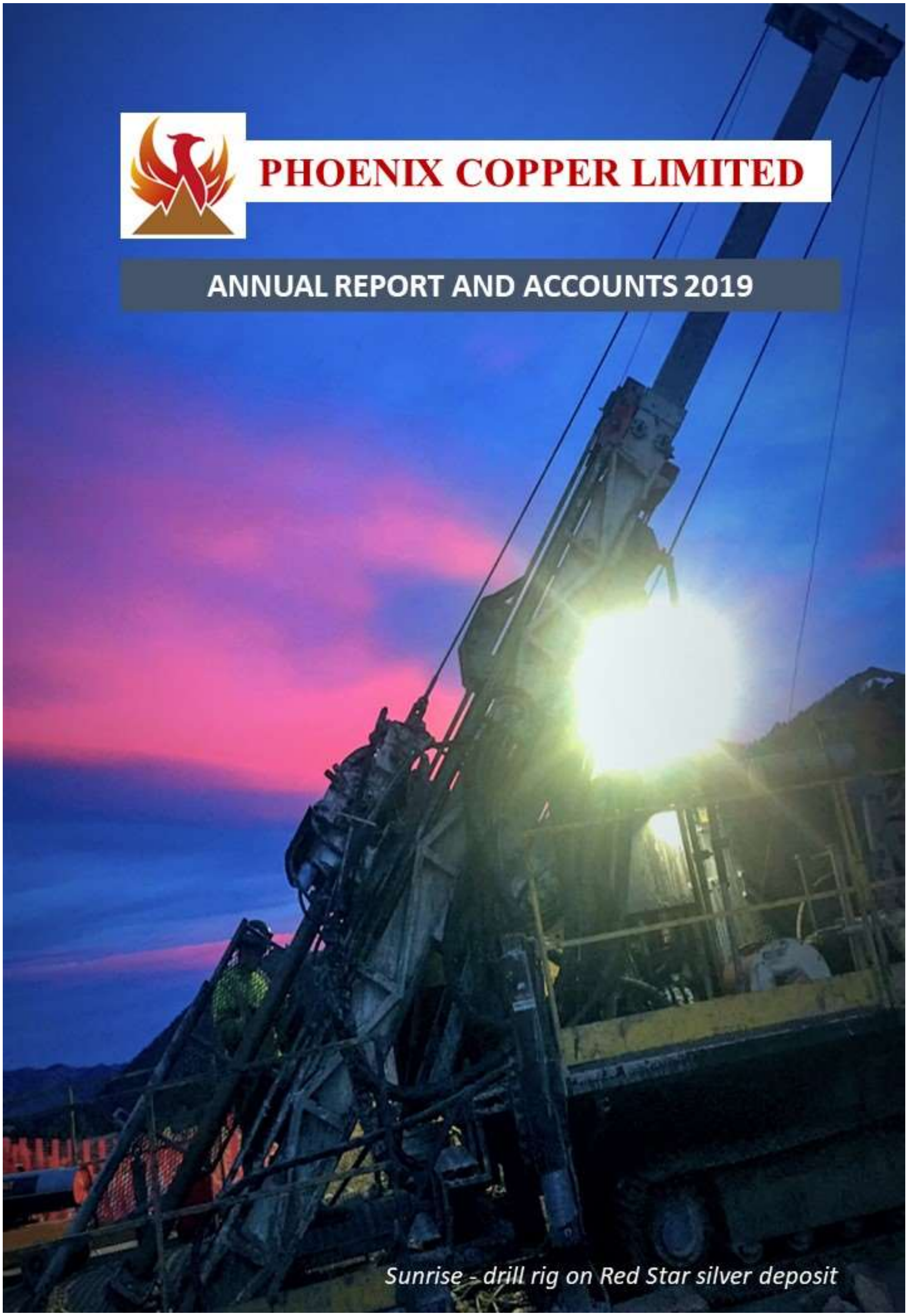
PHOENIX COPPER LIMITED

ANNUAL REPORT AND ACCOUNTS 2019



Sunrise - drill rig on Red Star silver deposit

Phoenix Copper Limited

Annual Report and Consolidated Financial Statements

31 December 2019

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COMPANY INFORMATION:

Directors:	Marcus Edwards-Jones Ryan McDermott (appointed 30 September 2019) Dennis Thomas Richard Wilkins Roger Turner Andre Cohen Jason Riley
Corporate Secretary	Richard Wilkins
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Registered in the British Virgin Islands no:	1791533
Auditors to the Company	Crowe U.K. LLP St Bride's House, 10 Salisbury Square London EC4Y 8EH
Nominated adviser	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
Joint Brokers	Brandon Hill Capital Limited 1 Tudor Street London EC4Y 0AH W H Ireland Limited 24 Martin Lane London EC4R 0DR
Registrars	Computershare Investor Services (BVI) Ltd Woodbourne Hall PO Box 3162 Road Town, Tortola VG1110 British Virgin Islands
Solicitors to the Company (England and Wales)	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
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Bankers	Barclays Bank PLC One Churchill Place London E14 5HP

CHAIRMAN'S STATEMENT

Dear Shareholders

"May you live in interesting times," was first used, in English at any rate, by Sir Austen Chamberlain, in 1936, and later cited as an "ancient Chinese curse." As I write, copper trades 35% below its 2018 high at $2.14 a pound, a level at which approximately 17% of world copper production is losing money on a true, sustaining capital expenditure basis, according to analysts at Jefferies. However, the fundamentals of precious metals as a store of value while governments are printing money have begun to reassert themselves, and we are very fortunate to have the Red Star silver project, which shows robust economics at the current silver price, as a route to early production and revenue generation. We are commencing our 2020 drilling programme later this month, and as we will only have three crew members on a drill pad at any given time, Covid-19 should have less impact on us than on many other companies. Barring any delays at the assay laboratory, we hope to produce an updated resource at Red Star in Q3 2020, keeping us on track for commencement of production in late 2021. Meanwhile, we expect the electric vehicle and cleaner air revolution to resume once a degree of calm returns, creating shortages of both copper and cobalt.

Although fluctuations in metals prices have made planning decisions, and the funding of them, more difficult, we have also been very fortunate to have amongst our shareholders some long-term investors who have continued to support us. We have continued to work on the development of the open-pit copper mine, in anticipation of higher copper prices, although we can see earlier cash flow potential from the Red Star project, to the north of the Empire open pit. The Red Star discovery is in primary high-grade silver/lead sulphide mineralisation. After only three holes drilled, we were able to generate a maiden NI 43-101 compliant resource of some 103,500 tonnes, containing over half a million ounces of silver. Our current view is that Red Star may develop into a high-grade underground silver-lead mine with a modest level of capital expenditure, and we are going full steam ahead with the drilling programme to prove up enough metal in order to make a production decision later in the year.

Although we are a small company, we have both "safe haven" and economically sensitive metals in our various claims. During 2019 we expanded our territory from 1,837 acres to 5,717 acres (7.43 sq km to 23.14 sq km), to include the old polymetallic workings at White Knob, Bluebird and Horseshoe, along with the historic prospects at Windy Devil and the 9.8 sq km Navarre Creek gold property to the north west. This expansion gives us 5.4 km of mineralised strike length at Empire, and a further 6.1 km at Navarre Creek. Mindful of keeping dilution by the issue of more shares at depressed prices to a minimum, we are working on sharing the costs of exploring these properties with potential joint venture partners.

Our properties are located in central Idaho. Custer County, Idaho, home to our Empire Mine, has a recorded population of 0.9 people per square mile, making it one of the least populated Counties in the State. Although the Company will be taking every precaution available when it comes to our employees' and contractors' health and safety, we believe that our location will help to minimise any possible business interruptions arising from the Coronavirus pandemic. I am lucky to have a great team of fellow directors and operatives in the UK and Idaho, and we were pleased Ryan McDermott agreed to step up to the role of Chief Executive Officer. Idaho born and raised, but with a wealth of international experience, he could not have a better resume for the job. Dennis Thomas, who brought the project to Phoenix, is now a Non-Executive Director and VP Investor Relations. We thank him for his contribution, and his energy and enthusiasm endure in his new role.

We are also pleased to announce the appointment of Idaho-based Ms Lenie Wilkie as head of ESG compliance. We take our environmental and social responsibilities very seriously and welcome her in this new role.

Although our sterling market capitalisation is currently not as we would wish I am encouraged that our balance sheet is denominated in US dollars, as are our principal assets. We have ensured that money raised from shareholders has been spent developing our assets. The Empire Mine now has a carrying value of approximately $12 million, and much of this value is underpinned by a shareholder loan of almost $9 million from Phoenix to Konnex Resources, our 80% owned operating subsidiary in Idaho. This loan earns interest at 6% per annum and will be repaid from cashflow generated from commercial production at Empire. It is our current intention that this loan, when repaid, together with profits distributed to us by Konnex, will allow us to return money to shareholders by way of dividends.

We thank you all for your continued support, and look forward to updating you on the Red Star development programme and other matters in what should still be an exciting year for us.

Marcus Edwards-Jones
Executive Chairman

9 April 2020

CHIEF EXECUTIVE OFFICER'S REPORT

Principal activities and review of the business

In 2017 the Phoenix team set out to explore and develop an open-pit oxide-copper deposit at our Empire Mine property in Idaho, USA. What has become plainly clear in the past two years of extensive mapping, sampling and drilling is that the Empire group of projects, including Red Star, Horseshoe, and Navarre Creek, holds not only an oxide-copper resource, but it also offers a true suite of polymetallics including gold, silver, lead, zinc and sulphide copper. The variety and grade of mineralization encountered thus far on the many claim blocks that make up the Empire property is providing Phoenix with the unique opportunity to exploit metals other than copper during a period where the fluctuating copper market is proving challenging for the industry as a whole. While the 2019 copper market experienced some unforeseen lows, the precious metals markets have experienced some shining upswings. The Company is in a good position, particularly with its Red Star high-grade silver and lead resource and its cobalt holdings, to expand beyond the oxide-copper resource whilst copper prices rebound.

The Coronavirus pandemic has had a significant and immediate impact on the operations and funding of many businesses both in the USA and globally. However, mining was named an essential service under Idaho Governor Brad Little's recent stay-at-home order, so Phoenix employees are moving the Empire and Red Star Projects forward without delay. To protect the health and safety of its employees and the local community, the Company, in concert with community leaders, has developed an innovative plan that minimizes employee-to-employee contact and virtually eliminates contact with the community at large while allowing the Company to proceed with the Red Star drilling programme. The Company has closely examined the supply chain and is confident that all necessary equipment and supplies will be readily available for the drilling programme.

It is not possible to predict with certainty the potential future impact on global copper, silver and other relevant mineral prices. Markets will certainly fluctuate, as we have witnessed in 2019, and particularly at this time of the Coronavirus pandemic, but we believe that global initiatives in electrification and manufacturing will provide a demand well into the future. It is also reassuring to note that the Company is operating in a geopolitically stable jurisdiction and that we have both early production potential and significant exploration upside.

Red Star – High-grade Silver and Lead

Red Star is a high-angle silver-lead vein system located 330 metres north-northwest of the proposed Empire oxide pit. Red Star was identified from a 20-metre wide surface outcrop across a skarn structure. Surface mineralisation is a mix of spectacularly covered oxides and sulphides, with strong chrysocolla and bornite showings, exposed in a heavily timbered canyon. Three reverse circulation ("RC") drill holes were drilled on the target and assay results reported the presence of high-grade lead and silver sulphides including intercepts of 21% lead and 1,111 g/t silver. In early May 2019 the Company announced a small maiden "Inferred" sulphide resource of 103,500 tonnes, containing 580,324 ounces of silver, 3,985 tonnes of lead, 952 tonnes of zinc, 342 tonnes of copper, and 2,828 ounces of gold.

Class	Tonnes	Grade / tonne					Metal Content				
		Ag g/t	Au g/t	Pb %	Zn %	Cu %	Ag ozs	Au ozs	Pb tonnes	Zn tonnes	Cu tonnes
Inferred	**103,500**	**174.4**	**0.85**	**3.85**	**0.92**	**0.33**	**580,324**	**2,828**	**3,985**	**952**	**342**

Following the estimation of the inferred resource, a second drilling program was approved by the Company targeting the Red Star vein system along strike and at depth. This represents an exciting exploration prospect for the Company. Due to the depth of overburden and general lack of outcrop in the area, drill roads were constructed in late 2019 designed to "cut" below the overburden and into the sub-crop along the vein system's strike. Channel samples were collected across the mineralized sub-crop where the vein system "daylighted" in the road cuts. The results of the channel sample assays were on par with the channel sample results taken from the Red Star discovery outcrop in 2018. The 2020 drill programme will utilize the channel samples for drill hole targeting.

Empire Mine – Open-Pit Oxide-Copper

In May 2019 we announced a new NI 43-101 compliant open pit copper-oxide "Measured and Indicated" resource of 15.2 million tonnes at 0.49% copper. This resource incorporated the 2017 and 2018 drilling results and included gold, silver and zinc occurring with the copper at the same cut-off grade. The table below shows the distribution of metals and grades within the oxide-copper shell at a cut-off grade of 0.184% copper. The Empire copper-oxide deposit is envisioned as a heap-leachable, solvent extraction/electrowinning (SX/EW) process.

CLASS	Tonnes	Average Grade				Metal Content			
		Cu %	Zn %	Ag g/t	Au g/t	Cu tonnes	Zn tonnes	Ag oz	Au oz
Measured	6,176,000	0.49	0.21	12.18	0.26	30,262	12,970	2,418,457	51,626
Indicated	8,993,000	0.48	0.19	12.51	0.30	43,166	17,087	3,616,976	86,738
M+I	**15,169,000**	**0.49**	**0.20**	**12.38**	**0.28**	**74,328**	**30,338**	**6,037,559**	**136,552**
Inferred	4,271,000	0.44	0.13	9.76	0.32	18,792	5,552	1,340,180	43,940

We are continuing down the feasibility study and permitting pathways with the copper-oxide resource, most recently completing two years of environmental studies directly applicable to the permitting and mine planning of the oxide-copper open-pit. Although our resources are being focused in the direction of Red Star, we are continuing to move the copper-oxide project forward in order to better position ourselves as the copper market improves.

The Company is also currently examining alternative extraction methods that may allow for the recovery of gold, silver, and zinc along with copper.

Empire Mine Expansion – Horseshoe and White Knob, Windy Devil, and Navarre Creek

We have made a point of focusing our efforts on our flagship Empire Mine projects. However, we have increased our land position from time-to-time as our geologists recognize prospective and strategic opportunities. At the time of the Company's IPO in mid-2017, our Empire Mine property consisted of 818 acres. Since then we have increased the core Empire claim block to 3,297 acres by expanding north to the former Horseshoe and White Knob Mines and onto Windy Devil. The expansion covers approximately 30 historic adits, shafts and prospects, which exhibit geology and mineralogy similar to Red Star.

In February 2019 we staked another 2,420 acres in Navarre Creek, north and west of the core Empire claim block. Navarre Creek is a 6 km long zone of felsic volcanic and intrusive rocks with alteration and mineralization characteristics typical of epithermal, hot spring-type gold deposits.

Empire Mine – Polymetallic Sulphide Potential

The Red Star vein system appears to be a distal, near-surface expression of a deeper, copper-rich sulphide vein system that lies below the oxide-copper open pit and was mined extensively underground until the 1940s. Two deep diamond drill holes drilled in late 2017 confirmed the presence of higher-grade sulphide mineralisation in the skarn structures at depth. Both of the core holes intersected mineralised skarn over much of their length and the analytical data from both drill holes intersected numerous significant intervals of copper, gold, silver, zinc, lead, and tungsten throughout their depths. The tungsten values were particularly interesting as they positively reinforced the Company's consulting geologist's predictions of the Empire system being the uppermost horizon of a larger molybdenum-tungsten porphyry. In 2018 five drill holes intercepted copper sulphide mineralisation. One hole returned 5.53% copper, 7.67 g/t gold, and 120 g/t silver, and was further north of any historical underground mining, whilst another returned 5.19% copper adjacent to historical underground workings. The gold and silver grades generally are major considerations, ranging to 7.93 g/t gold and 256 g/t silver.

Borah Resources – Idaho Cobalt Belt

Borah Resources is a 100% Idaho registered subsidiary of the Company. Comprised of two strategically located properties, Redcastle and Bighorn, the Company believes that they are an important asset in a time of global electrification and the rarity of cobalt resources from first world jurisdictions. The properties are strategically located in the USA's only prospective cobalt region, the Idaho Cobalt Belt, approximately 100 miles north of the Empire Mine. In 2018 we announced the results of our 2017 reconnaissance programme of 46 surface grab samples which gave cobalt values ranging from 2 ppm to 0.31% cobalt.

Environmental, Social and Governance

Our successes so far are related directly to the local community support we receive from the citizens of Custer County, Idaho. We are fortunate to work in an area rooted so deeply in mining and with a population understanding of the economic benefits of the industry. Our recent roll-out of the Company's Environmental, Social and Governance (ESG) programme was based largely on our desire to include the community in our team. We initiated the programme by appointing Ms Lenie Wilkie to the position of ESG Programme Coordinator.

Ms Wilkie is a well-respected local businesswoman and community leader and has been playing an integral role as liaison between the community and Phoenix, assisting in the hiring of local labour, reviewing and selecting the beneficiaries of Company donations, and managing local supply acquisitions and inventory. She was integral in the placing of Company donations for the Mackay, Idaho FFA Fish Lab and the Lost River Robotics Youth Team. Both organizations provide local youth the opportunity to compete in state and national level scientific-based competitions. Her deep roots in the community, her Native American background, and her success driven work ethic provide her with a unique perspective on the importance of balancing sustainable job growth with an emphasis on both environmentally and socially responsible business practices.

Outlook

My outlook on the Company is more positive now than in the three years since joining the Phoenix team. In that time, we have expanded our resources and exploration potential from a single oxide-copper resource into a high-grade silver lead vein system, a polymetallic sulphide vein system, a very prospective volcanic-hosted gold system, and two strategically located cobalt properties, all within the same geopolitically stable, pro-mining jurisdiction.

In addition to the expansion of the oxide-copper resource into the polymetallic system we currently recognise, I am particularly encouraged by the results of two years of extensive baseline environmental studies that we recently released that included the research of flora, wildlife, hydrological, and archaeological studies, and indicate that we have no critical habitat for threatened or endangered plant and wildlife species, including sage grouse. The studies also concluded that no legacy impacts to surface or groundwater occurred as a result of any historical mining operations on the Empire Mine properties. Archaeological studies were also unable to identify any significant cultural artefacts on the Empire property. These findings are important as they clear the path to the development of an operating plan for Red Star, and the permitting of the Empire oxide-copper deposit, and the deeper sulphide system. That is three metal-rich systems with favourable environmental conditions.

Despite challenging metals markets, we came out of 2019 well positioned for further expansion and with more confidence in our projects than ever before. We have an oxide-copper resource within a stone's throw of a high-grade silver lead vein system, all on patented mining claims in a first world jurisdiction, and all with favourable environmental baseline results. The positives have not blinded us to the work we have ahead, however, but it has provided us confidence that we are on the cusp of developing a mineralized system of which we believe we have barely scratched the surface.

Our Red Star discovery provides us with a seriously attractive and low cost near surface sulphide exploration target and the expanded claim holdings protect our future from competition, providing the Company with potential base and precious metals resources and perhaps the discovery of a world class polymetallic deposit.

In conclusion I would like to thank the dedicated and highly motivated team of professional staff, consultants and advisers, community liaisons, shareholders, and directors who will allow us to continue to adapt our work programmes to market conditions in order to maximise the medium and long-term benefits for the Company. The Company understands the importance of putting shareholder money to work in the field, where it counts. I look forward to next year's annual report, wherein I can report on what I still expect to be a very positive 2020 for the Company, despite current market conditions.

Key performance indicators ('KPIs')

To date the Group has been focused on the delivery of the project evaluation work programmes to assess the available mineral resources and the extraction methods to apply, each within the available financial budgets. This work will continue until the relevant feasibility studies are completed, and construction commences.

At that stage the Group will consider and implement appropriate operational performance measures and related KPIs as the objective of recommencing commercial production at the Empire Mine nears fruition.

On behalf of the board

Ryan McDermott
Chief Executive Officer
9 April 2020

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Change of name

On 1 July 2019 the Company changed its name from Phoenix Global Mining Limited to Phoenix Copper Limited.

Future developments

The performance of the Group and its future development are set out in the Chief Executive Officer's report on page 4. The Group's principal area of operation is North America.

Results and dividend

For the year ended 31 December 2019 the Group reports a loss of $1.13 million (2018: ($1.65 million), after charging $0.27 million (2018: $0.17 million) in share-based payments relating to options and warrants granted during the year, which amount is simultaneously credited to retained reserves. Net assets totalled $10.56 million (2018: $9.15 million), including $11.67 million (2018: $9.88 million) relating to the Empire mine. Further details are shown in the consolidated financial statements and related notes.

The financial statements are presented in US dollars which is also the functional currency of each company within the Group. The principal operating activities of the Group are in the USA.

The directors intend to adopt a dividend policy that takes into account the Group's expected future profitability, underlying growth prospects, availability of cash and distributable reserves, and the need for funding to support the development of the business.

The Board will not declare a final dividend for the current year (2018: nil).

Capital structure

Details of the Company's share capital are disclosed in note 21 to the financial statements. The Company's shares have no nominal value.

In the year the Company issued 11,705,882 ordinary shares at £0.17 per share to raise $2.5 million before share-issue expenses (2018: 10,103,447) ordinary shares to raise $4.7 million). All issued shares were fully paid.

Since the year end the Company has issued a further 7,900,000 ordinary shares at £0.15 as part of a $1.85 million fundraise. The Company currently has 52,684,881 ordinary shares in issue.

Directors

The directors of the Company are:

Marcus Edwards-Jones
Ryan McDermott (appointed 30 September 2019)
Dennis Thomas
Richard Wilkins
Roger Turner
Andre Cohen
Jason Riley

The remuneration of the directors is disclosed in note 26.

Directors' interests

The beneficial interests of the directors in the share capital of the Company are as follows:

	31 December 2019 Number	**31 December 2018 Number**
Marcus Edwards-Jones	**589,407**	548,231
Ryan McDermott	**293,747**	233,848
Dennis Thomas	**1,254,872**	1,154,872
Richard Wilkins	**725,243**	684,067
Roger Turner	**1,297,142**	1,197,142
Andre Cohen	**292,809**	252,809
Jason Riley (appointed 27 February 2018)	**15,000**	15,000
	4,468,220	4,085,969

Since the year end, Marcus Edwards-Jones has acquired a further 282,666 shares, Dennis Thomas and Roger Turner have each acquired a further 66,667 shares, Ryan McDermott a further 50,000 shares, and Andre Cohen a further 40,000 shares.

The beneficial interests of the directors in warrants to subscribe for the share capital of the Company are as follows:

	31 December 2019 Number	**31 December 2018 Number**
Marcus Edwards-Jones	**178,025**	167,731
Ryan McDermott	**23,687**	13,393
Dennis Thomas	**38,351**	28,057
Richard Wilkins	**30,687**	20,393
Roger Turner	**44,965**	34,671
Andre Cohen	**61,786**	11,786
Jason Riley	**2,679**	2,679
	380,180	278,710

The beneficial interests of the directors in share options to subscribe for the share capital of the Company are as follows:

	31 December 2019 Number	31 December 2018 Number
Marcus Edwards-Jones	**400,000**	100,000
Ryan McDermott	**475,000**	150,000
Dennis Thomas	**600,000**	300,000
Richard Wilkins	**600,000**	300,000
Roger Turner	**600,000**	300,000
Andre Cohen	**300,000**	50,000
Jason Riley	**175,000**	25,000
	3,150,000	1,225,000

Events after the balance sheet date

Since the year end the Company has raised a further $1.85 million before expenses, $1.54 million through the issue of 7,900,000 shares at £0.15, and $0.31 million through the issue of 12% unsecured loan notes.

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The Group also operates an employee share option scheme.

The Group is committed to providing equal opportunity for individuals in all aspects of employment. The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Financial Review

The Group has no income and meets its working capital requirements through raising development finance. In common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals the Group will require additional funds and/or funding facilities in order to fully develop its business plan. The directors believe that such funds are likely to come from a combination of further equity issues and the arrangement of appropriate debt and/or offtake finance arrangements. Ultimately the viability of the Group is dependent on future liquidity in the development period and this, in turn, depends on the availability of funds.

The results of the Group are set out above and in the accompanying financial statements. During the year the Company raised a further $2.5 million gross by way of further share issues.

The directors' assessment of going concern is set out in note 2 to the financial statements.

Corporate governance

The directors recognise the importance of sound corporate governance, and apply the Quoted Companies Alliance's Corporate Governance Code 2018 (the "QCA Code").

The board is assisted by an Audit and Compliance Committee comprising Andre Cohen, who chairs it, and Roger Turner, and a Remuneration Committee comprising Andre Cohen, who chairs it, Roger Turner and Dennis Thomas.

During the year the Audit and Compliance Committee received and reviewed reports from the executive directors and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The objectivity and independence of the external auditors was safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of non-audit fees payable to the auditors.

The Audit and Compliance Committee met twice during the year, to review the 2018 annual accounts and the interim accounts to 30 June 2019 and audit planning for the year ended 31 December 2019. The Committee reviewed with the independent auditor its judgments as to the acceptability of the Company's accounting principles.

Since the year end the Audit and Compliance Committee has met further with the auditors to consider the 2019 financial statements. In particular, the Committee discussed the significant audit risks, and the application of new accounting standards. In addition, the Audit and Compliance Committee monitors the auditor firm's independence from Company management and the Company.

The Remuneration Committee met independently of the executive directors twice in the year.

Since the year end the Group has also appointed an Environmental, Social and Governance (ESG) Programme Coordinator, whose role will be to oversee all aspects of the Group's ESG Programme.

The directors' report in respect of corporate governance compliance and issues arising is set out on page 14.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

The directors are required to prepare financial statements for each financial year. The directors have elected to prepare the Group financial statements in compliance with IFRSs as adopted by the European Union as it applies to the financial statements of the Group for the year ended 31 December 2018. The directors have also elected to prepare the parent company financial statements in accordance with those standards.

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 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 judgments and estimates that are reasonable and prudent;

- state whether the financial statements have been prepared in accordance with IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

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

Crowe U.K. LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held by webinar at 16.00 BST on 30 April 2020.

On behalf of the board

Richard V L Wilkins
Director & Company Secretary

9 April 2020

Corporate governance statement

The corporate governance arrangements that the board has adopted are designed to ensure that the Company delivers medium and long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the board.

It should be noted that all the directors are shareholders in the Company and in some cases are founder shareholders. The directors therefore view their own medium and long-term value to be integrally linked to the medium and long-term value of the Company, and as such the interests of the directors are directly aligned with those of the shareholders.

The QCA Code sets out 10 principles that should be applied. These are listed below with a short explanation of how the Company applies each of the principles together with an explanation of any divergence from these principles should there be any. Save as set out below there are no exceptions to report for the current or previous financial years.

Principle 1 – Business Model and Strategy
The Company is focused on North America and, in particular, Idaho in the USA, which is recognised as a pro-mining geopolitically stable jurisdiction. The directors intend to develop the flagship Empire mine in Idaho in stages, thereby enabling sound management of the development of the mine in a manner that is professional and efficient, and does not burden the Company with excessive fundraisings and unnecessary dilution to shareholders. In addition, the Company's cobalt properties will be developed in a timely manner that does not distract from the main focus on the Empire mine, but will consistently add incremental value to the Company. The Company is assisted in its work by internationally recognised mineral consultants, where appropriate.

Principle 2 – Understanding Shareholder Needs and Expectations
The directors are themselves shareholders and therefore have aligned interests with the shareholder base as a whole. The Company has a close relationship with most of its shareholders. The Company is in regular dialogue with its strategic shareholder, ExGen Resources Inc, holds regular meetings with larger shareholders and brokers representing private shareholders, and also holds quarterly lunch meetings with smaller private shareholders. The Company regularly updates its website, participates in podcasts and investor presentations, attends mining conferences, and releases news flow and operational updates in accordance with the AIM rules. Shareholders are also encouraged to attend the Annual General Meeting. The executive directors are also available by telephone and regularly receive calls from individual shareholders.

Principle 3 – Consider Wider Stakeholder and Social Responsibilities
The board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Group and its contractors, consultants, advisers, suppliers, regulators and other stakeholders, including the local communities where the projects are located. The board of the Company and the senior management of its operating subsidiaries make every effort to ensure that all stakeholders are communicated with effectively, that contractual terms are complied with, and that employees, in particular, are afforded a safe and enjoyable working environment, and are remunerated and incentivised appropriately. At the Empire Mine project site in Mackay, Idaho, the local community is engaged on a regular basis via meetings with the local mayor and other officials, including project site visits, and at the State level, ongoing communication is maintained with the relevant regulatory authorities. The Group has also appointed an Environmental, Social and Governance (ESG) Programme Coordinator, based in Mackay, whose role is to oversee all aspects of the Group's ESG

Programme. Konnex Resources Inc, the Group's Idaho registered operating company, is also a member of the Idaho Mining Association.

Principle 4 – Risk Management
The board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The board is assisted in this matter by an Audit and Compliance Committee. After consultation with the Company's external auditors, an internal audit function is not considered necessary or practical due to the size of the Company, and the close day to day control is exercised instead by the executive directors. This position will be reviewed on an annual basis by the board, in consultation with the Audit and Compliance Committee and the external auditors.

The Group also takes out relevant insurance as appropriate.

Principle 5 – A Well-functioning Board of Directors
The board consists of three executive directors, including an executive chairman, chief executive officer and chief financial officer, and four non-executive directors. Marcus Edwards-Jones chairs the board. The directors comprise a combination of technical (Ryan McDermott, Roger Turner and Dennis Thomas), financial (Richard Wilkins) and corporate (Marcus Edwards-Jones, Andre Cohen and Jason Riley) experience, specifically within the minerals sector worldwide. Ryan McDermott is also the chief executive officer of the Company's operating subsidiaries in Idaho. The board meets quarterly in person and regularly by telephone. The board has also established an Audit and Compliance Committee and a Remuneration Committee. The Company considers that, at this stage of its development, and given the current size of its board, it is not necessary to establish a formal Nominations Committee. This position will also be reviewed annually by the board.

Andre Cohen is considered to be an independent director and chairs both the Audit and Compliance Committee and the Remuneration Committee. Jason Riley represents the Company's strategic shareholder, ExGen Resources Inc, and is therefore not considered to be an independent director. Dennis Thomas and Roger Turner are also not deemed to be independent directors given their previous executive roles on the Phoenix board. The QCA Code recommends that there be two independent directors, and the board will review further appointments as the Group's scale and complexity grows.

The Company reports annually on the number of board and Committee meetings that have been held and the attendance record of individual directors. Since listing on AIM at the end of June 2017 the Company has to date held a total of 37 board meetings, at which all directors have been present in person, or by telephone, or by proxy.

Principle 6 – Appropriate Skills and Experience of the directors
The board consists of seven directors, including Richard Wilkins, a qualified chartered accountant, who also acts as company secretary. The Company believes that the current balance of skills within the board as a whole reflects a broad and appropriate range of commercial, technical and professional skills relevant to the mining sector and to the successful development of the Company within that sector. Each of the directors has direct experience in public markets.

Brief CVs of each of the directors and officers are set out on the Company's website.

Principle 7 – Evaluation of Board Performance
Internal evaluation of the board, its Committees and individual directors and officers is to be undertaken on an annual basis by reference to how the director or officer has performed in fulfilling his/her specific functions, attendance at board and Committee meetings as appropriate, and overall contribution to the Group as a whole. The executive chairman also consults periodically with key shareholders to obtain their feedback on the board's performance. All directors seek re-election as appropriate at the Annual General Meeting in accordance with the Company's Articles and the Companies Act. Although the Company is BVI registered, the Memorandum and Articles of Association were amended at the time of the AIM IPO to be compliant with the UK Companies Act.

The directors acknowledge that succession planning is also a vital task for boards, and the management of succession planning will represent on ongoing key responsibility of the board.

Principle 8 – Corporate Culture
The Company recognises the importance of promoting an ethical corporate culture, interacting responsibly with all stakeholders and the communities and environments in which the Group operates. The board considers this to be essential if medium and long-term value is to be delivered. The directors consider that at present the Group has an open culture facilitating comprehensive dialogue and feedback, particularly with regard to environmental and related issues, and relevant to the ongoing successful development of the Company. The Group also participates in local community projects in Idaho and seeks to be regarded as a good corporate citizen within its spheres of operation, and in accordance with the Group's ESG Programme.

Principle 9 – Maintenance of Governance Structures and Processes
The board will review annually the effectiveness of its corporate governance structures and processes. The board currently considers that the balance between executive and non-executive directors, including the independent director, and the roles of the Audit and Compliance Committee and the Remuneration Committee are appropriate for the Company's size and stage of development. The members and responsibilities of each Committee are set out on the Company's website.

In accordance with the Companies Act, the board seeks to comply with a duty to act within its powers, a duty to promote the success of the Company, a duty to exercise independent judgment, a duty to exercise reasonable care, skill and diligence, a duty to avoid conflicts of interest, a duty not to accept benefits from third parties, and a duty to declare any interest in a proposed transaction or arrangement.

The Company has also implemented a code for directors' and employees' dealings in shares which is appropriate for a company whose shares are traded on AIM and is in accordance with the requirements of the Market Abuse Regulations which came into effect in 2016.

Principle 10 – Shareholder Communication

The board is committed to maintaining good communication and having constructive dialogue with its shareholders. The directors will continue to meet with and receive calls from shareholders, large and small, institutional and private, as appropriate. The Company will continue to keep its website up to date, participate in podcasts and investor presentations, attend mining conferences, and to release news flow and operational updates as appropriate.

Results of shareholder meetings and details of votes cast will be publicly announced through the Regulatory News Service, and also published on the Company's website with suitable explanations of any actions undertaken as a result of any significant votes against the proposed resolutions.

On behalf of the board

Richard V L Wilkins
Director & Company Secretary
9 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX COPPER LIMITED

Opinion

We have audited the financial statements of Phoenix Copper Limited and its subsidiary undertakings (the Group) for the year ended 31 December 2019, which comprise:

- the consolidated income statement for the year ended 31 December 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by 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 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, 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, in common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals, the Group will require additional funds and/or funding facilities in order to fully develop its business plan. The directors believe that such funds are likely to come from a combination of further equity issues and the arrangement of appropriate debt and/or offtake finance arrangements. Whilst a number of discussions are ongoing to secure both additional equity and appropriate structured finance for the development of the Empire Mine and the directors are confident that the necessary funding will be available, at the date of the approval of these financial statements it is not certain that this will be the case. These conditions highlight a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX COPPER LIMITED (CONTINUED)

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements.

We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be $230,000, (2018: $200,000) based on approximately 2% of the Group's total assets. We consider an asset based measure to be appropriate because of the stage of development of the assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of $11,500 (2018: $10,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Company and its subsidiaries are principally accounted for from one central operating location in Idaho, USA. Our audit was conducted from the main operating location and all Group companies were within the scope of our audit testing.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX COPPER LIMITED (CONTINUED)

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Carrying value of mining development assets. At the reporting date the carrying value of the Group's mining assets of $11.7 million exceeded the market capitalisation of the Group. There may be evidence of impairment to the carrying value of the mining development assets.	We reviewed management's assessment which concluded that there are no facts or circumstances that suggest the recoverable amount of the assets exceeds the carrying amount. In considering this assessment we reviewed the following sources of evidence: • board minutes, budgets and other operational plans setting out the Group's current plans for the continued commercial appraisal of mining development assets; and • current copper and other ore and licence reserves appraisals. We also discussed current plans and intentions for the assets with management.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX COPPER LIMITED (CONTINUED)

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body. 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London
9 April 2020

Consolidated income statement

	Note	Year Ended 31 December 2019 $	Year Ended 31 December 2018 $
Continuing operations			
Revenue	**6**	**-**	-
Exploration & evaluation expenditure		**(3,429)**	(169,863)
Gross loss		**(3,429)**	(169,863)
Administrative expenses		**(1,101,811)**	(1,347,980)
Expenses of Placing	**11**	**-**	(136,127)
		(1,101,811)	(1,484,107)
Loss from operations		**(1,105,240)**	(1,653,970)
Finance income		**-**	1,709
Finance costs		**(22,911)**	-
Loss before taxation		**(1,128,151)**	(1,652,261)
Tax on loss on ordinary activities	**12**	**-**	-
Loss for the year	**7**	**(1,128,151)**	(1,652,261)
Loss attributable to:			
Owners of the parent		**(1,116,563)**	(1,635,428)
Non-controlling interests		**(11,588)**	(16,833)
		(1,128,151)	(1,652,261)
Loss per share attributable to owners of the parent:			
Basic and diluted EPS expressed in cents per share	**13**	**(2.76)**	(5.82)

The notes on pages 27 to 50 form part of these financial statements.

Consolidated statement of comprehensive income	**Year Ended 31 December 2019 $**	**Year Ended 31 December 2018 $**
Loss for the year	**(1,128,151)**	(1,652,261)
Total comprehensive income attributable to:		
Owners of the parent	**(1,116,563)**	(1,635,428)
Non-controlling interests	**(11,588)**	(16,833)
	(1,128,151)	(1,652,261)

The notes on pages 27 to 50 form part of these financial statements.

Consolidated statement of financial position

	Note	31 December 2019 $	31 December 2018 $
Non-current assets			
Property, plant and equipment – mining property	**14**	**11,671,660**	9,876,697
Intangible assets	**15**	**246,895**	207,160
		11,918,555	10,083,857
Current assets			
Trade and other receivables	**16**	**267,932**	212,516
Cash and cash equivalents	**17**	**210,591**	112,964
		478,523	325,480
Total assets		**12,397,078**	10,409,337
Current liabilities			
Trade and other payables	**18**	**282,900**	501,301
Non-current liabilities			
Borrowings	**19**	**800,000**	-
Provisions for other liabilities	**20**	**757,702**	757,702
		1,557,702	757,702
Total liabilities		**1,840,602**	1,259,003
Net assets		**10,556,476**	9,150,334
Equity			
Ordinary shares	**21**	**-**	-
Share Premium		**15,627,730**	13,362,353
Retained loss		**(5,186,083)**	(4,338,436)
Foreign exchange translation reserve		**(18,588)**	(18,588)
Equity attributable to owners of the parent		**10,423,059**	9,005,329
Non-controlling interests		**133,417**	145,005
Total equity		**10,556,476**	9,150,334

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2020.

On behalf of the Board

Richard V L Wilkins
Director

The notes on pages 27 to 50 form part of these financial statements.

Consolidated statement of changes in equity

	Ordinary shares $	Share premium $	Retained loss $	Foreign exchange Translation reserve $	Total $	Non-controlling interest $	Total equity $
At 1 January 2018	-	9,034,541	(2,876,840)	(18,588)	6,139,113	161,838	6,300,951
Loss for the year	-	-	(1,635,428)	-	(1,635,428)	(16,833)	(1,652,261)
Total comprehensive income for the year	-	-	(1,635,428)	-	(1,635,428)	(16,833)	(1,652,261)
Shares issued in the period	-	4,653,727	-	-	4,653,727	-	4,653,727
Share issue expenses	-	(325,915)	-	-	(325,915)	-	(325,915)
Share-based payments	-	-	173,832	-	173,832	-	173,832
Total transactions with owners	-	4,327,812	173,832	-	4,501,644	-	4,501,644
At 31 December 2018	-	13,362,353	(4,338,436)	(18,588)	9,005,329	145,005	9,150,334
At 1 January 2019	-	13,362,353	(4,338,436)	(18,588)	9,005,329	145,005	9,150,334
Loss for the year	-	-	(1,116,563)	-	(1,116,563)	(11,588)	(1,128,151)
Total comprehensive income for the year	-	-	(1,116,563)	-	(1,116,563)	(11,588)	(1,128,151)
Shares issued in the period	-	2,540,200	-	-	2,540,200	-	2,540,200
Share issue expenses	-	(274,823)	-	-	(274,823)	-	(274,823)
Share-based payments	-	-	268,916	-	268,916	-	268,916
Acquisition of non-controlling interest	-	-	-	-	-	-	-
Total transactions with owners	-	2,265,377	268,916	-	2,534,293	-	2,534,293
At 31 December 2019	-	15,627,730	(5,186,083)	(18,588)	10,423,059	133,417	10,556,476

The notes on pages 27 to 50 form part of these financial statements.

Consolidated statement of cash flows

	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Loss before tax	**(1,128,151)**	(1,652,261)
Adjustments for:		
Share-based payments	**268,916**	173,832
Exchange differences	**-**	-
Other reserve movements	**-**	-
	(859,235)	(1,478,429)
Increase in trade and other receivables	**(55,416)**	(198,266)
Decrease in trade and other payables	**218,402**	291,798
Net cash (used)/generated from operating activities	**(1,133,053)**	(1,384,897)
Cash flows from investing activities		
Purchase of intangible assets	**(39,735)**	(139,591)
Purchase of property, plant and equipment	**(1,794,962)**	(4,594,101)
Cash transferred in business combination	**-**	-
Cash acquired with business	**-**	-
	(1,834,697)	(4,733,692)
Cash flows from financing activities		
Proceeds from the issuance of ordinary shares	**2,540,200**	4,653,727
Share-issue expenses	**(274,823)**	(325,915)
Proceeds from the issue of loan notes	**800,000**	-
Net cash generated from financing activities	**3,065,377**	4,327,812
Net (decrease)/increase in cash and cash equivalents	**97,627**	(1,790,778)
Cash and cash equivalents at the beginning of the year	**112,964**	1,903,742
Cash and cash equivalents at the end of the year	**210,591**	112,964

Significant non-cash transactions:
During the year the Directors capitalised $180,960 of fees into shares (2018: $84,138).

The notes on pages 27 to 50 form part of these financial statements.

1 General information

Phoenix Copper Limited (formerly Phoenix Global Mining Limited) is engaged in exploration and mining activities, primarily precious and base metals, primarily in North America. The Company is domiciled and incorporated in the British Virgin Islands on 19 September 2013 (registered number 1791533). The address of its registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola VG1110, British Virgin Islands. The Company is listed on London's AIM (ticker: PXC) and trades on New York's OTCQX Market (ticker: PXCLF).

2 Going concern

The Group has no income and meets its working capital requirements through raising development finance. In common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals the Group will require additional funds and/or funding facilities in order to fully develop its business plan. The directors believe that such funds are likely to come from a combination of further equity issues and the arrangement of appropriate debt and/or offtake finance arrangements. Ultimately the viability of the Group is dependent on future liquidity in the development period and this, in turn, depends on the availability of funds. Whilst a number of discussions are ongoing to secure both additional equity and appropriate structured finance for the development of the Empire Mine, and the directors are confident that the necessary funding will be available, at the date of the approval of these financial statements it is not certain that this will be the case.

The Covid-19 pandemic has had a significant, immediate impact on the operations and funding of many businesses both in the USA and globally. However, the Group has recently raised funds, has very few operational employees in Idaho and the Empire Mine is geographically remote from areas significantly currently impacted by the pandemic.

The directors prepare annual budgets and forecasts in order to ensure that they have sufficient liquidity in place and that they comply with the terms and conditions of their obligations in relation to the ongoing development of the mining assets and the Group's environmental and other commitments.

In addition, in response to the rapidly evolving Covid-19 situation, the directors, in formulating the plan and strategy for the future development of the business, have considered a period beyond that for which formal budgets and forecasts are prepared.

At the date of approval of these financial statements it is not clear how long the current circumstances are likely to last and what the long-term impact will be. However, having regard to the above, and based on their latest assessment of the budgets and forecasts for the business of the Group, the directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

3 Basis of preparation

Summary of significant accounting policies

The consolidated financial statements of Phoenix Copper Limited have been prepared in accordance with International Financial Reporting Standards and IFRC Interpretations issued by the International Accounting Standards Board (together "IFRSs") as adopted by the European Union ("EU").

The principal accounting policies applied by the Company in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented. The financial statements have been prepared on a historic cost basis.

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

Amendments to IAS 1 and IAS 8: Definition of Material.
Amendments to References to the Conceptual Framework in IFRS Standards.
Annual improvements to IFRS Standards 2015-2017 Cycle.
IFRIC 23: Uncertainty over Income Tax Treatments.
IFRS 16: Leases.

Management has concluded that to date there has been no impact on the results or net assets of the Company as a result of adopting these new standards.

New standards, interpretations and amendments not yet effective

At the date of authorisation of the Company's financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective and have not been adopted early by the Company. The most significant of these are as follows, which are both effective for the period beginning 1 January 2020:

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
Revised Conceptual Framework for Financial Reporting

All relevant standards, amendments and interpretations to existing standards will be adopted in the Company's accounting policies in the first period beginning on or after the effective date of the relevant pronouncement.

The directors do not anticipate that the adoption of these standards, amendments and interpretations will have a material impact on the Company's financial statements in the periods of initial application.

Revenue Recognition
The Group is not currently producing revenues from its mineral exploration and mining activities.

Principles of consolidation
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated on the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains of transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment to the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of financial position respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets were acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- fair-value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair-value of any asset or liability resulting from a contingent consideration arrangement, and
- fair-value of any pre-existing equity interest in the subsidiary.

Included in mining development assets of the Company at 29 June 2017 were costs of £1,103,357 ($1,434,364) related to the business combination. On that date the Company achieved control of Konnex Resources Inc and those costs were transferred to the cost of investment in the Company's financial statements and reclassified on consolidation as the fair-value of consideration paid in respect of the 80% holding in Konnex Resources Inc acquired.

Identifiable assets and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair-values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the fair-value of the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair-value of any previous equity-interest over the fair-value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair-value of the net identifiable assets of the business acquired, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of acquisition transaction. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is defined as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair-value with changes in fair-value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair-value at the acquisition date. Any gains and losses arising from such remeasurement are recognised in profit and loss.

Mineral rights acquired and exploration and evaluation expenditure capitalised

Mineral rights and exploration and evaluation costs arise from expenditure incurred prior to development activities and include the cost of acquiring and maintaining the rights to explore, investigate, examine and evaluate an area for mineralisation.

Exploration and evaluation expenditure is classified as an intangible asset and in the relevant area of interest comprises costs which 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
- compiling pre-feasibility and feasibility studies.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalised costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest, and where the existence of a commercially viable mineral deposit has been established. Costs so capitalised are classified as an intangible asset until a decision to develop the mining site is made. On this decision being made the accumulated expenditure is tested for impairment and the expected recoverable amount is reclassified as a mining property with property, plant and equipment.

No amortisation charge is recognised in respect of these intangible assets. Mineral rights and exploration and evaluation expenditure are capitalised within non-current intangible assets until such time that the activities have reached a stage which permits a reasonable assessment of the existence of commercially exploitable reserves. Once this has occurred, the respective costs previously held as intangible assets are transferred to mining property within property, plant and equipment. Amortisation of mining properties commences on the commencement of commercial production.

Where the projects have not yet been granted a licence or are determined not to be commercially viable, the related costs are written off to the income statement.

Capitalised exploration and evaluation expenditure is assessed for impairment in accordance with the indicators set out in IFRS 6 Exploration for and Evaluation of Mineral Reserves. In circumstances where a property is abandoned, the cumulative costs relating to the property are written off.

Mining development assets
Development expenditures are costs incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing. The development assets are outside the scope of IFRS6 and IAS38, but this policy is based on the guidance in IAS16 and IAS38 which have been used as a framework.

Development assets are accumulated generally on an asset by asset basis and represent the cost of developing the commercial resource discovered and bringing it into production, together with any exploration expenditures incurred in finding commercial resource.

The cost of development assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning in the reporting period

Property, plant and equipment
On initial recognition, land, property, plant and equipment are valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Company.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use and transferred to the appropriate category of property, plant and equipment.

Mining assets including any capitalised stripping costs and except for certain mining equipment and buildings, where economic benefits from the asset are not consumed in a pattern which is linked to the production level, are depreciated using a units of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. In applying the units of production method, depreciation is normally calculated using the quantity of material processed at the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves.

Depreciation on all other assets is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Mining machinery and equipment	5 - 20 years
Office furniture	5 years
Computer equipment	5 years

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishment and improvement expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

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

The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the statement of comprehensive income. The expected useful economic life and residual values of property, plant and equipment are reviewed annually.

Impairment of tangible and intangible assets
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

Financial assets
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has no financial assets in a qualifying hedging relationship and has not entered into any derivative based transactions. The Group is not yet income producing and has no trade receivables.

Amortised cost
These assets arise principally from calls for share capital. They are carried at the value of the share capital applied for. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 and the probability of the non-payment ofthe receivables is assessed. On confirmation that the amount of the called share capital will not be collectible the related share capital is cancelled.

Other financial assets comprise security deposits paid by the Group. These are stated at fair-value less any amounts expected to be forfeit.

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

Financial liabilities
Financial liabilities comprise trade and other payables and have all been classified as financial liabilities measured at amortised cost.

Borrowings
Borrowings are initially recognised at fair-value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised over profit and loss over the period of the borrowings using the effective interest rate method.
Borrowings are removed from the Statement of Financial Position when the obligation in respect of that borrowing has been discharged, cancelled or expired.

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

Borrowing costs
General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are expensed in the period in which they are incurred.

Share Capital
Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Rehabilitation provision
The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closing plant and waste sites and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground is disturbed at the mine's location.

Where the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that such costs were incurred as a result of the mining operations, mine development and mine construction. If further similar obligations arise as mining operations continue these costs are also capitalised. Costs related to the obligation arising after mine operations have commenced are expensed as incurred unless related to a new mine area, whereupon they are capitalised as described above.

Changes to the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising adjustments to the rehabilitation liability together with a corresponding adjustment to the asset to which it relates.

Any reduction in the obligation and therefore from the corresponding asset may not exceed the carrying value of the asset to which it relates. If a change to value of the estimate results in a corresponding increase in the value of the corresponding asset the asset is tested for potential impairment. Any irrecoverable amount is expensed directly in profit and loss. Over time the discounted liability is increased for the change in present value based on discount rates that reflect current market assessment of the risks specific to the liability. Periodic unwinding of the discount is recognised in profit and loss as part of finance costs.

For closed sites changes to the estimated liability are recognised immediately in profit and loss.

The Group neither recognises the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the potential deferred tax liability in respect of the decommissioning asset.

Other provisions for liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Contingent liabilities and contingent assets
A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.
In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Share-based payments
Certain employees (including directors and senior executives) of the Company have received a proportion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement and other employee benefits
The Company does not currently provide pension or other employee benefits. This will be reviewed by the Board as the Company develops its activities.

Exceptional items of expense
Exceptional items of expense are administrative costs which are large or unusual in nature and are not expected to recur on a regular basis.

Foreign currencies
The financial statements of the Group are presented in the currency of the primary economic environment in which it operates which is US Dollars. The US Dollar is also the functional currency of each company within the Group.

The functional currency of the Company was determined to be US Dollars from 1 January 2018.The Company's financial statements were presented in US dollars in 2017, consistent with the Group's major activities. The change of functional currency has been applied prospectively from 1 January 2018.
In preparing the financial statements of the Company, transactions in currencies other than the Company's or Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that 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 are recognised in profit or loss in the period in which they arise.

For 2017 and prior years the statements of comprehensive income for the Group and Company were translated at the exchange rates applicable at the date of the relevant transactions for the period. At the date of the financial statements the retained profit and loss was restated at the closing rate and the difference was recognised in other comprehensive income and transferred to the translation reserve. From

1 January 2018 the financial statements for the Company have been prepared using the US Dollar at its functional currency prospectively from this date.

Operating Segments
The Board considers that the Company's project activity constitutes one operating and one reporting segment, as defined under IFRS 8.

The total profit measures are operating profit and profit for the year, both disclosed on the face of the income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Company financial information.

Current exploration and evaluation activities are undertaken in the United States of America.

4 Critical accounting estimates and judgments, key assumptions made and sources of estimation uncertainty.

The Company makes certain estimates and assumptions regarding the future. The significant estimates or judgments made by the Company include the value of its exploration and evaluation expenditure and its mining property including a review of any related impairment charges relating to the mining property, the provision for future site restoration and remedial works in respect of the Group's mining sites and the valuation of the fair-value of its share-based payments.

Estimates and judgments are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The key assumptions made relate to the recovery of mineral resources from the Group's mining operations in the quantity and quality of grade projected within the Group's projections for these sites. For a discussion of these refer to the Chief executive officer's Report on page 4. These key assumptions are also the primary source of estimation uncertainty within the Group.

5 Financial instruments – Risk management

The board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Company does not issue or use financial instruments of a speculative nature.

Trade and other receivables are measured at book value and amortised cost. Book values and expected cash flows are reviewed by the board and any impairment charged to the statement of comprehensive income in the relevant period.

Cash and cash equivalents are held in sterling and US dollars and are placed on deposit in UK and US banks.

Trade and other payables are measured at book value and amortised cost.

The Company is exposed to the following financial risks:

Liquidity risk
Liquidity risk arises from the Company'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 Company's policy is to ensure

that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet its expected cash requirements.

Credit risk
Credit risk arises from cash and cash equivalents and deposits with banks. Credit risk is managed on a Group basis. Only major banks with a good credit rating are used.

Foreign currency risk
Foreign currency risk arises from the incurring of operating expenses in Sterling and in US dollars. Share capital is raised in Sterling. Foreign currency risk is managed on a Group basis. The Group does not presently use any currency hedging contracts.

Capital Management
The Group's capital is made up of share capital, share premium, retained earnings, foreign currency translation reserve and the value of non-controlling interests. These amounts totalled $10,556,476 at 31 December 2019 (31 December 2018: $9,150,334).

The Company's objectives when maintaining capital are:
To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Company consists of shareholders' equity as set out in the statement of changes in equity. All working capital requirements are financed from existing cash resources.

6 Revenue

The Group is not yet producing revenues from its mineral exploration and mining activities. The Company charged its subsidiary entities $563,476 (2018: $361,460) in respect of management services provided.

7 Loss before taxation

Loss on ordinary activities before taxation is after charging:	**31 December 2019 $**	**31 December 2018 $**
Employee costs (note 9)	**641,103**	676,396
Share-based payments	**268,916**	173,832
Foreign currency losses	**1,299**	94,014
Gordon Lake exclusive option allowed to lapse	**-**	155,180
Audit fees (Note 10)	**39,000**	54,245

8 Average number of people, including executive directors, employed:

	31 December 2019 Number	**31 December 2018 Number**
Administration	**5**	5
Operations	**5**	5
	10	10

9 Employee costs including directors

	31 December 2019 $	**31 December 2018 $**
Fees payable	**863,823**	1,009,879
Transferred to property, plant and equipment - mining property	**(222,720)**	(313,483)
Transferred to exploration and evaluation expenditure	**-**	(20,000)
	641,103	676,396

The remuneration of the directors and key management personnel is disclosed in note 26.

The Group’s employees include the directors, management and other staff working in the subsidiaries. Share options have also been issued to the directors and senior management. These are disclosed in the Directors’ Report on page 9. Employee costs transferred to exploration and evaluation expenditure include $nil (2018: $20,000) in respect of key management personnel.

10 Auditor's remuneration

	31 December 2019 $	31 December 2018 $
Fees payable for the audit of the Company's consolidated financial statements	**39,000**	43,920
Fees payable for taxation compliance services	**5,304**	8,733
Fees payable in respect of tax advisory services	**-**	15,031
	44,304	67,684

11 Exceptional items of expenditure

	31 December 2019 $	31 December 2018 $
Admission to trading on the OTCQX Market.	**-**	136,127
	-	136,127

In October 2018 the Company was admitted to trading on the OTCQX Market in New York.

12 Taxation

	31 December 2019 $	31 December 2018 $
Current tax		
Income and corporation taxes	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of other differences	-	-
Total deferred tax	-	-
Income tax expense	-	-

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses in the consolidated entities as follows:

	31 December 2019 $	31 December 2018 $
Tax on loss from ordinary activities		
Loss before tax	**(1,128,151)**	(1,652,261)
Tax calculated at domestic tax rates applicable to profits and losses in the respective countries of 19.47% (2018: 19.46%)	**219,608**	321,562
Tax losses not recognised	**(214,319)**	(337,915)
Other differences	**(5,259)**	16,353
Current tax	-	-

The Company is resident in the United Kingdom for corporate taxation purposes. The Group also has taxable operating activities in the USA. The Group has not recognised the benefit of tax losses potentially available. At 31 December 2019 available tax losses amounted to $1,780,908 (2018: $599,070).

13 Loss per share

	31 December 2019 $	31 December 2018 $
Loss attributable to the parent used in calculating basic and diluted loss per Share	**(1,116,563)**	(1,635,428)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (restated)	**40,862,399**	28,120,624
Weighted average number of shares for the purpose of diluted earnings per share	**40,862,399**	28,120,624
Basic loss per share (US cents per share)	**(2.76)**	(5.82)
Diluted loss per share (US cents per share)	**(2.76)**	(5.82)

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Where the Group has incurred a loss in a year or period the diluted earnings per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

The Company has potentially issuable shares of 10,265,195 (2018: 3,121,206) all of which relate to the potential dilution in respect of warrants and share options issued by the Company. See also note 23.

14 Non-current assets

	Mining property	Total
At 1 January 2018	5,282,596	5,282,596
Additions	4,594,101	4,594,101
At 31 December 2018	**9,876,697**	**9,876,697**
At 1 January 2019	9,876,697	9,876,697
Additions	1,794,963	1,794,963
At 31 December 2019	**11,671,660**	**11,671,660**
Net book value		
1 January 2018	5,282,596	5,282,596
31 December 2018	9,876,697	9,876,697
31 December 2019	**11,671,660**	**11,671,660**

Mining property assets relate to the past producing Empire Mine copper – gold – silver – zinc project in Idaho, USA. The Empire Mine has not yet recommenced production and no depreciation has been charged in the statement of comprehensive income. There has been no impairment charged in any period due to the early stage in the Group's project to reactivate the mine.

The principal investment is based in the USA.

15 Intangible assets

	Exploration and evaluation expenditure $
At 1 January 2018	67,569
Additions	139,591
At 31 December 2018	**207,160**
At 1 January 2019	207,160
Additions	39,735
At 31 December 2019	**246,895**

Exploration and evaluation expenditure relates to the Bighorn and Redcastle properties on the Idaho Cobalt Belt in Idaho, USA. The properties are owned by Borah Resources Inc, a wholly owned subsidiary of the parent entity, registered and domiciled in Idaho.

16 Trade and other receivables

	31 December 2019 $	31 December 2018 $
Other receivables	**243,928**	212,516
Prepaid expenses	**24,004**	**-**
	267,932	212,516

There were no receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above.

17 Cash and cash equivalents

Cash and cash equivalents comprise cash.

18 Trade and other payables

	31 December 2019 $	31 December 2018 $
Trade creditors	**178,093**	401,231
Other creditors	**100,270**	41,570
Accrued interest	**4,537**	58,500
	282,900	501,301

All liabilities are payable on demand or have payment terms of less than 90 days. The Company is not exposed to any significant currency risk in respect of its payables.

19 Borrowings

	31 December 2019 $	31 December 2018 $
Loan notes	**800,000**	-

The Company has issued loan notes with a redemption value of $800,000 in units of $25,000 (£20,000) each, including $50,000 issued to Andre Cohen, a director of the Company. The coupon is 12% per annum. The final redemption date is 30 September 2021, repayable earlier at the Company's option from new mezzanine or construction finance for the Empire Mine if secured.

Since the year end the Company has issued further loan notes with a redemption value of $309,500.

20 Provisions

	$
At 1 January 2017	99,987
Arising from business combination	657,702
Exchange adjustments	9,755
At 31 December 2017	767,444
Exchange adjustments	(9,742)
At 31 December 2018 and 31 December 2019	**757,702**

The provision of $100,000 for decommissioning the Empire Mine is based on the directors' estimate after taking into account appropriate professional advice.

The other provision of $657,702 arises from a business combination in 2017 and comprises potential royalties payable in respect of future production at the Empire Mine. This liability will only be payable if the Empire Mine is successfully restored to production and will be deducted from the royalties payable. The amount of the provision will be reassessed as exploration work continues and also on commencement of commercial production.

21 Share capital

	Group and Company Number 2019	Group and Company Number 2018
Number of ordinary shares of no par value		
At the beginning of the year	33,078,999	22,975,552
Issued in the year	11,705,882	10,103,447
At the end of the year	44,784,881	33,078,999

The Company does not have an authorised capital and is authorised to issue an unlimited number of no par value shares of a single class.

In the year the Company issued 11,705,882 ordinary shares at £0.17 per share to raise $2.54 million. All issued shares were fully paid.

Since the year end the Company has issued a further 7,900,000 shares at £0.15 per share. The Company currently has 52,684,881 ordinary shares in issue.

The ordinary shares in the Company have no par value. All ordinary shares have equal voting rights in respect of shareholder meetings. All ordinary shares have equal rights to dividends and the assets of the Company.

The Company has issued warrants to subscribe for additional shares to existing shareholders. Each warrant provides the right to the holder to convert one warrant into one ordinary share of no-par value at exercise prices ranging from £0.20 to £0.60. At 31 December 2019 the number of warrants in issue was 7,115,195 (2018: 1,896,206). See also note 23.

Since the year end a further 300,000 warrants have been issued with an exercise price of £0.16.

The Company has issued options to subscribe for additional shares to the directors and senior management of the Group. Each option provides the right to the holder to subscribe for one ordinary share of no par-value, subject to the vesting conditions, at exercise prices of £0.45 and £0.17. At 31 December 2019 the number of options in issue was 3,150,000 (2018: 1,225,000).

The beneficial holdings in shares, warrants and options of each director are disclosed in the Directors' Report on page 9. These shareholdings include those shares held by connected persons of the individual director.

22 Capital and reserves

The Company's ordinary shares have no par value.

Share premium is the amount subscribed for share capital in excess of nominal value less attributable share-issue expenses.

The foreign exchange translation reserve is the difference arising in 2017 on the translation of the financial statements of the Company from Pounds Sterling into US Dollars, the Group's presentational currency. On 1 January 2018 the Group determined that its functional currency was US Dollars.

Retained deficit is the cumulative loss of the Group attributable to equity shareholders.

Non-controlling interests is the value of equity in subsidiary companies owned by third parties.

23 Share-based payments

The Company has issued 7,115,195 (2018: 1,896,206) warrants to shareholders to subscribe for additional share capital of the Company. Each warrant entitles the holder to subscribe for one ordinary equity share in the Company. The right to convert each warrant is unconditional.

Additionally, the Company has issued 3,150,000 (2018: 1,225,000) share options to directors and senior employees of the Company. Each share option entitles the holder to subscribe for one ordinary equity share in the Company once the vesting conditions have been satisfied. The right to subscribe for ordinary shares in the Company is subject to a minimum 12 month holding period for 50% of the share options and a 24 month holding period for the balance of 50% of the share options.

In the periods presented the Company has settled remuneration liabilities by the issue of equity in lieu of cash payments for services but has not operated any equity-settled share based incentivisation schemes for employees.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of issue. The warrants were issued as exercisable from the date they were issued and there are no further vesting conditions applicable.

23 Share-based payments continued

Warrants issued	**Weighted Average Exercise price**	**31 December 2019 Number**	**31 December 2018 Number**
At the beginning of the year	£0.38	**1,896,206**	1,024,308
Issued in the year	£0.20	**800,000**	-
Exercised in the year	£0.21	**-**	(53,095)
Issued in the year	£0.28	**4,418,989**	372,650
Issued in the year	£0.35	**-**	427,343
Issued in the year	£0.40	**-**	125,000
At the end of the year	£0.30	**7,115,195**	1,896,206

Share options issued	**Weighted average Exercise price**	**31 December 2019 Number**	**31 December 2018 Number**
At the beginning of the year	£0.045	1,225,000	1,200,000
Issued in the year	£0.170	1,925,000	25,000
At the end of the year	£0.120	3,150,000	1,225,000

The total share-based payment charge for all warrants and options issued in the year was $268,916 (2018: $173,832). The share-based payment charge was calculated using the Black-Scholes model. All warrants issued vest immediately on issue. Share options vest over a 24-month period from the date of issue.

Volatility for the calculation of the share-based payment charge in respect of both the warrants and the share-options issued was determined by reference to movements in the Company's quoted share price on AIM.

23 Share-based payments continued

The inputs into the Black-Scholes model for the warrants and share options issued and warrants modified in 2019 were as follows:

	31 December 2019 Warrants issued	31 December 2019 Share options issued
Weighted average share price at grant date	£0.18	£0.18
Weighted average exercise prices	£0.27	£0.17
Expected volatility	50.01%	52.78%
Expected life	2.70	3.00
Weighted average contractual life	2.22	1.87
Risk-free interest rate	1.5%	1.5%
Expected dividend yield	0%	0%
Fair-value of options granted (pence)	£0.03	£0.06

The warrants were issued in four tranches. The share prices at the date of grant were between £0.13 to £0.19. The weighted average warrant exercise prices at the date of grant were from £0.20 to £0.60. Additionally, the exercise dates for 327,094 existing warrants with an exercise price of £0.60 were extended to 31 December 2021. The extension has been valued as a new instrument as at 20 December 2019 and the fair-values and charge included above.

The expected volatility ranged from 49.89% to 51.52%. The fair-values of warrants issued in the year were from £0.03 to £0.04. The expected life of the outstanding warrants and options ranged from 1.40 to 2.98 years.

Share-based payments charged to profit and loss	31 December 2018 $	31 December 2017 $
On issue of share options	38,622	19,553
On issue of warrants	229,736	154,279
On modification of warrants	558	-
	268,916	173,832

The share-based payment charge has been classified as an administrative expense, and simultaneously credited to retained deficit.

24 Capital commitments

There were no outstanding capital commitments at 31 December 2019 (2018: £nil).

25 Events after the balance sheet date

Since the year end the Company has raised a further $1.85 million, $1.54 million through the issue of 7,900,000 shares at £0.15, and $0.31 million through the issue of 12% unsecured loan notes.

26 Related party transactions

The interests of the directors in the share capital, warrants and share options of the Company are disclosed in the Directors' Report on page 9. The amount charged within the income statement for the year in respect of share options held by the directors is set out in note 23.

The remuneration of the directors is included in note 9.

The remuneration of the directors was as follows:

	31 December 2019 Paid $	31 December 2019 Capitalised $	31 December 2019 Total $	31 December 2018 Total $
Marcus Edwards-Jones	132,156	28,010	160,166	136,110
Ryan McDermott	129,000	28,080	157,080	205,158
Dennis Thomas	119,606	40,810	160,416	177,850
Richard Wilkins	132,186	28,010	160,196	181,140
Roger Turner	119,606	40,810	160,416	177,850
Andre Cohen	27,089	11,430	38,519	33,091
Jason Riley	23,220	3,810	27,030	23,880
	682,863	180,960	863,823	935,079

Directors' remuneration comprises fees payable. Fees payable to executive directors include an annual discretionary bonus equal to 15% of salary paid in lieu of benefits. The directors received no other benefits.

Directors' remuneration includes $180,960 (2018: $84,138) capitalised and paid in shares.

The Group has no key management personnel other than the directors.

The Company has advanced $8,295,601 to Konnex Resources Inc (2018: $6,289,953) and $192,085 to Borah Resources Inc (2018: $152,350). The amounts advanced are in support of the mining operations at each of these subsidiaries and are classified as other receivables. During the year the Company charged interest on borrowings by Konnex Resources Inc of $231,217.

There are no other related party transactions.

27 Control

The Company has a diverse shareholding and is not under the control of any one person or entity.

View of historic mines along strike from Empire on PXC claims


Copper oxide "chrysocolla" in Empire Core


Copper oxide "malachite in Empire core


Drill hole logging Red Star


Drill access road construction at Red Star

Drill pad construction for Red Star


Empire at sunrise