average price trends. As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of ore reserves and mineral resources may change.

Valuation of Assets
An assessment of recoverable amount is required when indicators of impairment are identified for non-financial assets such as plant and equipment and goodwill. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An asset's value in use is determined based on discounted cash flow models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The determination of assumptions used in assessing the fair value of assets is subjective and the use of different valuation assumptions could have a significant impact on financial results. Expected future cash flows, which are used in discounted cash flow models, are inherently uncertain and could change materially over time. They are affected by a number of factors including estimates of ore reserves and resources, together with economic factors such as commodity prices, discount rates, exchange rates, estimates of production costs and future capital expenditure.

Impairment of Investments
At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of impairment, the Group estimates the recoverable amount of the cash-generating unit to which assets belong.

Further detailed analysis of the critical judgements and estimates relating to goodwill and investments in, and loans to, subsidiaries are in notes 6,11 and 12 below.

Expected credit loss
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default (PD) constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Refer to note 1.26 and note 12 for further details of the financial impact of the implementation of this requirement.

1.26 Adoption of new and revised International Financial Reporting Standards

New and amended IFRS Standards that are effective for the current period

In the current period, the following new and revised Standards and Interpretations have been adopted. The impact of their adoption has been detailed below:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;

Impact of initial application of IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,

2) Impairment of financial assets, and

3) General hedge accounting.

Details of the IFRS 9 impact on the Group's consolidated and the Company individual financial statements are described below.

a) Classification and measurement of financial assets

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- Financial assets classified as held to maturity and loans and receivables under IAS 39 - *Financial Instruments: Recognition and Measurement* that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- No reclassifications of financial assets were required.

b) Impairment of financial assets

IFRS 9 requires an Expected Credit Loss ('ECL') model as opposed to an incurred credit loss model under IAS 39. The ECL model requires the Group to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. IFRS 9 has had the following impact on the Group's financial assets as regards their impairment assessment:

- The Group and Company have adopted the changes of IFRS 9 and updated its accounting policies on the impairment assessment of financial assets (see note 1.19 above for updated accounting policies).
- For the Group accounts, the new impairment assessment of trade and other receivables had no impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either period.
- For the Company only accounts, the implementation of IFRS 9 had one key impact on the Company's financial statements relating to the impairment of financial assets. The impairment assessment of loans held with Group companies is materially different to that required by IAS 39 (see below details on the impact to the Company's financial statements).
- The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

1.26 Adoption of new and revised International Financial Reporting Standards (continued)

The Company has identified that retrospective application of IFRS 9 has resulted in a higher provision being made in respect of the recoverability of amounts due from subsidiary undertakings.

A summary of the impact of the implementation of IFRS 9 is shown below:

	31-Dec 2017	01-Jan 2018	Transition adjustment on implementation of IFRS 9[(1)]
	£	£	£
Current assets			
Loans due from subsidiaries	8,325,094	6,923,684	(1,401,410)
Net Assets	8,847,938	7,446,528	(1,401,410)
Retained earnings	(20,905,668)	(22,307,078)	(1,401,410)
Total equity	8,847,938	7,446,528	(1,401,410)

(1) After assessing the credit risk associated to loans held with Group companies, an allowance for ECL of £1,401,410 has been recognised as an adjustment to the opening balances of loan receivables and retained earnings. The Company has taken the option provided in IFRS 9 to not restate prior year balances.

c) Classification and measurement of financial liabilities

IFRS 9 requires that for financial liabilities designated at FVTPL the changes in the fair value that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

No charge has been recognised in the accounts as a result of a change in creditworthiness of the Company during the prior or current period.

No reclassifications were required within the financial liabilities of the Group and the Company.

Impact of initial application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its related amendments supersede IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

The Group adopted IFRS 15 from 1 January 2018. The application of IFRS 15 has not had an impact on the financial position and/or financial performance of the Group.

1.26 Adoption of new and revised International Financial Reporting Standards (continued)

Standards that are in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 Leases (effective for periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2021)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 16 Leases

IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. The Group has assessed the impact of IFRS 16 and expects that the standard will have no significant effect, when applied, on the financial statements.

The directors of the Company do not anticipate that the application of the any of the other standards or amendments in the future will have an impact on the Group's consolidated financial statements.

2 Group operating loss

The Group's operating loss before tax is stated after charging:

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Depreciation and amortisation – owned assets	32,458	57,310
Parent Company auditor's remuneration	20,000	20,000
Subsidiary auditor's remuneration	8,085	8,085
Exploration & evaluation costs expensed	126,103	674,623

3 Finance income and finance costs

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Finance income		
Interest received on bank deposits	22,200	3,403
Finance costs		
Convertible loan notes interest	37,662	3,915

4 Other gains and losses

	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Foreign exchange unrealised movement on borrowings (note 18)	1,178,345	-
Bank charges	13,805	-
Other losses and (gains)	17,199	(41,050)
	1,209,349	(41,050)

5 Tax

	Group 31-Dec-18 £	Group 31-Dec-17 £
Tax charge for year	-	-
Factors affecting the tax charge for the year		
Loss from continuing operations before income tax expenses	(2,098,096)	(1,099,482)
Tax at 19% (2017: 19.25%)	(398,638)	(211,650)
Expenses not deductible	83,161	21,096
Overseas rate differences	(409,521)	(160,745)
Excess fiscal depreciation over accounting depreciation	(9,804)	21,466
Other timing differences not recognised (exploration costs, leave pay)	122,287	295,713
Losses carried forward not recognised	612,515	34,120
Income tax expense	-	-

The Group has tax losses of £9.0m (2017: £9.4m) and exploration costs of £17.0m (2017: £16.9m) which will be available for offset against future income. No deferred tax has been reflected on these assets as the timing of their utilisation is uncertain at this stage.

The total amounts of deferred tax are:

	Group 31-Dec-18 £	Group 31-Dec-17 £
Total provided for	-	-
Un-provided for		
Accelerated capital allowances	(141,824)	(144,270)
Exploration costs	(5,811,123)	(6,332,163)
Unutilised losses	(1,656,916)	(1,804,093)
Total un-provided deferred tax asset	(7,609,863)	(8,280,526)

6 Goodwill and impairment review

The Company acquired, on 20 November 2009, the entire issued share capital in, and the shareholder loans to, West Africa Gold Exploration (Namibia) (Pty) Ltd ("WAGE") and Namib Lead and Zinc Mining (Pty) Ltd ("NLZM"). The consideration paid by the Company for these two Namibian entities and the shareholder loans was satisfied by the allotment of 266,666,667 Ordinary shares of £0.002 each at 3 pence per share.

Goodwill arising on the acquisitions was £7,738,986 and was allocated to cash-generating units (CGUs) by reference to the exploration areas as shown below. In 2015 the full balance of goodwill ascribed to the WAGE licences, £6,702,934, was impaired. The Directors believed that the licences held in WAGE have the potential to contain economic mineral resources supporting a development and that there is a market value for the licences. The Directors' calculation of the net present value ("NPV") of these early stage copper projects against which goodwill was allocated, is marginal using long-term consensus copper prices. During 2017 three of the exploration licence applications applied for within WAGE were declined by the Ministry of Mines and Energy, thereby leaving only two exploration licences within WAGE. As a result the Directors continue to believe that the remaining WAGE licences have little economic value and remain fully impaired.

6 Goodwill and impairment review (continued)

Goodwill balance at year end:	31-Dec-18	31-Dec-17
	£	£
Namib lead-zinc mine	1,036,052	1,036,052

Goodwill impairment review

In accordance with the Group's accounting policies, and as required by IAS36 'Impairment of Assets', the Directors test each goodwill CGU for impairment annually, or sooner, where indications exist or information comes to light that clarifies the size, quality and economics of the licences and ore bodies held/ owned by WAGE and NLZM.

Namib Lead and Zinc Mining (Pty) Ltd

The Namib Lead Zinc project held by NLZM is the Group's primary focus of activity.

The project was approved to proceed into construction by the Board on 23 March 2018. As of August 2019, the estimated net present value of the project is US$29.0 million and IRR of 30%. The project economics are based on projected cash flows from the point of commencement of construction through to the end of a mine life in 2026 based on the currently defined mineral reserve and resource. A real discount rate of 10% has been applied to the forecast cash flows as this was deemed an appropriate market rate for similar mining projects.

The mine has since opened these reserves to produce an ore stockpile of 8,000 tonnes on surface to be processed in the new plant. Ore production continues at an accelerated rate. At the end of the 2018 financial year, the project was considered to be 80% complete. The construction of the process plant entered the commissioning phase in April 2019. The first Zinc concentrate was produced in May 2019. The first sales of the Lead concentrate took place in August 2019.

As a result of the impairment tests carried out and the resulting CGU's net present value estimated, the Directors do not believe that the goodwill of NLZM of £1,036,052 should be impaired.

Exploration licenses

In early 2018 NLZM submitted a renewal application for EPL2902 the licence renewal remained pending for the balance of 2018 and was subsequently renewed by the Ministry of Mines And Energy on 28 February 2019 for a further 2 years.

EPL5075 remained current during 2018 but was subsequently renewed on 6 May 2019 for a further 2 years.

EPLs 4560 and 4561 were both relinquished in March 2019, allowing the Company to focus on its core business areas around the Namib Lead Zinc Mine.

Project	Application name	Type	Number	Surface area (km^2)	Annual licence fees (N$)	Current status	Expiry date
Namib Lead	Namib Lead	EPL	2902	20.81	2,000	Renewed	19/02/2021
Namib Lead	Namib Lead	ML	185	5.45	5,000	Received	24/02/2026
Namib Lead South	Namib Lead South	EPL	5075	65.99	2,000	Renewed	06/05/2021
Outjo	Ekotoweni	EPL	4560	467.001	7,000	Relinquished in March 2019	01/08/2019
Outjo	Hopewell	EPL	4561	143.926	2,000	Relinquished in March 2019	01/08/2019

7 Intangible assets

GROUP	Exploration licences £	Software £	Total £
COST			
At 1 January 2018	140,861	32,583	173,444
Additions	-	21,631	21,631
At 31 December 2018	140,861	54,214	195,075
AMORTISATION			
At 1 January 2018	84,040	32,583	116,623
Charge for the year	308	2,256	2,564
At 31 December 2018	84,348	34,839	119,187
NET BOOK VALUES			
At 31 December 2018	56,513	19,375	75,888
At 31 December 2017	56,821	-	56,821

COMPANY	Royalty contracts £	Software £	Total £
COST			
At 1 January and 31 December 2018	66,000	15,568	81,568
AMORTISATION			
At 1 January and 31 December 2018	-	15,568	15,568
NET BOOK VALUES			
At 31 December 2018	66,000	-	66,000
At 31 December 2017	66,000	-	66,000

7 Intangible assets (continued)

	Exploration licences	Software	Total
GROUP	**£**	**£**	**£**
COST			
At 1 January 2017	139,889	32,583	172,472
Additions	400	-	400
Effects of foreign exchange	572	-	572
At 31 December 2017	140,861	32,583	173,444
AMORTISATION			
At 1 January 2017	83,394	32,583	115,977
Charge for the year	74	-	74
Effects of foreign exchange	572	-	572
At 31 December 2017	84,040	32,583	116,623
NET BOOK VALUES			
At 31 December 2017	56,821	-	56,821
At 31 December 2016	56,495	-	56,495

	Royalty contracts	Software	Total
COMPANY	**£**	**£**	**£**
COST			
At 1 January and 31 December 2017	66,000	15,568	81,568
AMORTISATION			
At 1 January and 31 December 2017	-	15,568	15,568
NET BOOK VALUES			
At 31 December 2017	66,000	-	66,000
At 31 December 2016	66,000	-	66,000

8 Plant and equipment

GROUP	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Assets under construction £	Total £
COST					
At 1 January 2018	205,022	25,971	136,169	-	367,162
Additions in year	756,260	24,559	71,347	7,481,132	8,333,298
At 31 December 2018	961,282	50,530	207,516	7,481,132	8,700,460
DEPRECIATION					
At 1 January 2018	186,178	23,562	132,981	-	342,721
Charge for the year	25,425	3,471	998	-	29,894
At 31 December 2018	211,603	27,033	133,979	-	372,615
NET BOOK VALUE					
At 31 December 2018	749,679	23,497	73,537	7,481,132	8,327,845
At 31 December 2017	18,844	2,409	3,188	-	24,441

COMPANY	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Assets under construction £	Total £
COST					
At 1 January	-	2,165	-	-	2,165
At 31 December 2018	-	2,165	-	-	2,165
DEPRECIATION					
At 1 January 2018	-	2,165	-	-	2,165
Charge for the year	-	-	-	-	-
At 31 December 2018	-	2,165	-	-	2,165
NET BOOK VALUE					-
At 31 December 2018	-	-	-	-	-
At 31 December 2017	-	-	-	-	-

Assets under construction consists of the development and re-commissioning of the Namib Lead and Zinc Mine situated in the Dorob Park, Erongo Region, and the construction of a processing plant.

8 Plant and equipment (continued)

GROUP	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
COST				
At 1 January 2017	205,022	41,497	136,169	382,688
Additions in year	-	148	-	148
Disposals in year	-	(15,674)	-	(15,674)
At 31 December 2017	205,022	25,971	136,169	367,162
DEPRECIATION				
At 1 January 2017	137,806	36,634	126,719	301,159
Charge for the year	48,372	2,602	6,262	57,236
Disposals in year	-	(15,674)	-	(15,674)
At 31 December 2017	186,178	23,562	132,981	342,721
NET BOOK VALUE				
At 31 December 2017	18,844	2,409	3,188	24,441
At 31 December 2016	67,216	4,863	9,450	81,529

COMPANY	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
COST				
At 1 January	-	17,839	-	17,839
Disposals	-	(15,674)	-	(15,674)
At 31 December 2017	-	2,165	-	2,165
DEPRECIATION				
At 1 January 2017	-	17,721	-	17,721
Charge for the year	-	118	-	118
Disposals	-	(15,674)	-	(15,674)
At 31 December 2017	-	2,165	-	2,165
NET BOOK VALUE				
At 31 December 2017	-	-	-	-
At 31 December 2016	-	118	-	118

9 Investment in joint venture

Brandberg Energy (Proprietary) Limited ('Brandberg'), a Namibian company, was a 50:50 joint venture ("JV") with Extract Resources Ltd ('Extract') and NRR Energy Minerals Limited ("NRR Energy"), a 100% owned subsidiary. In January 2012, NRR Energy transferred US$800,000 (£509,635) to Brandberg to acquire 50% of its share capital. The principal assets of Brandberg were exploration licences, EPL 3327 and EPL 3328, pursuant to which, Brandberg had the rights to explore for nuclear fuel minerals in western Namibia. The Subscription Funds were used by Brandberg to explore for uranium on these licences.

The joint venture had no contingent liabilities or capital commitments as at 31 December 2018 and 31 December 2017. The carrying value of the investment is nil at the year end (2017: nil).

10 Investment in associate

Company	**Country of Incorporation**	**Group interest 31-Dec-18**	**Group interest 31-Dec-17**
North River Resources (Murrupula) Limitada	Mozambique	0%	40%

	31-Dec-18	**31-Dec-17**
	£	**£**
Total assets	76,847	138,678
Total liabilities	(76,847)	(25,208)
Net assets	-	113,470
Share of net assets	-	45,388
Goodwill on acquisition	-	67,794
	-	113,182
Revenues	-	-
Losses	-	-
The Group's share of revenue / (loss)	-	-

	Group 31-Dec-18	**Company 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-17**
	£	**£**	**£**	**£**
Cost and carrying value of investment	-	-	113,182	56,591

The financial statements as at 31 December 2011 were prepared on the assumption that Murrupula incurred exploration expenditure directly. Subsequent to the release of the 31 December 2011 financial statements, the JV partners agreed that they would account for the respective costs individually. Accordingly, Murrupula has no income or expense at either 31 December 2018 or 31 December 2017, and the disclosure above reflects this position. On 29 January 2018 the total share capital in Murrupula was transferred to the Baobab group companies including the exploration licence held within the company, in exchange for a royalty on future revenues deriving from the licence.

11 Investments in subsidiaries

Company	Country of Incorporation	Equity holding	Nature of business
NRR Energy Minerals Limited	United Kingdom	100%	Exploration and mining
NRR Mozambique Limited	United Kingdom	100%	Exploration and mining
West Africa Gold Exploration (Namibia) (Pty) Ltd	Namibia	100%	Exploration and mining
Namib Lead and Zinc Mining (Pty) Ltd	Namibia	90%	Exploration and mining
North River Resources Namibia (Pty) Ltd	Namibia	100%	Administration
North River Resources (Mavuzi) Limitada	Mozambique	100%	Inactive

NRR Energy Minerals Limited and NRR Mozambique Limited were established in October and December 2010 respectively as wholly owned subsidiaries of North River Resources Plc. NRR Energy Minerals Limited has not traded during the year. Similarly, NRR Mozambique Limited and its subsidiary, North River Resources (Mavuzi) Limitada and associate North River Resources (Murrupula) Limitada have not traded.

The acquisition of West Africa Exploration (Namibia) (Pty) Ltd and Namib Lead and Zinc Mining (Pty) Ltd ("NLZM") is discussed in detail under Note 6 'Goodwill and Impairment Review'.

North River Resources Namibia (Pty) Limited ("NRRN") was established in December 2009 and acts as the administration company for the Group's activities in Namibia.

Carrying value of investments in subsidiaries

	31-Dec-18	31-Dec-17
	£	£
At 1 January	473,009	472,991
Shares issued in Namib Lead Zinc Mining (Pty) Ltd	-	18
At 31 December	473,009	473,009

12 Loan receivable from other group entities

	31-Dec-18	31-Dec-17
	£	£
Non-interest bearing loans		
At 1 January	8,325,094	7,533,347
Advances to subsidiaries	317,725	791,747
	8,642,819	8,325,094
Allowance for expected credit losses	(1,427,548)	-
	7,215,271	8,325,094
Interest bearing loan		
Shareholder loan to Namib Lead Zinc Mining (Pty)		
Proceeds advanced to subsidiary	13,732,394	-
Interest charged on loan to subsidiary	1,733,288	-
Foreign exchange gain	1,682,877	-
	17,148,559	-
Loans due from subsidiary undertakings	24,363,830	8,325,094
Presented as:		
Current	2,365,969	8,325,094
Non-current	21,997,861	-
	24,363,830	8,325,094

12 Loan receivable from other group entities (continued)

Non-interest bearing loans

At the end of 2018 the Company had receivables from several group companies, namely NLZM and NRRN.

Since the acquisition of the subsidiaries, the Company has provided amounts to the subsidiaries to fund the Group's long-term exploration and development activities. These receivables are interest free, unsecured and have no fixed repayment terms. These loans are considered to be long term with no repayment expected in the foreseeable future and have therefore been included in net investments in the subsidiaries.

At 31 December 2018 an allowance for ECL of £1,427,548 (2017: £nil) was held in respect of expected credit losses on loan receivable.

Interest bearing loan

In March 2018, the Company applied the amounts received from the capital raising transactions and granted a shareholder loan of US$19,500,000 to its subsidiary Namib Lead and Zinc Mining Pty Ltd to fund the operation of the Namib Lead and Zinc Mine project. The shareholder loan carries an interest rate of 15% per annum with interest accruing from the date of drawdown. The interest on the loan is payable once the Group starts generating revenue.

The Directors are of the opinion that no provision for impairment is required with respect to the goodwill associated with NLZM and that the loans due from NLZM and NRRN are fully recoverable.

In August 2019, a subordination agreement has been signed stating that the non-interest loan receivable from NLZM has been subordinated in favour of other creditors of NLZM until such time that the assets of NLZM, fairly valued, exceed its liabilities.

13 Trade and other receivables

	Group 31-Dec-18 £	Company 31-Dec-18 £	Group 31-Dec-17 £	Company 31-Dec-17 £
Prepayments	11,492	11,484	26,461	19,751
VAT receivable	723,730	12,996	26,561	5,192
Other receivables	21,165	1,743	25,533	-
	756,387	26,223	78,555	24,943

The Company does not charge interest on any of its trade receivables and having assessed the recoverability of the receivables, the Company has not made any allowance for ECL.

14 Cash and cash equivalents

	Group 31-Dec-18 £	Company 31-Dec-18 £	Group 31-Dec-17 £	Company 31-Dec-17 £
Cash at bank and in hand	6,013,671	1,247,574	391,948	341,136

Cash and cash equivalents are held by reputable banks with good credit rating; therefore the Company has not recognised any allowance for ECL.

15 Inventories

	Group 31-Dec-18 £	Company 31-Dec-18 £	Group 31-Dec-17 £	Company 31-Dec-17 £
Raw materials and purchased components	21,255	-	-	-

16 Trade and other payables

	Group 31-Dec-18 £	Company 31-Dec-18 £	Group 31-Dec-17 £	Company 31-Dec-17 £
Trade payables	186,632	11,123	55,109	28,658
Accruals	26,088	26,090	84,401	61,500
	212,720	37,213	139,510	90,158

17 Short term provisions

	31-Dec-18 £	31-Dec-17 £
At 1 January	-	-
Additions	55,471	-
At 31 December	55,471	-

The short-term provisions balance relates to employee benefits for wages, salaries, and annual leave resulting from employees' services provided up to 31 December 2018 that the Company is currently likely to incur.

18 Borrowings

	Greenstone facility 31-Dec-18 £	Castlelake facility 31-Dec-18 £	Total 31-Dec-18 £
At 1 January	-	-	-
Proceeds received	4,480,797	5,971,109	10,451,906
Interest charged	555,122	734,899	1,290,021
Foreign exchange movement (Note 4)	505,322	673,023	1,178,345
At 31 December	5,541,241	7,379,031	12,920,272
Presented as:			
Current	693,394	923,636	1,617,030
Non-current	4,847,847	6,455,395	11,303,242
	5,541,241	7,379,031	12,920,272

19 Convertible loan note

	31-Dec-18	31-Dec-17
	£	£
Amounts falling due after more than one year:		
Convertible loan notes	-	348,677

	Currency	Nominal interest rate	Year of maturity	Face Value	Carrying Amount 31-Dec-18
		%		£	£
Convertible loan notes	US$	10	2018	-	-

Convertible loan note movements:	£
At 1 January	348,677
Nominal 10% interest payments made to Greenstone Resources LP	37,663
Amounts advanced by Greenstone	274,643
Conversion of convertible loan into shares	(660,982)
Carrying amount of the liability at 31 December 2018	-
Equity component at 1 January	28,846
Transfer of reserve to retained earnings	(28,846)
Equity component 31 December	-

The convertible loan bears an interest rate of 10% per annum, which is accrued on a monthly basis. Interest shall be payable on the conversion date in US dollars. The conversion prove is the price per Ordinary Share which is equal to the price per share at which Ordinary Shares are issued by the Company for the purpose of construction funding of the Namib Project. Due to the loan having a convertible option an equity element is recognised as part of equity in the Group to account for the conversion feature of the loan.

On 23 March 2018, Greenstone convertible loan facility (US$900,000) was fully converted into 4,034,537 new ordinary shares

20 Share capital

	Nominal value	31-Dec-18	31-Dec-17
		No.	
Number of ordinary shares	0.2p	54,437,170	26,392,596
		£	
Ordinary share capital		108,874	52,785
		No.	
Number of deferred shares	0.0008p	547,573,868,907	547,573,868,907
		£	
Deferred share capital		4,380,591	4,380,591
Total share capital		4,489,465	4,433,376

In March 2018, the Group issued two tranches of shares. The first tranche was an issue, due to the conversion of Greenstone convertible loan note, of 4,034,537 ordinary shares of 0.2p nominal value at an issue price of $0.2231 resulting in a share premium of £539,419. The second was an issue of 24,010,037 ordinary shares of 0.2p nominal value, at an issue price of $0.281 resulting in a share premium of £4,763,218. An aggregate share premium of £5,302,637 was raised from both issues.

20 Share capital (continued)

The previously issued deferred share capital in connection with the fundraising approved by the shareholders on 8 March 2018 for the allotment of new share capital via 24,010,037 new ordinary shares issued to Castlelake raising an aggregate of US$6,764,621, has no voting, dividend and capital distribution (including on winding up) rights attached and does not confer any rights of redemption.

21 Related party transactions

Convertible loan notes

In 2017 the Group issued convertible loan notes to Greenstone Resources LP to obtain an additional working capital facility.

As part of the agreement interest is accrued monthly on the full balance of the loan notes at an annualised rate of 10%. The total interest accrued at 31 December 2018 was £37,662 (2017: £3,915).

During 2018, Greenstone convertible loan facility (US$900,000) was fully converted into 4,034,537 new ordinary shares of 0.2 pence per share.

Directors' consulting fees

During the year Directors provided consulting services in addition to their directorships. An amount of £78,040 was billed from Kenneth Sangster and Associates Limited, a company which Kenneth Sangster is a director of. These were consulting services provided to Namib Lead and Zinc Mining (Pty) Ltd on the Namib Project.

22 Employees' and directors' remuneration

The employee costs of the Group (including Directors' remuneration) are as follows:

Group	Year ended 31-Dec-18 £	Year ended 31-Dec-17 £
Employee, Directors and Contractors remuneration	209,498	370,934
Employee, Directors and Contractors social security costs	5,526	3,468
Total	215,024	374,402
Average employee, directors and contractor numbers	**Number**	**Number**
Exploration and expenditure	50	7
Non-executive Directors	8	4
Administration and management	14	6
Total	72	17

Directors' remuneration (excluding employer's National Insurance) for the year was as follows:

2018	Directors' salary	Directors' bonus	Directors' fees	Directors' consulting fees	Total
Directors	Year to 31-Dec-18 £	Year to 31-Dec-18 £	Year to 31-Dec-18 £	Year to 31-Dec-18 £	Year to 31-Dec-18 £
Ricardo De Armas Paredes	8,661	-	-	-	8,661
Brent De Jong	8,661	-	-	-	8,661
Kenneth Sangster	19,318	-	-	78,040	97,358
James Beams	34,773	-	-	-	34,773
Mark Sawyer	-	-	-	-	-
Daniel SaintDon	-	-	-	-	-
	71,413	-	-	78,040	149,453

22 Employees' and directors' remuneration (continued)

2017 Directors	Directors' salary Year to 31-Dec-17	Directors' bonus Year to 31-Dec-17	Directors' fees Year to 31-Dec-17	Directors' consulting fees Year to 31-Dec-17	Total Year to 31-Dec-17
	£	£	£	£	£
Mark Thompson	-	-	-	-	-
James Beams	26,667	-	-	-	26,667
Keith Marshall	-	-	-	-	-
Kenneth Sangster	-	-	-	61,250	61,250
Rodney Beddows	-	-	-	-	-
	26,667	-	-	61,250	87,917

23 Financial instruments

a) Classes and categories of financial instruments and their fair values

The directors consider that the carrying amount of financial assets and financial liabilities, except for those already valued at fair value, approximate to their fair value.

The Group does not hold any financial assets and financial liabilities that are measured at fair value on a recurring basis.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the Group's financial statements.

	Group Carrying value	
	31-Dec-18	31-Dec-17
	£	£
Financial Assets		
Amortised cost:		
Trade and other receivables	11,492	26,461
Cash and cash equivalents	6,013,671	391,948
Total	6,025,163	418,409
Financial Liabilities		
Amortised cost:		
Trade and other payables	186,632	139,510
Convertible loan notes	-	348,677
Borrowings	12,920,272	-
Total	13,106,904	488,187

23 Financial instruments

	Company Carrying value	
	31-Dec-18	31-Dec-17
	£	£
Financial Assets		
Amortised cost:		
Loans due from subsidiaries	24,363,830	8,325,094
Trade and other receivables	11,484	19,751
Cash and cash equivalents	1,247,574	391,948
Total	25,622,888	8,736,793
Financial Liabilities		
Amortised cost:		
Trade and other payables	11,123	90,158
Convertible loan notes	-	348,677
Borrowings	12,920,272	-
Total	12,931,395	438,835

b) Financial risk management objectives

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables.

The main purpose of cash and cash equivalents financial instruments is to finance the Group's operations.

The Group's other financial assets and liabilities such as trade receivables and trade payables, arise directly from its operations. It is, and has been throughout the entire period, the Group's policy that no trading in financial instruments shall be undertaken.

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk, currency risk and liquidity risk.

c) Market risk

Market risk is the risk that changes in market prices, and market factors such as foreign exchange rates and interest rates will affect the entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The Group does not use derivative products to hedge foreign exchange risk and has exposure to foreign exchange rates prevailing at the dates when funds are transferred into different currencies.

Cash flow interest rate risk

The Group is not exposed to significant interest rate risk because entities in the Group borrow funds at fixed interest rates.

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. These financial assets with variable rates expose the Group to minimal cash flow interest rate risk.

All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

23 Financial instruments (continued)

Cash flow interest rate risk (continued)

In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates. The Group has no policy as to maximum or minimum level of fixed or floating instruments.

Interest rate risk is measured as the value of assets and liabilities at fixed rate compared to those at variable rate.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed below:

Year ended 31 December 2018	Weighted average effective interest rate %	Floating interest rate maturing in 1 year or less £	Fixed interest rate 2018 £	Non-interest bearing 2018 £	Total £
Financial assets					
Trade and other receivables		-	-	11,492	11,492
Cash on deposit	5.50	6,013,671	-	-	6,013,671
Total financial assets		6,013,671	-	11,492	6,025,163
Financial liabilities					
Trade and other payables	-	-	-	212,720	212,720
Borrowings	15%	-	12,920,272	-	12,920,272
Total financial liabilities		-	12,920,272	212,720	13,132,992

Year ended 31 December 2017	Weighted average effective interest rate %	Floating interest rate maturing in 1 year or less £	Fixed interest rate 2017 £	Non-interest bearing 2017 £	Total £
Financial assets					
Trade and other receivables		-	-	26,461	26,461
Cash on deposit	0.25	391,948	-	-	391,948
Total financial assets		391,948	-	26,461	418,409
Financial liabilities					
Trade and other payables	-	-	-	139,510	139,510
Total financial liabilities		-	-	139,510	139,510

23 Financial instruments (continued)

Net fair value

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the Statement of Financial Position and in the related notes.

Currency risk

The functional currency for the Group's operating activities is GBP and for exploration activities (currency used by the subsidiaries) the Namibian dollar. The Group has not hedged against currency depreciation but continues to keep the matter under review.

Cash at bank is predominantly denominated in GBP and Namibian dollars. Borrowings are denominated in US dollar as it is the most appropriate currency for financing the Group's operations.

The majority of debt is in US$. Other financial assets and liabilities including intragroup balances, are held in the functional currency of the relevant subsidiary.

Exchange gains and losses are recorded in the Group's income statement. The Group's income statement includes realised and unrealised exchange gains/losses arising on US dollar external borrowings and other financial assets and liabilities balances held in a non-GBP or Namibian dollar functional currency. On translation to the Group's GBP presentation currency, any exchange difference on translation of Namibian dollar balances is recognised directly in the currency translation reserve.

The table below summarises, by currency, the Group's net debt:

	Borrowings	Cash and cash equivalents	Net working capital	Net cash / (debt) 31-Dec-18	Net cash / (debt) 31-Dec-17
	£	£	£	US$	US$
GBP	-	-	(10,990)	(10,990)	275,921
Namibian dollar	-	4,766,097	554,657	5,320,754	55,072
US dollar	(12,920,272)	1,247,574	-	(11,672,698)	(348,677)
	(12,920,272)	6,013,671	543,667	(6,362,934)	(17,684)

The following table details the Group's sensitivity to a 20 per cent increase and decrease in the GBP currency against the relevant foreign currencies. 20 per cent represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the GBP strengthens 20 per cent against the relevant currency. For a 20 per cent weakening of the GBP against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Foreign currency sensitivity analysis

	31-Dec-18	31-Dec-17
	£	£
Namibian dollar	1,064,151	11,014
US dollar	(2,334,540)	(69,735)
	(1,270,389)	(58,721)

d) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

23 Financial instruments (continued)

The entity has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring actual and budgeted cash flows and longer-term forecasting cash flows;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows; and
- Monitoring liquidity ratios (working capital).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. It will therefore not necessarily agree with the amounts disclosed in the balance sheet.

2018	**1-3 months**	**3 months to 1 year**	**2-5 years**	**Total**
	£	**£**	**£**	**£**
Trade and other payables	186,632	-	-	186,632
Borrowings	-	1,617,030	18,356,280	19,973,310
	186,632	1,617,030	18,356,280	20,159,942

2017	**1-3 months**	**3 months to 1 year**	**2-5 years**	**Total**
	£	**£**	**£**	**£**
Trade and other payables	139,510	-	-	139,510
Convertible loan notes	-	348,677	-	348,677
	139,510	348,677	-	488,187

**The maturity grouping is based on the earliest payment date.*

e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main counterparties are the operators of the respective projects. Funds are normally only remitted on a prepayment basis a short period before the expected commencement of exploration activities. The Group has adopted a policy of only dealing with what it believes to be creditworthy counterparties and would consider obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

f) Capital Management

The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitable production, while in the meantime safeguarding the Group's ability to continue as a going concern. This is aimed at enabling it, once the projects come to fruition, to provide appropriate returns for shareholders and benefits for other stakeholders. Capital will continue to be sourced from equity and from borrowings as appropriate.

24 Commitments

Restoration commitments

The Group has no obligations at 31 December 2018 to undertake any rehabilitation or restoration activity on the exploration licences currently held. The Company commits to continual rehabilitation of all sites following the completion of each exploration campaign.

Existing Exploration Licences in Namibia

The Group has two additional exploration licences in Namibia. The Group is planning to carry out minimal further exploration work on the licences until Namib Lead Zinc Mine reaches commercial production.

25 Subsequent events

Construction

The Group continues with construction of the Namib Project in Namibia into 2019. In April 2019, the Group entered the commissioning phase on the process plant, with the first Zinc concentrate produce in May.

Further, an offtake agreement for the Lead and Zinc concentrates produced in 2019 was finalised with Concord Resources Limited and the first sales took place in August 2019.

At the close of 2018, previous underground development had been rehabilitated and additional development had accessed new ore bodies. The mine has since opened these reserves to produce an ore stockpile of 8,000 tonnes on surface to be processed in the new plant. Ore production continues at a planned rate.

In August 2019, a subordination agreement has been signed stating that the non-interest loan receivable from NLZM has been subordinated in favour of other creditors of NLZM until such time that the assets of NLZM, fairly valued, exceed its liabilities.

26 Ultimate controlling party

No one party is identified as controlling the Group.