

GoldStone Resources Limited  
Annual Report and Consolidated Financial Statements  
**for the year ended**  
**31 December 2018**

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## general information

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**director details:**

E Priestley  
W Trew (chairman)  
R Lloyd  
A List  
R Wilkins

**company secretary:**

Hawksford Trust Company Jersey Limited (registered number 1383)  
15 Esplanade, St Helier, Jersey, JE1 1RB

**registered office:**

15 Esplanade, St Helier, Jersey, JE1 1RB

**auditor:**

DSG Accountancy and Business Services Limited  
Trading name: DSG Chartered Accountants  
Castle Chambers, 43 Castle Street, Liverpool, L2 9TL

**nominated adviser:**

Strand Hanson Limited  
26 Mount Row, London, W1K 3SQ

**broker adviser:**

SI Capital Limited  
46 Bridge Street, Godalming, Surrey, GU7 1HL

**crest source adviser and UK transfer agent:**

Computershare  
Queensway House, Hillgrove Street, St Helier, Jersey, JE1 1ES

Our objective is to transform GoldStone Resources Limited (“GoldStone” or the “Company”) into a low-cost gold production company at the earliest opportunity. Following considerable progress made by the Company during the year under review, and post period end, all the key ingredients required to achieve our goal in terms of asset, team, and development plan are now, or will shortly be, in place.

We believe that in our flagship asset, the Akrokeri-Homase Gold Project (“AKHM”), which lies in the Ashanti Gold Belt in Ghana, we have the right asset in the right location. With a team that has collectively developed 23 gold mines including several in West Africa, we also believe we have the right people to deliver. In this regard, a Definitive Economic Plan (“DEP”) has now been completed and submitted to the Ghanaian Minerals Commission for their review and approval. The DEP sets out the basis for a low cost heap leach processing facility to process material from three satellite open pits lying along the known Homase Trend, either side of the previously mined Homase Pit, (the “Proposed Mine”) to generate cash flows to fund the further development of AKHM. The DEP is an important step as it demonstrates the viability for a low cost mining operation, as the Company seeks, subject to funding and Ministerial approval, to move rapidly towards establishing its first operating mine within the Homase Trend.

AKHM has many desirable features: an area of known mineralisation; proven JORC Code compliant gold resources of 602,000 oz at an average grade of 1.77 g/t; an excellent address being located along strike from the Obuasi Gold Mine, one of the world's major gold mines with a total historical and current resource in excess of 70 million oz gold. There is significant development potential with the existing resource covering just a 4 km zone of the Homase Trend, including Homase North, Homase Pit and Homase South; and historical production from two former mines, the underground mine at Akrokeri, which produced 75,000 oz gold @ 24 g/t recovered grade in the early 1900s, and the Homase Pit which produced 52,000 oz gold @ 2.5 g/t recovered grade in 2002/03 by AngloGold Ashanti.

From the outset, we believed the two previously producing mines at AKHM potentially offered the fast-track route to the first production we are seeking, particularly given their location along strike from the Obuasi Gold Mine as noted above. Throughout the year, significant test work has been undertaken alongside a thorough review of historical data from the former Akrokeri underground mine and the Homase open pit. The results of this work, as announced on 7 and 20 June 2018, have demonstrated highly prospective mineralisation at both previously producing mines. Significantly, during the period, we confirmed intercepts of up to 1.0 metre at 51.01 g/t gold at the Akrokeri underground mine and work continues to access the former workings, and we identified an >8 km gold-in-soil anomaly on the Homase Trend, which has the potential to host multiple additional pits.

Further work, carried out since the test results announced in June 2018, has served to validate our decision to narrow our focus on an initial open pit on the Homase Trend. This included better than expected results from a scoping study, announced post period end on 2 May 2019, centred on a pilot heap plant which, after just 60 days, indicates recoveries in excess of 87.5% are achievable. Furthermore, a trenching programme at Homase, covering an area of over 900 metres, resulted in six out of eight trenches encountering above cut-off mineralisation with the highest individual assay at 3.87 g/t Au (1 metre cut).

We are pleased to report that the DEP covering the shallow, free dig mining of the oxide/weathered ore zones only at the Proposed Mine has now been completed and submitted.

The DEP demonstrates the viability for a small-scale mining operation that is viable and the revenues raised from the Proposed Mine will benefit future exploration at AKHM.

The DEP is the first step in GoldStone applying for a mining lease for the development of the Proposed Mine, as it has assessed the capital requirements, operating costs and timelines for the development of an operational mine on the Homase Trend.

The Company is finalising its Environmental Impact Assessment and in tandem with this, the application for the Environmental Permit is underway as we focus on being in a position to move to the construction phase at Homase, subject to funding, as soon as possible. The DEP has reported an after-tax Net Present Value of US\$19.5 million (at a 10% discount rate) based on a contract mining method and an after-tax IRR of 143% at a gold price of US\$1,300 per ounce (oz) based on a US\$6.5 million initial capital cost and a US\$8.4 million capital cost over the five year life of the mine. The DEP is based on the Company's assumption of a total plant feed of 2.26 million tonnes with an average grade of 1.22 g/t giving total ounces to the plant of approximately 88,500 oz. The DEP estimates that the heap leach facility will recover, in total, approximately 72,000 oz gold giving an overall Life of Mine (LOM) recovery of approximately 81%.

As a Board, we are cognisant that production needs to be economic not just in today's market, but in a range of gold price scenarios. While spot gold prices are currently trading at around the US\$1,400/oz level and are expected to remain so, as long as global trade tensions and recession concerns remain elevated, gold prices, as with all commodities, can go through periods of heightened volatility. The best way to protect the Company against price volatility is to ensure that production is low cost, with this in mind, the DEP has been highly encouraging, and based on a contract mining method and confirms Homase's potential to become a low-cost, profitable operation.

On behalf of the Board, I would like to take this opportunity to thank our team as well as our shareholders for their ongoing support. I have met a considerable number of our shareholders at various events over the past 12 months, and I am always struck by how engaged and knowledgeable they are about our projects. Our shareholders can be assured that GoldStone's management team, along with our two strategic investors that are represented on the Board, are all fully focused on the objective of unlocking real and sustained value from our project portfolio and I look forward to providing further updates on our progress in the months ahead.



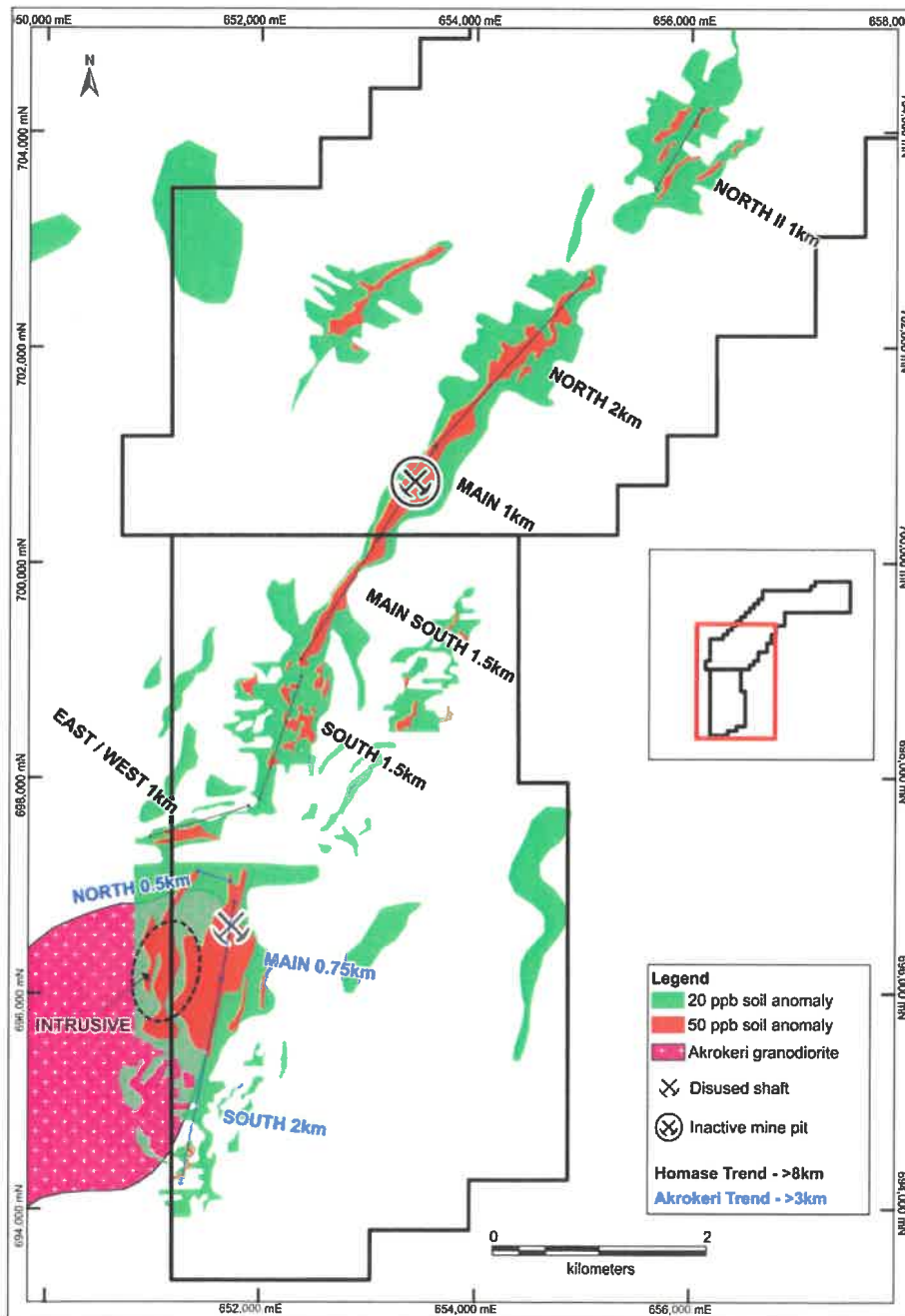
William (Bill) Trew  
*Non Executive Chairman*  
27 June 2019

# chief executive officer's report

## operational update

The 12 months to 31 December 2018 saw GoldStone Resources Limited (“GoldStone” or the “Company”) continue to focus on the advancement of its principal Akrokeri and Homase Project (“AKHM”) in Ghana, which houses two former mines, the Akrokeri underground mine (“Akrokeri Mine”) and the Homase open pit (“Homase Pit”). Various work streams are underway focused on the recommencement of production and delivery of the Company’s first revenues in the shortest possible timeframe, this has been substantiated by the completion of the Definitive Economic Plan (“DEP”) announced 27 June 2019.

Figure 1: Akrokeri Homase Project



## chief executive officer's report

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During the period, GoldStone announced the discovery of a >8 km gold-in-soil anomaly, which runs from the historic Akrokeri Mine to the north of the Homase Pit (the "Homase Trend"). The discovery followed a review of the results from the geochemical soil sampling programme completed in 2018, which enhanced our understanding of the wider resource potential of AKHM. The 2018 soil programme also defined a gold in soil anomaly for an area 2.4 km south of the Akrokeri Mine and delineated parallel, mineralised gold structures which may provide further mineral resource upside potential following evaluation work.

Alongside our own test work undertaken, to further build on our understanding of AKHM's potential, we have continued to review historical field work. On 20 June 2018, we announced that historical trenching indicated high-grade gold mineralisation, including 15.0 metres @ 6.31 g/t Au which includes 4.5 metres @ 18.23 g/t Au from a trench in the Homase north resource zone. In order to evaluate the potential of these oxide zones along the Homase Trend and to locate material to produce a sample for a bulk test-work programme, the Company commissioned a scoping study, the results of which have been highly encouraging.

As part of the scoping study along the Homase Trend, GoldStone undertook a pilot heap leach study to determine parameters for near-term development, including the period required for leaching and potential gold recoveries through heap leach treatment. Post period end, the Company announced that the pilot heap leach test work indicated recoveries in excess of 87.5% after just 60 days due to coarse gold content, exceeding initial expectations and endorsing plans for an initial gravity and combined heap leach facility to minimise capital expenditure.

Trenching at the proposed Homase North Pit, to the north of the Homase Pit, was also completed post period end. Assay results show that six out of eight trenches encountered above cut-off mineralisation, with over 97% of the 901 samples assayed from the trenches giving positive results, including: the widest intersection being 26 metres at 0.71g/t; the highest grade being 3 metres at 1.82g/t; and the highest individual assay being 3.87 g/t over a 1 metre cut.

Based on the excellent results of the work we have carried out, GoldStone engaged MAED (UK) Limited ("MAED"), post the period end, to undertake a Definitive Economic Plan ("DEP") which has now been completed, as announced 27 June 2019, and it has assessed the capital requirements, operating costs and timelines for the development of an operational mine on the Homase Trend. The DEP has also been submitted to the Minerals Commission of Ghana to begin the process for a mining lease application. In tandem with this, the Environment Impact Assessment ("EIA") is well advanced as we focus on being in a position to move, subject to funding and Ministerial approval, to the construction phase at Homase as soon as possible.

The DEP has reported the following key aspects for the project:

- The DEP proposes a shallow, free dig mining of the oxide/weathered ore zones only at three satellite open pits, see Figure 2, lying along the known Homase Trend either side of the previously mined Homase Pit the ("Proposed Mine")
- DEP is based on establishing a cyanide heap leach processing facility and recommends using a contract mining method
- Total initial capital costs (including pre-stripping and contingency) estimated to be US\$6.5 million

## chief executive officer's report

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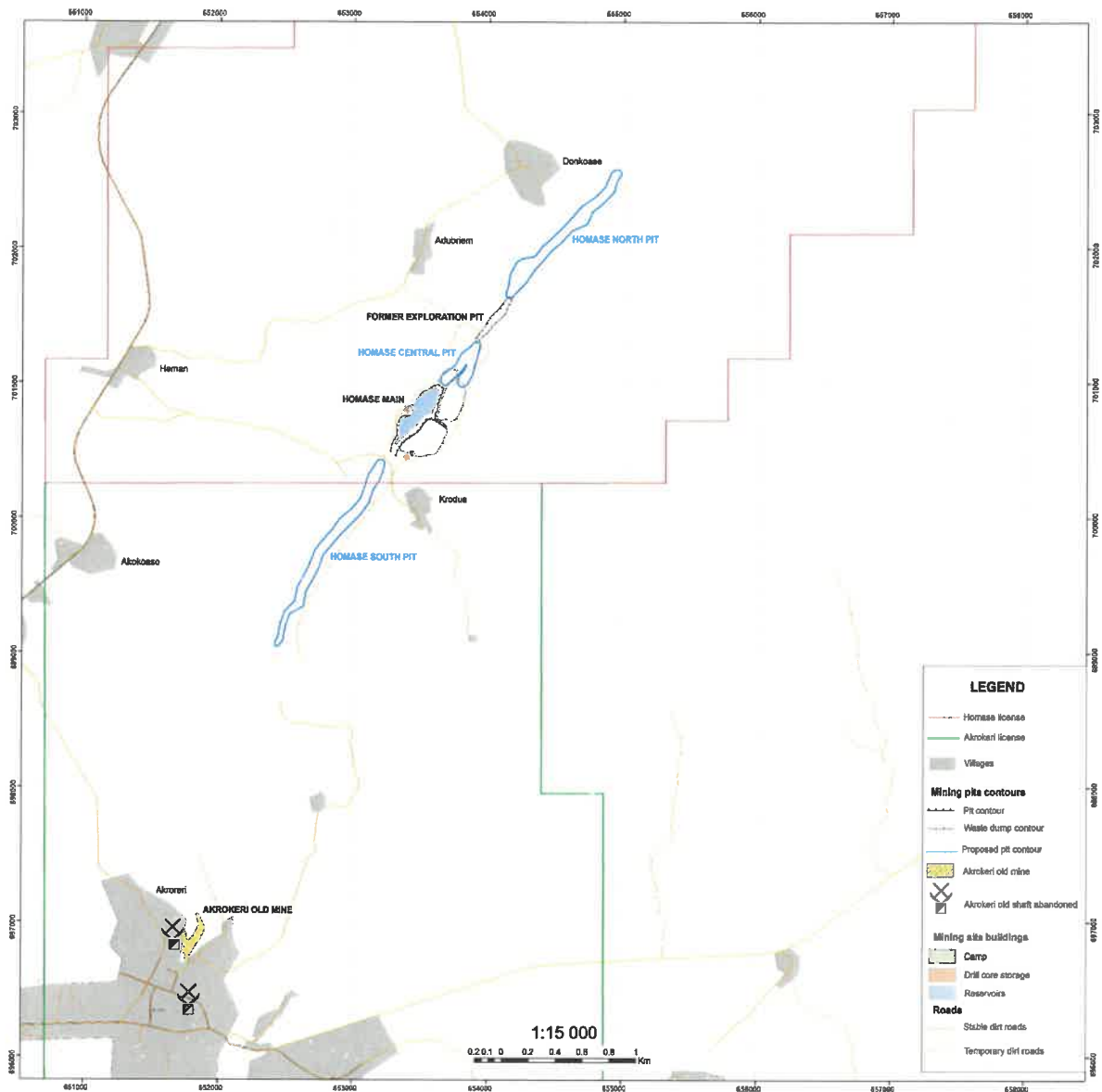
- DEP indicates
  - An after-tax Net Present Value of US\$19.5 million (at a 10% discount rate)
  - After-tax IRR of 143% at a gold price of US\$1,300 per ounce (oz)
  - After-tax payback of the initial capital cost within 1 year
- The DEP estimates that the mineable resource from the Proposed Mine is approximately 82,000 oz of contained gold in the oxide ore with a projected 82% recovery from 2.17 million tonnes of oxide ore at an average grade of 1.2 g/t gold (the "Mineable Resource")
  - Mineable Resource is part of the AKHM JORC Resource of 602,000 oz
  - Recovery based on column leach testing at University of Mines and Technology Tarkwa
  - The Company is proposing to use the tailings from the former Akrokeri Underground Mine ("Akrokeri Tailings") as the base/cushion layer for the heap leach pads, which the Company estimates to include approximately 91,000 tonnes at an average grade of 2.27 g/t gold, equating to approximately 6,500 oz of contained gold with a recovery of 73%. Recovery rate based on bottle roll test-work completed by ALS Laboratories Kumasi
- The DEP estimates that the total plant feed from the Proposed Mine and the Akrokeri Tailings will be approximately 2.26 million tonnes with an average grade of 1.2 g/t gold giving total ounces to the plant of approximately 88,500 oz
  - The DEP estimates that the heap leach facility will recover, in total, approximately 72,000 oz of gold, giving an overall Life of Mine ("LOM") recovery of approximately 81%
- Proposed LOM projected to be five years, with an average all-in cost, that includes capital plus cash costs, of US\$852/oz
  - LOM capital cost, including sustaining capital costs, estimated to be US\$8.4 million
- With the DEP having now been submitted, the Environmental Impact Assessment will be finalised and submitted along with the mining lease application
- On receipt of approval from the Ministry of Mines for the Proposed Mine and subject to funding, GoldStone will seek to quickly move to commence production to generate near term cash flows

With any new mining venture, there will be direct and indirect employment associated with the construction period of this project which includes service providers. When the mine is in production most of the mine personnel will be employed from within Ghana.

With the DEP finalised, the Company will complete the EIA, a pre-requisite to applying for a mining lease.



Figure 2. Location of the Proposed Mine



In tandem with our efforts to establish first production via the development of an operational mine on the Homase Trend, work continued at the historic Akrokeri Mine. GoldStone re-logged and reviewed 21 historic diamond core holes drilled under or adjacent to the Akrokeri Mine. The review confirmed highly encouraging mineral intercepts of up to 1.0 metre at 51.01 g/t Au. Two further diamond drilling holes, identified from the 2012 programme, indicated gold bearing quartz intersections in the footwall of the mine. Our findings from Akrokeri during the year have supported the historical evidence of Akrokeri's potential to host a high-grade mining operation.

Work on the ground at Akrokeri during the period focused on re-accessing the historic workings at the mine. This work included the sinking of a new shaft, the 'Norton Shaft', to enable the GoldStone team to complete a geological assessment of the mine. The Norton Shaft has now been completed to a depth of 33 metres and fully partitioned to 30 metres to accommodate a sump and pumping station that will aid pumping the water from the historic mine workings. Work has also commenced on re-opening the North Shaft, which was one of the main shafts for the historic workings of the Akrokeri Mine, to provide a second and direct access into the old mine workings. Complementing the

## chief executive officer's report

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development within the two shafts, GoldStone is advancing the development of a drift at approximately 30 metres below surface to the north east of Norton Shaft to intersect the mineralised zone, which is estimated to be approximately 20 metres from Norton Shaft. When the workings are safely accessed, GoldStone expects to gather valuable geological information and to carry out exploration drilling with the intention of bringing the Akrokeri mine back into production.

### licence update

As announced on 18 May 2018, the licences for both the Akrokeri Project, within prospecting licence PL6/87 and the Homase Project, within prospecting licence RL6/96 were renewed through to 20 April 2020.

The title to the Senegalese licences has been maintained and upon a satisfactory review of raw drill data acquired from Randgold plc earlier this year, the Company will apply for the extension of the exploration licence.

### corporate and financial

Losses for the 12 months to 31 December 2018 were US\$1,014k (2017: Loss of US\$806k). The financial statements at year end show the Group's balance sheet, with net assets standing at US\$7,591k against net assets of US\$8,376k at the end of the previous year. This is made up predominately of exploration costs for AKHM of US\$7,769k (2017: US\$6,800k). Cash and cash equivalents as at 31 December 2018 were US\$337k (2017: US\$1,626k) and cash and cash equivalents as at 26 June 2019 were US\$207k.

During the year, GoldStone secured a loan for US\$1,224k (the "Loan") with its major shareholder, Paracale Gold Ltd ("Paracale"). The Loan, of which US\$324k was drawn down at year end and a further US\$450k has been drawn down to date, with a further US\$150k expected to be received shortly, leaving a further US\$300k still available to be drawn down before the end of September 2019, which will provide the Company with general working capital. In consideration for the Loan 40,352,377 warrants were issued to Paracale, see note 14 for further information.

### former director's claim

As announced on 13 October 2016, there is a claim against the Company by a former director of the Company, Mr Scholemann. In December 2018, the Board was disappointed to announce that the South African Labour Court had ruled in favour of Mr Scholemann and awarded him damages of US\$140k plus interest and legal costs. Although provided for in the financial statements, the Company is considering its options in relation to the claim and taking further advice.

### working capital management and funding

The Board values the support and credentials of both Paracale and BCM Investments Limited ('BCM'), our major shareholders, and remains confident that both will be long-term strategic investors and stakeholders in the Company as it moves towards its goal of achieving production, subject to receipt of the requisite Ministerial approvals and securing the necessary funding for the Proposed Mine. As noted above the Company entered into a Loan with Paracale during the year.

## chief executive officer's report

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### risk management

The Board has identified the following as being principal strategic and operational risks (in no particular order):

#### a. going concern

As at 31 December 2018, the Company had cash of US\$337k and as at 26 June 2019 cash and cash equivalents of US\$207k. As at 31 December 2018, the Company had drawn down US\$324k of the Loan, from Paracale and a further US\$450k has been drawn down to date, with a further US\$150k expected to be received shortly, leaving US\$300k still available to be drawn before the end of September 2019. The directors consider the Company therefore has sufficient funds to meet its corporate overheads for the 12 months from the date of approval of these financial statements.

However, in order to continue to progress its projects and the development of AKHM to achieve production, the Group will need to raise further funding in the next 12 months and the Board is confident that it will be able to do so. In the meantime, the Board will continue to monitor its costs closely.

The Board has, therefore, adopted the going concern basis, and remains confident that it will raise the funding as and when required. Further details on their assumptions and their conclusion thereon are included in the statement of going concern included in note 2b to the financial statements.

#### b. Exploration, development and mining

Exploration, development and mining for natural resources is speculative and involves significant risk. Drilling and operating risks include geological, geotechnical, seismic factors, industrial and mechanical incident, technical failures, labour disputes and environmental hazards.

The directors are evaluating each stage of the development of the Company's projects site by site in order to mitigate as far as possible these risks inherent in exploration. Use of modern technology and electronic tools assist in reducing risk in this area. Good employee relations is also key in reducing the exposure to labour disputes. The Company is committed to following sound environmental guidelines and practice and is keenly aware of the issues surrounding each individual project.

#### c. country and political

GoldStone's projects are in Ghana and Senegal. Emerging market economies could be subject to greater risks including legal, regulatory, economic and political risks and are potentially subject to rapid change.

The Board routinely monitors political and regulatory developments in the countries of interest. Since the elections in Ghana, in December 2016, the Ghanaian Government has shown positive steps towards the mining sector, including the improved policing of illegal small-scale mining operations, and improvement of the licence approval system. The Government are currently reviewing the tax and royalty rates towards precious metals.

In addition, the Company actively engages in dialogue with relevant Government representatives in order to keep abreast of all key legal and regulatory developments applicable to areas of interest. GoldStone maintains internal processes to ensure that it is wholly compliant with all relevant regulations in order to maintain its licences within each country. These country risks are further addressed in notes 2(d)(i) and 3(k) to the financial statements.

## chief executive officer's report

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d. social, safety and environmental

GoldStone's success depends upon its social, safety and environmental performance as failures may lead to delays or suspensions of its activities.

GoldStone takes its responsibilities in these areas seriously and monitors its performance across these areas on a regular basis. As AKHM develops towards production, the Company is strengthening its relationships with the communities living within the concession areas and close to the projects. The immediate focus has been sanitation and drinking water for each of the schools within our concession areas, and the Company continues to build on the community relationships in order to build a co-operative with the smallholder farmers and out-grower schemes with the communities. These schemes benefit both the communities and the investors in which the Company will be operating.

e. advancing AKHM towards production

The results of the Company's during 2018 and in the year to date, when consolidated with the body of knowledge gained in prior years, validate the Board's decision to focus efforts into the development phase. In that respect, the coming year is expected to be a defining one for GoldStone. Notably, the Company expects to hit key milestones over the next year at AKHM including approval of the mining lease, now that the DEP has been submitted for authorisation to proceed with the mining lease application; finalisation of the EIA and subsequent submission and approval of the environmental permit by the Environmental Permit Authority; and finally, subject to funding, commencement of operations at the Proposed Mine .



Emma Priestley  
Chief Executive Officer  
27 June 2019

## directors' report

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The directors present their report and consolidated financial statements (the "financial statements") for GoldStone Resources Limited ("GoldStone" or the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2018.

### incorporation

The Company was incorporated in Jersey as a private company under the Companies (Jersey) Law 1991 on 17 April 1998. The Company was changed from a private company to a public company on 16 March 2004. The Company was successfully admitted to trading on the AIM market of the London Stock Exchange on 25 March 2004. As of 31 December 2018, the Company has an issued share capital of 249,707,991 ordinary shares of 1 pence each (December 2017: 249,707,991 ordinary shares).

### principal activity and review of business

The Company's principal activity is that of a holding company. The Group's principal activity is development and exploration of gold and associated elements. The directors are currently active in pursuing the Group's exploration projects and prospects in West and Central Africa, with the main focus being the Company's Akrokeri Homase Project ("AKHM") in Ghana. A review of the Group's performance and indications of likely future development is included in the CEO's report.

### going concern

The financial statements have been prepared assuming the Group and Company will continue as a going concern. In assessing whether the going concern assumption is appropriate, the directors have taken into account all available information for the foreseeable future; in particular for the 12 months from the date of approval of these financial statements. This assessment included consideration of future plans, expenditure commitments in place, cost reduction measures that can be implemented, licence requirements and the ability of the directors to raise further funds for development going forward. In particular, the Group will need to raise further funding in order to continue to advance its assets and to commence production at AKHM within the next 12 months. In the meantime, the Board will continue to monitor its costs closely.

As disclosed in note 2(b) to the financial statements, the directors have a reasonable expectation and are confident that the Group will be able to raise the requisite funding to achieve its development aims to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### results and dividends

The loss for the financial year is set out in the consolidated statement of comprehensive income on page 24. The directors do not recommend a dividend for the year ended 31 December 2018 (year ended 31 December 2017: US\$ nil).

### events after the reporting period

See note 22 and the chairman's and chief executive officer's reports on pages 3-11.

### directors

The directors of the Company, who served during the year and to the date of this report, are as set out on page 2.

## directors' report

The directors' shareholdings are as follows:

Director	Number of shares held directly as at 31 December 2018 and		Percentage shareholding
		27 June 2019	
Emma Priestley		2,711,546	1.1%
Richard Lloyd		1,130,776	0.5%
William (Bill) Trew*		4,000,000	1.6%
Angela List**		-	-
<b>Total</b>		<b>7,842,322</b>	<b>3.2%</b>

\* Mr Trew is a director and shareholder of Paracale Gold Limited, which currently holds 70,352,377 ordinary shares in GoldStone representing 28.17% of its currently issued share capital. Together with his interest held directly Bill Trew and Paracale Gold Limited will be interested in, in aggregate, 74,352,377 ordinary shares, representing 29.78% of the Company's currently issued share capital.

\*\* Mrs List, is a director of BCM Investment Limited which is interested in 50,000,000 ordinary shares representing approximately 20.02% of the Company's issued share capital.

No director held any share options at the year-end (2017: Nil).

### major shareholdings

As at 5 June 2019, the Company had been notified of the following interests in the Company's ordinary share capital:

Name	Number of shares	Percentage shareholding
Paracale Gold Limited	70,352,377	28.2%
BCM Investments Limited	50,000,000	20.0%
Pershing Nominees Limited	22,400,000	9.0%
Fiske Nominees Limited	18,196,076	7.3%
Interactive Investor Trading Limited	9,689,071	3.9%
SVS (Nominees) Limited	9,000,000	3.6%
Chase Nominees Limited	8,000,000	3.2%

### corporate governance

The Company is committed to high standards of corporate governance and seeks to continually evaluate its policies, procedures and structures to ensure that they are fit for purpose.

In order to protect the interests of its shareholders and other stakeholders, the Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code").

The Board is assisted by an Audit and Compliance Committee and a Remuneration Committee. The Audit and Compliance Committee comprises Richard Wilkins, as Chair, and Richard Lloyd. The Remuneration Committee comprises Richard Wilkins, as Chair, Bill Trew, Richard Lloyd and Emma Priestley.

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

## directors' report

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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 2017 annual accounts and the interim accounts to 30 June 2018. The Committee reviewed with the independent auditor its judgements as to the acceptability of the Company's accounting principles.

On 16 May 2019, the Company announced that it had appointed DSG Chartered Accountants as auditor.

Since the year end the Audit and Compliance Committee has met further with the auditor to consider the 2018 financial statements. In particular, the Committee discussed areas of judgement, 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 the Company's management.

The Remuneration Committee met independently of the executive director once in the year.

The directors' report in respect of corporate governance compliance and issues arising, is set out in the separate Corporate Governance Report on pages 15-17.

### financial instruments

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Group has in place a risk management programme that seeks to contain, where appropriate, exposures in these financial risks in order to limit any negative impact on the Group's financial performance and financial position.

The Board maintains responsibility of monitoring financial risk and setting the policies that are implemented by the Group's finance function. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk and credit risk, and circumstances where it would be appropriate to use financial instruments to manage these.


Details on the Group's exposure to foreign exchange risk, credit risk, liquidity risk and interest rate risk are shown in note 17 to the financial statements.

### provision of information to auditor

The directors who held office at the date of this report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware and the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### auditor

DSG Chartered Accountants has expressed their willingness to continue in office.

  
Approved by the Board of Directors  
and signed on behalf of the Board

Emma Priestley

Director

27 June 2019

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 four of the directors are shareholders in the Company, and therefore, their own medium to long-term interests are directly linked to the medium and long-term value of the Company, and as such the interests of the directors are directly aligned with this of the shareholders.

The QCA Code sets out 10 corporate governance principles that should be applied by companies wishing to follow the QCA Code. 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 focussed on operations in Ghana and, in particular the Ashanti Gold Belt, which is recognised as a pro-mining, geopolitically stable jurisdiction. The directors intend to develop the flagship Akrokeri Homase Project (“AKHM” or the “Project”) in stages, thereby enabling sound management of the development of the mine in a manner that is professional and efficient. In addition, the Company’s Senegal project will be reviewed in a timely manner that does not distract from the main focus on AKHM. The Company is assisted in its work by internationally recognised mineral consultants where appropriate.

### **principle 2 – understanding shareholder needs and expectations**

As noted above, four of the directors are also shareholders and therefore their interests are aligned with the Company’s wider shareholder base. The Company strives to maintain a close relationship with its shareholders. The Company regularly updates its website, participates in podcasts and investor presentations, attends mining conferences and releases news flow and operational updates. Shareholders are also encouraged to attend the Annual General Meeting.

### **principle 3 – consider wider stakeholder and social responsibilities**

The Board recognises that the long-term success of the Company is reliant upon efforts of the employees of the Group and its contractors, 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 appropriately. At the AKHM site, in Ghana, the Company engages with the local communities on a regular basis, via meetings with the local dignitaries and other officials, including project site visits and, at the State level, and ongoing communication is maintained with the relevant regulatory authorities.



## corporate governance report

### 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 achieving this by the Company's 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. Close day-to-day control is exercised by the executive director and these are shared with the Board. 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 one executive director and four non-executive directors, two of which are independent non-executive directors. The directors comprise a combination of corporate, financial and technical experience.

The Company also employs a Chief Operating Officer ("COO") (Darryl Norton) who is also the chief operating officer of the Company's principal subsidiary in Ghana. The COO is entitled to attend Board meetings. The Board meets quarterly by telephone conference call and in person once a year. 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.

Richard Wilkins and Richard Lloyd are considered to be independent, non-executive directors and Richard Wilkins chairs both the Audit and Compliance Committee and the Remuneration Committee. Bill Trew represents the Company's strategic and main shareholder, Paracale, and is therefore not considered to be an independent director. Angela List, a non-executive Director of the Company, represents the second strategic shareholder BCM Investments Limited (BCM), and is accordingly also deemed not to be independent. 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. During the year, seven conference call, Board meetings were held and the attendance of the directors was as follows:

number of Board meetings in 2018	number of Board meetings each director attended				
	Emma Priestley	Richard Lloyd	Bill Trew	Angie List	Richard Wilkins
7	7	7	5	2	7

### principle 6 – appropriate skills and experience of the directors

The Board consists of five directors, including Bill Trew, a qualified mechanical engineer with significant experience in the mining industry, and Emma Priestley a qualified mineral surveyor and mining engineer. Angela List and Richard Wilkins are qualified accountants. Richard Lloyd has a background in investment banking. 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 the successful development of the Company within that sector. Brief bios of each of the directors and officers are set out on the Company's website.

## corporate governance report

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### principle 7 – evaluation of board performance

In accordance with the AIM Rules for Companies, GoldStone departs from the QCA Code in relation to this principle.

As GoldStone’s Board is small and extremely focussed on implementing the Company’s strategy, the Board will closely monitor the need for formal performance evaluation, in light of Principle 7 of the QCA Code, as the Company develops.

### 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 within the Ashanti region and seeks to be regarded as a good corporate citizen within its spheres of operation.

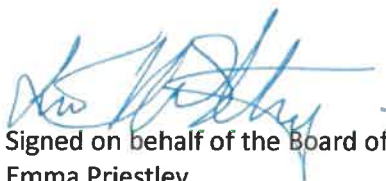
### principle 9 – maintenance of governance structures and processes

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 directors, 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.

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.



Signed on behalf of the Board of Directors

Emma Priestley

Director

27 June 2019

## statement of directors' responsibilities

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The directors are responsible for preparing the consolidated financial statements (the "financial statements") for GoldStone Resources Limited ("GoldStone" or the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2018 in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied, they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of financial information differs from legislation in other jurisdictions. The Company is compliant with AIM Rule 26 regarding the Group's website.

Signed on behalf of the Board of Directors



Emma Priestley

Director

27 June 2019

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF GOLDSTONE RESOURCES LIMITED

### Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

### Basis for opinion

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

### Conclusions relating to going concern

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

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

## independent auditor's report

### Our application of materiality

Group materiality 2018	Group materiality 2017	Basis for materiality
US\$160,000	US\$170,000	2% of gross assets

Our calculation of materiality decreased from the prior year, due to the decrease in gross assets. We consider the intangible assets balance to be the most significant determinant of the Group's financial position and performance used by shareholders.

Materiality was set at US\$160,000 for the consolidated balances, and the group entities were not treated separately in terms of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We agreed with the Audit and Compliance Committee that we would report to the Committee all individual audit differences identified during our audit in excess of US\$8,000.

There were no misstatements identified during our audit that were individually, or in aggregate, considered to be material.

### An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including amongst other matters, consideration of whether there was evidence of any risk of material misstatement due to fraud. The Parent Company and GoldStone Akrokeri (Ghana) Limited represent the principal business units in the Group upon which we performed audit procedures.

### 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) 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.

**Carrying value of exploration assets:**

The carrying value of intangible assets as at 31 December 2018 was US\$7.8million, which comprises of exploration and development expenditure on the Akrokeri Homase Project (Homase and Akrokeri gold assets). There is the risk that the carrying value of these assets are impaired and that exploration and development costs capitalised during the year are not in accordance with IFRS 6.

**How the scope of our audit responded to the key audit matter**

We performed an impairment review of the carrying value of the intangible asset held. Our work included:

- Reviewing and considering the impairment indicators in IFRS 6 in relation to the assets held;
- Obtaining support for ownership;
- Reviewing with management the basis for impairment or non-impairment and challenging any assumptions made; and
- Assessing impairment indicators through inquiries of management and obtaining supporting evidence for managements plans to develop the assets in future periods.

We undertook substantive testing on capitalised expenditure during the year to ensure it met the capitalisation criteria of IFRS 6

**Key observations**

Based on the work performed, we concluded that the intangible asset is appropriately stated.

**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 Group 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 or 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.

**Responsibilities of directors**

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

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

## independent auditor's report

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### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



**Jean Ellis, B.A., F.C.A, C.T.A. (Senior Statutory Auditor)**  
**For and on behalf of DSG Chartered Accountants**  
**Statutory auditor**  
**27 June 2019**

Castle Chambers  
43 Castle Chambers  
Liverpool L2 9TL

**consolidated** statement of financial position

as at 31 December 2018

<i>in united states dollars</i>	note	31 December 2018	31 December 2017
<b>assets</b>			
<b>non-current assets</b>			
property, plant and equipment	7	35,454	5,722
intangible assets – exploration	8	7,769,721	6,800,827
<b>total non-current assets</b>		<b>7,805,175</b>	<b>6,806,549</b>
<b>current assets</b>			
trade and other receivables	10, 14	229,688	3,220
cash and cash equivalents	11	337,468	1,626,057
<b>total current assets</b>		<b>567,156</b>	<b>1,629,277</b>
<b>total assets</b>		<b>8,372,331</b>	<b>8,435,826</b>
<b>equity</b>			
share capital – ordinary shares	12	3,480,430	3,480,430
share capital – deferred shares	12	6,077,013	6,077,013
share premium	12	27,219,262	27,219,262
capital contribution reserve	12	555,110	555,110
share options reserve	12, 14	229,688	90,650
accumulated deficit	12	(29,970,036)	(29,046,364)
<b>total equity</b>		<b>7,591,467</b>	<b>8,376,101</b>
<b>liabilities</b>			
<b>non-current liabilities</b>			
borrowings	15	324,000	-
<b>non-current liabilities</b>		<b>324,000</b>	<b>-</b>
<b>current liabilities</b>			
trade and other payables	16	456,864	59,725
<b>current liabilities</b>		<b>456,864</b>	<b>59,725</b>
<b>total liabilities</b>		<b>780,864</b>	<b>59,725</b>
<b>total equity and liabilities</b>		<b>8,372,331</b>	<b>8,435,826</b>

The accounting policies and notes on page 27 to 44 form part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 27 June 2019.  
Signed on behalf of the Board.

**Emma Priestley**  
Chief Executive Officer



**consolidated** statement of comprehensive income

for the year ended 31 December 2018

<i>in united states dollars</i>	note	year ended 31 December 2018	year ended 31 December 2017
continuing operations			
administrative expenses		(1,014,322)	(805,854)
<b>operating loss</b>	<b>5</b>	<b>(1,014,322)</b>	<b>(805,854)</b>
finance income		-	410
<b>net finance income</b>		<b>-</b>	<b>410</b>
<b>loss before and after tax from continuing operations</b>		<b>(1,014,322)</b>	<b>(805,444)</b>
<b>total comprehensive loss for the year</b>		<b>(1,014,322)</b>	<b>(805,444)</b>
loss per share from operations			
basic and diluted earnings per share attributable to the equity holders of the company during the year (expressed in cents per share)	<b>13</b>	(0.004)	(0.005)

The accounting policies and notes on page 27 to 44 form part of these consolidated financial statements.

**consolidated statement of changes in equity**

for the year ended 31 December 2018

<i>in united states dollars</i>	note	share capital ordinary shares	share capital deferred shares	share premium	capital contribution reserve	share options reserve	accumulated deficit	total equity
<b>balance as at 31 December 2016</b>		<b>1,526,658</b>	<b>6,077,013</b>	<b>26,495,336</b>	<b>555,110</b>	<b>49,447</b>	<b>(28,250,029)</b>	<b>6,453,535</b>
total comprehensive loss for the year		-	-	-	-	-	(805,444)	(805,444)
issue of ordinary shares	12	1,953,772	-	723,926	-	-	-	2,677,698
options/warrants expired or lapsed in the year	14	-	-	-	-	(9,109)	9,109	-
share warrants expense in the year	14	-	-	-	-	50,312	-	50,312
<b>balance as at 31 December 2017</b>		<b>3,480,430</b>	<b>6,077,013</b>	<b>27,219,262</b>	<b>555,110</b>	<b>90,650</b>	<b>(29,046,364)</b>	<b>8,376,101</b>
total comprehensive loss for the year		-	-	-	-	-	(1,014,322)	(1,014,322)
options/warrants expired or lapsed in the year	14	-	-	-	-	(90,650)	90,650	-
share warrants granted in the year	14	-	-	-	-	229,688	-	229,688
<b>balance as at 31 December 2018</b>		<b>3,480,430</b>	<b>6,077,013</b>	<b>27,219,262</b>	<b>555,110</b>	<b>229,688</b>	<b>(29,970,036)</b>	<b>7,591,467</b>

The accounting policies and notes on page 27 to 44 form part of these consolidated financial statements.

**consolidated statement of cash flows**

for the year ended 31 December 2018

<i>in united states dollars</i>	note	year ended 31 December 2018	year ended 31 December 2017
cash flow from operating activities			
loss for the year		(1,014,322)	(805,444)
adjusted for:			
- depreciation	7	11,151	1,087
- finance income		-	(410)
- share based payments	14	-	50,312
changes in working capital:			
- decrease/(increase) in trade and other receivables		3,220	(2,982)
- increase in trade and other payables		397,138	26,513
<b>net cash used in operating activities</b>		<b>(602,813)</b>	<b>(730,924)</b>
cash flow from investing activities			
finance income		-	410
capitalisation of exploration costs	8	(968,894)	(456,700)
acquisition of property, plant and equipment	7	(40,882)	-
<b>net cash used in investing activities</b>		<b>(1,009,776)</b>	<b>(456,290)</b>
cash flow from financing activities			
proceeds from loan	15	324,000	-
proceeds from issue of ordinary share capital	12	-	2,677,699
<b>net cash generated from financing activities</b>		<b>324,000</b>	<b>2,677,699</b>
<b>net (decrease)/increase in cash and cash equivalents</b>		<b>(1,288,589)</b>	<b>1,490,485</b>
cash and cash equivalents at beginning of the year	11	1,626,057	135,572
<b>cash and cash equivalents at end of the year</b>	<b>11</b>	<b>337,468</b>	<b>1,626,057</b>

The accounting policies and notes on page 27 to 44 form part of these consolidated financial statements.

## notes to the consolidated financial statements

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### 1. reporting entity

The consolidated financial statements for the year ended 31 December 2018 (the “financial statements”) comprise GoldStone Resources Limited (the “Company”) and its subsidiaries Goldstone Akrokeri (Ghana) Limited and Goldstone Resources Limited Gabon S.A.R.L. (together referred to as the “Group”).

The Company is quoted on the AIM market of the London Stock Exchange and is incorporated and domiciled in Jersey (Channel Islands). The address of its registered office is 15 Esplanade, St Helier, Jersey, JE1 1RB. The Company’s principal activity is that of a holding company. The Group’s principal activity is exploration and mining of gold and associated elements.

### 2. basis of preparation

#### (a) statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union applicable to companies reporting under IFRS. These are those standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Union at year end. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 2(d).

#### (b) going concern

The financial statements have been prepared assuming the Group and Company will continue as a going concern. In assessing whether the going concern assumption is appropriate, the directors have taken into account all available information for the foreseeable future; in particular for the 12 months from the date of approval of these financial statements. This assessment included consideration of future plans, expenditure commitments in place, cost reduction measures that can be implemented, licence requirements and the ability of the directors to raise further funds going forward.

The Group had available cash of US\$337k as at 31 December 2018 and US\$207k as at 26 June 2019. The Company entered into a loan agreement on 27 December 2018 with Paracale Gold Limited (“Paracale”) in respect of a US\$1,224k facility. US\$324k of the Loan was drawn down as at 31 December 2018, with a further US\$450k having been drawn down in period to 27 June 2019, with another US\$150k expected to be received shortly. The remaining US\$300k will be drawn down by the end of September 2019 and will be used to provide working capital for the Group.

Based on the Board’s budgets and cash flow forecasts, the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. This assessment includes consideration of committed core expenditure and availability of funding resources.

The Group will however need to raise further funding in the next 12 months in order to continue to advance its projects and to commence production at its Akrokeri-Homase Gold Project (“AKHM”). The Board is confident that such funding will be available to facilitate this. However, if such funding proves difficult to secure, the Board may need to consider alternative plans and in the meantime the Group continues to monitor costs within the existing facilities. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 31 December 2018.

## notes to the consolidated financial statements

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### 2. basis of preparation (continued)

#### (b) going concern (continued)

Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

#### (c) functional and presentational currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (its functional currency). These consolidated financial statements are presented in United States Dollars, which is the functional and presentational currency of the Group.

Monetary assets and liabilities denominated in other currencies at the statement of financial position date are translated at the exchange rate ruling at that date. These translation differences are dealt with in the statement of comprehensive income. Transactions denominated in other currencies are translated into United States Dollars at the rates prevailing at the date of the transaction.

The results and financial position of the Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at the monthly average exchange rate; and
- all resulting exchange differences are recognised in the statement of comprehensive income.

#### (d) use of estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in a period of the revision and future periods if the revision affects both current and future periods.

The following are the key estimates and judgements that have a significant risk of resulting in a material adjustment within the next year:

#### (i) valuation of exploration, evaluation and development expenditure

The value of the Group's exploration, evaluation and development expenditure will be dependent upon the success of the Group in discovering economic and recoverable mineral resources, especially in the countries of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

The future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates and potential new legislation and related environmental requirements.

## notes to the consolidated financial statements

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### 2. basis of preparation (continued)

#### (d) use of estimates and judgements (continued)

##### (i) valuation of exploration, evaluation and development expenditure (continued)

The Group has 90% beneficial ownership in the Homase Licence, which is legally held by a Ghanaian company, Chery Hill Mining Company Limited, a company outside of the Group. Once the project enters the development stage, a new legal structure will be put in place in Ghana between the existing parties, such that the Group will either acquire 90% of the legal ownership of the licence and will be paid an amount equal to 10% of the exploration and development spend on the project, at that date, or acquire 100% of the legal ownership of the licence and commit to entering into a royalty agreement going forward with the other party. On this basis the directors believe it is prudent to recognise the full value of the intangible asset, relating to this licence.

The Group's ability to continue its exploration programs and develop its projects is dependent on future fundraisings, the outcome of which is uncertain. The ability of the Group to continue operating within Ghana is dependent on a stable political environment which is uncertain based on the history of the country. This may also impact the Group's legal title to assets held which would affect the valuation of such assets.

There have been no changes made to any past assumptions.

##### (ii) valuation of share warrants

The fair value of share warrants is calculated using the Black-Scholes model. The model requires a number of inputs to calculate the fair value of the warrants. Volatility has been based on the Group's trading performance to 31 December 2018 and the risk-free rate has been determined using a 3-year UK government bond. The directors have reviewed the underlying inputs and are happy that these appear reasonable. Please refer to note 14, for all the inputs used in the model.

### 3. significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

#### (a) basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and the audited financial statements of its subsidiary undertakings made up to 31 December 2018.

Subsidiaries are 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## notes to the consolidated financial statements

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### 3. significant accounting policies (continued)

#### (b) financial instruments

##### (i) non-derivative financial assets

The Group recognises loans and receivables at fair value on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Group classifies non-derivative financial assets into the following categories: loans and receivables and cash and cash equivalents.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise bank balances only.

##### (ii) non-derivative financial liabilities

The Group recognises financial liabilities initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into trade and other payables.

##### (iii) share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares are recognised as a deduction from equity, net of tax effects.

##### (iv) deferred shares

Deferred shares are classified as equity, and held in the capital contributions reserve account.

#### (c) share based payments

The fair value of warrants and the employee share option scheme is calculated at the grant date using the Black-Scholes model. The resulting cost is charged to the statement of comprehensive Income over the vesting period or in line with the services provided in consideration for the issue.

##### (d) property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets over their estimated lives, using the straight-line method, unless otherwise indicated, on the following bases:

## notes to the consolidated financial statements

### 3. significant accounting policies (continued)

#### (d) property, plant and equipment (continued)

Gold samples	no depreciation charged
Computer equipment	over three years
Office equipment	over four years
Field/geological equipment	over four years
Motor vehicles	over four years

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset is recognised in income.

#### (e) intangible assets – exploration and evaluation

The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the beneficial or legal rights to ownership of these assets are obtained. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets, relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas. Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

#### (f) impairment of financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of comprehensive income.

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.



## notes to the consolidated financial statements

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### 3. significant accounting policies (continued)

#### (g) capital management

The primary objective of the Group's capital management is to optimally execute its exploration objectives and, if feasible, to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, exploration results and the need for further exploration capital. To maintain or adjust the capital structure, the Group may issue new shares. The Group considers its capital structure to consist of issued equity.

The Group is not subject to externally imposed capital requirements.

#### (h) taxation

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the related tax is also dealt with in equity. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, except for differences arising on investments in subsidiaries where the Group 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 the deferred tax assets is restricted to those instances where it is probable that a taxable profit will be available against which the difference can be utilised.

Deferred tax is calculated based on rates enacted or substantively enacted at the reporting date and expected to apply when the related deferred tax asset is realised or liability settled.

#### (i) operating leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

#### (j) finance income

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

#### (k) risk management

The main financial risks facing the Group are the availability of adequate funding, movements in interest rates and fluctuations in foreign exchange rates. Constant monitoring of these risks ensures that the Group is protected against any potential adverse effects of such risks so far as it is possible and foreseeable. The Group only deals with high-quality banks. It does not hold derivatives, trade in financial instruments or engage in hedging instruments.

The Group's continued future operations depends on the ability to raise sufficient working capital. Management monitors its cash and future funding requirements through the use of on-going cash flow forecasts. All cash, with the exception of that required for immediate working capital requirements, is held on short term deposit.

**3. significant accounting policies (continued)****(k) risk management (continued)**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand, the Ghana Cedis, Sterling and the West African CFA Franc. Foreign exchange risk arises from future commercial transactions and net investments in foreign operations. The Group does not hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise. The Group's liquidity risk is monitored through cash flow forecasts.

**4. changes in accounting policies and disclosures**

The standards which applied for the first time this year have been adopted and have not had a material impact.

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 December 2018 and have not been adopted early. The Group is currently assessing the impact of these standards and based on the Group's current operations do not expect them to have a material impact on the financial statements. The following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

**New Standards**

IFRS 16 Leases

IFRS 1 Insurance Contracts

IAS 1 (amendments) – Disclosure initiative

IAS 16 and IAS 36 (amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 27 (amendments) – Equity Method in Separate Financial Statements

Amendments to IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations

IFRS 7 Financial instruments: Disclosures

IAS 19 Employee benefits

IAS 34 Interim Financial Reporting

GoldStone has progressed further its projects dealing with the implementation of these key new accounting standards and is able to provide the following information regarding their likely impact:

**IFRS 16 'Leases'**

The standard is effective for periods commencing on or after 1 January 2019 and has been endorsed by the EU. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments. The directors continue to consider the potential effects on the Group's financial statements and do not currently expect that there will be a material impact.

## notes to the consolidated financial statements

### 5. operating segments

The Group has two reportable segments, exploration and corporate, which are the Group's strategic divisions. For each of the strategic divisions, the Group's CEO, deemed to be the Chief Operating Decision Maker ("CODM"), reviews internal management reports on at least a monthly basis. The results are then subsequently shared with the Board. The Group's reportable segments are:

**Exploration and Development:** the exploration operating segment is presented as an aggregation of the Homase and Akrokeri licences (Ghana) and the Sangola licence (Senegal). Expenditure on exploration activities for each licence is used to measure agreed upon expenditure targets for each licence to ensure the licence clauses are met.

**Corporate:** the corporate segment includes the holding company costs in respect of managing the Group. There are varying levels of integration between the corporate segment and the combined exploration activities, which include resources spent and accounted for as corporate expenses that relate to furthering the exploration activities of individual licences.

#### *information about reportable segments for the year ended 31 December 2018*

<i>in united states dollars</i>	<b>exploration</b>	<b>corporate</b>	<b>total per consolidated income statement/financial position</b>
<b>reportable segment expenditure</b>	-	<b>(1,014,322)</b>	<b>(1,014,322)</b>
<b>reportable segment (loss)</b>	-	<b>(1,014,322)</b>	<b>(1,014,322)</b>
<b>reportable segment assets</b>	<b>7,827,398</b>	<b>544,933</b>	<b>8,372,331</b>
<b>reportable segment liabilities</b>	<b>(30,247)</b>	<b>(750,617)</b>	<b>(780,864)</b>

Included within exploration assets is property, plant and equipment of US\$35,454 and intangible assets of US\$7,769,721, which are held in Ghana.

#### *information about reportable segments for the year ended 31 December 2017*

<i>in united states dollars</i>	<b>exploration</b>	<b>corporate</b>	<b>total per consolidated income statement/financial position</b>
<b>reportable segment expenditure</b>	-	<b>(805,444)</b>	<b>(805,444)</b>
<b>reportable segment (loss)</b>	-	<b>(805,444)</b>	<b>(805,444)</b>
<b>reportable segment assets</b>	<b>6,847,148</b>	<b>1,588,679</b>	<b>8,435,827</b>
<b>reportable segment liabilities</b>	-	<b>(59,725)</b>	<b>(59,725)</b>

## notes to the consolidated financial statements

### 6. expenses by nature

The operating loss is stated after charging:

<i>in united states dollars</i>	year ended 31 December 2018	year ended 31 December 2017
auditor's remuneration in respect of audit of the financial statements		
- previous auditor	24,195	25,418
- current auditor	25,000	-
depreciation	11,151	1,087
foreign exchange difference	41,505	14,553

### 7. property, plant and equipment

<i>in united states dollars</i>	31 December 2018			31 December 2017		
	cost	accumulated depreciation	carrying value	cost	accumulated depreciation	carrying value
gold samples	4,570	-	4,570	4,570	-	4,570
computer equipment	67,696	(61,200)	6,496	58,137	(57,643)	494
office equipment	109,202	(107,470)	1,732	106,894	(106,236)	658
field/geological equipment	66,667	(58,185)	8,482	56,228	(56,228)	-
motor vehicles	38,576	(24,402)	14,174	20,000	(20,000)	-
<b>total</b>	<b>286,711</b>	<b>(251,257)</b>	<b>35,454</b>	<b>245,829</b>	<b>(240,107)</b>	<b>5,722</b>

#### reconciliation of property, plant and equipment – 31 December 2018

<i>in united states dollars</i>	carrying value opening balance	additions	depreciation	carrying value ending balance
gold samples	4,570	-	-	4,570
computer equipment	494	9,559	(3,557)	6,496
office equipment	658	2,308	(1,234)	1,732
field/geological equipment	-	10,439	(1,957)	8,482
motor vehicles	-	18,576	(4,402)	14,174
<b>total</b>	<b>5,722</b>	<b>40,882</b>	<b>(11,151)</b>	<b>35,454</b>

#### reconciliation of property, plant and equipment – 31 December 2017

<i>in united states dollars</i>	carrying value opening balance	additions	depreciation	carrying value ending balance
gold samples	4,570	-	-	4,570
computer equipment	864	-	(370)	494
office equipment	1,375	-	(717)	658
<b>total</b>	<b>6,809</b>	<b>-</b>	<b>(1,087)</b>	<b>5,722</b>

## notes to the consolidated financial statements

### 8. intangible assets - exploration

The Group's intangible assets comprise wholly of exploration assets in respect of the Homase-Akrokeri project in Ghana.

<i>in united states dollars</i>	<b>31 December</b>
<b>balance as at 31 December 2016</b>	<b>6,344,127</b>
additions	456,700
<b>balance as at 31 December 2017</b>	<b>6,800,827</b>
additions	968,894
<b>balance as at 31 December 2018</b>	<b>7,769,721</b>

Impairment of the above is considered in relation to the impairment indicators listed within IFRS 6. The key estimate in relation to the project is in respect of the mineral resources potential. Details of the project can be found on the Group's website.

### 9. taxation

#### (a) current and deferred tax

The Company is subject to Jersey income tax at the rate of 0%. The Group is also registered for income tax purposes with the South African Revenue Service. Due to the loss making position of the Group in all jurisdictions there is no tax charge and no deferred tax asset has been recognised in the current or prior periods due to uncertainty of future profits. As a result, no reconciliation has been prepared.

### 10. trade and other receivables

<i>in united states dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
other receivables	229,688	3,220
<b>total</b>	<b>229,688</b>	<b>3,220</b>

Other receivables, as at 31 December 2018, relates to the fair value of share warrants issued on the 27 December 2018, in consideration for the loan entered into with Paracale. This amount will be released over the period of the loan.

Please refer to notes 14 and 15, for further details.

## notes to the consolidated financial statements

### 11. cash and cash equivalents

The cash and cash equivalents balance at the year-end was made up of balances in the following currencies:

<i>in united states dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
sterling	58,385	1,584,861
US dollars	270,260	24,594
south african rand	-	(11)
ghana cedis	8,823	16,613
<b>total</b>	<b>337,468</b>	<b>1,626,057</b>

### 12. capital and reserves

#### (a) share capital

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>ordinary shares</b>		
<b>called up, allotted and fully paid</b>		
249,707,991 ordinary shares of 1 pence each (2017: 249,707,991)	£2,497,080	£2,497,080
converted to united states dollars at date of issue	\$3,480,430	\$3,480,430
<b>deferred shares</b>		
<b>called up, allotted and fully paid</b>		
in issue at 1 January	£3,730,772	£3,730,772
in issue at 31 December – fully paid 414,530,304 (December 2017: 414,530,304) deferred 0.9 pence shares	£3,730,772	£3,730,772
converted to united states dollars at date of issue	\$6,077,013	\$6,077,013
<b>Authorised</b>		
1,000,000,000 (December 2017: 1,000,000,000) authorised ordinary 1 pence shares	£10,000,000	£10,000,000

No ordinary shares were issued in the year to 31 December 2018.

#### (b) ordinary shares

Each holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

#### (c) deferred shares

Each holder of deferred shares shall not be entitled to receive notice of, attend or vote at any meeting of the Company (other than a meeting of the holder of the deferred shares), shall not be entitled to any dividends or other distributions (whether on a winding up of the Company or otherwise). On a winding up of the Company, each deferred share shall confer upon its holder the right to receive an amount equal to the nominal amount paid up on such deferred share.

## notes to the consolidated financial statements

### 12. capital and reserves (continued)

#### (d) issue and consolidation of ordinary shares

During 2017, the Company issued a total of 147,421,628 new ordinary shares, all of which rank *pari passu* with the existing ordinary shares. The ordinary shares were issued at a price from 1.44p to 2.08p per share. The total value received for the share issuances in 2017 was US\$2,677,698.

The Company did not issue any ordinary shares in the year to 31 December 2018.

The Company has not concluded any share repurchases since its incorporation.

#### (e) dividends

No dividends were proposed or declared during the period under review (2017: Nil).

#### (f) description and purpose of reserves

##### (i) share capital

Share capital consists of amounts subscribed for share capital at nominal value.

##### (ii) share premium

Share premium consists of amounts subscribed for share capital in excess of nominal value.

##### (iii) capital contribution reserve

Capital contribution reserve consists of deferred shares classified as equity.

##### (iv) share options reserve

Share options and warrants reserve consists of the fair value of options and warrants outstanding at the year end.

##### (v) accumulated deficit

Accumulated deficit reserve represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

### 13. earnings per share

The calculation of basic and diluted earnings per share at 31 December 2018 was based on the losses attributable to ordinary shareholders of US\$1,014,322 (2017: US\$805,444), and an average number of ordinary shares in issue of 249,707,991 (2017: 154,385,042).

<i>in united states dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
loss attributable to shareholders	(1,014,322)	(805,444)
weighted average number of ordinary shares	249,707,991	154,385,042
<b>basic earnings per share</b>	<b>(0.004)</b>	<b>(0.005)</b>

No diluted earnings per share is calculated.

The Group has the following instruments which could potentially dilute basic earnings per share in the future:

<i>in number of shares</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
warrants	40,352,377	80,352,377

## notes to the consolidated financial statements

### 14. share based payment arrangements

At 31 December 2018, the Group has the following share-based payment arrangements.

#### (a) share option programmes (equity-settled)

The Group has adopted an Option Scheme in order to incentivise key management and staff. Pursuant to the option scheme, a duly authorised committee of the board of the Company may, at its discretion, grant options to eligible employees, including directors, of the Company or any of its subsidiaries, to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant of the particular option or (ii) the nominal value of the shares.

There were no market conditions within the terms of the grant of the options therefore the main vesting condition for all the options awarded was that the director or employee remained contracted to the Group at the date of exercise.

The conditions related to the grants of the share option programmes are as follows:

The terms relating to the grants of the share option programmes are that on exercise date, the receiver of the options must still be employed by the Company, or in the case of the receiver being retrenched or retired, before three months thereafter, or in the case of the death of the receiver, before six months thereafter.

There were no such options granted during the year ended 31 December 2018.

#### (b) reconciliation of outstanding share options

##### *the number and weighted average exercise prices*

	number of options 31 December 2018	weighted average exercise price 31 December 2018	number of options 31 December 2017	weighted average exercise price 31 December 2017
outstanding as at 1 January	-	-	100,000	90.00p
expired during the year	-	-	(100,000)	-
<b>outstanding at 31 December</b>	-	-	-	-

#### (c) warrants

On 27 December 2018, the Company granted 40,352,377 warrants with an exercise price of 1.2p exercisable from 28 December 2018 up to 2 June 2022; see note 15 for further details. Of the existing 80,352,477 warrants, 40,000,000 expired during the year and 40,352,377 were cancelled. No warrants have been exercised during the period under review.

All ordinary shares issued (excluding deferred shares) pursuant to the exercise of warrants rank *pari passu* in all respects with the ordinary shares.

The fair value of the warrants was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected return.



## notes to the consolidated financial statements

### 14. share based payment arrangements (continued)

reconciliation of outstanding warrants

*the number and weighted average exercise prices*

	number of warrants 31 December 2018	weighted average exercise price 31 December 2018	number of warrants 31 December 2017	weighted average exercise price 31 December 2017
outstanding as at 1 January	80,352,377	3.5p	40,000,000	5.0p
expired or cancelled during the year	(80,352,377)	3.5p	-	-
granted during the year	40,352,377	1.2p	40,352,377	2.0p
<b>outstanding at 31 December</b>	<b>40,352,377</b>	<b>1.2p</b>	<b>80,352,377</b>	<b>3.5p</b>
<b>exercisable at 31 December</b>	<b>40,352,377</b>	<b>1.2p</b>	<b>80,352,377</b>	<b>3.5p</b>

The warrants outstanding at 31 December 2018 have an exercise price of 1.2p (2017: 2.0 p to 5.0p) and a weighted average life of 3.4 years (2017: 1.05 years).

#### (d) measurement of fair value

The inputs used in measuring the fair values of the warrants at grant date were as follows:

	warrants 27 December 2018	warrants 11 August 2017
share price at grant	1.20p	1.53p
warrant exercise price	1.20p	2.00p
expected life of warrants from exercise date	3.4 years	2 years
expected volatility	51.6%	26.2%
expected dividend yield	0.00%	0.00%
risk free rate	0.74%	0.71%
fair value per warrant	0.67p	0.09p
US\$:GBP exchange rate used	1.2469	1.3528

The risk free rate has been determined based on 3 year UK government bonds.

Total fair value as considered in the share options and warrants reserve was US\$229,688 (2017: US\$90,650).

#### (e) expense recognised in statement of comprehensive income

The expense recognised in respect of share-based payment transactions during the year was US\$nil (2017: US\$50,312). The fair value of the warrants issued on 27 December 2018 has been reflected within trade and other receivables and will be released to the statement of comprehensive income over the period of the loan facility; see note 10 and 15 for further details.

## notes to the consolidated financial statements

### 15. borrowings

<i>in united states dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
shareholder loan	324,000	-
<b>total</b>	<b>324,000</b>	<b>-</b>

The Company entered into a loan agreement with Paracale, the Company's major shareholder, in December 2018, for a loan of up to US\$1,224k.

The loan will accrue interest at 6.0% per annum, compounded daily against the loan's outstanding balance, until it is repaid. The first tranche of the loan, for US\$324k, was drawn down immediately with a further US\$450k drawn in the period to 27 June 2019 and a further US\$150k expected to be received shortly, with the remaining US\$300k still available to be drawn by the end of September 2019, with the proceeds of the loan providing the Group with general working capital. The loan will be repaid in full on or before 2 June 2022.

In consideration of the loan agreement, Paracale, were issued with 40,352,377 new warrants to subscribe for such number of ordinary shares at an exercise price of 1.2 pence per share, at any time during the period through to 2 June 2022. The existing 40,352,377 warrants issued to Paracale in 2017, were cancelled during the year. See note 14 for further details.

### 16. trade and other payables

<i>in united states dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
trade payables	102,928	59,725
other payables	217,487	-
accruals	136,449	-
<b>total</b>	<b>456,864</b>	<b>59,725</b>

Other payables includes an amount due to Mr Schloemann, a former director of the Company, for damages of US\$140,000 plus interest and legal fees.

### 17. financial instruments

#### (a) financial risk management

The Group's principal financial instruments comprise of cash, receivables and payables. Financial risk management of the Group is governed by policies and guidelines described in the Group's Financial Reporting Memorandum approved by the board. Group policies and guidelines cover interest rate risk, foreign currency risk, credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and financial position.

#### (b) credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. The Group's trade and other receivables consists of amounts refundable to the Company for expenses incurred on behalf of a third party and payments in advance to suppliers. The Group's exposure to significant concentration on credit risk on trade and other receivables is considered low.

## notes to the consolidated financial statements

### 17. financial instruments (continued)

#### (c) liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due. Ultimate responsibility for liquidity risk management rests with the board, which has established an appropriate liquidity risk management framework for the management of the Group's liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and by preserving cash resources through minimising the cash burn out rate achieved through cost reduction. The financial liabilities of the Group are mainly creditors which are payable on demand, hence it is the opinion of the board that an analysis of liabilities by maturity dates is not appropriate.

#### (d) market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (i) foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has cash assets denominated in Sterling, United States Dollars South African Rand, Ghana Cedis and incurs liabilities for its working capital expenditure in one of these denominations. Payments are made in Sterling (GBP), United States Dollars (US\$), South African Rand (ZAR) and Ghana Cedis (GHS), or Euro at the pre-agreed price and converted (if necessary) as soon as payment needs to occur. Currency conversions and provisions for expenditure are only made as soon as debts are due and payable. The Group is therefore exposed to currency risk in so far as its liabilities are incurred in South African Rand and Ghanaian Cedi and fluctuations occur due to changes in the ZAR/GBP, ZAR/US\$ and GHS/US\$ exchange rates. The Group's policy is not to enter into any currency hedging transactions.

The directors consider currency risk to be manifested in the expenditure made on a day to day basis in Sterling, South African Rand, Ghanaian Cedi and US Dollars. The directors have undertaken a policy of holding cash raised in Sterling and US Dollars and to convert funds to South African Rand and Ghanaian Cedi as and when required.

The exchange rates converted to United States Dollars affecting the Group were as follows:

	average rate 2018	reporting date spot rate 2018	average rate 2017	reporting date spot rate 2017
Sterling for 1 US\$	1.336	1.274	1.288	1.350
South African Rand for 1 US\$	0.076	0.070	0.075	0.081
Ghana Cedis for 1 US\$	0.213	0.206	0.227	0.220

A strengthening (weakening) of GBP, ZAR or GHS against all other currencies at 31 December 2018 would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts this translation at year end for a percentage change in foreign currency rate thus indicating the potential movement in equity.

## notes to the consolidated financial statements

### 17. financial instruments (continued)

#### (d) market risk (continued)

<i>in united states dollars</i>	equity strengthening 2018	equity weakening 2018	equity strengthening 2017	equity weakening 2017
sterling 13% (2017: 13%)	-	-	7,748	(7,748)
south african rand 20% (2017: 20%)	-	-	24	(24)
ghana cedis 10% (2017: 10%)	70,213	(70,213)	-	-
<b>Total</b>	<b>70,213</b>	<b>(70,213)</b>	<b>7,772</b>	<b>(7,772)</b>

The percentage change in foreign currency rate used to adjust the translation of outstanding foreign currency denominated financial assets and liabilities is in the opinion of the directors appropriate.

#### (ii) interest rate risk

The risks caused by changes in interest rates are minimal since the Group's only interest bearing financial asset pertains to cash. During the year the Group entered into a loan arrangement with Paracale as detailed in note 15. The interest rate is fixed at 6% for the duration of the term of the loan. The Group is therefore not subject to a significant amount of risk due to fluctuations in the prevailing levels of market interest rates and as such has not prepared a sensitivity analysis.

### 18. related parties

The key management personnel is considered to be only the directors. Details of their remuneration are disclosed below.

#### salaries and other short-term benefits – detail:

<i>in united states dollars</i>	31 December 2018	31 December 2017
Director's remuneration: executive – E Priestley	131,888	96,628
Director's remuneration (shares); executive – E Priestley	-	32,208
Director's remuneration: non-executive – N Gardyne	-	25,598
Director's remuneration: non-executive – R Lloyd	30,153	23,194
Director's remuneration (shares); non-executive - R Lloyd	-	7,730
Director's remuneration: non-executive – R Wilkins	15,527	3,653
Director's remuneration: non-executive – W Trew	24,000	5,935
Director's remuneration: non-executive – A List	15,527	1,517
<b>total</b>	<b>217,095</b>	<b>196,463</b>

The total amount payable to the highest paid director in respect of emoluments was US\$131,888 (2017: US\$128,836). No directors exercised any share options during the year (2017: nil).

E Priestley's remuneration was paid to Santon Consultancy Services Limited, a company in which she is a director. R Wilkins's remuneration was paid to KSJ Investments Limited, a company in which he is a director.

During the year, the Company entered into a loan agreement with Paracale, the Company's major shareholders and a company in which Bill Trew, the Company's Chairman, is interested, for an amount up to US\$1,224k. At year end the balance was US\$324k, being funds drawn down as at 31 December 2018 - see note 15 for further details.

## notes to the consolidated financial statements

### 18. related parties (continued)

In consideration of the loan, Paracale received 40,352,377 warrants. Please refer to note 14 for further details.

Post year end, the Company engaged MAED (UK) Limited ("MAED") to undertake the Definitive Economic Plan ("DEP") report. MAED is a related party, as it is wholly owned by the Company's non-executive chairman Bill Trew.

### 19. group entities

Details of the Group's subsidiaries at the end of the reporting period are as follows:

	country of incorporation and operation	principal activity	ownership interest 2018	ownership interest 2017
GoldStone Akrokeri (Ghana) Limited	Ghana	Development and exploration of gold and associated elements	100%	100%
GoldStone Resources Limited Gabon S.A.R.L.	Gabon	Holder of the Oyem and Ngoutou Licences	100%	100%

Under Article 105(ii) of the Companies (Jersey) Law 1991, the directors of the holding company need not prepare separate accounts (i.e. company only accounts) if consolidated accounts for the Company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company have not passed a resolution requiring separate accounts and, in the directors' opinion, the Company meets the definition of a holding company. As permitted by the law, the directors have elected not to prepare separate accounts.

### 20. ultimate controlling party

The directors believe that there is no ultimate controlling party of the Group.

### 21. operating leases

The Group does not have any commitments under operating leases as the year end.

### 22. subsequent events

No significant events took place during the period after the balance sheet date.