PEMBRIDGE RESOURCES

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

Contents

Chairman and Chief Executive's statement

Chairman and Chief Executive's statement

We are pleased to present the report and Consolidated Financial Statements of Pembridge Resources Plc ("Pembridge" or "the Group") and the company Financial Statements of Pembridge Resources Plc ("the Company") for the year ended 31 December 2020.

Introduction

Having acquired Minto Explorations Ltd. ("Minto") from Capstone Mining Corporation ("Capstone") in 2019 and restarting the operation of the copper mine in October 2019, the Company was looking forward to developing the project. The Covid-19 pandemic that moved most commodities prices downwards impacted the Minto project significantly. In the first half of 2020 we were facing the result of copper prices falling from US$2.79 at the end of 2019 to a low of US$2.10 on 23 March 2020. The strong support from Minto's shareholders ensured that 2020 proved to be a year of success and growth and established the foundation for realising the long-term value of Minto.

During 2020 a successful infill drilling program was executed with the results being the basis for the NI 43-101 Preliminary Economic Assessment Technical Report being completed in early 2021 by JDS Energy & Mining Inc.

Chairman and Chief Executive's statement

Restructuring Minto shareholding and removing Pembridge financial obligations relating to Minto

In light of the financial market conditions as a result of the Covid-19 pandemic and the potential for material cash calls on Pembridge, the Company agreed with the other shareholders of Minto (collectively "the US Investors") to remove certain future funding obligations of Pembridge and to restructure the Minto share ownership.

The Joint Advisory Committee of Minto (consisting of representatives from Pembridge and the US Investors) authorised a US$3 million capital call to fund working capital, which was due to be paid by Pembridge in accordance with the Shareholders' Agreement. Considering the potential cash needs of Minto during the first half of 2020 and the subsequent future financial commitments on Pembridge that this would impose, as well as having undertaken a strategic review, the Board of Pembridge concluded it was in the best interests of the Company to seek an agreement with the US Investors, whereby the Company reduced its percentage ownership in Minto in exchange for removing certain future financial liabilities, thereby ensuring the financial stability of the Company.

Pembridge reached an agreement with the US Investors that provided cash for Minto to meet its cash requirements as well as assist Pembridge's liquidity in the unprecedented market conditions. The US Investors subscribed for new Class B shares in Minto to a value of US$3 million to support the short-term financial needs of Minto, thereby ensuring its ability to continue to operate in the challenging times from the start of 2020. As a result of this investment into Minto by the US Investors, Pembridge's economic interest was reduced from 33% to 11%. In addition, the US Investors agreed to support a decision by the Minto Board of Directors for Minto to take over all of Pembridge's future payment obligations on behalf of Minto with respect to the escrow surety account (the "Control Account"). This action reduced the future financing commitments of Pembridge by CAD$3 million.

Further, the US Investors also agreed to support a decision by the Minto Board of Directors for Minto to take over all future consideration payments due from Pembridge to Capstone Mining Corporation ("Capstone") in accordance with the Share Sale and Purchase Agreement ("SPA") dated 3 June 2019. Previously Pembridge had been expected to pay a minimum of US$5 million and up to US$20 million out of the income that it derived from Minto.

On 16 April 2020 the Board of Directors approved the issuance and allotment of 11,175,499 new ordinary shares at a price of 3.3p each, raising proceeds of £368,000. To enable this share issue within the rules of the London Stock Exchange the directors agreed to surrender their share options and the changes were made to the Convertible Loan Agreement with Pembridge's Chairman and Chief Executive Officer, Gati Al-Jebouri. Those changes included extension of the loan's maturity to 31 December 2022 and removal of the right to convert to shares in the Company in return for which the interest rate on the loan was increased from 8% to 10% per annum.

Chairman and Chief Executive's statement

Minto operations

During the year to 31 December 2020, 629,078 MT (2019: 104,005 MT) of ore were processed, resulting in production of 24,646 MT (2019: 6,436 MT) of copper concentrate containing 8,089 MT (2019: 2,247 MT) of copper, 8,420 oz (2019: 2,413 oz) of gold and 74,025 oz (2019: 19,591 oz) of silver. USD$64.3 million (2019: US$7.1 million) was received in payments for production during the year to 31 December 2020, pursuant to the offtake agreement with Sumitomo, of which $5.4 million related to December 2019 production.

The measures taken by the Canadian and Yukon government as a result of the COVID-19 pandemic have had significant impacts on Minto, including mandatory quarantines of employees and contractors entering the Yukon. Such quarantines have disrupted operations and caused above normal operating expenses but have enabled operations to continue while ensuring the safety of the mine's employees.

During 2020, Minto took certain steps to mitigate risk, which included increased and routine communication with the Yukon Government, adhering to a two-week quarantine of employees arriving from outside of the Yukon and physical distancing measures at site. As a result of the close cooperation with the Yukon government, Minto is now able to have the quarantine of employees on site as opposed to in Whitehorse. A vaccination program has been implemented and by the end of Q2 2021 all employees accepting to be vaccinated will have been vaccinated.

Shortly after taking over Minto, an off-take agreement for 55,000 tonnes of copper concentrate to be produced by the Minto mine was signed with Sumitomo Canada Limited ("Sumitomo"), a subsidiary of Sumitomo Corporation, (the "Agreement"). In September 2020, Minto signed a prepayment funding facility with Sumitomo of up to US$12.5 million to finance the working capital needs of Minto.

Financials

2020 is the first full year of production after the acquisition of Minto by Pembridge and the US Investors, compared to only three months after the mine restarted at the end of 2019. During the year the Group made a loss of US$27,275,000 (2019 – loss of US$13,087,000). The operating loss of $24,296,000 (2019: $11,818,000) comprised an exceptional expense of US$9,369,000 on revaluing the Capstone liability due to actual and expected increased copper prices (2019: exceptional expenses from the Minto acquisition of $2,347,000), administrative costs of the Company of $1,585,000 (2019: $3,049,000) and the operating loss from Minto of $13,342,000 (2019: loss of $6,422,000). The closing cash and cash equivalents balance is US$415,000 (2019: US$ 964,000).

With the copper price having recovered to levels well above those seen in the first half of 2020, I and the Board are confident in the ability of Minto's management team to generate the value that was first identified at the time of the acquisition of Minto. I am confident that the next several years will prove to be extremely interesting with respect to the copper market conditions. I base this confidence on my expectation of continuous growth in copper demand due to the energy transition process that is accelerating as well as the expected significant increase in electric vehicles that will be sold at the same time as many countries are starting or expanding major infrastructure projects that will require more and more copper. I look forward to leading Pembridge on this challenging, and rewarding for our shareholders, path.

Principal risks and Uncertainties

Nature of Risk	How we manage it
Funding Risk The Company and its subsidiary may need to secure additional funding to cover working capital needs. **Impact** Shortage of cash for Head Office and operational costs.	The Company and its subsidiary have the capability to raise funds through equity and loans from shareholders.
COVID-19 The COVID-19 pandemic has forced many businesses to close. **Impact** Closure of the mine would stop production, with consequential impact on Minto's finances and on its employees and suppliers.	By following government requirements on quarantining workers, vaccinating those employees that agree to be vaccinated, and using preventative measures on the site, the mine has been able to remain open to date.
Copper Price Risk The success of Minto is dependent partly on the market value of copper. **Impact** A high copper price will provide a good income and additional funding for mine development, whereas a low market price will reduce that income.	Continuous monitoring of the forecast cash flow for Minto together with using hedging instruments for fixing the price of produced copper ensure that copper price risks are managed. In addition, continuous evaluation of cost optimisation opportunities is carried out to seek to reduce the operating costs and thus have the ability to operate profitably at lower copper prices.
Mine Development Risk The Group's strategy is to further develop the area around the Minto Mine and create underground extensions to extend the life of the Minto Mine. **Impact** Such development requires funding, a lack of which could delay progress and the resulting increased returns.	As Minto's operations become established the Company and its fellow investors will have increased opportunities to obtain funding for its further development.
Regulatory Risk Mining is an industry regulated for environmental and safety purposes. **Impact** Failure to comply with regulations can result in penalties.	The Company has appointed experienced mine management whose knowledge of the regulatory environment enables them to ensure compliance.

Principal risks and Uncertainties

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

Principal risks and Uncertainties

Business Review & Development

A review of the business and its operations can be found in the Chairman's and Chief Executive's statement on page 1.

Section 172(1) statement

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

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

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2020:

Response to Covid-19 related issues

The Covid-19 pandemic impacted how we operate the Minto mine as well as how we organise our work in London. At the Minto mine all Canadian and Yukon government regulations have been strictly adhered to and all measures taken to ensure the health and safety of our employees. Prior to receiving approval to quarantine our employees on site, all staff would be quarantined in Whitehorse prior to commencing their work shifts on site. At the Minto site, specific protocols were introduced to monitor everyone's health and isolate staff if there are any health concerns. The London based team of the Company continued working based at their homes with extensive use of conference calling technology and limited person to person meetings. All regulations set by the UK government have been adhered to with respect to Covid-19.

The Covid-19 pandemic affected the Company financially in two ways. The Minto mine remained open and producing copper concentrate throughout 2020, but the fall in copper prices early in the year reduced its income, so that it needed additional funding at a time when it had been aiming to fund itself. The pandemic also caused a loss of market confidence that caused the Company's share price to fall and lenders to be more cautious than before, so that the Company was not able to raise further funds as readily as had been expected when its shares were re-listed at the end of 2019. To address these challenges, the Company re-negotiated its agreement with its co-investors in Minto as described above and the Company also raised new equity of £368,000 from existing shareholders in May 2020. A further £570,000 of equity was raised in early 2021 to fund the Company's own operations.

Involving the local community

As a company operating in the Yukon, Minto engages with the First Nations community in the operations & support functions of the mine, providing much needed employment and wider economic benefits to the local communities. The Pembridge Board of Directors fully supports all initiatives to continue strengthening the relationship with the Yukon government and the Selkirk First Nation leadership.

By order of the Board

Gati Al-Jebouri
Chairman and Chief Executive Officer
17 May 2021

Corporate and Social Responsibility Report (CSR)

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

Environment

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

Health, Safety and Security

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

Business Ethics

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

The Strategic Report (comprising the Chairman's and Chief Executive's statement and principal risks and uncertainties) on pages 2-8 was approved by the Board of Directors and was signed on its behalf by Gati Al-Jebouri, Chairman of the Board.

By order of the Board

Gati Al-Jebouri
Chairman and Chief Executive Officer
17 May 2021

Board of Directors and Senior Management

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

Mr Al-Jebouri, who was born in Bulgaria in 1969, graduated from the University of Bristol with a Civil Engineering degree in 1990 and from the Institute of Chartered Accountants as a chartered accountant in 1994. In 2001 he was appointed Deputy Minister of Energy of Bulgaria and in 2002 Bulgaria's First Deputy Minister of Finance. His varied career has included working for the accountancy firm KPMG in London and Bulgaria until being recruited to LUKOIL, where he soon became Director of investment and Finance in the London office. In 2003 he became Chief Financial Officer of LITASCO (LUKOIL International Trading and Supply Company), where he rose to Chief Executive Officer two years later. In 2010 he became Executive Director for Finance and Marketing of LUKOIL Mid East Ltd and in 2016 was promoted to Vice President LUKOIL and Head of Middle East Upstream. He has been a Non-Executive Director since 2017 and became Chairman and Chief Executive Officer on 19 September 2019.

Frank McAllister, *Non-Executive Director*

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

Guy Le Bel, *Non-Executive Director*

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

David James, *Chief Financial Officer and Company Secretary*

David is a Chartered Accountant, having qualified with KPMG in 1995. David has had a varied career including time spent in Budapest, Hungary and in blue chip multinational groups, followed by 10 years running his own business as a consolidation and reporting specialist, providing financial reporting services mainly to multinational listed companies before joining the Company in February 2020.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 December 2020.

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

Principal activity

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

Business review and future development

A review of the business and future developments of the Group is included within the Chairman and Chief Executive's statement on pages 1 and 2, which forms part of the Strategic Report.

Results and dividends

During the year the Group made a loss of US$27,275,000 (2019 – loss of US$13,087,000). The loss incurred during the year consists of the operating loss generated by Minto, a loss on mark-to-market revaluation of the Capstone liability, costs of running the head office in London, and associated listing and regulatory requirements. No dividends were paid during the year and the Directors do not recommend payment of a final dividend (2019: $nil).

Going concern

The Financial Statements have been prepared on a going concern basis, which assumes that the Company and Group will continue operating in the foreseeable future and will be able to service their debt obligations, realise their assets and discharge their liabilities as they fall due. The Company and Minto both have a planning, budgeting and forecasting process to determine the funds required to support their operations and expansionary plans. The Company raised new equity in January 2021, which is expected to support its operations until it starts to receive repayments from Minto of its inter-company balance. At 31 December 2020, Minto had cash of US$398,000 and available capacity of US$ 9.5 million under the prepayment facility with Sumitomo Canada Limited. The Group's ability to continue as a going concern is dependent on their ability to obtain additional funding and the successful development of their existing assets in order to meet their planned business objectives. However, because there can be no assurance of this funding or the Group's ability to generate positive cash flows, a material uncertainty exists which may cast doubt on the Group's ability to continue as a going concern.

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

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

Post reporting date events

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

Directors

The Directors who served during the year ended 31 December 2020 and up to the date of signing the Financial Statements were as follows:

Gati Al-Jebouri	Chairman and Chief Executive Officer
Francis McAllister	Non-Executive Director
Guy Le Bel	Non-Executive Director

Substantial shareholders

As at 31 December 2020, the total number of issued ordinary shares with voting rights in the Company was 74,406,993. Details of the Company's capital structure and voting rights are set out in Note 24 to the Financial Statements.

The Company has been notified of the following interests of 3 per cent or more in its issued share capital on the date these Financial Statements were approved by the Board.

Party Name	Number of Ordinary Shares	% of Share Capital
Gati Al-Jebouri	18,418,754	20.7
Jonathan Armstrong	6,012,121	6.8
Frank McAllister	4,663,540	5.2
Guy Le Bel	3,073,545	3.5
Richard Calleri	5,424,242	6.1
Ruggero Maman	5,424,242	6.1

Directors' Report

Capital structure

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

Directors' indemnities

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

Financial instruments

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

Information on exposure to risks

Principal risks and uncertainties are discussed in the Strategic Report on page 6, while liquidity risks are covered in Note 28.

Greenhouse gas emissions

The Company consumed less than 40,000 KWh of energy in the United Kingdom during the period for which the Directors' Report is prepared and there is no local requirement that Minto report its own energy consumption, therefore the Group is exempt from the requirement to disclose its greenhouse gas and other emission producing sources under the Companies Act 2006 (Strategic Report and Directors report) Regulations 2014.

Corporate Governance

The Governance Report is disclosed on pages 13 to 15.

Statement as to disclosure of information to auditor

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

Auditor

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

By order of the Board

Gati Al-Jebouri
Chairman and Chief Executive Officer
17 May 2021

Governance Report

Introduction

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

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

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

Set out below are the Company's corporate governance practices for the year ended 31 December 2020.

Leadership

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

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

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on 17 occasions.

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

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

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

Summary of the Board's work in the year **–** During the year, the Board considered all relevant matters within its remit, but focused in particular on the liquidity and financial stability of both the Company and Minto under difficult conditions. Certain other matters are delegated to the Board Committees, namely the Audit and Remuneration Committees.

Attendance at meetings:

Member	**Meetings attended**
Francis McAllister	17
Guy Le Bel	17
Gati Al-Jebouri	17

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

Governance Report

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

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

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

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

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

Effectiveness

The Board comprises of a combined Chairman and Chief Executive Officer and two independent non-executive Directors. Biographical details of the Board members are set out on page 10 of this report. The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

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

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

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

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

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

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

Although the Board consists of only male Directors, the Board supports diversity in the Boardroom and the Financial Reporting Council's aims to encourage such diversity. The following table sets out a breakdown by gender at 31 December 2020:

	Male	Female
Directors	3	-
Senior Managers	1	-

Accountability

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

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

Governance Report

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

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

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

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

Remuneration

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

Nomination

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

Shareholder relations

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

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

Annual General Meeting - At an AGM individual shareholders are normally given the opportunity to put questions to the Chairman and to other members of the Board that may be present although, due to the COVID-19 pandemic, physical attendance at the AGM is not possible in 2021. Notice of the AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld, are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

Gati Al-Jebouri

Chairman and Chief Executive Officer

17 May 2021

Directors' Remuneration Report

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

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

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

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

In 2020, the Company implemented a remuneration policy so that a meaningful proportion of Executive and Senior Management's remuneration is structured so as to link rewards to corporate and individual performance, align their interests with those of shareholders and to incentivise them to perform at the highest levels. No Director takes part in any decision directly affecting their own remuneration.

Directors' remuneration

The Directors who held office at 31 December 2020 and who had beneficial interests in the ordinary shares of the Company are summarised as follows:

Name of Director	Position	No.of shares held
Gati Al-Jebouri	Chairman and Chief Executive Officer	15,418,754
Francis McAllister	Non-Executive Director	4,663,540
Guy Le Bel	Non-Executive Director	2,823,545

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

Remuneration components

For the year ended 31 December 2020 salaries, fees and share based payments were the main components of remuneration, with health insurance also for the Chief Executive Officer. This is expected to continue in 2021.

- Salaries and fees
- Health insurance
- Pensions
- Share Incentive arrangements

Directors' Remuneration Report

Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors for the years ended 31 December 2020 and 2019:

2020	Fees US$'000	Bonus US$'000	Share based payments US$'000	Health insurance US$'000	Redundancy Pay US$'000	Total US$'000
Francis McAllister	26	-	-	-	-	26
Gati Al-Jebouri	301	-	-	16	-	317
Guy Le Bel	26	-	-	-	-	26
Total	353	-	-	16	-	369

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

Directors beneficial share interests (audited)

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2020 and at the date of this report or their resignation (if earlier) were as follows:

Name of Director	Number of ordinary shares held at 31 December 2020	Number of ordinary shares held as at the date of this report	Number of options / warrants	Number of share options / warrants vested but unexercised
Francis McAllister	4,663,540	4,663,540	1,395,833	-
Guy Le Bel	2,823,545	3,073,545	1,395,833	-
Gati Al-Jebouri	15,418,754	18,418,754	2,235,000	-

Directors’ Remuneration Report

Total pension entitlements (audited)

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

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

Payments to past Directors (audited)

The Company has not paid any compensation to past Directors.

Payments for loss of office (audited)

No payments were made to Directors for loss of office during the year.

Consideration of shareholder views

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

Policy for new appointments

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

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

Policy on payment for loss of office

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

Other matters

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

Approved on behalf of the Board

Gati Al-Jebouri
Chairman and Chief Executive Officer
17 May 2021

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with international accounting standards in conformity with the Companies Act 2006 and as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006. Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, international financial reporting standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Directors' Responsibility Statement Pursuant to Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 10, confirm that, to the best of their knowledge and belief:

- the Financial Statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, and give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company; and
- the annual report and Financial Statements, including the Business review, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

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

Opinion

We have audited the financial statements of Pembridge Resources plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regard to the Group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group's and Parent Company's ability to continue in operation as a going concern is dependent on its ability to obtain additional funding and successfully develop existing assets in order to meet commitments and working capital requirements. As stated in note 2, these events or conditions, along with the other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included reviewing forecast financial information at the parent company and operating subsidiary level, and obtaining an understanding of future funding requirements, over a period of 12 months from the date of approval of the financial statements.

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

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

Our application of materiality

Materiality 2020	Materiality 2019	Basis for materiality
Group - $701,000	*Group - $660,000*	*Average of 1% of revenue and 5% of loss before tax*
Company - $88,100	*Company - $130,000*	*5% of loss before tax*

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

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

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the group financial statements was set at $490,700 (2019: $462,000) and the parent company was set at $61,670 (2019: $91,000), being 70% of materiality for the financial statements as a whole respectively.

The benchmarks and percentages for calculating materiality are unchanged from the prior year. Following the first full year of trading for significant component and subsidiary Minto Explorations Limited, we consider that revenue and loss before tax are the most significant determinant of the Group's financial position and performance used by shareholders. Materiality for the parent company was based upon the result before tax to gain sufficient coverage of expenses in our testing.

Whilst the Group materiality for the financial statements as a whole was set at $701,000, component materiality was set at CAD$680,000 (USD equivalent approximately $534,000) for Minto Explorations Limited, with performance materiality set at 70%. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We agreed with the audit committee that we would report all audit differences identified during the course of our audit in excess of $35,050 (2019: $33,000). We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

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

An audit was performed on the financial information of the Group's significant operating components which, for the year ended 31 December 2020, were located in the United Kingdom and Canada.

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

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition (Note 7) **Revenue from the sale of metal concentrate is recognised on transfer of physical possession to the customer and the customer has the significant risks and rewards of ownership. Metal concentrates are normally sold under pricing arrangements where final prices are determined based on quoted market prices in a period subsequent to the date of sale and therefore based on forward commodity prices for the expected period of final settlement. In addition, there can be subsequent variations to metal concentrate weight and grade.** **Minto Explorations Limited is engaged in streaming and offtake arrangements therefore revenue recognition, including deferred revenue, needs to take into account the underlying contractual arrangements and performance obligations, in accordance with IFRS 15 Revenue from Contracts with Customers. There is a risk that revenue is not recorded in accordance with IFRS 15.**	Our work in this area, including that undertaken by the component auditor, included: • Updating our understanding of the internal control environment in operation for the significant income streams. Undertaking a walk-through to ensure that the key controls within these systems have been operating in the period under audit; • Review of key contractual terms contained within the streaming and offtake arrangements, concentrating in particular on any changes from the prior period, and ensuring the revenue recognised is measured in accordance therewith. Ensuring the disclosures in the financial statements adequately reflect the terms of those agreements; • Substantive transactional testing of income recognised in the financial statements by the component auditor, including deferred and accrued income balances recognised at year-end; • Cut-off testing by the component auditor around the year-end having regard to contractual performance obligations and to ensure correctly matched with inventory and other direct mining costs; and • A review of post year end receipts to ensure completeness of income recorded in the accounting period, including mark to market pricing adjustments and variations to weight and grade from assay checks up to the date of final acceptance.
Carrying value and assessment of impairment of producing mineral properties, mineral exploration and development properties, CIP and properties plant and equipment (Note 15) **Future profitability at the mine is expected to be sensitive to copper market prices and the success of exploration activities in order to increase resources / reserves. Management’s assessment of impairment indicators, and estimation of value in use, will involve cash flow forecasts and assumptions which are inherently judgmental and potentially sensitive to reasonably possible change.**	Our work in this area, including that undertaken by the component auditor, included: • Reviewing the work undertaken by the component auditor with regard to the carrying values in the individual financial statements of Minto; • Review of management’s impairment considerations at group level, including challenge of judgements and estimates therein, as well as obtaining available workings and independent reports to support the valuation; and • Evaluating actual performance in the year versus budgeted performance, particularly with regard to quantities processed and product grade achieved. The Directors’ judgements in their assessment of recoverability are reasonable and our work did not identify an impairment to the year-end carrying value.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the Group and Parent Company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

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

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

Responsibilities of Directors

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

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

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

Auditor’s responsibilities for the audit of the Financial Statements

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

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

- We obtained an understanding of the Group and Parent Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and the component auditor as well as relevant industry experience. We also selected a specific audit team based on experience with auditing entities within this industry facing similar audit and business risks.
- We determined the principal laws and regulations relevant to the Group and Parent Company in this regard to be those arising from:
    - Disclosure & Transparency Rules
    - Listing Rules
    - Companies Act 2006
    - UK employment law
    - Local Canadian tax laws and regulations
    - Local environmental, mineral exploration and mining regulations
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and Parent Company with those laws and regulations. These procedures included, but were not limited to:
    - Making enquiries of management;
    - A review of Board minutes;
    - A review of legal ledger accounts;
    - A review of RNS announcements; and
    - A review of component auditor’s work surrounding compliance with laws and regulations, which included obtaining confirmations from the subsidiary’s legal counsel.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals, reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. Similar testing was also undertaken by the component auditor on the subsidiary undertaking.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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

Other matters which we are required to address

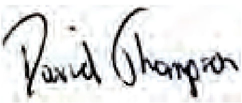
We were appointed by the Board of Directors on 10 February 2018 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. Our total uninterrupted period of engagement is 5 years, covering the periods ending 31 December 2017 to 31 December 2020.

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

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

Use of our report

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



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

15 Westferry Circus
Canary Wharf
London E14 4HD

17 May 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Revenue from contracts with customers	7	58,278	12,398
Production costs		(62,542)	(14,739)
Mark-to-market revaluation of concentrate receivable		647	-
Royalties		(308)	(204)
Depreciation and amortisation		(8,381)	(3,459)
Administrative, legal and professional expenses		(2,036)	(3,110)
Exceptional items			
– acquisition and re-admission costs	8	-	(2,347)
– revaluation of Capstone liability	8	(9,369)	-
Foreign exchange gain / (loss)		(585)	(357)
Operating loss	8	**(24,296)**	**(11,818)**
Finance income		22	-
Finance cost	12	(2,895)	(1,295)
Loss before income tax		**(27,169)**	**(13,113)**
Income tax	13	(106)	26
Loss for the year		**(27,275)**	**(13,087)**
Other comprehensive income		(175)	936
Total comprehensive income for the year		**(27,450)**	**(12,151)**
Loss is attributable to:			
Non-controlling interest	8	(12,544)	(5,024)
Shareholders of the Company	8	(14,731)	(8,063)
Loss for the year		**(27,275)**	**(13,087)**
Total comprehensive income is attributable to:			
Non-controlling interest		(12,546)	(4,400)
Shareholders of the Company		(14,904)	(7,751)
Total comprehensive income for the year		**(27,450)**	**(12,151)**

Earnings per share expressed in US cents		Year ended 31 December 2020	Year ended 31 December 2019
Basic and diluted loss per share attributable to the equity holders of the Company	14	(20.8c)	(33.5c)

All amounts relate to continuing activities.

The notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2020

	Note	31 December 2020 US$'000	31 December 2019 US$'000
Assets			
Non-current assets			
Property, plant and equipment	15	56,798	50,207
Intangible assets	16	-	394
Long-term deposits	18	7,059	4,040
Total non-current assets		63,857	54,641
Current assets			
Inventories	17	4,401	5,710
Trade and other receivables	18	5,672	8,610
Cash and cash equivalents	19	415	964
Total current assets		10,488	15,284
Total assets		**74,345**	**69,925**
Non-Current liabilities			
Borrowings	23	(15,470)	(10,631)
Lease liabilities	21	(2,835)	(2,734)
Reclamation and closure cost provision	22	(25,286)	(22,438)
Deferred consideration due to Capstone	32	-	(4,305)
Deferred tax liabilities	13	(388)	(270)
Total non-current liabilities		(43,979)	(40,378)
Current liabilities			
Trade and other payables	20	(16,253)	(8,736)
Borrowings	23	(1,600)	-
Lease liabilities	21	(4,764)	(2,899)
Deferred consideration due to Capstone	32	(18,571)	(4,897)
Total current liabilities		(41,188)	(16,532)
Total liabilities		**(85,167)**	**(56,910)**
Net assets/(liabilities)		**(10,822)**	**13,015**
Equity			
Share capital	24	965	825
Share premium	24	9,222	8,900
Capital redemption reserve		1,011	1,011
Translation reserve		139	312
Other reserve		46	369
Retained deficit		(30,516)	(13,465)
Equity attributable to shareholders of the Company		**(19,133)**	**(2,048)**
Non-controlling interests	27	8,311	15,063
Total equity		**(10,822)**	**13,015**

The Financial Statements were approved and authorised for issue by the Board on 17 May 2021 and signed on behalf of the Board by:

Gati Al-Jebouri
Chairman and Chief Executive Officer

The notes form an integral part of these financial statements.

Company statement of financial position

As at 31 December 2020
Registered number : 07352056

	Note	31 December 2020 US$'000	31 December 2019 US$'000
Assets			
Non-current assets			
Property, plant and equipment	15	-	3
Investment in subsidiary	31	9,202	9,202
Long-term deposits	18	-	1,517
Inter-company receivable	18	3,399	-
Total non-current assets		12,601	10,722
Current assets			
Trade and other receivables	18	428	1,490
Cash and cash equivalents	19	16	399
Total current assets		444	1,889
Total assets		**13,045**	**12,611**
Non-Current liabilities			
Borrowings	23	(5,198)	(2,049)
Deferred consideration due to Capstone	32	-	(4,305)
Total non-current liabilities		(5,198)	(6,354)
Current liabilities			
Trade and other payables	20	(214)	(1,738)
Borrowings	23	(20)	-
Deferred consideration due to Capstone	32	(18,571)	(4,897)
Total current liabilities		(18,805)	(6,635)
Total liabilities		**(24,003)**	**(12,989)**
Net liabilities		**(10,958)**	**(378)**
Equity			
Share capital	24	965	825
Share premium	24	9,222	8,900
Capital redemption reserve		1,011	1,011
Other reserve		46	369
Retained deficit		(22,202)	(11,483)
Equity attributable to shareholders of the Company		**(10,958)**	**(378)**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these Financial Statements. The Company's loss for the period amounted to $11,193,000 (2019: $5,555,000 loss).

The Financial Statements were approved and authorised for issue by the Board on 17 May 2021 and signed on behalf of the Board by:

Gati Al-Jebouri
Chairman and Chief Executive Officer

The notes form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Translation/ Other reserve US$'000	Retained deficit US$'000	Total US$'000	Non-controlling interest US$'000	Total Equity US$'000
Balance at 1 January 2020	**825**	**8,900**	**1,011**	**681**	**(13,465)**	**(2,048)**	**15,063**	**13,015**
Loss for the year	-	-	-	-	(14.731)	(14,731)	(12,544)	(27,275)
Other comprehensive income – items that may be reclassified subsequently to profit or loss								
Exchange difference on translation	-	-	-	(173)	-	(173)	(2)	(175)
Total comprehensive income for the year	-	-	-	(173)	(14,731)	(14,904)	(12,546)	(27,450)
Proceeds from shares issued	140	322	-	-	-	462	-	462
Equity element of convertible loan	-	-	-	(53)	-	(53)	-	(53)
Investment by non-controlling interest in Minto share capital	-	-	-	-	330	330	2,670	3,000
Change in share of economic interest in Minto	-	-	-	-	(3,124)	(3,124)	3,124	-
Share-based payments	-	-	-	204	-	204	-	204
Transfer to retained deficit after surrender of share options	-	-	-	(474)	474	-	-	-
Total transactions with owners recognised directly in equity	140	322	-	(323)	(2,320)	(2,181)	5,794	3,613
Balance at 31 December 2020	**965**	**9,222**	**1,011**	**185**	**(30,516)**	**(19,133)**	**8,311**	**(10,822)**

Consolidated statement of changes in equity

For the year ended 31 December 2019

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

Company statement of changes in equity

For the year ended 31 December 2020

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Retained deficit US$'000	Total US$'000
Balance at 1 January 2019	**295**	**2,902**	**1,011**	**66**	**(5,928)**	**(1,654)**
Loss for the year	-	-	-	-	(5,555)	(5,555)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(5,555)	(5,555)
Proceeds from shares issued	530	6,109	-	-	-	6,639
Direct cost of shares issued	-	(111)	-	-	-	(111)
Equity element of convertible loan	-	-	-	53	-	53
Share based payments	-	-	-	250	-	250
Total transactions with owners recognised directly in equity	530	5,998	-	303	-	6,831
Balance at 31 December 2019	**825**	**8,900**	**1,011**	**369**	**(11,483)**	**(378)**
Balance at 1 January 2020	**825**	**8,900**	**1,011**	**369**	**(11,483)**	**(378)**
Loss for the year	-	-	-	-	(11,193)	(11,193)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(11,193)	(11,193)
Proceeds from shares issued	140	322	-	-	-	462
Equity element of convertible loan	-	-	-	(53)	-	(53)
Share based payments	-	-	-	204	-	204
Transfer to retained deficit after surrender of share options	-	-	-	(474)	474	-
Total transactions with owners recognised directly in equity	140	322	-	(323)	474	613
Balance at 31 December 2020	**965**	**9,222**	**1,011**	**46**	**(22,202)**	**(10,958)**

The notes form an integral part of these financial statements.

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

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

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	Year Ended 31 December 2020 US$'000	Year Ended 31 December 2019 US$'000
Cash flows from operating activities			
Loss for the year		(27,275)	(13,087)
Adjusted for:			
Net finance costs		2,873	1,295
Unrealised FX on debt included in administrative expenses		(75)	(169)
Depreciation and amortisation		8,381	3,459
Tax charge / (credit)		106	(26)
Share based payments		204	250
Revaluation of Capstone liability		9,369	-
		(6,417)	**(8,278)**
Movements in working capital			
Decrease / (increase) in inventories		1,359	(3,248)
Decrease / (increase) in trade and other receivables		2,995	(8,252)
Increase / (decrease) in trade and other payables		6,735	6,752
Cash generated from / (used by) operations		**4,672**	**(13,026)**
Income taxes recovered / (paid)		-	-
Net cash generated from / (used in) operating activities		**4,672**	**(13,026)**
Cash flows from investing activities			
Payments into long-term deposits		(2,737)	(1,582)
Purchase of property, plant and equipment		(4,518)	(490)
Purchase of mining claims		-	(237)
Net cash used in investing activities		**(7,255)**	**(2,309)**
Cash flows from financing activities			
Interest payments		(1,297)	(497)
Repayment of borrowings		(122)	(647)
Proceeds from borrowings		5,471	10,754
Lease payments		(5,521)	(1,621)
Proceeds from issuance of shares - Company		462	6,528
Proceeds from issuance of shares - Minto		3,000	1,621
Net cash generated from financing activities		**1,993**	**16,138**
Net increase in cash and cash equivalents		**(590)**	**803**
Cash and cash equivalents at beginning of year		964	151
Impact of exchange rates on cash balances		41	10
Cash and cash equivalents at end of year	19	**415**	**964**

The notes form an integral part of these financial statements.

Company cash flow statement

For the year ended 31 December 2020

	Note	Year Ended 31 December 2020 US$'000	Year Ended 31 December 2019 US$'000
Cash flows from operating activities			
Loss for the year		(11,193)	(5,555)
Adjusted for:			
Net finance costs		239	160
Unrealised FX on debt included in administrative expenses		232	-
Depreciation		3	7
Tax charge / (credit)		-	-
Share based payments		204	250
Revaluation of Capstone liability		9,369	-
		(1,146)	**(5,138)**
Movements in working capital			
Increase in trade and other receivables		(596)	(1,147)
Decrease in trade and other payables		(1,524)	(93)
Cash used by operations		**(3,266)**	**(6,378)**
Income taxes recovered / (paid)		-	-
Net cash used in operating activities		**(3,266)**	**(6,378)**
Cash flows from investing activities			
Payments into long-term deposits		-	(1,518)
Disposal/(purchase) of property, plant and equipment			5
Net cash used in investing activities		**-**	**(1,513)**
Cash flows from financing activities			
Interest payments		-	(60)
Repayment of borrowings		(50)	(647)
Proceeds from borrowings		2,471	2,318
Proceeds from issuance of shares		462	6,528
Net cash generated from financing activities		**2,883**	**8,139**
Net (decrease)/increase in cash and cash equivalents		**(383)**	**248**
Cash and cash equivalents at beginning of year		399	151
Cash and cash equivalents at end of year	19	**16**	**399**

The notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2020

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union. The Financial Statements have been prepared under the historical cost convention, except as modified for assets and liabilities recognised at fair value on a business combination and contingent consideration measured at fair value.

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

Going concern

The Financial Statements have been prepared on a going concern basis, which assumes that the Company and Group will continue operating in the foreseeable future and will be able to service their debt obligations, realise their assets and discharge their liabilities as they fall due. The Company and Minto both have a planning, budgeting and forecasting process to determine the funds required to support their operations and expansionary plans. The Company raised new equity in January 2021, which is expected to support its operations until it starts to receive repayments from Minto of its inter-company balance in 2022. At 31 December 2020, Minto had cash of US$ 398,000 and available capacity of US$ 9.5 million under the prepayment facility with Sumitomo Canada Limited. The Group's liabilities include a contingent consideration balance of US$ 18,571,000 due to Capstone, which is disclosed as a current liability and explained fully in note 32. The amount that will actually be paid in respect of this obligation, and the timing thereof, is dependent on future copper price movements, so is not certain, and there may be scope to negotiate a delay in payments beyond one year if this is necessary. Because the liability would become payable in full only if copper prices remain at or above certain levels, the same factors that would cause it to be payable would also assist the Group in funding it through increased operational cash flows. The Group's ability to continue as a going concern is dependent on their ability to obtain additional funding and the successful development of their existing assets in order to meet their planned business objectives. However, because there can be no assurance of this funding or the Group's ability to generate positive cash flows, a material uncertainty exists which may cast doubt on the Group's ability to continue as a going concern.

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

3. STANDARDS AND INTERPRETATIONS NOT YET APPLIED BY THE COMPANY

3.1 New and amended standards mandatory for the first time for the financial year beginning 1 January 2020

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

Standard		Effective date
IFRS 3 (Amendments)	Business Combinations – revised definition of a business	1 January 2020
IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2020
IAS 8 (Amendments)	Accounting policies, Changes in Accounting Estimates	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest rate benchmark reform	1 January 2020

The Directors believe that the adoption of these standards has not had a material impact on the financial statements other than changes to disclosures.

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

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

Standard		Effective date
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2022*
IFRS 3 (Amendments)	Business Combinations – reference to the Conceptual Framework	1 January 2022*
IAS 16 (Amendments)	Property, plant and equipment	1 January 2022*
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022*
IFRS 2018-2020 Cycle	Annual Improvements	1 January 2022*

**Not yet endorsed by the EU.*

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

Notes to the Financial Statements

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, described in Note 5, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

Financial instruments

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

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

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

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

Estimated reclamation and closure costs

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

Income taxes

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

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

Mineral reserve and resource estimates

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

Notes to the Financial Statements

For the year ended 31 December 2020

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

Estimated permitted reserves

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

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

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

Impairment of mineral properties, plant and equipment

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

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

Inventory valuation

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

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

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

Share based payments

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

Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. The determination of fair value is based on key assumptions involving estimation of the probability of meeting each performance target and the timing thereof. As part of the acquisition of Minto, contingent consideration with an estimated fair value of US$9,202,000 was recognised at the acquisition date. See Note 32 for further details. The Group is required to remeasure the contingent liability at fair value at each reporting date with changes in fair value recognised in accordance with IFRS 9. Such remeasurement involves making key assumptions around future copper price volatility and assumptions over inputs to the Monte Carlo simulation model.

Notes to the Financial Statements

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and Business combinations

The consolidated Financial Statements comprise the Financial Statements of the company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if the Group has:

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

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

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

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

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

(ii) Rights arising from other contractual arrangements

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

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

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

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

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

Reporting foreign currency transactions in functional currency

In preparing the Financial Statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising, if any, are recognised in profit or loss.

Translation from functional currency to presentational currency

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

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

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

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

Inventories

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

Notes to the Financial Statements

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties, plant and equipment

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

Producing mineral properties

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

Mineral exploration and development properties

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

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

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

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

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

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

Plant and equipment

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

Notes to the Financial Statements

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in progress

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

Depreciation and amortisation of mineral properties, plant and equipment

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

Depreciation and amortisation is computed using the following rates:

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

Impairment of long-lived assets

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

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

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

Taxes

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Notes to the Financial Statements

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Compound instruments and borrowings

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

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

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

Financial instruments

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

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

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

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

Fair value measurement

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Level 1 – quoted market prices in active markets for identical assets or liabilities
(ii) Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
(iii) Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Trade receivables

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

Impairment and uncollectibility of financial assets

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

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

Cash and cash equivalents

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

Trade and other payables

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

Leases

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

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

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

Reclamation and closure cost obligations

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

Notes to the Financial Statements

For the year ended 31 December 2020

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Provisions

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

Revenue recognition

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

Government grants

In response to the COVID-19 pandemic, governments have assisted companies in various ways. During the year ended 31 December 2020, the Group received US$ 1.6 million of emergency wage subsidy from the Government of Canada. Under IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, this may be recognised as either income or a reduction of the expenses related to the grant. The wage subsidy relates to production expenses and has been recognised as a reduction to payroll expense in these consolidated financial statements and not separately disclosed as other income.

Employee benefits

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

Earnings per share

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

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

Investment in subsidiary

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

Share capital

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

Share based payments

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

Notes to the Financial Statements

For the year ended 31 December 2020

6. OPERATING SEGMENTS

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

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

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Year Ended 31 December 2020 US$'000	Year Ended 31 December 2019 US$'000
Copper	53,721	12,789
Gold	10,772	1,579
Silver	204	54
Total gross revenue	64,697	14,422
Less: treatment and selling costs	(6,419)	(2,024)
Revenue	58,278	12,398

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

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

1. Identify contract with a customer

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

2. Identify performance obligation

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

3. Determine the transaction price

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

4. Allocate price to each performance obligation

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

8. OPERATING LOSS

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

The exceptional charge of $9,369,000 in 2020 relates to the mark-to-market revaluation of the Capstone liability. Because the payments are dependent on certain conditions related to production and copper prices being met, they are not certain in amount or timing. The copper price at the end of 2020 was considerably higher, and the market outlook more positive, than at the end of 2019 so the probability of making the payments dependent on them has correspondingly increased. The revised Shareholders' Agreement between the Company and its fellow investors in Minto provides that Minto may fund the deferred consideration payments due from Pembridge to Capstone and it is expected that this will happen. The impact of this exceptional charge on the division of 2020 losses between shareholders of the Company and the non-controlling interest is shown below.

	Loss attributable to Shareholders of the Company US$'000	Loss attributable to non-controlling interest US$'000	Total loss US$'000
Loss of Minto	(3,538)	(12,544)	(16,082)
Company loss before exceptional item	(1,824)	-	(1,824)
Revaluation of Capstone liability	(9,369)	-	(9,369)
	(14,731)	(12,544)	(27,275)

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

9. AUDITOR'S REMUNERATION

	Year Ended 31 December 2020 US$'000	Year Ended 31 December 2019 US$'000
Remuneration receivable by the Company's auditors for the audit of the Financial Statements	48	53
Fees payable to the Company's auditor and its associates for other services	-	39
Total remuneration	48	92

10. EMPLOYEES AND KEY MANAGEMENT

During the year, the Group received US$ 1.6 million of emergency wage subsidy from the Government of Canada due to the Covid-19 pandemic. The wage subsidy relates to production expenses and has been recognised as a reduction to payroll expense in these consolidated financial statements.

The total Directors' emoluments for the year, including share based payments, were US$1,997,000 (2018 - US$419,000). Detailed disclosure of Directors' remuneration is disclosed in the Directors' remuneration report on page 17.

The average number of employees in the Group during the year was 107 (2019 – 34) and in the Company was 3 (2019 – 4).

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

Notes to the Financial Statements

For the year ended 31 December 2020

10. EMPLOYEES AND KEY MANAGEMENT (continued)

	Group Year ended 31 December 2020 US$'000	Group Year ended 31 December 2019 US$'000	Company Year ended 31 December 2020 US$'000	Company Year ended 31 December 2019 US$'000
Staff costs				
Wages and salaries	10,349	5,878	766	2,579
Redundancy costs	-	668	-	668
Social security costs	284	391	95	391
Injury protection and health insurance	175	270	18	-
Pensions	272	65	10	10
Share based payments	204	250	204	250
	11,284	7,522	1,093	3,898

11. RELATED PARTY TRANSACTIONS

The Company has borrowings from its Chairman and CEO, Gati Al-Jebouri, which incur interest of 10% per annum and are repayable on 31 December 2022. The Company also pays an arrangement fee in the amount of 6% of the amounts drawn down under the Convertible Loan. Under this facility, the Company had borrowed £3,430,000 at 31 December 2020. The background and changes to this arrangement during the year are set out below.

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

On 16 April 2020, the terms of this loan were changed as follows:

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

During 2019, the Company also entered into the following related party transactions with its Directors in order to fund working capital:

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

12. FINANCE COSTS

	Year Ended 31 December 2020 US$'000	Year Ended 31 December 2019 US$'000
Interest on loans - Pembridge	461	109
Interest on loans - Minto	1,630	618
Discount unwind on reclamation provision	94	376
Interest in respect of lease arrangements	710	192
	2,895	1,295

13. INCOME TAX

Current tax:	Year Ended 31 December 2020 US$'000	Year Ended 31 December 2019 US$'000
UK corporation tax on the result for the year	-	-
Total current taxation	-	(292)
Deferred taxation	106	266
Income tax	106	(26)

Differences explained below:		
Loss before tax	(27,169)	(13,087)
Loss before tax multiplied by the standard rate 19% (2019: 19%)	(5,162)	(2,487)
Effect of:		
Different tax rates	(1,051)	(519)
Non-qualifying depreciation	1	1
Expenses not deductible	2,391	244
Non-taxable portion of unrealised gains	(7)	23
Tax losses for which no deferred income tax asset was recognised	3,828	2,738
Yukon mining taxes	106	(26)
Tax charge / (credit) for the year	106	(26)

Unrecognised deferred tax asset		
Tax losses UK – excess management expenses	2,165	2,145
Tax losses Canada	5,232	1,727
	7,397	3,872

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

The unrecognised deferred tax asset has no expiry period.

The deferred tax liability of $388,000 (2019: $270,000) relates to timing differences on long-term assets.

Notes to the Financial Statements

For the year ended 31 December 2020

14. EARNINGS PER SHARE

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

	Year Ended 31 December 2020	Year Ended 31 December 2019
Basic and diluted loss per share (US cents)	(20.8c)	(33.5c)
Weighted average number of shares for basic and diluted loss per share	70,742,894	24,063,552

The basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company of US$14,731,000 (2019: US$8,063,000) as the numerator, i.e. no adjustment to loss was necessary. The basic and dilutive loss per share are the same as the effect of the exercise of share options and warrants would be anti-dilutive.

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

15. PROPERTY PLANT AND EQUIPMENT - GROUP

	Mineral properties US$'000	Plant, equipment and motor vehicles US$'000	Construction in progress US$'000	Right of use assets – plant and equipment US$'000	Total US$'000
Cost					
At 1 January 2020	20,281	23,829	2,435	7,178	53,723
Additions	4,070	236	213	6,561	11,080
Adjustment to reclamation provision	2,153	-	-	-	2,153
Reclassified from mining claims	382	-	-	-	382
Disposals	-	-	-	-	-
FX on translation	789	523	63	506	1,881
At 31 December 2020	27,675	24,588	2,711	14,245	69,219
Depreciation					
At 1 January 2020	(152)	(2,080)	-	(1,284)	(3,516)
Charge for the year	(733)	(3,150)	-	(4,498)	(8,381)
FX on translation	(42)	(213)	-	(269)	(524)
At 31 December 2020	(927)	(5,443)	-	(6,051)	(12,421)
Net book value at 31 December 2020	26,748	19.145	2,711	8,194	56,798
Net book value at 31 December 2019	20,129	21,749	2,435	5,894	50,207

Notes to the Financial Statements

For the year ended 31 December 2020

15. PROPERTY PLANT AND EQUIPMENT - GROUP (continued)

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

Notes to the Financial Statements

For the year ended 31 December 2020

15. PROPERTY PLANT AND EQUIPMENT - COMPANY

	2020 Furniture and office equipment US$'000	2019 Furniture and office equipment US$'000
Cost		
At 1 January	12	21
Additions	-	-
Disposals	-	(9)
At 31 December	12	12
Depreciation		
At 1 January	(9)	(6)
Charge for the year	(3)	(7)
Depreciation written back on disposals	-	4
At 31 December	(12)	(9)
Net book value at 31 December	-	-
Net book value at 31 December	-	3

16. INTANGIBLE ASSETS - GROUP

	2020 Mining claims US$'000	2019 Mining claims US$'000
Cost		
At 1 January	394	148
Additions	-	237
Reclassified to mineral properties	(382)	-
FX on translation	(12)	9
At 31 December	-	394
Depreciation		
At 1 January	-	-
Charge for the year	-	-
FX on translation	-	-
At 31 December	-	-
Net book value at 31 December	-	-
Net book value at 31 December	-	394

Notes to the Financial Statements

For the year ended 31 December 2020

17. INVENTORIES

	Group 31 December 2020 US$'000	Group 31 December 2019 US$'000
Consumable parts and supplies	2,842	1,666
Ore stockpiles (to be processed within 12 months)	1,559	4,044
	4,401	5,710

Inventories recognised as an expense during the year are shown in profit and loss as 'Production costs' and amounted to $62,542,000 (2019: US$14,739,000). US$1,036,000 of inventories were written down during the year (2019: US$nil).

18. TRADE AND OTHER RECEIVABLES

	Group 31 December 2020 US$'000	Group 31 December 2019 US$'000	Company 31 December 2020 US$'000	Company 31 December 2019 US$'000
Trade receivables	4,736	6,562	-	-
Inter-company receivables	-	-	403	394
Other receivables	-	10	-	10
Prepayments	615	298	23	14
VAT and other sales taxes	321	693	2	25
Unpaid share capital	-	1,047	-	1,047
Other receivables	936	2,048	428	1,490
Trade and other receivables - current	5,672	8,610	428	1,490
Other receivables – non-current: Long-term deposits	7,059	4,040	-	1,517
Inter-company receivables	-	-	3,399	-

Long term deposits are held to provide security for decommissioning cost obligations. The inter-company receivable is payable by Minto to Pembridge. Of this, $3,399,000 results from the transfer during 2020 of the surety account, containing at that date C$4 million, to Minto from Pembridge, and is receivable in 2022.

19. CASH AND CASH EQUIVALENTS

	Group 31 December 2020 US$'000	Group 31 December 2019 US$'000	Company 31 December 2020 US$'000	Company 31 December 2019 US$'000
Cash and short-term deposits	415	964	16	399

Notes to the Financial Statements

For the year ended 31 December 2020

20. TRADE AND OTHER PAYABLES

	Group 31 December 2020 US$'000	Group 31 December 2019 US$'000	Company 31 December 2020 US$'000	Company 31 December 2019 US$'000
Trade payables	16,039	6,973	-	-
Other payables and accruals	214	1,763	214	1,738
	16,253	8,736	214	1,738

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

21. LEASE LIABILITIES

	2020 Lease liabilities US$'000	2019 Lease liabilities US$'000
At 1 January	5,633	-
Additions	6,562	6,974
Lease payments	(5,521)	(1,621)
Interest accretion	710	192
FX on translation	215	88
At 31 December	7,599	5,633
Current portion	4,764	2,899
Non-current portion	2,835	2,734
	7,599	5,633

	31 December 2020 US$'000	31 December 2019 US$'000
Undiscounted lease liabilities:		
No later than 1 year	5,336	3,328
Later than 1 year and not later than 5 years	3,244	2,939
At 31 December	8,580	6,267

During the year, the Group entered into lease arrangements for several mining equipment assets. The incremental borrowing rate for the lease liabilities initially recognised is 10 percent. Interest expense on the lease liabilities amounted to US$710,000 for the period ended December 31, 2020 (2019 - $192,000). There were no leases with residual value guarantees or leases not yet commenced to which Minto is committed. The expense relating to short-term leases and low value leases amounted to $nil for the period ended December 31, 2020 (2019 - $nil).

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

Notes to the Financial Statements

For the year ended 31 December 2020

22. RECLAMATION AND CLOSURE COST PROVISION

	2020 US$'000	2019 US$'000
At 1 January	22,438	22,084
Change in estimate	2,153	(813)
Interest expense from discounting obligations	94	376
FX on translation	601	791
At 31 December	25,286	22,438

A reclamation and closure cost obligation has been recognised in respect of the mining operations of the Minto Mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the Minto reclamation and closure cost obligation as at December 31, 2020 were US$23.9 million (2019: US$20.8 million), which were adjusted for inflation and uncertainty of the cash flows and then discounted using current market-based pre-tax discount rate of 0.39 percent (2019: 1.68 percent). An amount of C$72.1 million is secured by a Surety Bond from Zurich Insurance Company Ltd. in favour of the Government of Yukon. Capstone Mining Corp. acts as an indemnitor to the surety bond provider.

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

23. BORROWINGS

	Group 31 December 2020 US$'000	Group 31 December 2019 US$'000	Company 31 December 2020 US$'000	Company 31 December 2019 US$'000
Loan notes	8,911	8,582	-	-
Loans from directors	5,198	2,049	5,198	2,049
Prepayment funding	1,361	-	-	-
Borrowings – non-current	15,470	10,631	5,198	2,049
Prepayment funding - current	1,580	-	-	-
Other loans - current	20	-	20	-
Total borrowings	17,070	10,631	5,218	2,049

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

On 8 September 2020, Minto entered into a Prepayment Facility Agreement with Sumitomo Canada Limited, the purchaser of its copper under an offtake agreement, under which Sumitomo has security over Minto's assets. The facility limit is US$12.5 million and may be drawn against at any time giving notice in increments of US$1 million. Interest is calculated quarterly on the outstanding balance at LIBOR for the applicable period. The balance is repayable over the remaining life of the related offtake agreement.

On 30 October 2019, the Company entered into a loan facility of £1.7 million with Gati Al-Jebouri, Chief Executive Officer and Chairman of the Board, which was increased to £3.7 million in February 2020 and reduced to £3.4m in January 2021. The loan is to be repaid by 31 December 2022 and carries interest at an annual rate of 10%. The Company also pays an arrangement fee in the amount of 6% of the amounts drawn down under the Loan. Of this facility, the full £3.4 million had been borrowed at 31 December 2020.

24. SHARE CAPITAL AND PREMIUM

Allotted, called up and fully paid	Number of ordinary shares	Share Capital – ordinary shares US$000	Share premium US$000	Total US$000
At 1 January 2020	63,231,494	825	8,900	9,725
Proceeds from share issue at 0.033p per share	11,175,499	140	322	462
At 31 December 2020	74,406,993	965	9,222	10,187

Ordinary shares have attached to them full voting, dividend and capital distribution rights (including on a winding up).

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

25. SHARE BASED PAYMENTS

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

	2020		2019	
	Options and warrants Number	Average exercise price (pence)	Options and warrants Number	Average exercise price (pence)
Outstanding at 1 January	7,859,800	19.09	177,110,843	3.29
Impact of share consolidation	-		(159,399,759)	
Granted	7,206,666	5.69	6,284,800	12.65
Forfeited	(7,159,000)	15.90	(16,136,084)	33.39
Outstanding at 31 December	7,907,466	9.77	7,859,800	19.09
Exercisable at 31 December	1,200,800	36.44	1,650,800	39.23

The weighted average remaining contractual life for the share options and warrants outstanding as at 31 December 2020 was 6.2 years (2019: 8.6 years).

The fair value of share-based payment transactions is calculated using the Black-Scholes Option Pricing Model. Key inputs to the model were: volatility 77.75%, risk free rate 0.75% and dividend yield 0%. Share options and warrants outstanding at the end of year have the following expiry dates and exercise prices:

Grant-Vest	Expiry date	Exercise price (pence)	2020 Number	2019 Number
2017	2021	43.4	600,000	600,000
2018	2022	43.4	300,000	300,000
2018	2027	20.00	-	225,000
2018-2019	2027	40.00	-	225,000
2018-2020	2027	80.00	-	225,000
2019-2021	2029	12.50	-	5,984,000
2019	2022	15.625	300,800	300,800
2020-2021	2023	5.00	2,791,666	-
2020-2021	2030	5.00	3,915,000	-

Notes to the Financial Statements

For the year ended 31 December 2020

26. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

There were no acquisitions in 2020.

Acquisition of Minto Explorations Ltd

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

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

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

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

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

The Company calculated a fair value for the total consideration due for the Minto Acquisition as US$9.2 million, and accordingly a liability of $9.2 million was recorded in the consolidated statement of financial position. Because its payment is dependent on future events, this liability is subject to revaluation on a mark-to-market basis, and has been so revalued as at 31 December 2020. This liability is held in the books of the Company but the revised Shareholders' Agreement between the Company and its fellow investors in Minto provides that Minto may fund the deferred consideration payments due from Pembridge to Capstone and it is expected that this will happen.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

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

The Group elected to recognise the non-controlling interest at the proportionate share of the acquired identifiable net assets. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired was completed within 12 months of the acquisition date.

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

During 2020, the Company's economic interest reduced to 11% under a revised Shareholders' Agreement with the other Minto shareholders under which the other shareholders contributed US$3 million of new equity to Minto and the Company was relieved of a funding obligation of C$2 million, and it was agreed that Minto may fund the deferred consideration payments due from Pembridge to Capstone.

The revenue and loss before tax of Minto from acquisition to 31 December 2019, and for the full year of acquisition, are set out below.

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

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

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

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

27. NON-CONTROLLING INTEREST IN MINTO EXPLORATIONS LTD

In June 2020, the Company and its fellow investors agreed changes to the terms of the Shareholders' Agreement. These changes resulted in new investment into Minto by Copper Holdings and Cedro Holdings of US$ 3 million and relieved the Company of some large financial obligations. They also resulted in a change in relative economic interests in Minto, increasing the combined economic ownership of Copper Holdings and Cedro Holdings in Minto from 66.66 percent to 89 percent and reducing the economic ownership of Pembridge from 33.33 percent to 11 percent. The Company considers that, although it now has an economic interest of considerably less than 50% in Minto's results and net assets, it has control over Minto through holding 100% of voting rights and having control of the Minto Board, which means that it is able to control the day-to-day operations of the mine. On this basis it continues to consolidate the results of Minto.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Balance at start of period	15,063	-
On acquisition of 67% economic interest of subsidiary	-	18,404
Investment by non-controlling interest in Minto share capital	2,670	1,059
Change in share of economic interest in Minto	3,124	-
Share of loss for the period	(12,544)	(5,024)
Share of exchange difference on translation	(2)	624
Balance at end of period	8,311	15,063

Notes to the Financial Statements

For the year ended 31 December 2020

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

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

Summarised income statement	Year to 31 December 2020 $'000	3 June – 31 December 2019 $'000
Revenue	58,278	12,398
Operating loss	(13,341)	(6,345)
Loss before income tax	(15,976)	(7,562)
Income tax	(106)	26
Loss for the year	(16,082)	(7,536)
Summarised statement of financial position		
Non-current assets	63,454	52,726
Current assets	7,048	13,789
Non-current liabilities	(38,782)	(34,024)
Current liabilities	(22,382)	(9,896)
Net assets	9,338	22,595
Cash flow statement		
Cash flows from operating activities	9,455	(6,884)
Cash flows from investing activities	(8,773)	(559)
Cash flows from financing activities	(890)	7,998
Net increase in cash and cash equivalents	(208)	555
Cash and cash equivalents at start of period	565	1
Impact of exchange rates on cash balances	42	9
Cash and cash equivalents at end of period	399	565

Notes to the Financial Statements

For the year ended 31 December 2020

28. FINANCIAL INSTRUMENTS

Significant accounting policies

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

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

Categories of financial instruments

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

	Group 31 December 2020 US$'000	Group 31 December 2019 US$'000	Company 31 December 2020 US$'000	Company 31 December 2019 US$'000
Financial assets				
At fair value through profit and loss				
Trade receivables	4,736	6,562	-	-
At amortised cost				
Inter-company receivables	-	-	3,802	394
Other receivables	321	1,750	2	1,082
Long-term deposits	7,059	4,040	-	1,517
Cash and cash equivalents	415	964	16	399
	12,531	13,316	3,820	3,392
Financial liabilities				
At amortised cost				
Trade payables	(16,039)	(6,973)	-	-
Other payables	(214)	(1,763)	(214)	(1,738)
Borrowings	(17,070)	(10,631)	(5,218)	(2,049)
At fair value through profit and loss				
Deferred consideration due to Capstone	(18,571)	(9,202)	(18,571)	(9,202)
	(51,894)	(28,569)	(24,003)	(12,989)

As at 31 December 2020, trade and other receivables are all considered to be recoverable.

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

The main risks arising from the Company's financial instruments are liquidity risk and foreign currency risk. Interest rate risk is minimised by fixed rate borrowings as described in note 23. The Directors review and agree policies for managing these risks and these are summarised below.

Notes to the Financial Statements

For the year ended 31 December 2020

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

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

As of December 31, 2020, the Group's liabilities that have contractual maturities were as follows:

		Contractual cash flows					
	Carrying amount US$'000	**Total US$'000**	**2021 US$'000**	**2022 US$'000**	**2023 US$'000**	**2024 US$'000**	**After 2024 US$'000**
Trade and other payables	16,253	16,253	16,253	-	-	-	-
Long term debt	17,070	18,158	776	650	6,228	10,504	-
Lease liabilities	7,599	8,580	5,336	2,332	912	-	-
Payable to Capstone	18,571	20,000	20,000	-	-	-	-
	59,493	62,991	42,365	2,982	7,140	10,504	-

The amount that will actually be paid to Capstone, and the timing thereof, is dependent on future copper price movements, so is not certain, and there may be scope to negotiate a delay in payments beyond one year if this is necessary. Because the liability would become payable in full only if copper prices remain at or above certain levels, the same factors that would cause it to be payable would also assist the Group in funding it through increased operational cash flows.

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

		Contractual cash flows					
	Carrying amount US$'000	**Total US$'000**	**2020 US$'000**	**2021 US$'000**	**2022 US$'000**	**2023 US$'000**	**After 2023 US$'000**
Trade and other payables	15,709	15,709	15,709	-	-	-	-
Long term debt	10,631	12,119	-	2,133	-	-	9,986
Lease liabilities	5,634	6,268	3,329	2,525	414	-	-
Payable to Capstone	9,202	5,000	5,000	-	-	-	-
	41,176	39,096	24,038	4,658	414	-	9,986

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

Notes to the Financial Statements

For the year ended 31 December 2020

28. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

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

	USD items in a CAD functional company 31 December 2020 US$'000	GBP items in a USD functional company 31 December 2020 US$'000	USD items in a CAD functional company 31 December 2019 US$'000	GBP items in a USD functional company 31 December 2019 US$'000
Financial assets				
Trade receivables	4,736	-	6,562	-
Other receivables	-	2	362	1,082
Cash and cash equivalents	257	16	754	399
Long term deposits	351	-	-	-
	5,344	18	7,678	1,481
Financial liabilities				
Trade and other payables	(119)	(214)	(363)	(1,738)
Long term debt	(11,852)	(5,198)	(8,582)	(2,049)
	(11,971)	(5,412)	(8,945)	(3,787)
	(6,627)	(5,394)	(1,267)	(2,306)

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

		31 December 2020 US$'000	31 December 2019 US$'000
Effect on loss	+10%	539	36
	-10%	539	36
Effect on equity	+10%	1,355	36
	-10%	1,355	36

Notes to the Financial Statements

For the year ended 31 December 2020

29. RECONCILIATION OF MOVEMENT IN NET DEBT

2020	At 1 January US$'000	New borrowing US$'000	Interest added to debt US$'000	Debt repaid US$'000	Other cash flows US$'000	Foreign exchange US$'000	At 31 December US$'000
Cash at bank and in hand	964	5,471	-	(5,643)	(419)	42	415
Borrowings -							
by the Company	(2,049)	(2,471)	(515)	50	-	(233)	(5,218)
by Minto	(8,582)	(3,000)	(342)	72	-	-	(11,852)
	(10,631)	(5,471)	(857)	122	-	(233)	(17,070)
Lease liabilities	(5,633)	(6,562)	(710)	5,521	-	(215)	(7,599)
Net debt	(15,300)	(6,562)	(1,567)	-	(419)	(406)	(24,254)

2019	At 1 January US$'000	New borrowing US$'000	Interest added to debt US$'000	Debt repaid US$'000	Other cash flows US$'000	Foreign exchange US$'000	At 31 December US$'000
Cash at bank and in hand	151	10,701	-	(2,765)	(7,132)	9	964
Borrowings -							
by the Company	(382)	(2,265)	(144)	707	-	35	(2,049)
by Minto	-	(8,436)	(583)	437	-	-	(8,582)
	(382)	(10,701)	(727)	1,144	-	35	(10,631)
Lease liabilities	-	(6,974)	(192)	1,621	-	(88)	(5,633)
Net debt	(231)	(6,974)	(919)	-	(7,132)	(44)	(15,300)

30. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

Notes to the Financial Statements

For the year ended 31 December 2020

31. GROUP STRUCTURE

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

	2020 Company $'000	2019 Company $'000
At 1 January	9,202	-
Acquisition	-	9,202
At 31 December	9,202	9,202

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

The details of its subsidiaries are as follows.

				Ownership Interest	
	Activity	**Registered office address**	**Jurisdiction**	**As at 31 December 2020**	**As at 31 December 2019**
Yukon 536545 Inc.	Holds mining rights	200-204 Lambert Street, Whitehorse, YT, Y1A 1Z4	Canada	11%	33%
Yukon 536445 Inc.	Holds mining rights	200-204 Lambert Street, Whitehorse, YT, Y1A 1Z4	Canada	11%	33%
Minto Exploration Ltd.	Mining	625 Howe Street, Suite 860, Vancouver, BC, V6C 3B8	Canada	11%	33%
Minotaur Acquisition Ltd.	Dormant	625 Howe Street, Suite 860, Vancouver, BC, V6C 3B8	Canada	100%	100%

The change in ownership interest during 2020 is explained in note 27.

Notes to the Financial Statements

For the year ended 31 December 2020

32. COMMITMENTS AND CONTINGENCIES

Contingent consideration

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

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

Because the payments are dependent on the above conditions being met, they are not certain in amount or timing. The Company has calculated a fair value as at 31 December 2020 for the total consideration due for the Minto Acquisition as US$18.6 million (2019: US$9.2 million). This amount is divided between current and current liabilities as shown below, for both the Company and Group. The revised Shareholders' Agreement between the Company and its fellow investors in Minto provides that Minto may fund the deferred consideration payments due from Pembridge to Capstone and it is expected that this will happen.

	$'000	$'000
Current	18,571	4,897
Non-current	-	4,305
	18,571	9,202

Agreements with the Selkirk First Nation

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

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 8 January 2021 the Board of Directors announced the issuance and allotment of 14,250,000 new ordinary shares at a price of 4.0p each, raising proceeds of £570,000. Of these shares, 2,500,000 were issued in January and the remaining 12,000,000 are to be issued in May 2021.

In accordance with the Share Purchase Agreement between Pembridge and Capstone, dated 3 June 2019, the purchase price for the acquisition of Minto is defined as US$5 million payable by 31 March 2021 plus an additional up to US$15 million payable subject to copper price levels as set out an RNS dated 4 June 2019. On 29 June 2020 the Amended and Restated Shareholders' Agreement ("Agreement") between the Company and its fellow investors in Minto was signed. As per the Agreement, Minto shall pay the deferred consideration payments to Capstone on behalf of Pembridge and the first payment of US$5 million noted above was made by Minto on 30 March 2021.

Company Information

Directors	Gati Al-Jebouri Francis Ralph McAllister Guy Le Bel	(Chairman and Chief Executive Officer) (Non-Executive Director) (Non-Executive Director)
Secretary	David James	
Registered office	200 Strand London WC2R 1DJ	
Registered number	07352056 (England and Wales)	
Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD	
Bankers	Bank of Scotland St James's Gate 14-16 Cockspur Street London SW1Y 5BL	
Solicitors	Armstrong Teasdale (UK) Limited 200 Strand London WC2R 1DJ	
Brokers	Brandon Hill Capital Ltd Kemp House 152-160 City Road London EC1V 2NX	
Registrars	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL	
Website	www.pembridgeresources.com	
TDIM	PERE	

Pembridge Resources plc Annual General Meeting
24 June 2021

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK, SOLICITOR, ACCOUNTANT, FUND MANAGER OR OTHER APPROPRIATE INDEPENDENT FINANCIAL ADVISER.

If you have sold or otherwise transferred all of your shares in Pembridge Resources plc (the "Company"), you should send this document together with the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting ("**AGM**") of the Company will be held at the offices of Armstrong Teasdale LLP 200 Strand London WC2R 1DJ on 24 June 2021 at 2:00 p.m. to consider, and if thought fit, to pass the following resolutions.

In line with Governmental guidelines related to Covid-19, the AGM will not be a public meeting and attendance by shareholders will not be allowed. Shareholders are strongly encouraged to vote online at www.signalshares.com in accordance with the instructions available on this website.

This letter provides you with some general background and explanation of the resolutions to be put to the AGM.

PLEASE NOTE: IMPORTANT INFORMATION:

The health and well-being of our colleagues, shareholders and the communities in which we operate is a priority for us. However, we are also committed to ensuring that shareholders can exercise their right to vote in the upcoming AGM. In line with government guidelines, the AGM will not be a public meeting and attendance by shareholders will not be allowed but shareholders can be represented by appointing the Chair of the meeting as their proxy. Shareholders are strongly encouraged to vote online at www.signalshares.com in accordance with the instructions available on this website. Shareholders are encouraged to return this as early as possible in advance of the AGM in accordance with the procedures set out on the website in order to vote remotely at the AGM and in any event no later than 2.00 p.m. on 22 June 2021.

Following the AGM, the results of the voting will be posted on the Company's website and notified to the London Stock Exchange.

The quorum for the AGM is any two shareholders or their proxies / corporate representatives. We are therefore making arrangements for the quorum to be satisfied by the attendance of two directors/employee shareholders. In view of the restrictions on travel and public gatherings in place at the date of writing, we do not intend to admit any other shareholders to the meeting venue and any shareholder who attempts to attend the AGM in person will be excluded from the AGM by the Chair. Proceedings will be as brief as possible and we will not be offering refreshments. In the event that, nearer the time, relaxation of Covid-related guidelines means that the AGM may be attended by shareholders, we will issue an RNS to this effect that also will posted on our website at www.pembridgeresources.com.

Resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution, and the authorities sought in resolutions 8 and 9 (inclusive) are designed to capture the authorities which the Company would request in the ordinary course.

Ordinary resolutions

1. To receive the Company's audited financial statements for the financial year ended 31 December 2020, together with the Directors' reports and the auditor's reports set out in the annual report for the year ended 31 December 2020 (the "**2020 Annual Report**").
2. To approve the Directors' remuneration report for the year ended 31 December 2020, as set out on pages 16 to 18 of the 2020 Annual Report.
3. To re-elect Gati Al-Jebouri as a director of the Company.
4. To re-elect Guy Le Bel as a director of the Company.
5. To re-elect Frank McAllister as a director of the Company.
6. To re-appoint PKF Littlejohn LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next AGM of the Company at which accounts are laid.
7. To authorise the Directors to set the fees paid to the auditor of the Company.
8. THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot shares in the capital of the Company up to an aggregate nominal amount of £300,000 provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business 15 months after the passing of this resolution, but, in each case, so that the Company may make offers or agreements before the authority expires which would or might require shares to be allotted or Rights to be granted after the authority expires, and so that the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolution

9. THAT (subject to passing of resolution 8 set out in the notice of this meeting) the Directors be empowered to allot ordinary shares (as defined in section 560 of the Act) of the Company for cash, pursuant to the authority of the directors under Section 551 of the Act conferred by resolution 2 above (in accordance with Section 570(1) of the Act), and/or by way of a sale of treasury shares for cash (in accordance with Section 573 of the Act), in each case, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to allotments of ordinary shares up to an aggregate nominal amount of £300,000; unless renewed, varied or revoked by the Company in general meeting, such power shall expire at the commencement of the next Annual General Meeting of the Company, but so that the Company may before such expiry make an offer or agreement which would or might require ordinary shares to be allotted or treasury shares to be sold after such expiry, and the Directors may allot ordinary shares or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

Recommendation

Your board of Directors (the "**Board**") believe that each of the resolutions to be proposed at the AGM is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of all of the resolutions proposed, as the Directors intend to do in respect of their own beneficial holdings.

BY ORDER OF THE BOARD

David James
Company Secretary
25 May 2021

Pembridge Resources plc
Registered Office: 200 Strand London WC2R 1DJ

Registered in England No. 07352056

Explanatory notes to the proposed resolutions

Resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions, which means that for each of those resolutions to be passed, more than half the votes cast must be cast in favour of the resolution. Resolution 5 will be proposed as a special resolution, which means that for such resolution to be passed, at least three-quarters of the votes cast must be cast in favour of the resolution.

Resolution 1 – Receipt of 2020 Annual Report

The Directors are required to lay the Company's audited financial statements and the Directors' and auditor's reports before shareholders each year at a general meeting of the Company. The audited financial statements and the Directors' and auditor's reports for the year ended 31 December 2020 are included in the 2020 Annual Report.

Resolution 2 – Approval of Directors' remuneration report

The Directors' remuneration report (the "Directors' Remuneration Report") is presented in two sections:

- the annual statement from the Chairman of the Remuneration Committee; and
- the annual report on remuneration.

The annual statement from the Chairman of the Remuneration Committee, set out in the 2020 Annual Report, summarises, for the year ended 31 December 2020, the major decisions taken on Directors' remuneration, any substantial changes relating to Directors' remuneration made during the year, and the context in which those changes occurred and decisions have been taken. The annual report on remuneration, set out in the 2020 Annual Report, provides details of the remuneration paid to Directors in respect of the year ended 31 December 2020, including base salary, taxable benefits, short-term incentives (including percentage deferred), long-term incentives vested in the year, pension-related benefits, any other items in the nature of remuneration and any sum(s) recovered or withheld during the year in respect of amounts paid in earlier years. The Directors' Remuneration Report is subject to an annual advisory shareholder vote by way of an ordinary resolution; resolution 2 is to approve the Directors' Remuneration Report.

Resolutions 3 to 5 – Individual re-election of Directors

In accordance with the UK Corporate Governance Code (the "Code") and the Articles, every Director will stand for re-election at the AGM. Biographical details of each Director are set out below. Over half of the Directors standing for re-election/election are Non-executive Directors who are considered independent under the Code.

Gati Al-Jebouri - Chairman

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

Frank McAllister – Non-Executive Director

With over 50 years' industry experience, Frank McAllister has held various senior and board positions in a number of metals and mining companies. He worked with ASARCO LLC for 33 years during which he became Chief Financial Officer in 1982 and then Executive Vice President of Copper Operations in 1993. Eventually became ASARCO's President and Chief Operating Officer before becoming Chairman and Chief Executive Officer in 1999. In 1996 he became an Independent Director of Cliffs Natural Resources Inc and its Lead Director from 2004 to 2013. From 2001 to 2013, Mr McAllister was chairman and chief executive officer of Stillwater Mining Company. Mr McAllister also served as president of the National Mining Association between 2012 and 2013. Mr McAllister holds an MBA from New York University, Bachelor of Science in Finance from the University of Utah and attended the Advanced Management Program at Harvard Business School.

Guy Le Bel - Non-Executive Director

Guy brings more than 30 years of international experience in strategic and financial mine planning to the Company. He is currently chief financial officer of Golden Queen Mining Ltd. He was previously vice president, evaluations for Capstone and vice president, business development for Quadra/FNX Mining Ltd. Mr Le Bel also held business advisory, strategy and planning, business valuation, and financial planning management roles at BHP Billiton Base Metals, Rio Algom Ltd, and Cambior Inc., together with independent consultation mandates across the industry. He provides extensive experience across precious and base metals industries in the America. Mr Le Bel has held board positions in a numerous junior exploration and mining companies. Mr Le Bel holds an MBA Finance from Ecole des Hautes Etudes Commerciales (Montreal), a Master Applied Sciences, Mining Engineering from University of British Columbia and a B.Sc. Mining Engineering from Universite Laval. He is a professional engineer (O.I.Q.).

Resolution 6 – Re-appointment of auditor

The Company is required to appoint an auditor at each general meeting at which accounts are laid before shareholders, to hold office until the next such meeting. The Audit Committee has reviewed the effectiveness, performance, independence and objectivity of the existing external auditor, PKF Littlejohn LLP, on behalf of the Board, and concluded that the external auditor was in all respects effective.

Resolution 7 – Authority to agree auditor's remuneration

This resolution authorises the Directors, in accordance with standard practice, to negotiate and agree the fees to be paid to the auditor. In practice, the Audit Committee will consider and approve the remuneration of the auditor on behalf of the Board.

Resolution 8 – Authority to allot shares

This resolution seeks shareholder approval to grant the Directors the authority to allot shares in the Company, or to grant rights to subscribe for or convert any securities into shares in the Company ("**Rights**") pursuant to section 551 of the Act (the "**Section 551 authority**").

The authority contained in the resolution will be limited to an aggregate nominal amount of £300,000 and would give the Directors authority to allot shares in the Company or grant Rights in connection with a rights issue up to aggregate nominal amount of £300,000.

The Company does not hold any shares in treasury.

If approved, the Section 551 authority shall, unless renewed, revoked or varied by the Company, expire at the end of the Company's next AGM after the resolution is passed or, if earlier, at the close of business 15 months after the passing of this resolution. The exception to this is that the Directors may allot shares or grant Rights after the authority has expired in connection with an offer or agreement made or entered into before the authority expired. The Directors have no present intention to exercise the Section 551 authority.

Resolution 9 – Partial disapplication of pre-emption rights

This resolution seeks shareholder approval to grant the Directors the power to allot equity securities of the Company pursuant to section 570 and 573 of the Act (the "Section 570 and 573 power") without first offering them to existing shareholders in proportion to their existing shareholdings.

The power in resolution 9 will be limited to allotments for cash up to a maximum nominal value of £300,000.

Explanatory notes as to the proxy, voting and attendance procedures at the Annual General Meeting

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf. Members are entitled to appoint a proxy/proxies to exercise all or any of the rights to vote on their behalf at the meeting.

All shareholders are advised that, due to the Government's current restrictions and guidance, they will not be allowed to attend the AGM in person but can be represented by the Chair of the AGM as their proxy. An entitlement to attend or speak, as referred to in this AGM Notice, will not allow such persons to attend the AGM in person.

Given the restrictions on attendance, shareholders are strongly encouraged to appoint the Chairman of the AGM as their proxy, as any proxies (other than the Chairman of the meeting) will not be permitted to attend the AGM in person. Similarly, corporate representatives other than the Chairman of the AGM will not be permitted to attend the AGM in person:

A form of proxy for the AGM does not accompany this Document. Instead, if you would like to vote on the Resolutions you can:

(a) submit a proxy vote online at www.signalshares.com. You will need to log into your online account, or register if you have not previously done so. To register you will need your Investor Code, which is detailed on your share certificate and is available from our registrars, Link Group. Once logged on, you can click on the 'Vote Online Now' button to vote;

(b) in the case of CREST members only, complete a CREST Proxy Instruction as set out in the Notes to the Notice of Annual General Meeting; or

(c) submit a hard copy form of proxy (appointing the Chairman of the AGM as your proxy). You may request this directly from our registrars, Link Group, by calling 0371 664 0300. Alternatively, you can request a hard copy proxy card by emailing shareholderenquiries@linkgroup.co.uk. Hard copy proxy forms must be returned to the Company's registrars at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

1. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at close of business on 22 June 2021 (or, in the event of any adjournment, close of business on the date which is 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member of the Company entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint one or more proxies to exercise all or any of its rights to attend and to speak and vote in that member's behalf at the meeting. A proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to different shares held by the member, but a member may not appoint more than one proxy to exercise rights attached to any one share. A form of proxy which may be used to make such appointment and give proxy instructions can be requested from Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Link Group is open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales, and calls may be recorded and randomly monitored for security and training purposes. **It should be noted however, that due to the current COVID-19 pandemic, if any person should appoint a proxy other than the Chairman of the AGM, such proxy will not be permitted to attend the AGM in person.**

3. In the case of joint holders, where more than one of the joint holders purport to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first name being the most senior).

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote to abstain from voting at his/her discretion. Your proxy will vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is put to the AGM.

5. To be valid, any instruction appointing a proxy must be received at the Company's Registrar by no later than 2.00 p.m. on 22 June 2021. If you return more than one proxy appointment, either by paper or electronic communication, that received last by the Registrar before the latest time for the receipt of proxies will take precedence.

6. The submission of a form of proxy, other such instrument or any CREST Proxy Instruction (as described in note 8 below) will not preclude a member from attending and voting at the meeting in person should the situation and the applicable restrictions regarding COVID-19 change such that you are permitted to, and you subsequently wish to do so.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, to be valid, be transmitted so as to be received by Link Group (participating ID RA10 by the latest time for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors, or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that no more than one corporate representative exercises powers in relation to the same shares. A resolution of the directors, or other governing body, of the corporation will be required in order to evidence the valid appointment of the corporate representative, in accordance with section 323 of the Act.

    It should be noted however, that due to the current COVID-19 pandemic, if any corporation should appoint corporate representatives other than the Chairman of the AGM, they will not be permitted to attend the AGM in person.

11. Members may not use any electronic address (within the meaning of section 333(4) of the Act) provided either in this notice of meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.

12. Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your reference number (as attributed to you by the Company or its registrars). The Company determines the purposes for which, and the manner in which, your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

A copy of this Notice, and other information required by Section 311A of the Act, can be found on the Company's website at https://www.pembridgeresources.com/.

Shareholder enquiries

If you have any questions, please call the Company's Registrars, Link Group, on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Alternatively, you may send an email to enquiries@linkgroup.co.uk


Design by
Haywood
Sener.

PEMBRIDGE **RESOURCES**

T : 0207 917 2968
E : info@pembridgeresources.com

www.pembridgeresources.com