PEMBRIDGE RESOURCES PLC

Condensed Interim financial statements

for the period from 1 January 2020 to 30 June 2020

Registered number: 07352056 (England and Wales)

Chairman's statement

I am pleased to present the condensed interim financial statements for Pembridge Resources plc ("Pembridge" or the "Company", and together with its subsidiaries, the "Group") results for the half year ended 30 June 2020.

Recent developments:

- In March 2020, the COVID-19 pandemic broke out. Canadian and Yukon government measures have had significant impacts on the Minto mine, including mandatory quarantines of employees and contractors entering the Yukon. Such quarantines have disrupted operations and caused above normal operating expenses but have enabled operations to continue while ensuring the safety of the mine's employees. There are significant uncertainties with respect to future developments and impact to Minto related to the COVID-19 pandemic, including the duration, severity and scope of the outbreak and measures taken by government and businesses to contain the pandemic.

- In December 2019, the other investors, Copper Holdings and Cedro Holdings, called for USD 3 million of new equity capital investment into Minto from Pembridge Resources plc in accordance with the Minto Shareholders' Agreement. Having funded C$4 million of Minto's total obligation to fund C$10 million over ten quarters into the control account, as required by Zurich in association with the Surety Bond associated with Minto's asset retirement obligation and in accordance with the original Shareholders' Agreement, Pembridge believed that it had fulfilled this obligation. However, in view of the cash position of Minto under the circumstances of the COVID-19 pandemic, the shareholders agreed that a further USD 3 million was needed and that it be funded by Copper Holdings and Cedro Holdings purchasing an additional 484,240,064 of Minto's Class B shares for USD $3 million. This purchase increased the combined economic ownership of Copper Holdings and Cedro Holdings in Minto from 66.66 percent to 89 percent, and reduced the economic ownership of Pembridge from 33.33 percent to 11 percent. Minto's USD $10 million 8 percent Notes held by Copper Holdings and Cedro Holdings remain outstanding. Concurrent with the USD $3 million to be invested by Copper Holdings and Cedro Holdings; Copper Holdings, Cedro Holdings and Pembridge amended the existing Shareholder Agreement reflecting the above matters and other details. Such revisions were executed by the parties at the time of the purchase of the new Class B shares by Copper Holdings and Cedro Holdings, in June 2020. Under the original Shareholders' Agreement, Pembridge was committed to funding up to a further C$2 million for the control account, in addition to the C$4m funded already on behalf of Minto. As part of the revised Shareholders' Agreement described above, Pembridge will be relieved of this obligation and such further funding will be made by Minto to complete the C$10 million required. Minto continues to owe to Pembridge the existing funding of C$4 million, on which interest is payable, and repayment will commence in quarterly stages when Minto fully funds the control account to C$10 million. In addition, the revised Shareholders' Agreement provides that Minto may fund the deferred consideration payments due from Pembridge to Capstone.

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

    - removing the right of Mr. Al-Jebouri to convert any of the loans to shares in the Company;

    - the maturity date of the loans was extended from 25 October 2021 to 31 December 2022. The extension in maturity corresponds with the Company's expectations with regard to inflow of funds from Minto Explorations Ltd to the Company; and

    - In consideration for these changes, the Company agreed to increase the interest rate on the loan from 8% to 10% with effect from 1st May 2020, with the accumulated interest to be paid only at the maturity date of the loan with no interim payments.

Interim results:

- The interim financial statements of the Group, as set out in full below, show a loss for the period of US$8,972,000 and equity of US$6,517,000. As at 30 June 2020 the Group had US$5,551,000 in cash reserves. The Board consider it appropriate to maintain the going concern basis in the preparation of these financial statements as the Directors have a reasonable expectation that the Group and Company will be able to raise sufficient funds and therefore continue in operational existence for the foreseeable future.

- Operating loss of US$7,349,000 is as a result of achieved average prices of $2.32/lb, $972.55/oz and $4.47/oz for copper, gold and silver respectively.

Operations update:

The following is an overview of recent developments at the Minto Mine:

Production output and cash generation
- 13,795 wet metric tonnes of concentrate produced
- First shipment since re-starting Minto mine sent to Japan
- US$ 28.4m received from Sumitomo (of which US$ 5.4m related to 2019)

COVID-19 impact
- No cases identified in Minto staff.
- Yukon border closed and 14 day quarantine periods required. Effective July 1st, BC residents are no longer required to quarantine.
- During Q2 and beginning of Q3 2020, underground rotations were extended to 5 weeks to avoid repeated quarantines.
- Covid-19 has had a limited impact on ore mining operations, resulting in approximately 2 months delay in mining program.
- Additional hotel costs, arising as a result of the need to quarantine staff coming in from outside the Yukon, and Covid 19 testing were approximately C$600K through July 2020. This does not include wages paid to staff in quarantine, which are included in normal staff costs.
- Canadian Employment Wage Subsidy (CEWS) of approximately C$1MM received.

Health and safety
- Health and safety management system (HSMS) development in progress to support a strong culture of safety.
- 3 near miss events without injury and 4 first aid reported since completion of the acquisition and restart of the mine, with no long-term injuries. Learnings and enhanced training followed to reduce potential for future incidents.
- 181 days free of lost time due to injury.
- Mine Rescue Certifications completed for 10 new members in June.

Environmental
- As all mining operations are underground, there are no new land reclamation issues arising during the period.
- Progressive reclamation planning underway.

Underground operations
- Minto East ore production sustained after discovery of additional ore, which maintained ore output for milling during Copper Keel final development.

- Copper Keel 550m ventilation and secondary egress tunnel completed after 74 days.
- Copper Keel ore production commenced late July, ramping up to expected full production by year end.
- June 2020 had the highest monthly development meters to date.
- Longhole drilling commenced in Copper Keel.
- Started Copper Keel West drilling.

Milling operations

- The mill continues to operate on a 2-week on, 2-week off schedule based on current ore production.

Exploration

- Minto owns total claims of 50,000 km^2 over a 40 km belt, which in time will be explored for minerals.
- Exploration and in-fill drilling of 12,500m, costing C$1.9MM was incurred in H1 2020. An additional C$1.1 approved for H2 2020 for a total of C$3.0MM.
- Resource and Reserves report is being updated based on the results of the drilling program and is expected to be published in Q4 2020

Gati Al-Jebouri, CEO and Chairman of the Board said: "*These interim financial statements set out the position of our Company at a time when all economic sectors are impacted by the Corona Virus pandemic. It is very encouraging to report that the Minto operations did not stop during this difficult time and development has continued. Development was delayed by a few months due to the pandemic, however as of late July 2020 we are mining from a new ore body - Copper Keel. Copper Keel is a previously identified but not developed ore body. With the price of copper having recovered from the lows reached earlier this year, Minto is now concentrating on achieving profitable operations at EBITDA and Retained Profit levels.*"

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the EU;
- Give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- The interim report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The interim report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being the information required on related party transactions.

The interim report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Gati Al-Jebouri
CEO & Chairman of the Board
4 September, 2020

Consolidated statement of comprehensive income
for the period 1 January to 30 June 2020

	Note	6 months ended 30 June 2020 US$'000 (unaudited)	6 months ended 30 June 2019 US$'000 (unaudited)	Year ended 31 December 2019 US$'000 (audited)
Revenue	3	25.429	-	12,398
Production costs		(27,475)	-	(14,739)
Royalties		(363)	-	(204)
Depreciation and amortisation		(4,271)	-	(3,459)
Administrative, legal and professional expenses		(1,262)	(2,885)	(3,110)
Gain / (loss) on fair valuation of concentrate receivable		341	-	-
Exceptional items – acquisition and re-admission costs		-	-	(2,347)
Foreign exchange gain / (loss)		252	-	(357)
Operating loss		(7,349)	(2,885)	(11,818)
Finance income	4	17	-	-
Finance cost		(1,435)	-	(1,295)
Loss before taxation		(8,767)	(2,885)	(13,113)
Income tax	5	(205)	-	26
Loss for the period		**(8,972)**	**(2,885)**	**(13,087)**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences		(978)	(101)	936
Total comprehensive income for the period		**(9,950)**	**(2,986)**	**(12,151)**
Loss attributable to non-controlling interest		(7,191)	(567)	(5,024)
Loss attributable to equity holders of the parent		(1,781)	(2,318)	(8,063)
Total comprehensive income attributable to non-controlling interest		(7,823)	(567)	(4,400)
Total comprehensive income attributable to equity holders of the company		(2,127)	(2,419)	(7,751)
Earnings per share expressed in cents				
Basic and diluted earnings per share attributable to the equity holders of the company	6	(5.3c)	(10.4c)	(33.5c)

Consolidated statement of financial position
as at 30 June 2020

	Note	30 June 2020 US$'000 (unaudited)	30 June 2019 US$'000 (unaudited)	31 December 2019 US$'000 (audited)
Assets				
Non-current assets				
Property, plant and equipment		51.086	36,378	50,207
Goodwill		-	7,109	-
Intangible assets		378	-	394
Long term deposits		5,437	2,454	4,040
Total non-current assets		56,901	45,941	54,641
Current assets				
Trade and other receivables		3,640	598	8,610
Inventory		3,726	2,387	5,710
Cash and cash equivalents		5,551	9,787	964
Total current assets		12,917	12,772	15,284
Total assets		**69,818**	**58,713**	**69,925**
Non-current liabilities				
Borrowings	10	(12,837)	(103)	(10,631)
Lease liabilities		(3,440)	-	(2,734)
Reclamation and closure cost provision		(21,694	(24,774)	(22,438)
Deferred revenue		-	(11,496)	-
Deferred consideration due to Capstone		(4,305)	(10,000)	(4,305)
Deferred tax liability		(465)	(1,658)	(270)
Total non-current liabilities		(42,741)	(48,031)	(40,378)
Current liabilities				
Trade and other payables		(11,523)	(5,445)	(8,736)
Borrowings	10	-	(8,312)	-
Lease liabilities		(4,140)	-	(2,899)
Deferred consideration due to Capstone		(4,897)	-	(4,897)
Total current liabilities		(20,560)	(13,757)	(16,532)
Total liabilities		**(63,301)**	**(61,788)**	**(56,910)**
Net assets/(liabilities)		**6,517**	**(3,075)**	**13,015**
Equity				
Share capital	7	965	295	825
Share premium	7	9,222	2,902	8,900
Capital redemption reserve	7	1,011	1,011	1,011
Translation reserve		(35)	(101)	312
Other reserve		-	66	369
Retained deficit		(19,262)	(8,251)	(13,465)
Equity attributable to shareholders of the parent company		**(8,099)**	**(4,078)**	**(2,048)**
Non-controlling interests	12	14,616	1,003	15,063
Total equity		**6,517**	**(3,075)**	**13,015**

Consolidated Statement of changes in equity
for the period 1 January to 30 June 2020

	Share capital	Share premium	Capital Redemption Reserve	Translation / Other reserve	Retained deficit	Total	Non-controlling interest	Total Equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2020	**825**	**8,900**	**1,011**	**681**	**(13,465)**	**(2,048)**	**15,063**	**13,015**
Loss for the period	-	-	-	-	(1,781)	(1,781)	(7,191)	(8,972)
Other comprehensive income - exchange difference on translation	-	-	-	(346)	-	(346)	(632)	(978)
Total comprehensive income for the period	**-**	**-**	**-**	**(346)**	**(1,781)**	**(2,127)**	**(7,823)**	**(9,950)**
Proceeds from shares issued	140	322	-	-	-	462	-	462
Equity element of convertible loan	-	-	-	(53)	-	(53)	-	(53)
Investment by non-controlling interest in Minto share capital	-	-	-	-	317	317	2,568	2,885
Change in share of economic interest in Minto	-	-	-	-	(4,808)	(4,808)	4,808	-
Share-based payments	-	-	-	158	-	158	-	158
Transfer to retained earnings after surrender of share options	-	-	-	(475)	475	-	-	-
Total transactions with owners recognised directly in equity	**140**	**322**	**-**	**(370)**	**(4,016)**	**(3,924)**	**7,376**	**3,452**
At 30 June 2020	**965**	**9,222**	**1,011**	**(35)**	**(19,262)**	**(8,099)**	**14,616**	**6,517**
At 1 January 2019	**295**	**2,902**	**1,011**	**66**	**(5,933)**	**(1,659)**	**-**	**(1,659)**
Loss for the period	-	-	-	-	(8,063)	(8,063)	(5,024)	(13,087)
Other comprehensive income – exchange difference on translation	-	-	-	312	-	312	624	936
Total comprehensive income for the period	**-**	**-**	**-**	**312**	**(8,063)**	**(7,751)**	**(4,400)**	**(12,151)**
Proceeds from shares issued	530	6,109	-	-	-	6,639	-	6,639
Direct cost of shares issued		(111)				(111)	-	(111)
Equity element of convertible loan	-	-	-	53	-	53	-	53
Investment by non-controlling interest in Minto share capital	-	-	-	-	531	531	1,059	1,590
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	18,404	18,404
Share-based payments	-	-	-	250	-	250	-	250
Total transactions with owners recognised directly in equity	**530**	**5,998**	**-**	**303**	**531**	**7,362**	**19,463**	**26,825**
At 31 December 2019	**825**	**8,900**	**1,011**	**681**	**(13,465)**	**(2,048)**	**15,063**	**13,015**

Consolidated Statement of changes in equity (continued)
for the period 1 January to 30 June 2020

	Share capital	Share premium	Capital Redemption Reserve	Other reserve	Retained deficit	Total	Non-controlling interest	Total Equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2019	**295**	**2,902**	**1,011**	**66**	**(5,933)**	**(1,659)**	**-**	**(1,659)**
Loss for the period	-	-	-	-	(2,318)	(2,318)	(567)	(2,885)
Other comprehensive income	-	-	-	(101)	-	(101)	-	(101)
Total comprehensive income for the period	**-**	**-**	**-**	**(101)**	**(2,318)**	**(2,419)**	**(567)**	**(2,986)**
Issue of shares	-	-	-	-	-	-	1,570	1,570
At 30 June 2019	**295**	**2,902**	**1,011**	**(35)**	**(8,251)**	**(4,078)**	**1,003**	**(3,075)**

The following describes the nature and purpose of each reserve within equity:

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

Consolidated Cash flow statement
for the period 1 January to 30 June 2020

	6 months ended 30 June 2020 US$'000 (unaudited)	6 months ended 30 June 2019 US$'000 (unaudited)	Year ended 31 December 2019 US$'000 (audited)
Cash flows from operating activities			
Loss for the period	(8,972)	(2,885)	(13,087)
Adjusted for:			
Net finance costs	1,418	-	1,295
Unrealised FX on debt included in administrative expenses	140	-	(169)
Depreciation	4,271	3	3,459
Tax charge / (credit)	205	-	(26)
Share based payments	158	-	250
	(2,780)	**(2,882)**	**(8,278)**
Movements in working capital			
Increase)/ decrease in inventories	1,735	-	(3,248)
(Increase)/ decrease in trade and other receivables	4,634	(358)	(8,252)
Increase/ (decrease) in trade and other payables	2,891	3,348	6,752
Net cash generated from / (used in) operating activities	**6,480**	**108**	**(13,026)**
Cash flows used in investing activities			
Payments into long-term deposits	(1,503)	1	(1,582)
Purchase of property, plant and equipment	(2,837)	-	(490)
Purchase of mining claims	-	-	(237)
Net cash used in investing activities	**(4,340)**	**1**	**(2,309)**
Cash flows used in financing activities			
Interest payments	(401)	-	(497)
Repayment of borrowings	-	-	(647)
Proceeds from borrowings	2,042	7,957	10,754
Lease payments	(2,544)	-	(1,621)
Proceeds from issuance of shares	3,346	1,570	8,149
Net cash generated from financing activities	**2,443**	**9,527**	**16,138**
Net increase/(decrease) in cash and cash equivalents	**4,583**	**9,636**	**803**
Cash and cash equivalents at the beginning of the period	964	151	151
Impact of exchange rates on cash balances	4	-	10
Cash and cash equivalents at the end of the period	**5,551**	**9,787**	**964**

Notes to the condensed consolidated financial statements
for the period 1 January to 30 June 2020

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

The principal activity of Pembridge Resources plc is that of a mining company. The Company has an investment in and operates the Minto copper-gold-silver mine in Yukon, Canada.

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

Pembridge Resources plc's financial statements are presented in United States dollars (US$), which is also the functional currency of the Company.

These condensed interim unaudited consolidated financial statements for the six-month period ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

These condensed interim financial statements were approved for issue by the Board of Directors on 4 September 2020.

These condensed interim financial statements for the six months ended 30 June 2020 do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Statements as adopted by the European Union and the Disclosure and Transparency Rules of the UK Financial Conduct Authority. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The principal accounting policies used in preparing the condensed interim financial statements are unchanged from those disclosed in the Company's Annual Report for the year ended 31 December 2019.

The condensed interim financial statements for the six months ended 30 June 2020 and 30 June 2019 are un-reviewed and unaudited. Statutory financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 26 June 2020 and delivered to the Registrar of Companies.

Changes in accounting policy and disclosures

(a) New and amended standards mandatory for the first time for the financial year beginning 1 January 2020

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

(b) New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

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

Standard		Effective date
IFRS 17	Insurance Contracts	1 January 2021*
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2022*

**Not yet endorsed by the EU.*

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

Going concern

The condensed interim financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group and Company, including the current and future level of resources. As part of their assessment, the Directors have also taken into account the need for the Company to raise additional funding during the going concern period.

The Company has no income stream of its own and is reliant, until it is able to receive an income from its investment in Minto, on further funding through equity raisings or other financial arrangements. This additional funding is not guaranteed, however, to date the Company has been successful in securing funding when required and its management are confident that it can meet its contracted and committed expenditure for at least the next 12 months. Minto has received commitments from its other investors, Cedro Holdings and Copper Holdings, that they will support its operations and they have contributed US$ 3 million of equity to Minto in the period. The need for the Company to raise additional funds during the going concern period indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, and therefore its ability to settle its debts and realise its assets in the normal course of business.

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

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

Risks and uncertainties

As at 30 June 2020 the key risks that could affect the Company in the medium term and the factors that mitigate those risks have not substantially changed from those set out in the Annual Report and Financial Statements for the year ended 31 December 2019.

Segment reporting

In the opinion of the directors the operations of the Company currently represent one segment, and are treated as such, when evaluating its performance. The chief operating decision maker is the Board of Directors. The Board of Directors reviews management accounts prepared for the Company when assessing performance.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 June 2020 US$'000	Six months ended 30 June 2019 US$'000	Year ended 31 December 2019 US$'000
Copper	23,150	-	12,789
Gold	5,381	-	1,579
Silver	180	-	54
Total gross revenue	28,711	-	14,422
Less: treatment and selling costs	(3,282)	-	(2,024)
Revenue	25,429	-	12,398

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

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

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

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

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

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

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

4. FINANCE COSTS

	6 months ended 30 June 2020 US$'000 (unaudited)	6 months ended 30 June 2019 US$'000 (unaudited)	Year ended 31 December 2019 US$'000 (audited)
Interest on loans	929	-	727
Discount unwind on provision	196	-	376
Interest from leases	310	-	192
	1,435	-	1,295

5. INCOME TAX

The income tax charge of US$ 205,000 (period to 30 June 2019: nil, year to 31 December 2019: credit US$ 26,000) is payable to the Yukon government under the Quartz Mining Act.

6. EARNINGS PER SHARE

The calculation of the earning per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The basic and diluted loss per share are the same as the effect of the exercise of share warrants and options would be anti-dilutive.

	6 months ended 30 June 2020 US$'000 (unaudited)	6 months ended 30 June 2019 US$'000 (unaudited)	Year ended 31 December 2019 US$'000 (audited)
Basic and diluted loss per share (US cents)	(5.3c)	(10.4c)	(33.5c)
Loss for the period	(1,781)	(2,318)	(8,063)
Weighted average number of shares for basic and diluted loss per share	33,427,432	22,384,926	24,063,552

The basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Company of as the numerator, i.e. no adjustment to loss was necessary. The basic and dilutive loss per share are the same as the effect of the exercise of share options and warrants would be anti-dilutive.

The number of shares and loss per share for the six months to 30 June 2019 have been restated to reflect the impact of the consolidation in December 2019 of every 10 existing ordinary shares of nominal value 0.1 pence each into one Ordinary Share of nominal value 1p.

7. SHARE CAPITAL AND PREMIUM

	Number of ordinary Shares	Number of deferred shares	Share Capital-Ordinary US$'000	Share Premium US$'000	Capital redemption reserve US$'000	Total US$'000
At 1 January 2020	63,231,494	-	825	8,900	1,011	10,736
At 30 June 2020	**74,406,993**	**-**	**965**	**9,222**	**1,011**	**11,198**

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

8. RELATED PARTY TRANSACTIONS

The Company has paid remuneration of US$ 181,500 to its Directors for the six months ending June 30, 2020 (six months to 30 June 2019: US$154,000, year to 31 December 2019: US$ 1,997,000).

As previously disclosed in the financial statements for the Year Ended 31 December 2019, on 30 October 2019, the Company entered into a convertible loan facility of with Gati Al-Jebouri, to be repaid by 25 October 2021 and carrying interest at an annual rate of 8%. The Company also pays an arrangement fee in the amount of 6% of the amounts drawn down under the Convertible Loan. On 16 April 2020, the terms of this loan were changed as follows:

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

Under this facility, £3.1 million had been borrowed at 30 June 2020.

9. BUSINESS ACQUISITION

Acquisition of Minto Explorations Ltd

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

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

1. First payment to Capstone of US$5 million will be due once production at Minto has reached a steady state 60% of mill capacity.

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

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

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

Pembridge published an initial estimate of the fair value of certain assets and liabilities acquired in its interim reporting in 2019, and has since fully determined the fair value of both the net assets acquired and the consideration payable pursuant to the Minto acquisition in accordance with IFRS 3, as shown below. This process, known as a purchase price allocation exercise, resulted in material changes to the amounts previously shown for assets, liabilities and goodwill.

The Company calculated a fair value for the total consideration due for the Minto Acquisition as US$9.2 million, and accordingly a liability of $9.2 million is recorded in the consolidated statement of financial position. The fair values of identifiable assets and liabilities of Minto as at the date of acquisition were:

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

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

The comparative numbers for 30 June 2019 relating to the Minto acquisition were initial estimates which were revised to the values above for the year end financial statements as at 31 December 2019.

10. BORROWINGS

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

As described in note 8, the Company has entered into a convertible loan facility of with Gati Al-Jebouri. Under this facility, £3.1 million had been borrowed at 30 June 2020.

	6 months ended 30 June 2020 US$'000 (unaudited)	6 months ended 30 June 2019 US$'000 (unaudited)	Year ended 31 December 2019 US$'000 (audited)
Loan notes	8,741	8,312	8,582
Loans from directors – non-current	4,096	-	2,049
Borrowings – non-current	12,837	8,312	10,631
Loans from directors - current	-	103	-
Total borrowings	12,837	8,415	10,631

11. RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January US$'000	New borrowing US$'000	Interest added to debt US$'000	Debt repaid US$'000	Other cash flows US$'000	Foreign exchange US$'000	At 30 June US$'000
Cash at bank and in hand	964	2,042	-	(2,544)	5,085	4	5,551
Borrowings -							
by the Company	(2,049)	(2,042)	(221)	-	-	216	(4,096)
by Minto	(8,582)	-	(159)	-	-	-	(8,741)
	(10,631)	(2,042)	(380)	-	-	216	(12,837)
Lease liabilities	(5,633)	(4,406)	(310)	2,544	-	225	(7,580)
Net debt	(15,300)	(4,406)	(690)	-	5,085	445	(14,866)

12. NON-CONTROLLING INTEREST IN MINTO EXPLORATIONS LTD

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

Movements in the non-controlling interest in the period are set out below.

	6 months ended 30 June 2020 $'000	Year ended 31 December 2019 $'000
Balance at start of period	15,063	-
On acquisition of 67% economic interest of subsidiary	-	18,404
Investment by non-controlling interest in Minto share capital	2,568	1,059
Change in share of economic interest in Minto	4,808	-
Share of loss for the period	(7,191)	(5,024)
Share of exchange difference on translation	(632)	624
Balance at end of period	14,616	15,063

Summarised financial information for Minto in the period is set out below.

Summarised income statement	6 months ended 30 June 2020 $'000	Year ended 31 December 2019 $'000
Revenue	25,429	12,398
Operating loss	(6,524)	(6,345)
Loss before income tax	(7,874)	(7,562)
Income tax	(205)	26
Loss for the year	(8,079)	(7,536)
Summarised statement of financial position		
Non-current assets	53,526	52,726
Current assets	12,640	13,789
Non-current liabilities	(34,339)	(34,024)
Current liabilities	(15,404)	(9,896)
Net assets	16,423	22,595
Cash flow statement		
Cash flows from operating activities	7,878	(6,884)
Cash flows from investing activities	(2,861)	(559)
Cash flows from financing activities	(60)	7,998
Net increase in cash and cash equivalents	4,957	555
Cash and cash equivalents at 1 January 2020	565	1
Impact of exchange rates on cash balances	4	9
Cash and cash equivalents at 30 June 2020	5,526	565